

Lease Advisory Guide



BLUESKY
CAPITAL STRATEGIES, LLC

OMNIA
P A R T N E R S





BLUESKY

CAPITAL STRATEGIES, LLC

WHO WE ARE:

Specialists in Lease Finance

OMNIA Partners has partnered with Blue Sky Capital's team of seasoned professionals because they deliver and implement best-in-class leasing programs.

Senior management has over 80 years of collective leasing experience in both lessor and lessee roles, closing over \$2 Billion of diverse lease transactions.

OMNIA Partners and Blue Sky are committed to finding the best leasing solutions for our members. Blue Sky has the expertise and resources to deliver immediate and long term savings for your leased assets.

WHAT WE DO:

Deliver Savings & Best Practices

Blue Sky's team develops, implements and manages leasing strategies and programs for companies covering a comprehensive range of asset classes

We provide access to our diverse network of lessors to deliver the most cost-effective liquidity while supplementing your existing funding sources

Since Blue Sky is not a Lessor, we are able to provide the OMNIA Partners member with independent and un-biased advice with the goal of securing the most competitive leasing solutions.

BLUE SKY MASTER LEASE DOCS

- ELIMINATES YIELD ENHANCEMENT T'S & C'S.
- REDUCES RISK
- INCREASE FINANCIAL FLEXIBILITY
- LOWERS TOTAL COST OF OWNERSHIP

BLUE SKY LEASING SYSTEM

- SECURE PORTAL
- MANAGES ALL FINANCE CONTRACTS
- DOCUMENT REPOSITORY
- AUTOMATED NOTIFICATIONS

IVORY SUPERTRUMP

- LEASE VS. PURCHASE ANALYSIS
- DETAILED REPORTING
- FASB LEASE TREATMENT REPORTS
- AMORTIZATION SCHEDULES

Blue Sky Capital can provide **immediate results** with **lower rates & better terms and conditions**. An OMNIA Partners member can realize an average savings of **20%** on their leasing portfolio after utilizing our services.

BLUE SKY ADDS VALUE TO YOUR COMPANY

“Like many Treasury Departments, we wear a lot of hats and are resource constrained. By outsourcing our lease management function to Blue Sky, we have more time to focus on other value add and strategic activities. Because Blue Sky is aggregating, structuring, and negotiating lease transactions with a wide variety of lessors on a daily basis. We know that we are entering into leases with below market rates supported by best in class terms and conditions in our Master Lease Documentation.”

- **Gary Johnson, Treasurer of Apogee Enterprises**

PURCHASING / CONTROLLER

- * Blue Sky runs the competitive bid for the financings so Purchasing does not have to allocate resources to manage this process.
- * Blue Sky's proprietary leasing processes expedite the procurement of capital equipment.
- * Blue Sky provides detailed post-closing documentation for accounts payable to setup recurring / automated payments to the lessor.
- * Blue Sky provides accounting schedules for GAAP and statutory reporting.
- * If you combine all of the time and resources Blue Sky provides for I.T., treasury / finance, purchasing / A.P, Legal and Controllers Group / Tax it is the equivalent of at least two full time personnel.

I.T. DEPARTMENT

- * Reduced total cost of ownership – approx. \$2.5m savings on a 36 month, \$30M fair market value portfolio
- * Expedited order to delivery times
- * Blue Sky provides operational flexibility for midterm upgrades and end of term flexibility for any or all and assets return and asset substitution flexibility.
- * Operational efficiency – Blue Sky provides 100% of the resources to manage the funding process, collect supplier quotes from I.T. , run competitive bid for the financing, project management for equipment delivery, single or multiple acceptances and managing the closing process with the lessor.
- * Blue Sky enters the leases and documentation into the lease management system.
- * Blue Sky maintains data integrity in the lease management system with any updates or changes made to the leased equipment (adds, moves, changes, sub-lease, assignment, etc..)
- * Blue Sky provides all of the support for any requested changes to a lease – upgrades, extensions, early re-writes, assignments, etc...
- * Blue Sky provides detailed reporting for portfolio management, provides financial analysis and all information required for budgeting and managing the I.T. spend.

