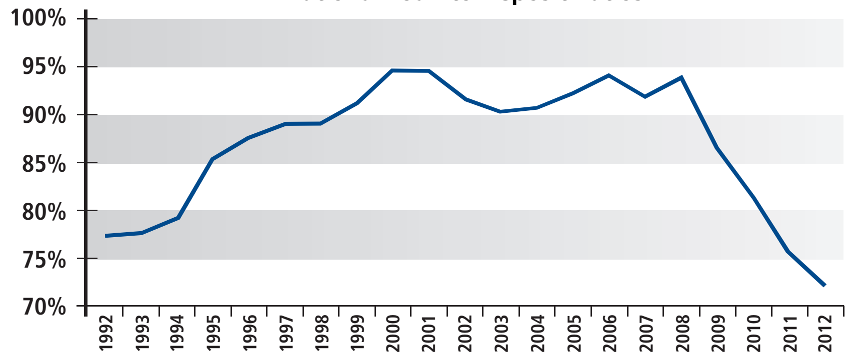
Partner Leasing Program (PLP)

K2 Capital Group's **Partner Leasing Program (PLP)** provides lenders the ability to offer equipment finance alternatives to their current and prospective customers. Through PLP, our bank partners retain vital relationships by delivering a seamless, turnkey equipment financing solution. And with new C&I capabilities, lenders can call on prospects whose needs they previously have not been able to meet.

The recent economic downturn has had serious implications for the banking community. In addition to costly credit charge offs, banks today are faced with stricter regulations, higher operating costs and loan demand nearing all-time lows. Portfolio diversification and new product development have never been more important, especially to community banks.

National Loan to Deposit Ratios



Source: FDIC Q1 2012 QBP Report

Banks are looking to new solutions and sources of revenue to generate much-needed income. More and more community banks are turning to C&I lending and equipment finance to add higher yielding, diverse assets to supplement their portfolios.

Room to Grow

Lease assets make up less than 1% of the average U.S. bank's balance sheet today.

LEASE CONCENTRATION	OF LOAN PORTFOLIO (%)	OF TOTAL ASSETS (%)
2012	1.37	0.73
2011	1.37	0.74
2010	1.41	0.79
2009	1.50	0.86
2008	1.62	0.97

Source: FDIC (all periods Q1)

Equipment Finance: A Safe, Viable Alternative

Equipment finance is a critical finance alternative for 90% of U.S. businesses. More than $725 billion in equipment cost is financed every year. However, a significant number of banks still have not embraced leasing. In fact, lease assets make up less than 1% of the average U.S. bank's balance sheet today. Instead, large, money-center institutions have funded the lion's share of America's equipment finance needs.

With equipment finance, banks do not need to sacrifice credit quality. In fact, lease assets have outperformed every major asset class for the last six years, including real estate lending, consumer lending, credit cards and even C&I lending.

Charge offs %	2012	2011	2010	2009	2008	2007
Leases	**0.12**	**0.20**	**0.89**	**0.83**	**0.34**	**0.17**
All RE Loans	1.08	1.47	2.11	1.44	0.73	0.10
Construction	1.95	3.76	5.35	3.28	1.12	0.08
Residential RE	1.32	1.55	2.17	1.59	0.92	0.13
HELOCs	1.97	2.20	3.12	2.37	1.54	0.24
Credit Cards	4.25	6.69	13.21	7.79	4.83	4.07
C&I	0.56	1.14	2.01	1.82	0.68	0.35
All Loans/Leases	**1.17**	**1.83**	**2.88**	**1.94**	**0.99**	**0.45**

Our leasing team works with bank partners and their customers to create a customized solution for most equipment finance projects. Best of all, K2 Capital is not a bank – so your relationship is safe.

Community banks can enter the equipment finance space in a variety of ways – from simply referring customers to an outside finance partner to starting their own leasing division within the bank. In either case, banks today use equipment finance to better serve their clients and enhance their customer relationships.

PLP Offers Flexibility

K2 Capital's PLP allows community banks to deliver customized, flexible financing alternatives to their customers without having to create their own leasing division. Specifically, PLP offers banks three ways to participate in leasing at little or no expense.

1. Private Label Equipment Leasing

As a private-label partner, we deliver a unique, professional finance solution that supports commercial lenders and calling officers, allowing them to deliver a new alternative to their customers. Moreover, our bank partners can fund their customers' financing needs through discounting (see #2). By offering new alternatives through our private-label equipment finance program, our bank partners enhance their ability to secure a new relationship and strengthen partnerships with existing customers.

While each private-label program is unique, K2 Capital provides the following assistance:

- Dedicated Resources – We assign a team leader to each bank partner, providing a single point of contact.
- Sales Training – Our leasing professionals provide sales training for commercial lenders and calling officers at no charge.
- End-User Support – Our team administers the lease so our bank partners can spend more time on the next opportunity, not the last one.
- Marketing – A full range of collateral support, branded for each bank, is available for lenders to help educate end users on the leasing process.

2. Discount Funding of Leases

K2 Capital funds many of its transactions through partnerships with community banks. Banks with little or no equipment finance experience can participate through our discounting program. Here's how it works:

a. K2 Capital funds each transaction with its own money.

b. It then secures permanent financing for the transaction by assigning the stream of payments and a first-security interest in the equipment to a community bank.

c. The bank provides funding based on the present value of the stream of payments at a discount rate, which is determined by the credit quality of the lessee.

(continued)

d. K2 Capital retains the servicing rights and ownership of any residuals (operating leases) of the equipment.

e. The stream of payments is discounted with the banks on a fully amortized, non-recourse basis.

Banks that participate in our discounting program are able to diversify their portfolio allocation, book stable, earning assets at no cost and earn higher returns than on other assets of similar credit quality.

3. Direct Customer Referrals
Sometimes a customer's financing request exceeds a community bank’s lending limit. Other times, banks simply don't offer the solution or have the in-house expertise to execute the request. Rather than turn down a client, banks turn to us to help complete the transaction. Our finance team works with bank partners and their customers to create a customized solution for most equipment finance projects. Best of all, K2 Capital is not a bank – so your relationship is safe. And, banks can earn fee income for referring their clients to us.

A Real Opportunity

Most businesses require equipment to operate and, in many cases, make money. Each business tries to make the best procurement choice based on numerous factors such as cash flow, balance sheet impact and available credit lines. Equipment can be financed for virtually every industry.

The need for equipment financing is significant. At a time when most banks find diminished opportunities for traditional CRE offerings, the time is right to consider a viable alternative for portfolio growth and customer retention. Equipment finance has a proven record of producing quality earning assets for banks.

The professionals at K2 Capital have extensive experience and industry expertise in the equipment finance arena. We are able to deliver a safe, flexible alternative for community banks looking to generate meaningful opportunities in this asset class.

To learn more, please visit **www.k2capitalgroup.com,** or call us at **(952) 224-2450.**

Why PLP?

PLP offers many key advantages to our banking partners, including:

New Product Offering – *We work directly with the bank's lending and credit teams to develop a simple, effective approach to equipment finance – at no cost to the bank.*

Quality, Earning Assets – *Banks book these assets as loans to the customer. We can assist the lenders with documentation, servicing and overall administration through the term of the lease.*

Customer Retention – *Banks no longer have to lose customers to finance companies or larger banks that offer equipment finance.*

Fee Income – *Banks earn fee income for referring their clients to us.*

Administrative Support – *Our team works seamlessly with the bank's lenders and operations team to ensure the customer's finance experience is positive and easy.*

Marketing – *We help banks create sales and marketing strategies to educate existing and prospective customers to the advantages of equipment finance.*