AutoAdvisorAI Commercial Fleet Lease Forensic Audit

Prepared For: James Douglas | **Fleet Profile:** Copper State Plumbing & Drain, LLC | Incumbent: Apex Commercial Fleet Funding, LLC | 6 Reported Units (7 Invoiced)

[FORENSIC AUDIT HEADLINE]: Forensic audit identifies 497 bps in implicit APR bloat, $38,640.00 in artificial TRAC residual exposure from zero-residual upfit clauses, $19,960.00 in forfeitable maintenance reserves, and $1,843.35/mo in ghost-unit and unamended Schedule A billing variances.

EXECUTIVE SUMMARY & AUDIT GOVERNANCE SCORECARD

Audit Score	Strategic Action Recommendation	Audit Confidence	First-Year Total Value Impact
1 / 10.0	**RESTRUCTURE MLA & LAUNCH COMPETITIVE RFP**	**HIGH**	**+$42,045.75 Total Saved**

Master Lease Agreement	Active Vehicle Schedules	Monthly Billing Statements	Unit Headcount Reconciliation
Verified - Complete	Verified - Complete Scheduled: 6 Units	Verified - Complete Invoiced: 7 Units	6 Reported | 6 Scheduled | 7 Invoiced [1 Terminated Ghost Unit Flagged] Intake Reported: 6 Units

3-BUCKET FLEET SPEND & SAVINGS WATERFALL

Forensic Financial Metric	Current / Invoiced	Benchmark / Target	Variance / Savings
Implicit APR / Effective Lease Rate	11.97%	7.00%	Spread Bloat: 497 bps
Bucket 1: Funding Spread Bloat (Pre-Tax)	Overpriced Active Cohort	Tier Index / Rate Benchmark	+$981.85/mo
Bucket 2: Monthly Mgmt, Maint & Program Fees	$1,020.00/mo	$495.00/mo	+$525.00/mo
Bucket 3: Recurring Invoice & Holdover Variances	$1,843.35/mo	$0.00/mo	+$1,843.35/mo
Recurring Monthly Fleet Spend	**$11,209.91/mo**	**$7,859.71/mo**	**+$3,350.20/mo**
Annualized Run-Rate Savings (12-Month)	Current Cost Baseline	Optimized Run-Rate	**+$40,202.40/yr Saved**
Retroactive Billing Credit Recovery	Verified Statement Errors	Immediate Credit Memo	**+$1,843.35 Recoverable**
First-Year Total Fleet Value Impact	12-Mo Run-Rate + Credits	Combined CFO Target	**+$42,045.75 Total Saved**

Executive CFO Verdict: Apex Commercial Fleet Funding embeds an 11.97% weighted implicit APR (497 bps above benchmark), assigns $0.00 residual value to $67,000.00 of capitalized upfits to manufacture a $38,640.00 TRAC shortfall, retains $19,960.00 in unspent maintenance reserves, and continues billing surrendered Unit #100. Restructuring and invoice remediation unlock +$40,202.40/yr in run-rate savings plus +$1,843.35 in immediate statement recovery.

POINT 1: IMPLICIT APR, FUNDING SPREAD & CAP COST AUDIT RISK: HIGH

- **Lease Rate Structure:** Fixed Level Rate Factor (2.0712% - 2.0899%/mo of Gross Cap Cost)
- **Implicit APR vs. Tier Benchmark:** 11.97% (Benchmark: 7.00% | Spread Bloat: 497 bps)
- **Capitalized Cost, OEM Fleet Incentives & Upfit Audit:** Schedule A capitalizes $3,000.00 in explicit Lessor Acquisition Fees ($500.00/unit across Units #101-#106) plus $67,000.00 in Adrian Plumbing and Knapheide vocational upfits ($10,500.00/unit on #101-#105; $14,500.00 on #106) into Gross Capitalized Cost ($359,500.00 total) with zero disclosure of Factory Invoice pricing or OEM commercial fleet incentive pass-through credits.
- **Forensic Rate & Spread Assessment:** Across the 6 active units (#101-#106), level monthly lease rate factors of 2.0712% and 2.0899% produce a weighted implicit APR of 11.97% (11.90% on the five 2024 Ford Transit-250 vans and 12.24% on the 2024 Ford F-250 XL)—497 bps above the 7.00% small-fleet all-in fixed benchmark and 412 bps above the 7.85% Tier-1 Bank Benchmark printed on Schedule A. Compressing the funding spread to 7.00% saves +$981.85/mo ($11,782.20/yr), though early buyout is currently restricted by MLA Section 7 Rule-of-78s penalties.