TREASURY / FINANCE

- * Blue Sky develops comprehensive after tax lease vs purchase analysis modeling.
- * Blue Sky negotiates provides a common MLA template that mitigates risk and ensures the contracts do not have terms and conditions that increase the yield to the lessor.
- * Blue Sky works with treasury and finance to ensure the lease finance contracts are compliant with treasury / finance goals and objectives for managing the company's capital structure.
- * Blue Sky manages the lessors to ensure there is always more than sufficient liquidity at below market rates to fund the capital equipment expenses.
- * Blue Sky provides both regular and ad-hoc reporting to support treasury and finance.

LEGAL

- * Blue Sky reduces costs by eliminating the (in-house and outside) legal work required to review, negotiate and implement new master leases.
- * Blue Sky captures savings by replacing one-sided legacy master lease agreements with a “lessee friendly” document .
- * Blue Sky improves lessee's legal positions over each and every unfavorable “market” term by removing industry wide yield-enhancement language, hidden fees, trap doors (i.e. compulsory lease extension).
- * Blue Sky reduces risk and strengthens compliance by instituting a uniform set of terms and conditions across all leasing contracts.
- * Blue Sky enhances the legal department's coordination with Finance by proactive engaging at the outset of a transaction.
- * Blue Sky streamlines review and execution by using a single pre-approved set of documents.
- * Blue Sky ensures upfront covenant compliance and integration with company's internal legal policies before entering a new lease.
- * Blue Sky instills discipline/ strengthen oversight by centralizing the origination within legal department.

