Introduction

Castle Leasing Group is the third and most recent business established within the Castle Group of companies. Having established a firm reputation in Canada over the past twenty years in the mortgage and insurance sector, Castle expanded its offering in 2014 to include equipment leasing. Our solid reputation has been built through successful relationships with our clients, and our financial partners.

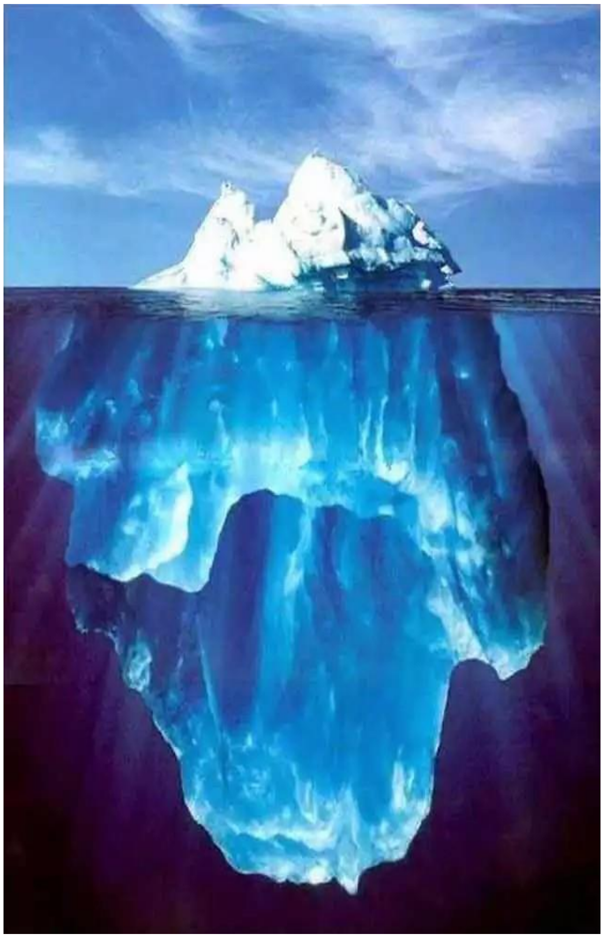
Access to capital is one of the main barriers to success for businesses of all sizes, and while large enterprise understands and commonly leverage equipment leasing funders as a core source of capital, the Small and Medium Size Enterprise (SME) community generally under-utilizes this funding source. Castle Leasing Group has specifically focused its efforts on:

- Education and awareness on the financial advantages inherent within a well-planned leasing strategy
- Providing access to capital for almost any form of lease request
- Expanding partner network to ensure we are always able to offer best of breed working capital solutions.

We specialize transactions of any size and for businesses in most credit segments, Castle Leasing Group is a one stop shop. Castle Leasing utilize a range of funding sources, some local and some national with reach into the US. It is this broad range of funding partners that enables us to find a home for just about any leasing request.

The Solution

The business financing equation is one of balance as leasing options yield a variety of benefits that put the customer in a favorable position via a long-term strategy. In tandem with leasing options, business loans serve several other strategic benefits. It is not the case of one over the other, but more accurately applying each method of financing to specific scenarios to ensure the customer received the maximum utility of their financing.



While this is quite possible the most overused visual representation of seeing the "big picture", the iceberg analogy does address the core perception of equipment leasing.

1. Most only see the monthly payments as an obligation they'd rather not have.
2. The tip of the iceberg represents the initial costs, and where get into the lease rate explanation (#1 knee jerk reaction to equipment leasing)
3. When we get over looking at what we can see at the surface, we explore what rests below the surface
   a. Leasing allows owners to preserve capital for better use
   b. Leasing decreases the tax burden.
   c. Leasing removes costly assets from the income statement and leave the balance sheet liquid
   d. Leasing increase after-tax cash flow.
4. Leasing leaves the core method of business financing (business loan, or operating line of credit), open and available for cash flowing, inventory, marketing activities, all those things that directly produce revenue and profit.
5. Lease funding is fast, approvals for 100k in 24 hours are common.

Loan	Lease
Affects personal credit report	Does not affect personal credit report (Lease funders do not report into Equifax). Leaves link to customer personal credit available for personal property acquisitions.
Loan means the business is purchasing the asset – client holds permanent responsibility for the equipment, restrictive condition for technology items that are obsolete in less than 3 year cycles.	Lease means renting or paying for use – client has options to upgrade with no cumbersome processes for selling or disposing of old equipment. Allows them to benefit from the latest technology advances
Cost over term appears less than leasing option	Long term benefit of leasing allows customer to maximize the time value of money.
Customer can only claim a portion of expense plus interest for tax purposes (variable declining balance)	100% write off against tax rate. Customer will pay less business tax at year end, and their after-tax cash flow will increase. Does not apply to NPO re lease or loan
When purchasing, customer pays all the taxes up front, and only then is loan interest applied.	Taxes on the equipment are only apply to each lease payment, preserving more capital for other use.

Financial Benefits

This chart is a direct copy of an online loan vs lease analysis tool, I have modified it to allow an explanation of the primary elements. In this scenario, we are looking at a $220,000 equipment loan Vs lease, and the scenario assumes just two variables.

