



## Equipment Lease Program Overview

### **Items Leased Include:**

New or Used Farm Equipment  
New Irrigation Equipment  
New Livestock Equipment

### **Lease Structure**

General Overview

- The Dealer sells equipment without sales tax to AgStar, who becomes the owner of the equipment. The Dealer receives a Resale Exemption Certificate from AgStar.
- AgStar leases the equipment to the customer for agreed upon terms.
- At the end of the lease the customer has the following options:
  1. Re-lease the equipment for terms to be determined at the end of the lease term.
  2. Purchase the equipment for the fixed purchase option amount, which is set at the beginning of the lease.
  3. Return the equipment to AgStar.
- Lease terms of 2 years, 3 years, 5 years, or 7 years are available.

### **Lease Payments**

- Payment frequency (with the first payment due in advance, **first & last for monthly**) can be monthly, semi-annually, or annually.
- Lease payments are fixed for the life of the lease, since AgStar does not offer variable rate and variable payment leases.
- Each lease payment includes the appropriate assessment of sales/use tax to be remitted to the State.
- The lease term, payment frequency and/or the fixed purchase option amount

may be restricted or an excess hours charge imposed if the lease item will be used for custom work or in a high use or abuse situation.

### **Amount Financed**

- AgStar leases 100% of the item's normal cash sales price (NOT the manufacturer's list price) and remits that amount to the dealer.
- Based on IRS guidelines, AgStar leases are NOT written for the boot amount. In the case of a trade-in, the dealer purchases the item to be traded in directly from the customer and writes the customer a check for the value of the trade-in. In a properly structured lease, the lease amount will normally be less than the manufacturer's list price, while the dealer's purchase of the trade-in may be less than what was initially represented to the customer. **The dealer will net the same amount of dollars under an AgStar lease as compared to a conventional loan.**

### **Security**

- There is no security in a lease since AgStar owns the item being lease and files a UCC information statement to that effect. No additional collateral is required.
- Property/casualty insurance for the initial lease amount naming AgStar as "loss payee" as well as liability insurance naming AgStar as "additional named insured" is required.

### **Recourse**

- NONE. AgStar has no holdback or recourse requirements. **On specially structured transactions, involving the**

consent and participation of the dealer, AgStar may ask the dealer for risk participation (for example: guaranteeing a higher than normal residual amount on a lease). The dealer has total discretion as to their risk participation in these instances.

### **Stock Requirements**

- NONE. A \$5 participation certificate will be required for all non-AgStar members.

### **Special Features**

- AgStar can structure lease terms to fit the needs of the customer. Terms, other than those listed in the Current Terms Tab, are available upon request. Examples include: specifically scheduling payment dates around a customer's cash flow cycle, adjusting residual to fit the specific situation, and much more.
- Upon submission of financial information on the dealership and the prior approval of AgStar, lease terms may be requested by the dealership that normally fall outside of AgStar's program requirements. Examples include:
  1. High Residual leases, where the residual is higher than AgStar would normally offer. This results in a much lower lease payment, which often approximates the customer's annual cash outlay of a dealership's rental program. In these situations, AgStar will require that in the event that the customer elects to return the equipment at the end of the lease, the dealership will be contractually obligated to purchase the equipment for the same residual purchase option amount that was given the customer.
  2. Dealership Guarantees of lease payments for customers declined for

credit by AgStar, which preserves the transaction.

3. Other Special Requests, including non-standard lease terms.
- AgStar pays the dealer a referral fee for all approved and closed leases where a signed Dealer Agreement is in place.
  - AgStar may offer additional incentives at various times, including an individual salesperson incentive program and/or additional dealer referral fees. These additional incentives may be limited in respect to minimum dollar size of transaction, time of the year, or type of equipment. Any additional incentives will be disclosed in the current pricing from AgStar.

### **Dealer Responsibilities**

- Provide Application to Customer
- Insure Completion of the Application
- Fax Application and FAX Cover Sheet to AgStar (see Application Tab)
- Upon credit approval, prepare a purchase order consistent with the requirements listed in the Application Tab and forward this purchase order to AgStar.
- Close the lease, at the dealer's option.