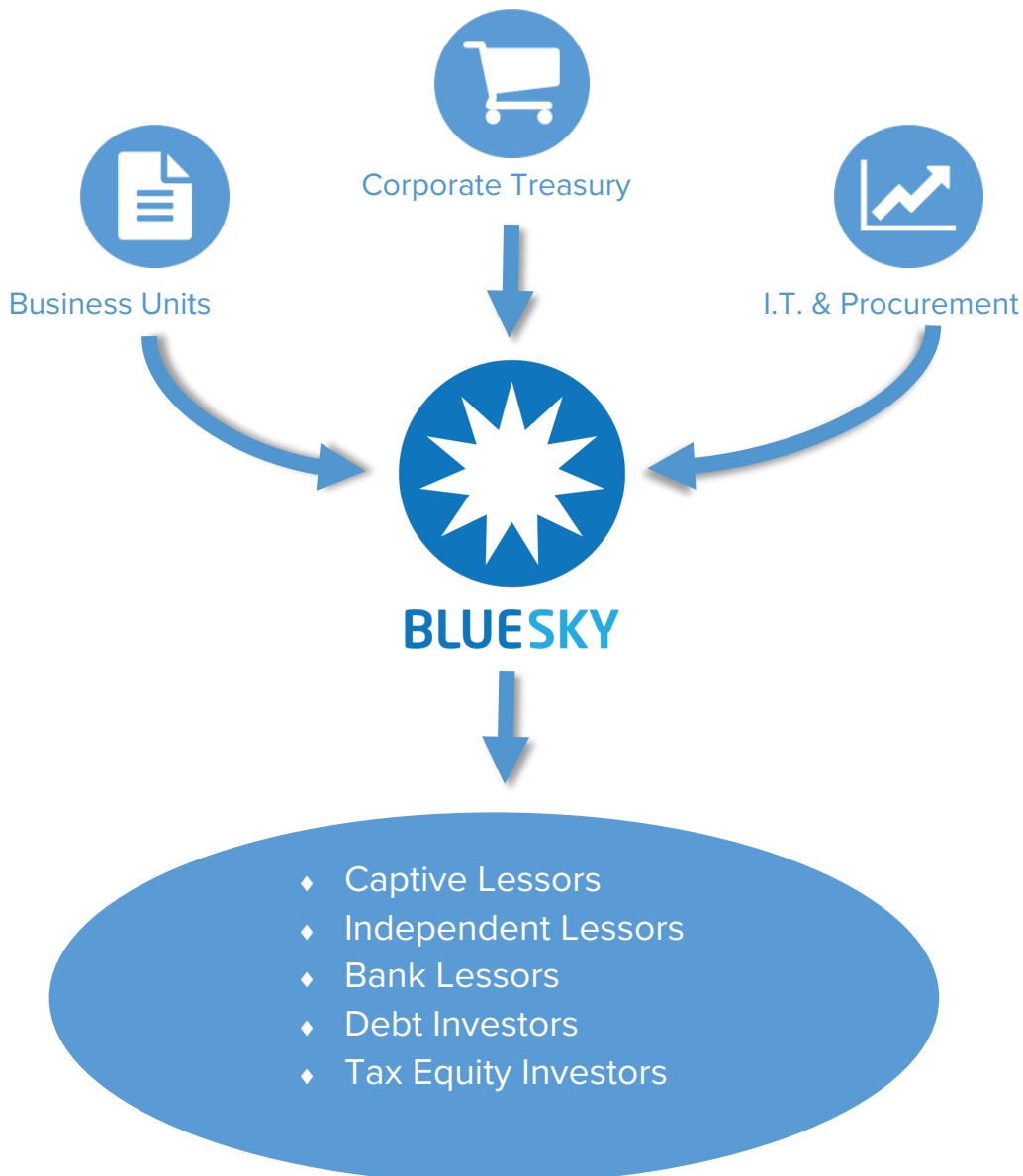


BLUESKY

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INDEPENDENT AND UNBIASED:

Blue Sky's complete independence enables us to work with all funding relationships and offer objective, recommendation—while acting as an aggressive advocate for the OMNIA Partners member.



BLUE SKY PROPRIETARY LEASING PLATFORM



Blue Sky Master Lease Docs

- › *Eliminates yield enhancement t's & c's*
- › *Reduces Risk*
- › *Increases Financial Flexibility*
- › *Lowers total cost of ownership*



Blue Sky Leasing System

- › *Secure portal*
- › *Manages ALL finance contracts*
- › *Document Repository*
- › *Automated Notifications*




Ivory Supertrump

- › *Lease vs Purchase Analysis*
- › *Detailed Reporting*
- › *FASB Lease treatment reports*
- › *Amortization schedules*


**BLUE SKY'S RESOURCES SUPPORT EVERY FACET OF THE
LEASE— FROM ORIGINATION TO TERMINATION.**

INCREASE SAVINGS

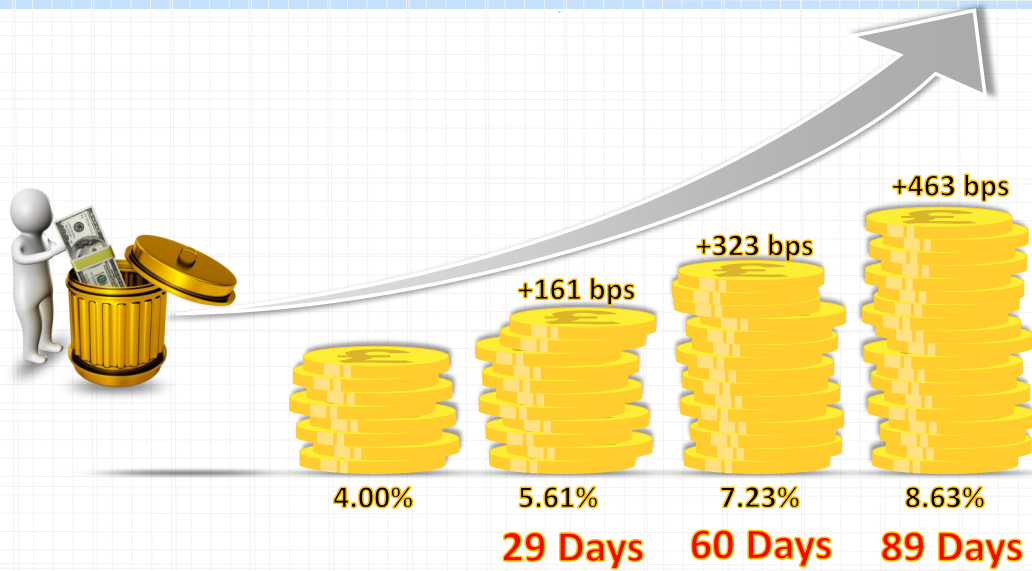
- 
- ⇒ Interim Rent
 - ⇒ Late Fees
 - ⇒ Stip Loss Value & Casualty Loss Tables
 - ⇒ Return Provisions
 - ⇒ Early Termination & Early Buyout Options
 - ⇒ End of Lease Purchase / Renewal Options
 - ⇒ Maintenance & Alterations