Assumptions

1. Customer is not for profit and does not pay income tax

2. Customer’s use of capital, if not diverted into buying equipment would result in a 15% return in investment.

3. Customer financing rate (line of credit or loan) is 4%

4. Customer lease rate is 5%

5. We use a 10% residual on the equipment

The net outcome is that at the end of the lease term, the customer is better off by more than $30,189.12 as compared to using a traditional loan to purchase the equipment.

Cash – Loan – Lease Calculator – Screen Shot

Cash / Loan / Lease Calculator by Bailey Business Funds

Preferred term (in years)	5
How much does your equipment cost?	220000
What is your current Line of credit interest rate?	4
What lease rate were you quoted?	5
What taxes apply to you (GST, PST)	13
What buyout would you prefer? ($1 or 10%)	10.00%
What is your business tax rate? ?	0
What is your return rate on investment? (ROI)	15
	Calculate!

	CASH	LOAN	LEASE
COST OF EQUIPMENT	$220,000.00	$220,000.00	$220,000.00
Bank Interest (for example purposes only)	N/A	$26,100.84	N/A
Monthly Lease Payment before taxes	N/A	N/A	$3,874.30
Taxes (GST & PST)	$28,600.00	$28,600.00	$503.66
Lease Buyout			$22,000.00
Total Equipment Cost before Tax Savings and Future Value.........	$248,600.00	$274,700.84	$284,677.75
TAX SAVINGS			
Depreciation (variable declining balance)	$198,000.00	$198,000.00	N/A
Bank Interest	$0.00	$26,100.84	N/A
Lease Payments Plus Buyout	N/A	N/A	$284,677.75
Total Deductions	$0.00	$224,100.84	$284,677.75
(Deductions x Your Tax Rate)...	$0.00	$0.00	$0.00
FUTURE VALUE OF CAPITAL			
Interest Earned on Capital Over Term (Your Corporate ROI)	-$101,869.73	$112,565.16	$116,653.44
NET COST OF EQUIPMENT			
Total Equipment Cost	$248,600.00	$274,700.84	$284,677.75
Less Corporate Tax Savings	$0.00	$0.00	$0.00
Less Interest Earned	-$101,869.73	$112,565.16	$116,653.44
Less GST Tax Credit	$15,400.00	$15,400.00	$22,249.34
NET COST OF EQUIPMENT	$335,069.73	$146,735.68	$145,774.98
CASH ON HAND AT END OF TERM	N/A	$306,464.32	$336,653.44

Cash – Loan – Lease Calculator – Explanation

	Lease	
Cost of Equipment	$220,000	Same starting cost, the decision to buy or lease will drive different results
Bank Interest		Lease option preserves the original $220,000 plus the GST & PST ($28,600) that must be paid upfront. Leasing is a long-term strategy where we need to focus on the taxable benefits and function of preserving capital. Short term, loan option appears less costly. However, this is Total Cost Before Future Value of your money. Long-term, leasing will result in more cash on hand (this is the part we all see when we look at an iceberg)
Rental Payment	$3,874.30	
GST & PST	$503.66	
Total Cost Before Future Value of your money	$284,677.75	
Lease Buyout	$22,000	
TAX SAVINGS		
Depreciation (variable declining balance)		Loan option equals equipment ownership, so business can only use variable declining balance to account for depreciation. For non-profits uplift tax advantage does not apply – loan or lease, the ability to deduct against tax rate is a null value. The route question when considering a lease option is – If I can get the use of the equipment I need, without having to outlay the capital for ownership of that equipment, what can I do with my capital to create more revenue?
Bank Interest		
Lease Payments + Buyout		
Total Deductions		
Total Deductions Against Your Tax Rate		
Future Value of Capital		
Interest earned on your capital over term	$116,653.44	Leasing allows customer to invest in other activities to produce more income or Return On Investment (ROI).
Total Equipment Cost	$284,677.75	
Less Corp Tax Savings	$0.00	Loan option results in taxable benefit of $14,259.72 Lease options results in a higher taxable benefit of $18,371.04
Less Interest Earned	$116,653.44	
Less GST Tax Credit	$22,249.34	
NET COST OF EQUIPMENT	$145,774.98	
CASH ON HAND END OF TERM	**$336,653.44**	Preserving $220,000 + taxes on day one, and applying a 0% tax rate while using the capital to drive a 15% ROI puts the business in a better overall position at the end of the term.

Equipment We Finance

Castle Leasing finances a wide variety of equipment, everything from office furniture, computers and software, construction and medical equipment. Our leases can be based on asset costs as low as $1,000, and there are no limits as to how large a transaction can be.

Ran	Equipment Type
1	Commercial Trucks, Trailer, Buses
2	Construction
3	Manufacturing and Processing
4	Aircraft and Related
5	Office Equipment
6	Computers (Hardware and Software)
7	Medical, Health Services
8	Forestry
9	Mining and Petroleum
1	Materials Handling
1	Office Furniture and Fixtures
1	Store Furniture, Fixtures, Equipment
1	Railway Rolling Stock
1	Agriculture
1	Telecommunications
1	Water Vessels
1 7	Hotels, Restaurants

Sale and Lease Back

Castle Leasing offers "Sale and Lease Back" (SLB) for equipment anywhere from 1 month old to several years in age. This has been widely received as a great option for customers who have recently purchased equipment but we unaware that they could have leased it. SLB does have some restrictions depending on the type of equipment.

We are excited to be discussing this opportunity with you and we look forward to further discussions.

Thank you,

Alex Long
Director of Leasing
Castle Leasing Group