

## GROFF TRACTOR & EQUIPMENT INC – RENTAL OPTION PURCHASE POLICY

1. **LEASE:** Groff Tractor & Equipment, Inc (“Lessor”) is engaged in the leasing of construction equipment (also referred to as “renting”), including all parts of and accessories to such equipment (collectively the “Equipment”), to its customers (“Lessees”). An agreement between the Lessor and Lessee is hence referred to as the “Lease”. Per the terms and conditions of such Lease, the Lessee has agreed to pay the Lessor a specified rate(s) and other charges for the use of the Equipment (“Lease Charges”).
2. **TERM:** Unless otherwise agreed in writing by Lessor, the Lease shall commence on the date the Equipment leaves the Lessor’s premises (“Commencement Date”) and shall continue until the Equipment is returned to the Lessor’s location from which the Lease originated. Equipment shall be returned in the same condition as when delivered to Lessee, ordinary wear and tear excepted. If the Equipment is returned in an unusable condition, the term of the Lease shall continue until Lessor is able to restore the Equipment to a usable-rentable condition **as per the Rental Sales Agreement Terms and Conditions..**
3. **RENTAL PURCHASE OPTION:** The Lessor has sole title to the Equipment and under no circumstances shall title pass to Lessee. LESSOR’S LEASES DO NOT PROVIDE THE LESSEE AN OPTION TO PURCHASE THE EQUIPMENT. Any purchase agreement for the Equipment must be separately agreed upon in writing by both parties.
4. **SALE OF EQUIPMENT:** All Equipment remains the property of Lessor and is subject to sale to other parties at any time unless Lessee has executed the Lessor’s relevant equipment sales documentation (“Sales Documentation”). The Lessor has absolutely no obligation to sell the machine to the Lessee.
5. **OFFER TO PURCHASE EQUIPMENT:** At any time during the Lease, the Lessee may offer to purchase the Equipment from the Lessor and/or the Lessor may offer to sell the Equipment to the Lessee. Any offer to purchase the Equipment is not binding unless both parties execute the appropriate Sales Documentation.
6. **EQUIPMENT PURCHASE PRICE COMPONENTS:** If a leased piece of Equipment is to be sold to the Lessee, the purchase price will consist of some or all of the following components (“Purchase Price”):
  - The Equipment’s selling price (“Sales Price”).
  - Less: A portion of the previously paid Lease Charges may be applied as payment towards the Equipment’s Sales Price (called “Rentals Applied”). As defined in Part 7 below, the percentage of paid Lease Charges which may be applied towards the payment of the Sales Price declines as the Term of the Lease increases (the percentage is called the “% Rentals Applied”). THE TOTAL RENTALS APPLIED WILL NOT EXCEED THE SALES PRICE. Rentals Applied can only be applied as payment towards the Sales Price and cannot be used to offset any other component of the Purchase Price defined herein or any other obligation the Lessee may have with the Lessor. The % Rentals Applied can change from time to time without notice at the sole discretion of the Lessor.
  - Plus: A charge equivalent to the Lessor’s holding cost while the Equipment was leased (“Carrying Charges”). Carrying Charges are calculated from the Lease’s Commencement Date to the day the Purchase Price is paid in full by the Lessee (“Purchase Date”). The Carrying Charge is based on:
    - A) An interest rate which is based on prevailing market conditions on the Purchase Date (“Interest Rate”). The Lessor, at its sole discretion, may adjust the Interest Rate at any time to reflect changing market conditions. The Interest Rate is based on a 30 day month (360 day year). The “Daily Interest Rate” is determined by dividing the Interest Rate by 360.
    - B) The “Period Interest Charge” is determined by multiplying a principal amount by the Daily Interest Rate and by the number of days the principal amount is outstanding.
      - The initial principal amount is equivalent to the Sales Price (“Principal”). The number of days the initial principal amount is outstanding is determined by the days between the Commencement Date and the day the Lessee’s first Lease Charge is received by the Lessor.
      - Upon payment of the initial Lease Charge, the Periodic Interest Charge is deducted from the amount paid and the balance is deducted/added to the Principal to derive the next period’s Principal amount. The next Period Interest Charge is calculated in a similar manner using the revised Principal balance and the number of days between the Lessee’s payments.
      - Subsequent Period Interest Charges are calculated in the above manner until the Purchase Date.
    - C) The Carrying Charge is equal to the sum of all Period Interest Charges.
  - Plus: The cost of any maintenance and repairs performed by the Lessor on the Equipment during the term of the Lease (“Maintenance and Repair Charges”). Maintenance and Repair Charges include, but are not limited to, parts, labor, supplies or third party services. Maintenance and Repair Charges are based on the same rates and prices the Lessor would charge other customers for similar repairs.
  - Plus: Any unpaid Lease Charges as determined by the terms and conditions of the Lease (“Unpaid Lease Charges”).
  - Plus: All related taxes plus the cost of any applicable document processing fees, license fees, permits, assessments or other charges imposed upon the possession, operation, rental, use or sale of the Equipment (“Taxes and Other Charges”).
7. **EQUIPMENT PURCHASE PRICE:** The Purchase Price will be determined by one of the following four plans. The appropriate plan is determined by the amount of time between the Lease’s Commencement date and the date the Purchase Price is paid in full (“Duration”):
  - I. **Duration is 0 to 90 days**
    - A) Purchase Price is equal to the Sales Price less 100% Rentals Applied plus;
    - B) No Carrying Charges plus;
    - C) Maintenance and Repair Charges plus;
    - D) Unpaid Lease Charges plus;
    - E) Taxes and Other Charges.
  - II. **Duration is 91 to 180 days**
    - A) Purchase Price is equal to the Sales Price less 85% Rentals Applied plus;
    - B) Carrying Charges plus;
    - C) Maintenance and Repair Charges plus;
    - D) Unpaid Lease Charges plus;
    - E) Taxes and Other Charges.
  - III. **Duration is 181 to 365 days**
    - A) Purchase Price is equal to the Sales Price less 70% Rentals Applied plus;
    - B) Carrying Charges plus;
    - C) Maintenance and Repair Charges plus;
    - D) Unpaid Lease Charges plus;
    - E) Taxes and Other Charges.
  - IV. **Duration is Greater than 365 days**
    - A) Purchase Price is equal to the Sales Price less 70% Rentals Applied during the first 365 days (After 365 days, Lease Charges shall no longer be converted to Rentals Applied. Only Rentals Applied during the first 365 days may be applied as payment towards the Equipment Sales Price) plus;
    - B) Carrying Charges which shall include Period Interest charges up to the Purchase Date plus;
    - C) Maintenance and Repair Charges plus;
    - D) Unpaid Lease Charges plus;
    - E) Taxes and Other Charges.
8. **EQUIPMENT PURCHASE TERMS AND CONDITIONS:** All sales of Equipment are governed by the terms and conditions defined in the Lessor’s Sales Documentation in effect at the time of the transaction, unless agreed otherwise in writing by both parties.