STANDARDIZED LEASE DOCUMENTATION

DECREASE RISK

- 
- ⇒ Event of Default
 - ⇒ Lessor Assignments
 - ⇒ Delivery & Acceptance Controls
 - ⇒ General & Tax Indemnities
 - ⇒ End of Lease Notifications
 - ⇒ Insurance Requirements
 - ⇒ Return Provisions

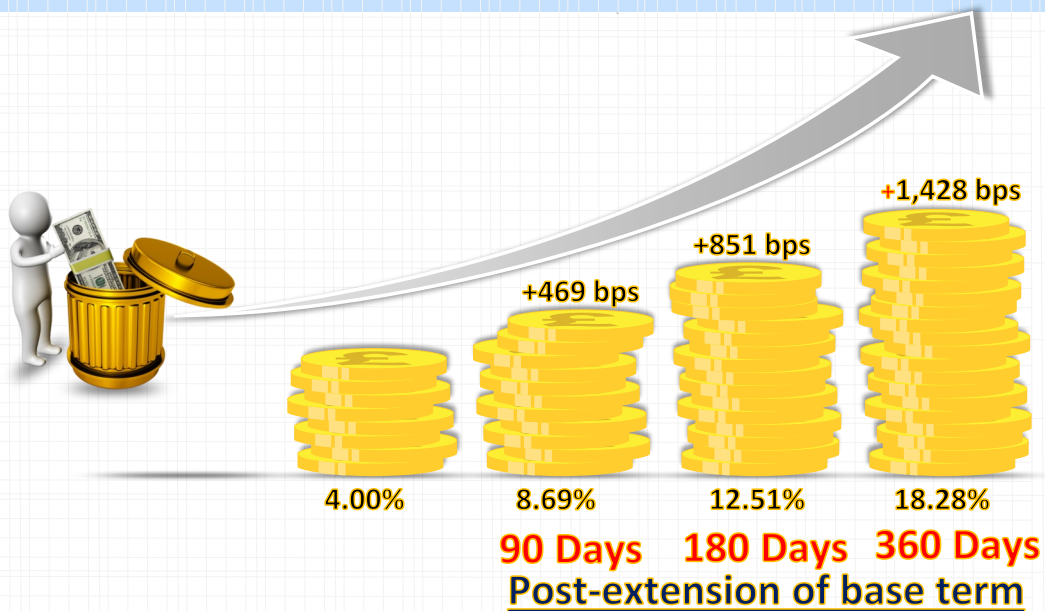
Impact From Interim Rent (Alpha I)



