

WHY INTERNATIONAL FINANCE GROUP?

Since we're in the transportation business, International Finance Group understands your financing needs better than any bank. We offer financial solutions to help you work around issues like seasonality and cyclical nature of your business. How can we help your business? Come in and find out.



TRAC LEASE

WHAT IS TRAC LEASING?

Terminal Rental Adjustment Clause (TRAC) is a type of lease available for trucks and tractors used to transport commodities. It's a type of lease where the customer guarantees to pay the residual value, a predetermined amount agreed to by the customer and the Lessor, of what they believe the vehicle will be worth at the end of the lease.

HOW DOES TRAC LEASING WORK?

Let's say you lease an \$80,000 truck for 3 years. At the end of those 3 years it is estimated the vehicle will be worth \$30,000. (You'll have used \$50,000 worth of the truck's value.) That means your payments would be based on \$50,000 instead of \$80,000, making them significantly lower.

Here's another benefit: If the vehicle is worth \$35,000 instead of the estimated \$30,000 at the end of the lease, you could sell the equipment for the then Fair Market Value price and potentially make a profit of \$5,000.

WHAT ARE THE ADVANTAGES OF TRAC LEASING?

There are a number of advantages:

- No down payments (one rental payment is typically required in advance).
- Significantly lower monthly payments than traditional financing.
- They can be structured so the equipment doesn't appear as an asset or a liability on your balance sheet.
- They're generally considered tax-oriented leases, so the Lessor is able to pass some of their tax benefits on to you in the form of lower payments.

WHY SHOULD I CONSIDER A TRAC LEASE?

There are a number of reasons you should consider a TRAC lease:

- If ownership is still desirable.
- When you are attempting to maximize cash flow.
- When minimal initial investment is required.
- When bank lines of credit become unavailable or are limited.
- When tax depreciation isn't a requirement.
- When you are in an Alternative Minimum Tax (AMT) situation.

FMV LEASE

WHAT IS FMV LEASING?

A Fair Market Value Lease (FMV) is a type of lease where the customer is not responsible for the residual value at the end of the lease term, and has several choices at that time.

- 1) The customer can purchase the vehicle for the Fair Market Value of the vehicle.
- 2) The customer can return the vehicle to the Lessor and have no further obligation.
- 3) The customer can renew the lease for a Fair Market Renewal payment for a predetermined length of time.

BENEFITS OF FMV LEASING

You enjoy a number of advantages with an FMV lease:

- Eliminate used truck risk by returning the equipment to the Lessor at the end of the lease term with no further obligation (equipment must meet standard terms and conditions).
- No down payment (one rental payment required in advance).
- Improved cash flow due to lower monthly payments and no down payment required.
- Potential tax advantages, since the full monthly rental payment can be tax deductible.
- Off-balance sheet financing. No assets or liabilities appear on your balance sheet, resulting in improved operating ratios.
- They're generally considered tax-oriented leases, so you get the benefit of depreciation passed along by the Lessor in the form of lower payments.

WHY SHOULD I CONSIDER FMV LEASING?

There are a number of reasons you should consider an FMV lease:

- To enjoy lower monthly payments.
- When off-balance sheet treatment is desired.
- No down payment required.
- When asset usage, not asset ownership, is your concern.
- When you are in an Alternative Minimum Tax (AMT) situation.



THE BRILLIANCE OF COMMON SENSE.™