



LEASE BY THE HOURSM

PROVIDING LEASE TERM FLEXIBILITY
BASED ON EQUIPMENT USAGE

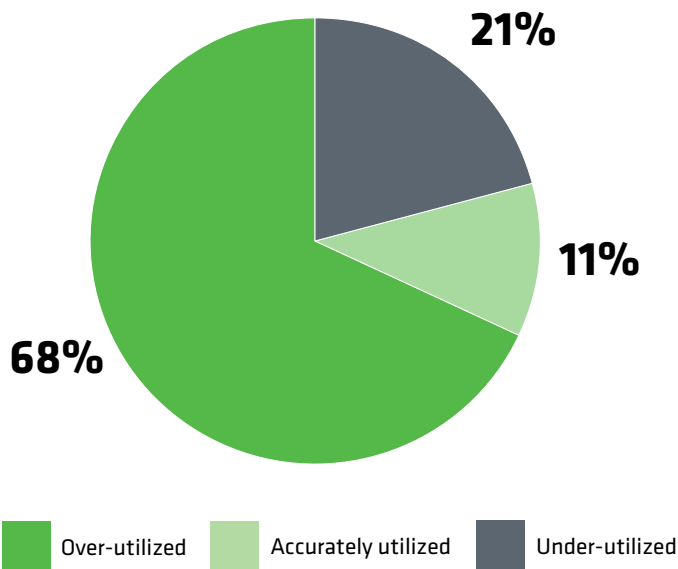


BALANCING PAYMENT AND USAGE OF YOUR EQUIPMENT FLEET

SENNEBOGEN Capital understands it's hard for fleet managers to estimate utilization of their assets over the term of a lease.



Actual vs. Contract Usage



A recent utilization survey on thousands of assets sold at the end of their lease confirmed that too many of the units were either under-utilized or over-utilized across different industries.

Both scenarios have downsides for you as a fleet manager; under-utilization results in overpayment; over-utilization results in underpayment with overtime charges at lease end.

Historical knowledge about equipment utilization helps you to estimate usage and structure a lease. This helps prevent a significant amount of capital spent incorrectly. However, this is of little help when demand of your products increases or decreases during the lease term. Lease by the HourSM helps you balance demand changes.

Why Lease by the Hour?

The graph on the left shows that usage is overestimated 68% of the time, and underestimated 21% of the time. Why? Businesses don't like surprise overtime at the end of a contract. With Lease by the Hour, there is no overtime – you can choose a longer term, with lower monthly allowed hours that best fits your application. SENNEBOGEN Capital will help you choose a base term and monthly hours that suit your budget and needs.

How does it work?

We help you structure the lease using your historical usage and then base the Lease by the Hour contract on a minimum monthly usage over a long term. When usage increases over the minimum, we shorten the term. You pay for high usage when production and revenues are high, and less when production and revenues normalize.

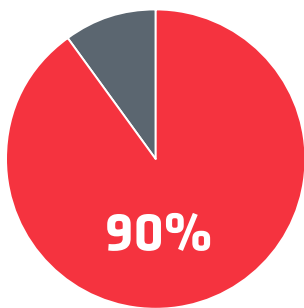
What's in it for me?

Higher sales. Monthly payments will be as low as you and your customer want, with the same maximum contract hours.

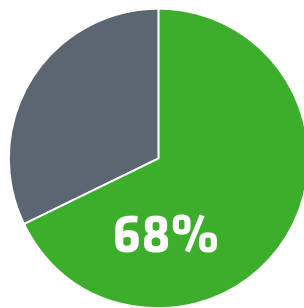


FEATURES	BENEFITS
Set minimum contract hours	Supports maintenance-driven fleet management practices
Usage fluctuations affect term	Concerns over contract term and overtime are eliminated
Payments fluctuate with utilization over the minimum	Equipment expense matches business volume
Easy data upload	Simple format (serial number and life-to-date/LTD hours), low touch, system driven calculations, maintenance planning benefits
Base payment discounts in extension	In any scenario (high or low utilization) extension runs until maintenance signifies replacement

Why did we create Lease by the Hour?