POINT 2: OPEN-END TRAC RESIDUALS, DEPRECIATION & SURPLUS AUDIT RISK: HIGH

- **Governing Lease Type:** Open-End TRAC | **Monthly Depreciation Rate:** 1.42%/mo
- **TRAC Clause & Deficit Liability Terms:** Schedule A mandates a 32.00% Stated TRAC Residual Guarantee ($18,560.00/unit on Units #101-#105 and $22,240.00 on Unit #106, totaling $115,040.00) applied to total Gross Capitalized Cost ($359,500.00), while MLA Section 5 simultaneously assigns a $0.00 wholesale residual value to all $67,000.00 of capitalized vocational upfits and prohibits upfit removal without a $1,250.00/unit restoration fee.
- **Residual & Amortization Exposure Analysis:** Applying the 32.00% TRAC residual factor to $67,000.00 of upfits that carry a contractually fixed $0.00 residual value manufactures an artificial back-end balloon trap. Schedule A Section 2 explicitly projects a 48-month wholesale trade value of $76,400.00 ($12,200.00/unit for #101-#105 and $15,400.00 for #106) against the $115,040.00 Lessee-Guaranteed TRAC Residual, locking in a projected $38,640.00 Terminal Rental Adjustment Shortfall payable via ACH within 15 days of invoice.
- **Resale Surplus Retention & Remarketing Fee Audit:** MLA Section 3 omits any lessee resale surplus credit provision (0% disclosed gain share to Lessee) while imposing a Mandatory Vehicle Disposition Fee of $895.00/unit ($495.00 above the $400.00/unit commercial benchmark cap) plus uncapped reconditioning, decal de-identification, transport, and auction marshaling charges deducted from gross hammer proceeds.

POINT 3: BUNDLED MAINTENANCE, MANAGEMENT & ANCILLARY FEES RISK: HIGH

- **Maintenance Program Structure:** Fixed Guaranteed Maintenance
- **Enrolled Per-Unit Maintenance Cost vs. Benchmark:** $170.00/unit/mo (Benchmark: $82.50/unit/mo)
- **Management, PO, Fuel-Card, Telematics & Rebate Audit:** Schedule A contracts $1,020.00/mo ($170.00/unit/mo weighted average: $165.00/mo on #101-#105 and $195.00/mo on #106) strictly for basic preventative maintenance (oil changes, tire rotations, and brake pads at national chain vendors). Furthermore, MLA Section 6(b) enforces 100% surplus forfeiture, resulting in $19,960.00 of unspent reserves retained by Lessor over 24 months ($26,380.00 collected vs. $6,420.00 disbursed—a 75.66% embedded fee margin). On the November 2026 invoice, Lessor also unilaterally added a $35.00/unit/mo ($210.00/mo) Sec. 4(b) Admin Fee and hiked Maintenance Reserves by $190.00/mo to $1,210.00/mo (isolated in Bucket 3).
- **Unbundling & Fee-Cap Directive:** At the contracted 18,000 miles/yr (1,500 miles/mo) utilization for under-warranty 2024 Class 2b/3 vans and trucks, the benchmark fixed preventative maintenance ceiling is $82.50/unit/mo ($0.055/mile, or $495.00/mo across 6 active units), yielding +$525.00/mo in baseline maintenance savings. Unbundle the non-refundable Maintenance Reserve Account immediately, convert to pass-through fleet card maintenance at $0.00 monthly reserve, and demand elimination of the unilateral $35.00/unit/mo telematics/compliance administrative fee.

