CLASSIFICATION TEST INFORMATION

Note: If Test 'A' or 'B' is 'YES' for any Category, circle 11-15 on LAS-1.

If asset is in last 25% of its economic life, only Tests 'A' & 'B' apply.

If asset is Category 01 (Land), only Tests 'A' and 'B' apply.

If asset is Category 04 (Part of Building), only Test 'C' applies.

Otherwise, ALL (A,B,C,D) Classification Tests are REQUIRED.

If ONE OR MORE CLASSIFICATION TESTS ARE POSITIVE, THE LEASE IS CAPITAL.

A - TITLE TRANSFER TEST: Does Title Pass to Lessee? (YES or NO)   _____

B - BARGAIN PURCHASE TEST: Is there a Bargain Purchase Option? (YES or NO)   _____

C - LEASE TERM TEST:

    1. LEASE TERM (LT) =   YEARS _____   MONTHS _____
    2. ESTIMATED REMAINING ECONOMIC LIFE (EREL) =   YEARS _____   MONTHS _____
    3. PERCENTAGE 1 of 2 (LT / EREL x 100 = % Be Sure Terms Are Same) =   _____ %
    4. IS 3 EQUAL TO OR GREATER THAN 75%?   (Yes or No)   _____

D - ASSET INFORMATION & 90% PAYMENT TEST: *** (Test Completed at DOA)   ***

Note: Provide all data, if applicable and available. *Asterisk = Required Data

    If Renewal, adjust from the original to the current Fair Market Value.

    * IS THERE A BARGAIN RENEWAL OPTION?   (Yes or No)   _____

                    IF YES   AMOUNT: _____   and DATE: _____

    * PENALTY AMOUNT (If Any) = _____   OR   Circle: NO PENALTY
    * REASON FOR PENALTY: ☐ EARLY TERMINATION   ☐ FAILURE TO RENEW   ☐ OTHER
        EXPLAIN OTHER   _____
    * INCREMENTAL BORROWING RATE: (Prime Rate at Add/Renew Date)   = _____ %
    * CURRENT FAIR MARKET VALUE: (Best Estimate Required)   = _____
    ESTIMATED SALVAGE VALUE: = _____
    GUARANTEED RESIDUAL VALUE: (If Any)   = _____
    UNGUARANTEED RESIDUAL VALUE: = _____

    ESTIMATED ECONOMIC LIFE (Years/Months):   TOTAL = __ / __   REMAINING = __ / __

    ASSET AMORTIZATION LIFE: YEARS _____   MONTHS _____

    AMORTIZATION DATES: START = __ __ - __ __ __ __   END = __ __ - __ __ __ __
                                        (MM)   (YYYY)   (MM)   (YYYY)
    OR CHECK: ☐ N/A

Note: If title passes or if bargain purchase option, asset should be amortized (depreciated) over its remaining economic life. If it does not pass either of the above tests, but is a capital lease, then the asset should be amortized over the term of the lease.

        **** RESULTS OF CLASSIFICATION TESTS: ☐ CAPITAL LEASE   ☐ OPERATING LEASE *****