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*Happiness is . . . .*

*A Positive Cash Flow!™*

★ **17 YEARS** of creating  
positive cash flow for our clients!

**LEASE SMART helps businesses to succeed and prosper in 4 GREAT WAYS:**

**We help growing businesses** improve their profits *and cash flow* by providing affordable funding for the acquisition of equipment, software and other capital items that create new revenues and improve operating efficiencies. We approve up to **\$90,000** 'application only' (no financial statements required, o.a.c.) and at your

**Guaranteed Lowest Leasing Rates!**

*We're here to help you to grow your cash flow.*

**We help equipment, vehicle and software dealers to make sales.** Bigger Sales, Faster Sales, Easier Sales and More Profitable Sales! If you sell capital items to business users, our 'sales financing' and creative marketing solutions will help you to help more of your customers to acquire what they really ought to have - instead of what they otherwise might have compromised or 'settled' for.

**Give your sales a boost! Call us today to learn more.**

We're always glad to answer your questions, to help you to improve your credit standing and to help you make informed decisions in the financing of almost any kind of business asset. **We are fluent in matters** relating to business credit and equipment finance.

*Most consultations are free of charge.*

**520/628-9929 or toll-free: 800/947-2451**

**We are rewarding YOU with a \$25.00 gift certificate to the restaurant of your choice** for your referrals of your colleagues and business associates if your referral turns into a new completed lease application on or before December 31, 2005.

**Call now -- mention this offer.**

**Say HELLO to Your Good Friend in the I.R.S. Section 179!**

**Pssst!** . . . . Want to SAVE REALLY BIG on your income tax bill this year? Want to do it without parting with a lot of cash in the process? You should familiarize yourself with the provisions of Section 179 of the IRS code.

Section 179 provides a class of accelerated depreciation which may allow you to take deduction for the entire cost of qualifying property acquired this year, even if you have it on a lease or finance agreement; even if you have made little or no cash out-of-pocket payments to acquire it. The total amount you could elect to deduct under section 179 for most business assets in 2004 was up to \$102,000. That limit may be adjusted upward for inflation in 2005. If you acquire and place in service more than one item of qualifying property during the year, you can allocate the section 179 deduction among the items in any way, as long as the total deduction is not more than the limit. And you do not have to claim the full \$102,000 to benefit from the deduction.

There are additional section 179 deductions for assets in certain communities (such as the New York Liberty Zone, surrounding the former World Trade towers) and areas known as Renewal Communities and Empowerment Zones. There are also limitations regarding items of equipment valued at more than \$410,000 (this amount may also be inflation adjusted) and the maximum section 179 deduction for sport utility vehicles and certain other vehicles placed in service after October 22, 2004 is \$25,000. **And note:** the equipment must be 'placed in service' in your business on or before December 31, 2005 to qualify for the deduction this year.

Equipment which is leased or financed is eligible for the section 179 deduction ("Operating Leases" not included). So you might have as little as 2% to 3% of the equipment cost paid out (your first month's payment) on a lease of that equipment, and still write off the entire capital cost of the equipment. **We see a flurry of equipment leases** in the last couple of months of every year by taxpayers wanting to minimize their tax liability by taking advantage of section 179.

There are plenty of complications to consider, so talk to your income tax advisor to find out if it's right for you.

***A recent transaction of note:***

An internet service provider ("host") asked us to quote on several Dell file servers for their client's websites and applications. We beat Dell's leasing rates handily and set up lease terms that give our client a sizeable positive cash flow on their monthly lease payments for the equipment, with minimal cash out of pocket. Best of all, in 36 months, they acquire ownership for less than what they bill their clients for a single day's hosting charges!

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A Positive Cash Flow!™

**For more information and resources, visit our website: [www.lease-smart.com](http://www.lease-smart.com)**

# LEASE \$MART ADVISOR

## Leasewise

### What's the RATE? (A True Story)

Billy, who owns several western wear and saddlery stores called us recently to have us write another lease for him. We've done lease business together before, but this time Billy was *insistent* that we provide a percentage rate to him before he would sign our lease documents. Equipment leasing professionals hesitate to get into making percentage calculations because, well, there are lots of reasons ...

We are reluctant to express lease terms as percentage rates because we believe it to be a disservice to our customers to have them think of their lease transaction as being the same as finance contracts, even when they are structured as a 'full payout' lease (with a fixed residual). Certainly, there are elements of a lease transaction which are similar to a term loan, but there are also many ways a term loan differs (including but not limited to 'compensating balances' required by bank lenders, transaction fees, tax treatment, fixed vs. floating rate, simplified accounting, etc.). We feel it is misleading to try an 'apples-to-apples' comparison to any bank loan or non-lease finance contract.