POINT 4: VEHICLE CYCLING, EVERGREEN HOLDOVER & GROUNDING CUTOFF RISK: HIGH

- **Holdover / Post-Amortization Billing Audit:** None Detected on active fleet (Units #101-#106 are in Month 25 of 48); however, surrendered Unit #100 (2021 Ford Transit-250) remains in active billing 3 months after physical turn-in.
- **High-Mileage & Out-of-Warranty Exposure:** Active Units #101-#106 are 2024 models at Month 25 of their 48-month cycle (approx. 37,500 cumulative miles at contracted 18,000 miles/yr pace) and remain within powertrain warranty parameters.
- **Grounding vs. Auction Settlement Billing Cutoff:** MLA Section 8 contains a punitive holdover billing trap: billing for surrendered vehicles continues after physical turn-in until Lessor both issues an executed Formal Grounding Receipt AND removes the unit from its quarterly billing batch. In addition, Section 8 imposes an automatic 12-month evergreen auto-renewal at full initial Monthly Base Rent (despite 100% upfit depreciation) unless certified mail notice is delivered 60 to 90 days prior to expiration.
- **Fleet Cycling & Replacement Directive:** Enforce the September 1, 2026 billing cutoff confirmed in Schedule A Section 3 for Unit #100, calendar certified-mail non-renewal notices for Units #101-#106 exactly 75 days prior to October 31, 2028 (August 17, 2028), and amend MLA Section 8 so lease billing terminates strictly on the physical grounding receipt date.

POINT 5: ESCALATORS, RATE RATCHETS & INTERIM UPFIT INTEREST RISK: HIGH

- **CPI Escalators, Index Floors & Day-Count Conventions:** MLA Section 4(a) embeds an automatic annual upward escalator on Base Monthly Rentals equal to the greater of CPI-U or a minimum floor of 4.00% per annum ($298.35/mo surcharge billed on the November 2026 invoice). MLA Section 6(a) additionally permits unilateral annual Maintenance Reserve rate hikes of up to 20.00% ($190.00/mo billed on the November 2026 invoice, including a 20.51% hike on Unit #106 from $195.00 to $235.00 that exceeds the 20% cap).
- **Unilateral Fee Schedule Modification Exposure:** MLA Section 4(b) grants Lessor unilateral authority to assess a monthly Fleet Compliance & Telematics Administrative Fee of up to $35.00 per active unit ($210.00/mo billed in November 2026) without prior written amendment to Schedule A.
- **Pre-Delivery Chassis & Upfit Interim Interest:** No pre-delivery interim upfit interest rider is disclosed; instead, 100% of upfit costs ($67,000.00) and $3,000.00 in acquisition fees are capitalized into Gross Capitalized Cost at lease inception and amortized at 11.90% to 12.24% implicit APR.
- **MLA Rider Amendment Directive:** Execute a bilateral Master Lease Addendum striking Sections 4(a), 4(b), and 6(a) in their entirety, freezing Base Capital Rent and Maintenance Reserve charges at initial Schedule A rates for the full 48-month term, and requiring dual-signature written amendments for any fee modification.

