THE MECHANICS OF A TRUE AND FLEXIBLE LEASING PROGRAM

WHAT IS LEASING

It's getting the use of equipment now - when you need it - and letting the equipment pay for itself through use, not capital investment.

THE ADVANTAGE OF LEASING

<u>Flexibility</u>: Once you have a lease you do not have to anticipate future requirements. You add equipment only as you need it. Preparation ahead of time for future requirements is eliminated. Once a master lease is employed, additional schedules covering the desired additional equipment may be included at any time.

<u>Manufacturer's warranties and guarantees</u>: All are turned over to the lessee as user of the equipment.

<u>No liability on books</u>: The company is the user of the equipment, not the owner. The company does not borrow money to finance the purchase of the equipment.

<u>Does not affect bank lines of credit</u>: It is very important that a company preserve this for emergency needs, other credit demands, and/or special "buys". Leasing does not usually affect the bank line of credit.

<u>Fully deductible</u>: The total lease payment is deductible as a business expense (equipment rental). In the language of depreciation- the equipment is written off over the length of the lease.

<u>Conserves working capital</u>: Use the money saved by leasing on other phases of the business.

<u>Difference between a lease and bank financing</u>: Leasing offers the growing company an additional method of obtaining productive capital equipment without affecting other credit sources. Leasing can provide longer term financing with less advance payment and no compensating balances. Bank financing of equipment affects the user's borrowing capacity since it changes financial ratios on the balance sheet. Leasing offers income tax advantages in that the cost of the equipment is recovered over the length of the lease whereas the recovery period for depreciation purposes is substantially longer.