We also prefer to avoid the 'rate' issue because - from a business standpoint - it requires a long and complicated explanation (as you'll see here) and it seldom satisfies the person making the inquiry. Even when we give our customer an answer, *we have to present it with disclaimers galore*. We sincerely and earnestly advise our clients to DOUBT or view with suspicion, distrust and skepticism the accuracy of any equipment lease quote that is presented in terms of an Annual Percentage Rate.

Instead, we recommend that when you compare *our lease transaction* to any other lease, be sure that all aspects of the compared transactions are presented in an identical fashion. Changing the total amount of payments due at inception, for instance, causes a change in either the payment amount or the effective % rate or both. The fact that you have given up more (or less) of your cash at the start of one proposed lease than you would on another cannot be ignored in an apples-to-apples comparison. That's just one example.

We always recommend that our clients review their lease quotes with their accountants when they have 'rate' questions because we know there are too many ways to make a percentage 'rate' calculation with a very wide spread in the resulting answers. (Using just the one set of terms we quoted to Billy we calculated a result that worked out to only 6.66%, but it wouldn't have been either accurate or honest. We could also calculate - using the SAME SET OF TERMS - a rate that worked out at 24.99%! Neither of those rates should be believed, because they were calculated with faulty assumptions!) We know of at least 21 different methods to calculate a 'rate' on any particular set of lease terms - with 21 different resulting answers!

Billy's accountant might calculate something entirely different from how we would calculate it, but at least his accountant could be expected to consistently use *the same method of calculation* in comparing multiple lease proposals.

**If you torture data sufficiently, it will confess to almost anything.**

Fred Menger, chemistry professor (1937 - )

Too often, the 'large print' terms are the only issue compared, but it is in the fine print of the contract that the significant differences lie. For instance:

- ☞ Is there an "interim" or fractional month that will be charged at the start of the lease (i.e.: extra days of charges before the 'start' of the regular billing cycle)? Many leases allow for an "interim rental" charge, turning a 36-month lease into 36.9 months (and charging for the extra 27 days!).
- ☞ Will there be a "termination fee" assessed at the end of the lease, IN ADDITION TO your stated FMV or 10% or \$1.00 residual? We've seen leases that provide for a termination fee of 2%+. **Ouch!** (Note: Always INSIST on getting the residual agreement in writing, countersigned by the Lessor!)
- ☞ Will you be charged additional fees during the term of the lease for the accounting and billing of personal property taxes? And will you be charged personal property taxes based on the actual amount of those taxes or based on the leasing company's (*ahem*) estimate? Guess how they'll *estimate* your taxes if you let them!
- ☞ Does the lease have an onerous late payment/late charge policy? A lease document which provides for -0- days of 'grace period' and a 25% late payment penalty could have a slightly lower monthly payment than the alternative lease which has a 10-day grace period and an 8% late payment penalty.

It goes without saying that lease rates will be different on different terms, with different collateral or with different guarantors and credit circumstances. LEASE \$MART takes each applicant's strengths and weaknesses into consideration in determining what are the best approval terms - weighing all aspects - we can provide on any particular transaction.

These are complicated matters which should be entered into only with people you trust. Your business insurance broker or agent probably knows more about what is in your best interests relative to insurance than you could digest without getting a headache. Your accountant and your real estate advisors probably have more knowledge about their respective industries than you need to know. In these complex issues, *you need to know that your advisors know and that you can confidently trust them*. If I'm shopping for a saddle at Billy's store, I want to know that they know more about saddles than I do AND that they are people of integrity who are interested in my long-term business relationship.

As leasing professionals, it is our responsibility to ask enough questions to understand each client's circumstances; to know about the subtleties of how lease agreements *can* be drafted; to present the best possible approval to each client and to help our clients to make informed decisions about the transaction at hand.

The CLP Certified Leasing Professional initials after my name provide assurance that I have substantial industry experience (22 years!), have passed a rigorous exam and have pledged to uphold the highest Standards of Professional Conduct and fair dealings with all parties. LEASE \$MART is also a member of both the National Association of Equipment Leasing Brokers (with its own strict code of ethics) and the Better Business Bureau. Our entire staff is dedicated to the same standard of professionalism.

We are always pleased to discuss and explain the rate issue and answer our customers' other questions about leases and leasing. **We ARE "LEASE \$MART"** and we consider it our mission to help you to make informed decisions about these financial matters.

Gary Greene, CLP