

What Is a Federal Lease?

A lease is an easy way to give your Federal Government customers the benefits of your products or solutions without the risks of ownership. Leasing allows for low periodic payments, which means you can help your customers focus on the *quality and service* rather than on the *price*. Leasing is a valuable sales tool that will help you to provide flexible solutions and upgrades via Technology Refreshment for Federal Agency needs.

Simply speaking, a Federal lease is a contractual agreement between the OFFEROR and the Federal Agency to acquire the OFFEROR's solution. The Agency uses the product or solution for a specified period of time in exchange for making periodic payments. OFFEROR is paid in full, up front, just as if the Agency had purchased the product or solution. Outright sale accounting (purchase) credit is received by OFFEROR for a lease contract.

A Federal lease must conform to the Federal Acquisition Regulations or GSA Schedule terms for leasing, which provide the Government the contract's underlying legal rights including Termination for Convenience and Fiscal Non-Funding.

Lease Advisory Group (LAG) in conjunction with OFFEROR is offering two Federal lease products: **LTOP** – Lease To Ownership Plan where title passes upon the final payment; and **LWOO** – Lease With Option to Own. Step Leases and Technology Refreshment Leases are included in all options. At the end of the LWOO lease period, the Agency has the option to either buy the product, extend the lease or return the product. Technology Refreshment/migration/ upgrade is permitted and encouraged in all these solutions.

OFFEROR is co-branding this leasing strategy with Lease Advisory Group (LAG). As such LAG will work closely with OFFEROR to provide competitive leasing solutions. LAG provides complimentary supporting terms and conditions reflecting the Federal Acquisition Regulations and the GSA-promulgated terms and conditions for the acquisition of supply and services.

CONTACTS:

Howard Ulep
Director, Federal Programs
Lease Advisory Group
hulep@leaseadvisorygroup.com
(443) 994-2720 or (410) 263-3207

How Do Federal Customers Benefit From Leasing?

Capital Conservation

Leasing lets your customer keep capital funds free for other purchases that may not be available under a leasing alternative. If the lease is an LWOO type lease (vs. Capital Lease) the Agency must utilize funds from annual operating & maintenance (O&M) funds to make the periodic payments. Conversely, if the lease is a LTOP type lease, the agency must use capital funds to make the periodic payments

100% Financing

Leasing means no down payment unless it is advantageous to your competitive solution. Installation, software, maintenance, taxes, shipping charges, and any other professional services costs may be included in the periodic payments.

Budgeting Advantage

Leasing guarantees a level payment amount for the length of the lease term, which makes it easy for the Agency to forecast expenses. It also allows Agencies to obtain unplanned-for equipment, since their operating budgets easily can accommodate a periodic payment increase, whereas a capital budget often cannot be increased for an additional outright purchase. Also address the extra paperwork to justify the capital increase in the Agency fiscal budget whereas the O&M budget may be easier to obtain.

Pay As You Go Advantage

Leasing means that your customers can pay for the product or solution as they enjoy the benefits of using it. Leases then are renewed each fiscal year. They may terminate the lease under the Government's rights of Termination for Convenience and Termination for Fiscal Non-funding. LAG bears the aforementioned risks and not the OFFEROR.

The Perfect Solution for Agency's that Plan to Expand

Your customers deserve access to the quality that you can offer. Leasing protects them from being locked into owning products or solutions that may not meet their future needs. They may not know how to dispose of owned product or solution, thereby delaying the upgrade process. You'll be giving customers the choice to move up to the newest releases, features and functionality as soon as they become available. This is an attractive solution for Agencies that hesitate to buy a product or solution because they fear it will become obsolete or excess before they are able to fully depreciate it, if they were to purchase the product or solution (five years).

Complete OFFEROR Package

One Stop Shopping. You will be providing your customer quality products and services, a strong field engineering group, expertise, along with your financial strength and that of Lease Advisory Group.

How Leasing Helps the Best Value Decision

Of all the obstacles you face when selling products or solutions, price is the most formidable. In the final analysis, the sale always depends on your customer's willingness or ability to pay the price you're asking. However, you can easily change price from a barrier that *blocks* sales into a tool that *closes sales*.

Close Sales *Easier*

Avoid price objections

A cash purchase may be the simplest method of payment, but it also may be the most difficult sale for you to close based upon an inadequate budget. Cash flow is a key concern for any Agency. You must remember that your proposal is competing for funds with other Agency requirements. By offering a low periodic lease payment, you are showing your customer how to make product or solution acquisition easy and affordable. Leasing reduces “sticker shock” and the resulting price objections. Remember, an Agency really benefits from the *use* of products or solutions, not the *ownership* of it.

Example: \$250,000 purchase price vs. \$8,066 monthly payment.
Pricing used is for example only. LTOP - 36 month term, 10% interest rate.

Enjoy *Repeat* Sales

Make it easy for your customers to add products or solutions

Leasing supports your long-term relationship with your customer throughout the life of the lease. This allows you many opportunities during the lease term to touch base with your customers and enhance their capabilities by adding new products or enhance solutions as needs change and grow.

Close Sales *Faster*

Provide one-stop shopping

When you offer leasing as part of your recommendation, you are providing one source, point-of-sale service. Instead of delaying decisions in order to investigate financing sources, your customer can comfortably say “*yes*” now.

Close *Competitive* Sales

Minimize a competitor's price advantage

You can assume your customer is also reviewing product or solution proposals from your competitors. Leasing minimizes any purchase price advantage competitors may cite. By comparing costs on a periodic payment basis, you reduce the disparity between the cost of your offering and the cost of your competitor.

		Total Cost	Per Month Cost
Example:	OFFEROR	\$250,000	\$8,066
	XYZ Co.	<u>\$230,000</u>	<u>\$7,421</u>
	Difference:	\$20,000	\$ 645

Instead of taking the time to justify why OFFEROR offering is worth an extra \$20,000, you can focus on providing OFFEROR quality and service for less than \$22 more a day.

Close *Bigger* Sales

Sell more with only a small monthly increase

Selling larger configurations means larger rewards for you! With a small increase in monthly payment, your customers can order additional products or solutions that they could not have purchased outright.

		Total Cost	Per Month Cost
Example:	Base solution configuration	\$250,000	\$8,066
	Additional solution (10%)	<u>+25,000</u>	<u>+ 807</u>
		\$275,000	\$8,873

In this case, you've increased, your configuration size by 10% for an additional monthly cost of only \$807 - less than \$27 a day.

Any Third Party Product may be included – One Stop Shopping

Your customer desires to deal with the fewest number of vendors possible. You can include other manufacturer's equipment that other competitors for the Government's money, may be proposing. You may also choose to bid to take out a competitor's equipment and replace it with the your solution and provide one monthly price to accomplish the task.