

# Leasing – Flexible Financing Options to Grow Your Business

Everyone knows that using the right tool is the best way to get the job done. Are you using the right financial tools to grow your business?

Leasing offers numerous benefits - 100% financing, accelerated tax write-offs, improved cash flow. It also offers flexibility at the end of the lease term. Whether you plan to purchase, renew, or return the equipment at the end of the lease term, there's a leasing option available to fit your needs:



## TRUE LEASE OPTIONS

✓ **Fixed Purchase Option (“FPO”)** – At lease termination, you'll have the option to purchase at a fixed amount stated upfront or return the equipment.

- **Main benefit** – Deduct your lease payments → FPO's with residuals of 15-20% or more usually qualify for true lease treatment.
- **Common equipment** – tractors, harvesters, farm implements & equipment, irrigation equipment, wine processing equipment

✓ **Purchase or Renew Only (“PRO”)** – At lease termination, you can either purchase the equipment at a fixed amount stated upfront or renew your lease. This is commonly referred to as a First Amendment Lease.

- **Main benefits** – longer lease terms, higher residuals, lower payments, & better cash flow
- **Common equipment** –
  - **Grain bins** – accelerate write-offs over a 3-6 year true lease instead of 7-year tax life
  - **Farm storage buildings & greenhouses** – accelerate write-offs over 3-7 year true lease instead of 10 or 20-year depreciable tax life

✓ **Terminal Rental Adjustment Clause (“TRAC”)** – At lease termination, you'll have the option to purchase at a fixed amount stated upfront or return the equipment. If you choose to return the equipment, we'll sell the equipment for you. If the actual cash value from the sale is greater than the fixed purchase amount, you'll receive a cash

refund for the difference. If it sells for less, you'll be responsible for making up the difference.

- **Main benefits** – No mileage restrictions, pre-established purchase option, and you share in any upside proceeds gained from the sale of the equipment
- **Common Equipment** – limited to vehicles, trailers and sprayers (titled equipment)

## CONDITIONAL SALE LEASE OPTIONS

✓ **Purchase Upon Termination (“PUT”)** – At lease termination, you'll purchase the equipment at a fixed amount stated upfront.

- **Main benefits** – Longer lease terms, lessee takes depreciation and section 179 write-off, structured with a balloon payment to enhance cash flow
- **Common Equipment** – available for most new and late model used equipment types, including wine barrels

✓ **\$1 Buyout** – At lease termination, ownership of the equipment is transferred to you.

- **Main benefits** – 100% financing, lessee takes depreciation and section 179 write-off
- **Equipment** – available for most new and late model used equipment types, including drip & tape irrigation systems

