

LEASE



Baver



To Lease or Not to Lease...

Leasing

A non-cancelable contract extending over a fixed term

ADVANTAGES

- * Expense entire payments
- * Easy Add-On/ Trade Up
- * 100% Financing
- * Conserves Capital
- * Can Lessen Tax Liability
- * Flexible Terms
- * Hedge Against Inflation
- * Obsolescence Protection
- * Fixed Terms & Payments
- * Full Use Without Ownership
- * Creates New Credit Source

DISADVANTAGES

- * Non-cancelable

Bank Loan

Repaid in regular installments

ADVANTAGES

- * Direct Ownership
- * Depreciation
- * Appropriate When Bank Lines Remain Untapped Or There Is A Loan Covenant Requirement

DISADVANTAGES

- * Capitalizes Equipment
- * Relatively Short Term
- * Extensive Documentation
- * Covenant Restrictions
- * Exhausts Credit Line
- * Non-Financeable Charges
- * No Obsolescence Protection
- * May Require: Compensating Balances, Down Payment, Origination Fee
- * Non-cancelable

Cash Purchase

Using working capital for acquisitions

ADVANTAGES

- * No Finance Charges
- * Direct Ownership
- * Depreciation
- * Appropriate When Lacking Investment Alternatives For Excess Cash, Or Annual Depreciation Expense Exceeds Annual Capital Expenditures

DISADVANTAGES

- * Attacks Cash Reserve
- * Negates Time Value of Money
- * No Hedge Against Inflation
- * No Obsolescence Protection