

## Exhibit I

### Determination of Capital versus Operating Leases

This spreadsheet applies the criteria in SFFAS 5 in order to determine if a lease should be classified as a capital lease.

#### Instructions:

#### A. Input the following information:

Description of Lease / Asset:

Date of Lease:

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Information from the lease:

Non-cancelable Lease term (years) - 0

Note: If the likelihood that the government will cancel the lease before expiration is remote, then terms related to the "availability of funds" should not be considered in determining the non-cancelable lease term.

Annual Lease Payment (\$)

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Cost to purchase asset at end of lease

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If lease does not contain a purchase arrangement, enter "N/A". Otherwise enter a \$ amount.

Information about the asset:

Estimated total useful life of the asset (years) 1.0

Age of asset at lease inception (years) - 0

Value of leased asset at lease inception (\$) (What is the asset worth today?)

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Estimated value of asset at end of lease (when non-cancelable term is up)

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If new, enter 0

Other Information:

Interest Rate 0.00%

Use "Daily Treasury Yield Curve Rate" for time period closest to lease term. See [www.treas.gov/offices/domestic-finance/debt-management/interest-rate/index.html](http://www.treas.gov/offices/domestic-finance/debt-management/interest-rate/index.html)

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B. Circle Yes or No in response to each question. One or more "Yes" answers indicates a capital lease.

Yes / No Step 1

Does the lease transfer ownership of the property to the lessee by the end of the non-cancelable lease? If yes, the lease is a capital lease.

Yes / No Step 2

Does the lease contain an option to purchase the leased property at a bargain price?

Cost to purchase asset at end of lease

Estimated asset value at end of lease

Would a reasonable person consider the purchase price to be a bargain that would almost certainly be exercised? If yes, the lease is a capital lease

Example: If the estimated value of the asset at the end of the lease is \$25,000 and the lease option to purchase the asset for \$22,000, this may or may not turn out to be a bargain and the answer would be "No." However, if the option price is \$250, this will certainly be a bargain and the lease is a capital lease. This evaluation requires judgment.

Step 3 & 4

Steps 3 and 4 do not apply if asset is in the last 25% of its

Total useful life of asset	1.0
Current age of asset	<u>- 0</u>
Remaining Useful Life	<u><u>1.0</u></u>

Percent of useful life remaining 100.0% Continue to Steps 3 and 4

Yes / No Step 3

Is the lease term greater than or equal to 75% of the estimated economic life of the leased asset?

Estimated useful life (years)	1.0
times 75%	<u>75%</u>
= 75% of estimated economic life	0.8
Non-cancelable Lease term (years)	<u>- 0</u>
Difference	<u><u>0.8</u></u>

Answer NO

If the difference is negative the lease is a capital lease

Yes / No Step 4

Does the present value of rental and other minimum lease payments, excluding that portion of payments representing executory cost, equal or exceed 90 percent of the fair value of the leased asset?

Value of leased asset (What is the asset worth today?)	
times 90%	<u>90%</u>
= 90% of value of leased asset (at lease inception)	

**"Present Value" of lease**

**Difference**

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**If the difference is negative the lease is a capital**

**Note-this Present Value computation assumes equal annual payments. If this assumption is not correct, preparer is responsible for estimating present value by other means. (This is the amount that will be entered into the property system if the lease is determined to be a capital lease. Property will record the asset - work with  
Answer YES**

**C. Conclusion:**

**Will this lease be treated as a Capital Lease?**

**Prepared**

**Date:**

**Comments:**

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### Capitalized and Operating Lease Decision Tree

