

Why Jessie-type partnerships make a lot of 'cents'

BY PAT KAUFFMAN
LANCASTER — Money, the making and keeping of it, was the reason behind the recent spectacular price of Lime-Hollow Elevation Jessie.

While Jessie's genetics and records were the reasons for her selection as the cow to purchase, investment tax credits, tax shelters, and long-range capital gains were the reasons behind Jessie Partners' search for a cow.

M. Robert Young, one of two general partners in Jessie Partners, has been involved in other partnerships. In particular, he and Martin Y. Sponaugle, the group's attorney, are also currently involved in a partnership comprised of three general partners and nineteen limited partners and the purchase of a cow nicknamed Tilly.

In both the Jessie and the Tilly partnerships, the structure is generally the same. Two or three individuals serve as general partners in the group taking care of the purchase, maintenance and sale of the animals. In addition, there are varying numbers of limited partners. These limited partners are limited both to their participation in the group and to their liability. In other words, the limited partners are strictly investors.

Sponaugle explained the interest in purebred cattle. "Suppose a person were to buy a \$50,000 cow. And also suppose that the person is

currently in the 50 percent tax bracket. By his purchase of the animal, he comes under the heading of farmer and can make use of credits and accelerated depreciation normally available to farmers."

"Now let's say that on this \$50,000 cow, the purchaser takes the first year investment credit of 10 percent or \$5,000. In the 50 percent tax bracket, this is equivalent to a \$10,000 deduction. If the person then assigns a life to the cow of 7 years, he can depreciate her at what would amount to a \$10,700 deduction. And if he holds the cow as breeding stock for at least two years, he can claim an additional \$2,000. In total then," claimed Sponaugle, "the buyer can claim a first year deduction of \$22,700. And if he purchased the animal with a 30 percent down payment or \$15,000, he has recovered his investment the first year."

Sponaugle added, "What you have to remember is that the tax advantages are all in the front end here. The investors are looking for a gain over the long term. And that gain will eventually be taxable."

Sponaugle was quick to point out that these partnerships come under the Securities and Exchange Commission's regulations and are fraught with pitfalls. "Many attorneys are not really familiar with all the regulations governing these partnerships." Caution, he emphasized, must be exercised even by those who

have a working relationship with the myriad of laws to assure compliance with all the regulations.

The internal workings of a partnership are set up differently for each one. But in the partnerships recently set up by Sponaugle, a maintenance contract is issued for the care of the cow and her off-spring which, if the buyer hopes to take advantage of capital gains tax breaks, must be held until the age of two. "You're entrusting the farmer with a sizeable investment, and much of the success of the investment depends on the care the animal receives."

The biggest hazard in the investment in purebred cattle, is the possibility of sterility, Sponaugle noted. The second as he sees it is the production of an excess number of bull calves, and the third is the uncertainty of economic conditions that could make the availability of purchasers for high priced off-spring a problem.

Sponaugle noted that while each partnership is different, shares are generally sold to less than 25 partners to ease the restrictions on the group.

While Sponaugle declined to indicate the size of the individual investments needed and the projected profits, he noted that the size would be relative to the purchase price and the number of investors in the group, and the profits would have to keep pace with existing returns on govern-

\$116,000 cow

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eighth generation to have completed a 20,000 pound lactation. To my knowledge there are no other cows in the U.S. with both these distinctions."

The purchasers, Jessie Partners, have entered into a limited partnership. The two leading or general partners in the group are Young from Lancaster and Galen Crouse on whose farm Jessie is stabled.

In addition to the general partners, there are five limited partnerships belonging to Robert and James Humphreville, Lancaster; Stanley Brunn, New York; Elden Bjurling, Massachusetts; Ty Myers and Larry Wyles.

ment bonds, currently around 15 percent.

In addition, to attract investors, it would be necessary to project a return of closer to 20 percent per year on the partners' funds.

While he expressed great hopes for Jessie and satisfaction with the previous partnership involving Tilly, he noted that the structure of the partnership was studied closely and took a sizeable chunk of time and study to institute. This area he cautioned is for experts only.

Young explained he is in charge of purchasing and selling and Crouse is in charge of Jessie's care. The other partners are simply investors. The limited partnership arrangement is used as a tax shelter and is regulated by the Securities and Exchange Commission.

Jessie was bred by Benny Gunzenhauser, New York and was co-owned by Ron Mueller, Illinois. What prompted the owners to sell such a landmark cow?

Young theorized that the geographic distance between the owners and the fact that Jessie as a six year old is now in her prime were the two determining factors.

Contending bidder at the auction was Larry Kibler and Associates, Stanley, Virginia.

The Great Expectations Chapter Three auction was the third annual auction held in Lancaster County and co-managed by Young. He explained he tries to get cows with both outstanding pedigrees and outstanding looks for the prestigious sale.

The purchasers' partnership was formed when they learned Jessie was to be consigned.

Average price for all animals auctioned, including Jesse, was \$9150.

Jessie is currently in calf

Farm Calendar

(Continued from Page A10)

tnomreV; hguorht yadsendeW.
draykcaB tuurf gnuworg;
03:9-03:11 m.a.; dna 03:7-03:9 m.p.; mraF dna emoH retneC, retsacnaL.
S'LIRPA SLOOF; lla yad.