POINT 6: EARLY TERMINATION, MAKE-WHOLE & EXCLUSIVITY TRAPS RISK: HIGH

- **Early Payoff & Termination Formula:** MLA Section 7 imposes a severe triple-penalty early termination structure: (a) unearned lease finance charges calculated under the Sum-of-the-Digits ('Rule of 78s') actuarial method, PLUS (b) 100% acceleration of all remaining Monthly Maintenance Reserve fees and administrative fees for the balance of the original 48-month term, PLUS (c) the deficiency between Rule of 78s Unamortized Book Value and Net Wholesale Auction Proceeds.
- **Exclusivity & Minimum Volume Lock-Ins:** While no fleet-wide sole-provider exclusivity clause is stated, MLA Section 5 prohibits Lessee from transferring existing $67,000.00 vocational plumbing upfits to replacement chassis at lease end without paying a $1,250.00/unit restoration fee ($7,500.00 across 6 units) plus forfeiting 100% of upfit ownership to Lessor.
- **Cross-Default & Fleet Acceleration Clauses:** MLA Section 3(c) and Section 7 allow Lessor to draft 100% of terminal shortfalls and accelerated fee penalties via automated ACH within 15 calendar days of invoice date without independent appraisal rights.
- **Contractual Remediation Terms:** Because unilateral mid-term payoff triggers Rule of 78s unearned interest and 100% remaining maintenance/admin fee acceleration, pursue rate/fee relief via formal billing dispute and bilateral MLA amendment first, and require standard Open-End TRAC payoff terms (simple straight-line Unamortized Book Value plus current-month accrued interest with $0.00 early termination penalty) in all future schedules.

POINT 7: CONSOLIDATED MONTHLY INVOICE RECONCILIATION RISK: HIGH

- **Invoiced vs. Scheduled Unit Reconciliation:** November 2026 Statement (INV-2026-11042) bills 7 units (#100-#106) compared to 6 Scheduled Active Units (#101-#106) and 6 Reported Units. Unit #100 is explicitly confirmed as surrendered and grounded on August 31, 2026 under Grounding Receipt GR-88412-PHX with a September 1, 2026 Billing Termination Effective Date and Zero Balance Due.
- **Terminated / Ghost Units Billed:** Unit #100 (VIN: 1FTBR1C84MKA10942, 2021 Ford Transit-250 Cargo Van) is ghost-billed $1,145.00/mo pre-tax ($985.00 Base Capital Rent + $160.00 Maintenance Reserve) on the November 2026 invoice. Statement Section 2 further admits Unit #100 was billed across September, October, and November 2026 despite its August 31, 2026 grounding receipt.
- **Schedule A Rate Variances & Statement Total Bridge:** Statement Subtotal pre-tax charges equal $10,322.20 vs. Schedule A contracted pre-tax charges of $8,478.85—an unreconciled pre-tax billing variance of $1,843.35/mo comprised of: (1) $1,145.00/mo ghost billing on surrendered Unit #100; (2) $298.35/mo Sec. 4(a) 4.0% Escalation Surcharge ($48.05/mo on #101-#105 and $58.10/mo on #106); (3) $190.00/mo unamended Maintenance Reserve rate hike ($30.00/mo hike on #101-#105 and $40.00/mo hike on #106, where #106's 20.51% increase also breaches the 20.0% maximum cap in MLA Sec. 6(a)); and (4) $210.00/mo unamended Sec. 4(b) Admin Fee ($35.00/unit/mo across #101-#106). Bridge to Printed Statement Total: $10,322.20 pre-tax lease charges + $887.71 Arizona/Phoenix Transaction Privilege Tax (8.60% TPT) = $11,209.91 Total Amount Drafted via ACH on November 5, 2026 (`current_monthly_fleet_spend`).
- **Sales/Use Tax & Exempt Government Pass-Through Audit:** Lessor assessed 8.60% Arizona/Phoenix Transaction Privilege Tax ($887.71) across the entire $10,322.20 pre-tax billing base, improperly collecting $98.47/mo in TPT on ghost-billed Unit #100 and $60.06/mo in TPT on the $698.35/mo of unamended Schedule A surcharges.
- **Disputed Statement Line Items & Credit Claims:**
  - Unit #100 (VIN: 1FTBR1C84MKA10942) - Post-grounding ghost billing ($985.00 Base Capital Rent + $160.00 Maintenance Reserve) billed in breach of Schedule A Section 3 Zero Balance Due addendum (Grounded 08/31/2026 per GR-88412-PHX): $1,145.00/mo pre-tax (plus $98.47 associated 8.60% TPT, and full historical ledger lookback credit for Sept & Oct 2026).
  - Units #101-#106 - Unamended Section 4(a) 4.0% Annual Escalation Surcharge billed above Schedule A contracted Base Capital Rent ($48.05/mo x 5 Transit-250 units + $58.10/mo x 1 F-250 unit): $298.35/mo.
  - Units #101-#106 - Unilateral Section 4(b) Fleet Compliance & Telematics Administrative Fee billed without written Schedule A amendment ($35.00/unit/mo x 6 active units): $210.00/mo.
  - Units #101-#106 - Unamended Section 6(a) Maintenance Reserve rate hike billed above Schedule A contracted $1,020.00/mo rate ($30.00/mo x 5 Transit-250 units + $40.00/mo x 1 F-250 unit, exceeding the 20% MLA cap on Unit #106): $190.00/mo.