Impact of interim rent to a 36 month \$1 out lease with a 4% base term rate



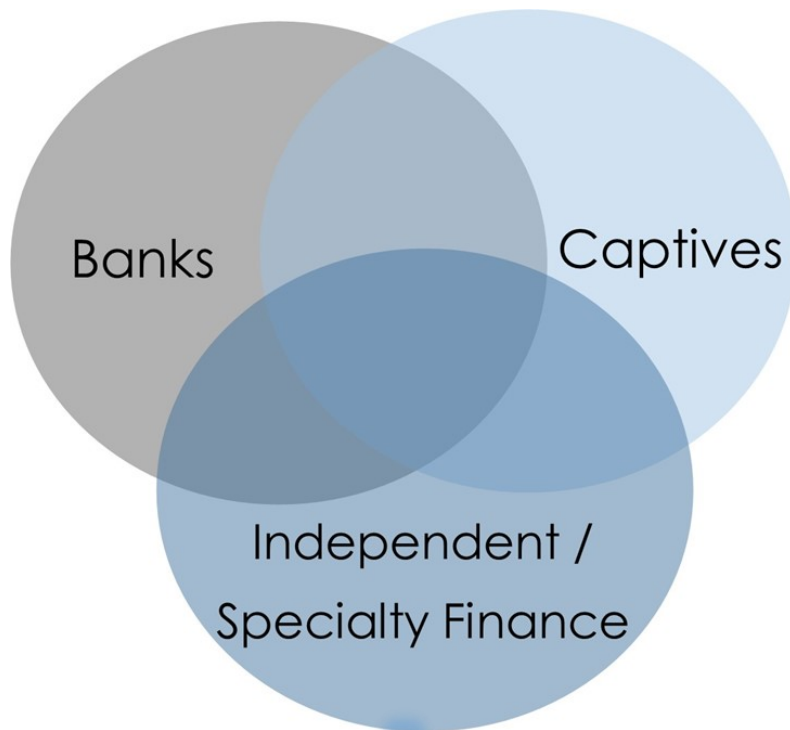
Impact from Missed End of Lease Notifications (Alpha II)



Impact of compulsory lease extension to a 36 month \$1 out lease with a 4% base term rate



CHOOSING THE RIGHT PARTNER...



- Primary Parameters:
- Asset Class
 - Credit Profile
 - Structure (FMV or \$1 out)

- Secondary Parameters
- Ticket Size
 - Industry
 - Geography / footprint

Lessor Relationship



Three Stages of Lease Support



Lease Origination

- › Identify "right" lessors
- › Implement blue sky MLA
- › Competitive bid process
- › Lease vs. Purchase analysis
- › Appropriate scheduling
- › Managed closing process
- › Data entry – lease mgmt
- › Execute equipment schedules



Lifecycle Management

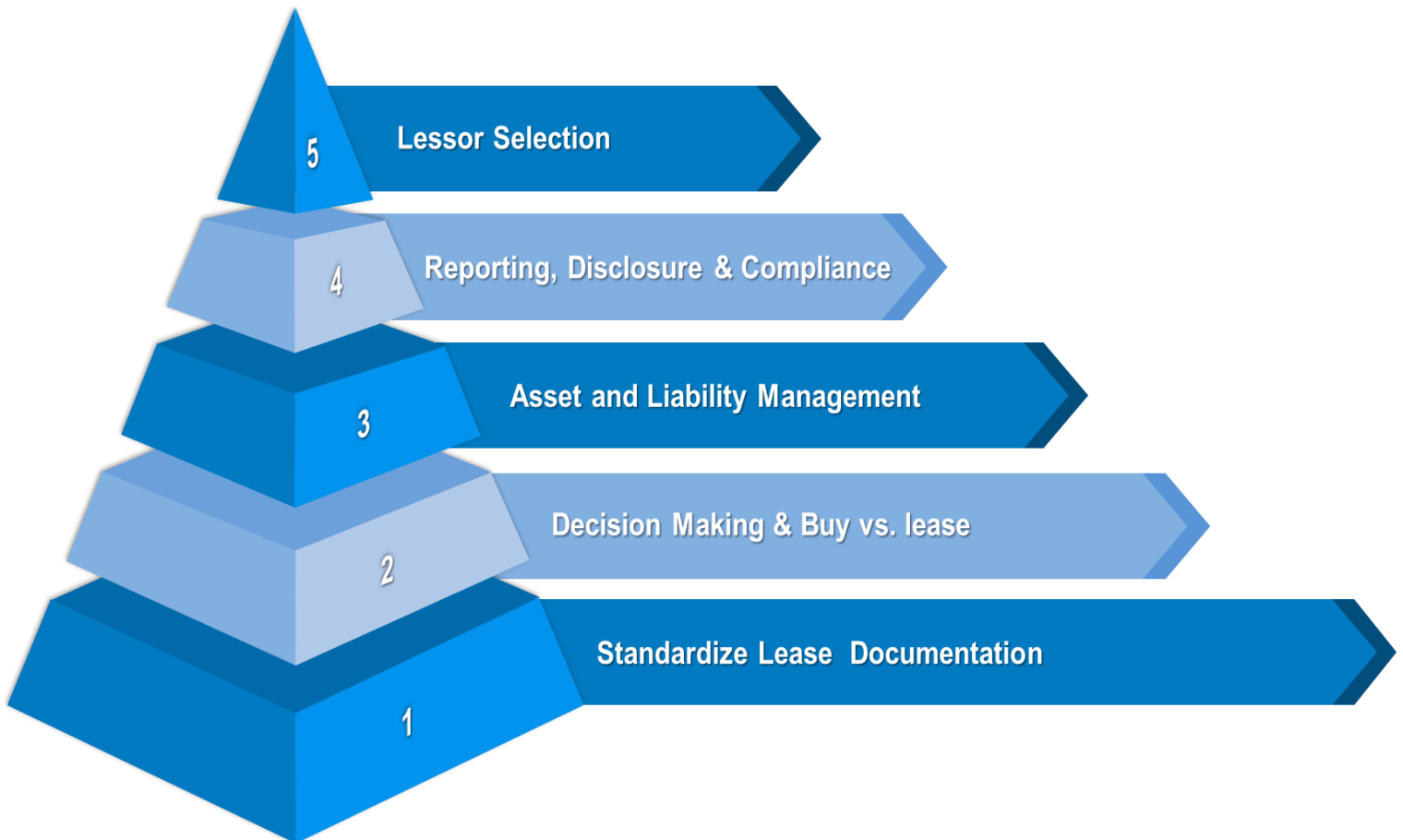
- › Centralized lease portfolio
- › Documentation repository
- › Automated notices
- › Financial reporting tool
- › Tax reporting tool
- › Bid tracking and reporting
- › SARBOX reporting
- › automated G/L interface
- › Treasury workstation compatible