Percentage of times we are **incorrect in our estimation** of annual usage.



Percentage of customers are **paying more** for their lease than they should.

The industry needs a more flexible leasing solution that allows customers to pay less when they are not using their equipment as much and more when they are. Lease by the Hour (LBH) can be structured over a longer term with the same maximum contract hours.

What is needed to create a LBH contract?

- 1 Define the Maximum Hours equipment will be used before replacement
- 2 Define the Maximum Term the Customer desires before replacement
- 3 Create the Minimum Monthly Payment and Lease Cost Per Hour for Variable Billing based on usage

How is the lease payment calculated?

By using your existing tools for calculating a FMV quote. The standard lease term will now become the LBH Maximum Term, the monthly payment will now become the LBH Minimum Payment, and if you divide LBH Minimum Payment by the LBH Minimum Monthly Hours, the LBH Cost Per Hour will be created for the charging of usage in excess of the minimum allowed per month.

Sample LBH Contracts:

SENNEBOGEN: 48 MONTH FMV LEASE

Sell Price	\$600,000
Standard Lease Term	48
LBH Maximum Term	48
Advance Payment	0
Application	Normal and Clean
Annual Hours	2,500
Monthly Hours	208
LBH Minimum Monthly Hours	208 (2,500 hours / 12 months)
Total Contract Hours	10,000
LBH Maximum Hours	10,000 (208 hours x 48 months)
Payment	\$10,122.55
LBH Minimum Payment	\$10,129.55
LBH Stream of Payments	\$486,218.33
LBH Cost Per Hour	\$48.62 (10,129.55 Payment / 208 Hours)

The Fine Print

The Lease by the HourSM program is designed to provide customers with a Flexible lease term, based on the usage of the equipment over an estimated monthly minimum hour usage.

When monthly, quarterly or annual usage exceeds the minimum hours allowed, SENNEBOGEN Capital uses the Lease Cost Per Hour to charge for this overage. Overage is put in a reserve account to pay down the stream of payments before the Maximum Term when usage exceeds the minimum hours allowed.

Once the sum of payments received (both base minimum payment + overage) is equal to the sum of all the minimum payments (as if the contract ran to the maximum term), then the equipment can either be turned in or extended on a month-to-month basis at 80% of the original minimum payment and Lease Cost Per Hour for as long as the Customer needs the equipment.

If there is no usage over the monthly minimum hours, the lease functions exactly like a normal lease and will run to the maximum term, after which the equipment can be turned in or extended on a month-to-month basis at 80% of the original minimum payment and Lease Cost Per Hour for as long as the Customer needs the equipment.

When SENNEBOGEN Capital has received the payment for all 10,000 hours x \$48.62/hour either at the end of the Maximum Term, or earlier based on usage billed over the minimum Monthly Hours, the equipment is eligible for return or month-to-month extension at a 20% discount.

SENNEBOGEN: 60 MONTH FMV LEASE

In many cases the Customer is unsure about their usage and wants the lowest monthly payment. If the above Customer wanted a lower monthly minimum payment with the same flexibility, the quote would be structured as follows:

Sell Price	\$600,000
Standard Lease Term	60
LBH Maximum Term	60
Advance Payment	0
Application	Normal and Clean
Annual Hours	2,000
Monthly Hours	167
LBH Minimum Monthly Hours	167 (2,000 hours / 12 months)
Total Contract Hours	10,000
LBH Maximum Hours	10,000 (167 hours x 60 months)
Payment	\$8,878.66
LBH Minimum Payment	\$8,885.66
LBH Stream of Payments	\$533,139.74
LBH Cost Per Hour	\$53.31 (\$8,885.66 Minimum Payment / 167 Minimum Hours)

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