REQUIRED LESSOR DISCLOSURES & OMITTED RIDERS

Require written production of the following schedules, rate riders, or billing records from the incumbent lessor:

- Omitted OEM Factory Invoice sheets and commercial fleet incentive credits on Units #101-#106 ($289,500.00 Base Chassis + $67,000.00 Upfits + $3,000.00 Acquisition Fees capitalized without factory invoice verification).
- Structural TRAC deficit engineering under MLA Section 5: assigning a $0.00 residual value to $67,000.00 of capitalized vocational upfits while applying a 32.00% TRAC residual guarantee to total Gross Capitalized Cost creates an immediate $38,640.00 projected terminal shortfall against Schedule A wholesale estimates.
- Non-refundable Maintenance Reserve surplus forfeiture under MLA Section 6(b): Lessor currently holds $19,960.00 in unspent maintenance payments ($26,380.00 collected vs. $6,420.00 actual vendor disbursements over 24 months) designated as permanent administrative margin.
- Post-surrender quarterly batch billing delay under MLA Section 8: Lessor continued billing Unit #100 in September, October, and November 2026 despite issuing signed Grounding Receipt GR-88412-PHX on August 31, 2026.

COMPETITIVE DUAL-SOURCE FMC BENCHMARKS (RFP SHORTLIST)

- Enterprise Fleet Management: Dedicated local Phoenix commercial truck and plumbing van account support, transparent open-end TRAC structures with 100% lessee resale surplus credit, and pass-through maintenance cards without reserve forfeiture.
- Merchants Fleet: Flexible open-end TRAC commercial van and utility-body financing with zero-markup upfit pass-through, transparent SOFR-indexed or fixed funding spreads, and fair-market residual setting tailored to vocational trade fleets.
- Holman: Institutional commercial fleet funding and vocational upfit management with factory-invoice-less-incentive acquisition pricing, capped remarketing fees, and unbundled pay-as-you-go maintenance governance.

EXECUTIVE LESSOR REMEDIATION & CREDIT DEMAND NOTICE

Subject: Formal Commercial Fleet Lease Audit Findings, Ghost-Unit Credit Demand & Schedule A Rate Remediation - Copper State Plumbing & Drain, LLC (Account No: MFLA-2024-8849-AZ)

Dear Commercial Fleet Account Team at Apex Commercial Fleet Funding, LLC,

Copper State Plumbing & Drain, LLC has completed a forensic financial and contractual audit of Master Fleet Lease Agreement No. MFLA-2024-8849-AZ, Schedule A (effective November 1, 2024), and Monthly Fleet Billing Statement No. INV-2026-11042 (dated November 1, 2026). Our audit identified immediate billing discrepancies between our contracted Schedule A payment ($8,478.85/mo pre-tax) and the November 2026 ACH draft ($10,322.20/mo pre-tax plus $887.71 Transaction Privilege Tax), alongside structural funding, maintenance reserve, and TRAC residual imbalances requiring formal remediation.

