



HL LEASING, INC.

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July 28, 2008

Gentlemen,

I am in receipt of your memorandum dated 7/7/08, which was forwarded to me on 7/22/08. I will endeavor to do my best in answering all of your questions, as long as they are not of a proprietary manner. HL does on occasion provide financial statements and tax returns to a limited number of banks, funding sources, individuals and corporations upon request, so that they may determine if a relationship with HL, is a prudent decision. To my knowledge we have never given out my personal financial statement and tax returns to anyone, other than banks that provide us with lines of credit. I was truly amazed to find out that you were given and possess such information.

I own 100% of the stock of HL Leasing, Heritage Pacific Leasing, Manufacturers Acceptance Corp. and Centerpoint Financial Services, and many other companies, that are not apart of this discussion. All relationships with other lease related companies are based on long standing contracts and relationships, that go back as long as 25 to 30 years. This information is of a proprietary manner, and will not be provided.

All leases that are sold to private individuals or companies are secured in the following manner: 1. the lessee. 2. the equipment. 3. the company who sold us the lease (thru a reps and warranty agreement) 4. insurance on the lease 5. HL leasing. We do not buy credit card debt, as this involves dealing with individuals, which we do not do. We only buy paper that involves businesses. We however, do buy accounts receivables from various corporations, that are looking for capital. These are discounted 80%, we receive a fee of 3% per month, and the stream of the remaining payments is insured. These instruments are not sold by Danny, and are designed for very large investors. On a monthly basis all firms, that bill and collect the leases that they sold to us, send us an aging analysis of all leasing outstanding. (not available, as this is confidential information).

The program has changed over the years because of demand by our clients. Many clients want longer terms, with higher yields. I have no idea where you got your information, that a typical lease yields 9%. We at Heritage buy high quality credits, we are a small balance lender (5,000 to 100,000) with yields somewhere between 18 and 30%, this takes into consideration, advance payments, residuals, put's (purchase upon termination), documentation fee, etc., and number of points inserted into the deal above our cost of money, ...leases above \$100,000 are broker-out to middle to large buyers, where we are paid fee's of 3 to 10 points of cost of equipment, depending on credit, type of equipment, term of lease, etc.

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Our business model has not changed much over the years...we are a small balance lender, we require full financial statements for all transaction above 50,000..this includes bank ratings, trw scores, bankruptcy risk scores, time in business requirement, 3 satisfactory trade references...(this is required on all lease submission) above 50,000 financial statements and federal tax returns for the last 3 years are mandatory.

We buy leases from other leasing companies and banks. We generally discount the remaining stream of payments at 20%. The original term is generally 48-60-72 months. We are buyers for 12-24-36 mos., of remaining payments. Generally speaking the selling bank has taken all of the profit out of the deal in the first 12 to 24 months, and consequently is willing to take a deep discount, for cash, for the remaining payments. Per, our agreement all leases submitted must meet the credit criteria of HL. All leases are purchased on an individual basis and sold in the same manner, not as pools.

I agree with the old adage of "don't invest in anything you do not understand".... I truly hope that the above comments give you a better understanding of what we do. Heritage Pacific leasing is an originator of leases, HL leasing, is a conduit for the sale of leases. We have completed 3 securitizations with a New York Stock Exchange brokerage firm, for large blocks of leases, all with attorney opinions, insurance, rating by Moody's, and sold as debt instruments' at an average rate of 7%., and finally Centerpoint Fin. Services, does the billing and collecting, for in-house leases.

The demise of the real estate market was due, all because of greed....by the investor in mortgages, Mtg.. Brokers, the banks, the securitization companies, the brokerage firms....easy money and very little work. They did not credit check, no TRW's pulled, no financial statements required, no verification of employment....if you had a pulse, you got a mortgage. As a result Bear Stearns, Country Wide, Fannie Mae, Freddie Mac, IndyMac Bank, has failed or is in desperate need of help. With hundred of others to follow shortly...Washington-Mutual, UBS, Bank of America, Wachovia, to name a few.

I have tried to answer all of your questions. But, I am not an investment adviser, so consequently can not advise you if purchasing leases is a good idea, for you gentlemen.

Respectfully submitted,

John W. Otto, Chief Executive Officer