End of lease

- › Administer end of lease
- › Ensure returns compliance
- › FMV strategy for buyouts
- › FMV strategy for extensions
- › Asset disposition
- › Negotiate all end of term events
- › Documentation management
- › Secure bill of sale

Blue sky implements comprehensive "best practices" from inception...



PREPARING FOR NEW LEASE ACCOUNTING



The number one priority for most companies at this point is collecting the legacy lease data into a format that it can be utilized to produce the new accounting entries.

It's time to collect and prepare!

THINGS TO CONSIDER WHEN LEASING:

- Does your company mandate the use of its own master lease agreement or do you negotiate each lessor's master lease agreement?
- Do you have a lease vs purchase assumptions and methodology template that is "certified" through finance, treasury, tax and accounting that will consistently reflect an accurate net present value analysis on an after tax basis?
- Does the ultimate decision to lease or purchase remain with Treasury or Finance vs I.T. or Business Unit Controller?
- Did you forecast in your budget for an appropriate fair market value buyout or early buyout option in the leases expiring this year (or future years)?
- Do you have a policy regarding whether leases should be structured for operating vs capital lease treatment?
- How do you determine if a lease vs purchase analysis should be ran to "return on time" or "keep everfor" and how do you assign an accurate credit for asset disposition.
- Do you have a defined evaluation process for lease extensions and fair market value buyouts?
- Do you ensure that you have the flexibility for "movement" in the lease (without triggering a notice or an event of default) that the business unit will require for the assets?
- Does your organization understand how or why leasing supports the CEO's company objectives?
- Who determines what lessors your organization does business with? Who manages those relationships to audit and report on lessor performance?
- Do you have a single accountable person for tracking the financial and contractual obligations on the leases to ensure compliance with all of the Master Lease Agreement and Schedule terms and conditions? Is anyone assigned to audit this accountability?
- Do you have a system designed to support the management of a lease portfolio by providing immediate insight, document management (purchase orders, purchase order assignments, invoices, schedules, certificates of acceptance, master lease agreements, photo's, etc...) and lease audit reporting capabilities?
- Do you have a system that will provide timely and accurate data for footnote disclosures in public 10K reporting?

OMNIA

PARTNERS



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