First, we formally dispute and demand an immediate credit memo of $1,843.35 pre-tax (plus associated 8.60% Arizona/Phoenix TPT) on Invoice No. INV-2026-11042, together with a complete historical ledger audit and retroactive credit for September and October 2026: (1) Unit #100 (VIN: 1FTBR1C84MKA10942) was physically surrendered and grounded at Manheim Phoenix on August 31, 2026 under signed Grounding Receipt No. GR-88412-PHX with a confirmed September 1, 2026 Billing Termination Effective Date and Zero Balance Due on Schedule A Section 3, yet continues to be billed $1,145.00/mo pre-tax ($985.00 Base Rent + $160.00 Maintenance Reserve) across September, October, and November 2026; and (2) Units #101 through #106 were billed $698.35/mo in unamended surcharges above Schedule A ($298.35/mo Sec. 4(a) escalator, $210.00/mo Sec. 4(b) administrative fees, and $190.00/mo Maintenance Reserve rate hikes, including a 20.51% hike on Unit #106 that exceeds the 20.0% ceiling in Section 6(a)).

Second, to avoid transitioning our commercial plumbing fleet to a competing fleet management provider, we request a formal Master Lease Addendum within fifteen (15) business days addressing the following terms: (a) immediate removal of Unit #100 from the ACH billing batch and full refund of all post-August 31, 2026 charges and taxes; (b) credit or application of our $19,960.00 unspent Maintenance Reserve surplus against active lease balances and conversion of Units #101-#106 to actual pass-through maintenance billing (or benchmarked $82.50/unit/mo fixed reserve without forfeiture); (c) elimination of Sections 4(a), 4(b), and 6(a) unilateral fee and rate escalators; (d) realignment of the 11.97% weighted implicit lease rate toward the 7.00% commercial benchmark; and (e) modification of Section 3 and Section 5 TRAC disposition terms to grant 100% lessee resale surplus credit, cap disposition fees at $400.00/unit, and credit actual wholesale value fetched by attached vocational upfits toward the Stated TRAC Residual Value. Please provide written confirmation of our credit memo and proposed addendum by November 25, 2026.

Sincerely,

James Douglas
Copper State Plumbing & Drain, LLC

CFO 90-DAY EXECUTION ROADMAP

☐ Days 1-15: Serve the formal billing dispute notice on Apex Commercial Fleet Funding demanding an immediate $1,843.35 pre-tax credit (plus 8.60% TPT) for November 2026 Invoice INV-2026-11042, a full historical ledger credit for September and October 2026 ghost billings on surrendered Unit #100 (per Grounding Receipt GR-88412-PHX), and OEM factory invoices for Units #101-#106.

☐ Days 16-45: Demand a bilateral Master Lease Addendum freezing Base Capital Rent at Schedule A rates ($7,458.85/mo), rescinding the unilateral $210.00/mo Sec. 4(b) admin fee and $190.00/mo maintenance hike, converting maintenance to pass-through billing, and crediting the $19,960.00 unspent Maintenance Reserve surplus against upcoming invoice drafts.

☐ Days 46-90: Calendar certified-mail non-renewal notices for Units #101-#106 (60 to 90 days prior to October 31, 2028) to neutralize the MLA Section 8 evergreen trap, and launch a competitive RFP with Enterprise Fleet Management, Merchants Fleet, and Holman to establish a replacement Open-End TRAC facility at a 7.00% benchmark rate with 100% resale surplus credit.

Independent Financial & Operational Analysis Notice: This report is prepared by AutoAdvisorAI (Advisor Tools LLC) as an objective commercial financial and fleet billing audit based on client-submitted documents. It does not constitute formal legal or tax advice; engage corporate counsel before executing binding Master Lease Agreement amendments.