



Key Benefits of Leasing

Tax Treatment and Benefits

Appropriately structured leases are considered a tax-deductible expense, which allows you to deduct, for tax purposes, the entire amount of the lease payment from your gross income.

100% Financing

Typically, 100% of the cash price of an item is leased, which allows cash normally used for a down payment to be invested in more revenue-generating activity.

No Additional Collateral Required

Collateral and/or security in addition to the leased item is not typically required, which preserves existing conventional financing relationships.

Cash Flow Preservation

Since no down payment is required, working capital is preserved. In addition, lease payments are typically lower than loan payments, which improves ongoing cash flow.

Margin Management

Leasing matches equipment cost more closely with its use. Additionally, agribusiness's and sophisticated farmers make evaluations based on revenue per unit sold vs. cost per unit. Leasing makes per unit comparisons easier than conventional financing.

Immediate Write-Off

Leasing allows immediate write-off of the dollars spent. Therefore, equipment does not have to be depreciated over three to seven years, or longer in the case of fixtures.

Flexibility and Customized Solutions

A lease can be tailored to fit your specific needs, including consideration for cash flow timing, fiscal year end, budget cycle, transaction structure and cyclical fluctuations.

Asset Management

A lease provides for the use of an item for a specific time period at a fixed payment level. The client may have the option to purchase the asset at the end of the lease from AgStar for a fixed purchase option, or may decide to return the asset to AgStar. AgStar assumes and manages the risk of ownership, and is responsible at the end of the lease for disposition of the asset.

Balance Sheet Management

A properly structured operating lease may be off-balance sheet. Thus, liabilities are not increased on the balance sheet and financial ratios typically improve.

Technology Risk

All risk of obsolescence is transferred to AgStar.

Transfer Accommodation

Leasing can be used to transfer ownership of an asset at the end of the lease period to a designated heir, saving on estate taxes. Additionally, any ownership changes to a partnership and/or joint venture during the term of the lease are easy to reallocate.