LeaseQuest FINANCIAL CORPORATION

LeaseQuest has compiled a number of the most common reasons to lease. Canadian Finance & Leasing Association ("CFLA"), which represents the asset-based lending and leasing industry in Canada, has recently estimated that the Canadian asset-based lending and leasing industry had over $70 billion in financing in place on machinery and equipment with businesses and consumers in Canada. As much as 25% of the total investment in machinery and equipment by Canadian businesses is estimated to have been financed by the Canadian asset-based financing and leasing industry.

The Benefits of Leasing

1) **Capital Preservation**
Leasing lets a company conserve its working capital, allowing it to allocate cash funds for other purposes. Cash tied up in fixed assets is no longer available to finance important profit generating areas such as inventory, production, marketing, research and development, etc. In addition, with a lease, Sales Tax and other Taxes are not paid up front at the time the asset is acquired; but rather are remitted with the monthly payments over the life of the lease.

2) **Credit Preservation**
All businesses have access to limited credit lines at their bank. Operating Lines, Demand Loans, Mortgages and other term facilities must be kept within the bank's total exposure limit for that business. By using a third party leasing company to finance equipment and machinery acquisitions you are effectively opening new credit lines - credit lines which normally require no down payments and no outside collateral - while preserving your existing (and future) bank borrowing ability.

3) **Easier Budgeting**
Lease terms, payment streams and purchase options can be tailored to meet most budgets. Skip leases, Step-Up or Step-Down payment leases are also available to match a business' seasonal or anticipated cash flows. In addition, because most leases are based on fixed rates the customer is not at risk due to interest rate fluctuations.

4) **Tax Advantages**
Leasing provides, depending on the circumstance, a 100% tax deductible operating expense. Consult your accountant regarding the nature of deductions for your situation.

5) **Financial Efficiency**
The revenues (or cost savings) generated by the use of new equipment and machinery can be used to pay the lease payments. Expenses are matched to the generated revenues - a sound business management principle.

6) **More Purchasing Power**
Leasing can actually give a company more purchasing power than when using either cash or bank loans. Here's how: by purchasing equipment with cash or borrowed funds, sales and other taxes are generally paid up front. Thus, if a company had $100,000 available cash or bank loan, they could only purchase approximately $86,950 worth of equipment, as the other $13,050 would go towards payment of taxes (assuming a sales tax rate of approximately 15%). Further, in the case of bank loans, generally the bank will only finance a fixed percentage of the total cost of the equipment; requiring that the business provides equity into the transaction, in the form of a cash down payment towards the difference.

7) **Financing of "Soft Costs"**
Freight, installation, initial set-up costs, computer software, and many other initial costs associated with an equipment or machinery acquisition can generally be included in the cost of a lease, subject to certain limitations. This helps to significantly reduce your initial cash outlay.