Wednesday, April 2
Hunterdon, N.J.; County Board of Agriculture monthly meeting; 8:00 p.m.; Extension Center.
Red Lion FFA banquet; 6:30 p.m.; Red Lion Senior High School.

Lancaster County Conservation District's monthly board meeting; 7:30 p.m.; Farm and Home Center, Lancaster.

Thursday, April 3
Adams County stone fruit pruning; 9:00 a.m.

Friday, April 4
Pennsylvania Relief Sale, Mennonite Central Committee; Farm Show Building; through Saturday.

Saturday, April 5
Maryland Polled Hereford Sale; Frederick Fairgrounds, MD.

to Poverty Hollow Milestone and will be introduced to super ovulation and embryo transplant when she has calved. Recently one of Jessie's daughters brought \$31,000 in Reno, Nevada, according to Young.

DARROW'S 5TH ANNUAL MACHINERY—TRACTOR CONSIGNMENT SALE SATURDAY, APRIL 5, 1980

10:30 A.M.

Located 1 mile South of Sheds, N.Y. on Route 13.

TRACTORS & INDUSTRIAL EQUIPMENT

Ford 4600 Diesel 1010 hrs.; JD 50 wide 3 pt.; IH 706 D; IH 560 D; Oliver 1955 - New Motor; IH 450 D; Oliver 77 gas; JD 620 - Hi clearance; Belarus 250; Ford 800; AC WD w/half tracks; Ford 3000 w/loader; Oliver 1950 T; IH 450 Gas; JD A; Oliver 800; Case 400 Diesel w/3 pt.; AC D17; JD A w/3 pt.; IH 656 Utility w/loader; MF 85 gas; Ford 5000 w/IH 2000 loader; JD 4230 w/4 post rollguard; JD A electric-start-new paint; Case 800 log skidder w/new motor, winch & chains; Army 6x6 w/Crane loader-log clam; Ford 4500 Backhoe & loader; IH T6 Crawler; IH TD24 Crawler; Case 450 Crawler loader; 8 ton 2 axle pentile hook trailer; General 9 ton 3 axle skid steer loader; 75' Owatonna 1700 - water cooled hydro; NH 2500 2 yr. old; 72' Case 1530; 70' Melroe M 500; 71' Melroe M 700; Lorraine 4x4 loader, 1 yard bucket.

HAY EQUIPMENT

JD 224 baler w/#30 ejector; 9x16 Kicker rack w/heavy gear; 9x16 Kicker rack new last summer; 3 - NH 469 haybine; Kuhn hay tedder; 30' hay elevator; Gehl 72 A flail chopper; NH 56 rake; 26' smoke elevator; Nicholson hay tedder; Ford 3 pt. mower; Ferg. 3 pt. PTO rake; NH 66 baler w/motor; New 9x 16 hay rack w/gear; Fahr hay tedder (like new); NH 479 haybine; AC 3 pt. mower; JD 1209 mower conditioner; MF 3 pt. mower (Nice) JD flail chopper; hay head for 770 chopper; Kicker rack & gear; JD mower conditioner.

PLANTING & TILLAGE EQUIPMENT

IH Transport drag; JD 3 bottom trailer plow; IH 470 disk 13'; Brillion 10' Cultipacker; IH 4 row 2 pt. Cultivator; JD 4 bottom, trailer plow; 12' Transport disk; Brillion 14' transport Harrow; MF 4 bottom semi-plow; JD #630 14' plowing disk; Brillion 16' trans. harrow; IH power set harrow; JD 5 bottom semi-plow; IH 540 4 bottom semi-plow; JD 2 row corn planter; NI 3 pt. fert. spreader; IH 56 4 row corn planter; JD 494 A 4 row planter w/Insecticide Attachment; United Farm Tool fert. spreader; 4 ton hyd. fert. auger wagon.

HARVESTING EQUIPMENT

IH 1 row corn picker; JD table blower w/pipe; Lamco self-unloading wagon; New Idea blower - used 1 season; Gehl chopper w/2 heads; JD 60 L blower; Gehl 600 chopper w/2 heads; NH 2 row corn head for 880, 890; JD 112 self-unloading wagon; NH 770 2 row narrow chopper w/pickup head (sold separate); AC hopper blower; Gehl hopper blower; IH 56 blower; Gehl chopper; AC Table blower.

MISCELLANEOUS

IH 540 spreader w/hyd. end gate/ Barnomatic can; 2 - yellow devil sprayers; 2-gravity boxes; Surge milker pump w/6 electric pulsation units; 2-5 ton running gears; Hawk Barrel spreader; 1970 Ford 3/4 ton pickup w/cattle rack; AC PTO Spreader; Chevy Truck w/cattle rack; 18.4x34 snap on duals; Windbreaker for 706; Wind-breaker for 656; Water fowls; 66 Dodge 1 1/2 ton truck.

Consignments received up to April 4th, 5:00 P.M.

Auctioneer:
Ted Steth Auction Service
Cincinnati, N.Y.
607-863-3875
or Carl Darrow
Sheds, N.Y.
315-662-3876

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Hollinger's FARM MARKET

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