Financing Logistics Equipment
The Tokenization of Assets

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This paper provides an overview of how tokenization of equipment used by logistics service providers *can reduce cost for financing of these assets. For information on the tokenization of assets see our paper on Trusted Tokenized Assets.*

Financing tokenized logistics equipment

The Sweetbridge Synchronized Accounting platform enables LSPs[1] (Logistics Service Providers) to purchase and rent equipment at a lower cost. From aircraft to trucks to warehouse equipment, the Sweetbridge platform can be used to lower the payments from loans or leases on these assets. Both operating lease and asset financing approaches to ownership are supported.

Traditional forms of equipment financing can cost more than it appears. Financing the purchase of assets requires carve-outs from existing lenders which reduce credit capacity and operating leases leave value on the table.

The Sweetbridge platform offers an alternative to traditional financing. It does this by using technology that allows us to rethink asset-backed lending. The platform constantly reevaluates the collateral value of the assets. As long as the collateral value is higher than the amount owed, only small payments are required. The closer the collateral value is to the loan value, the higher the minimum payment. If they are far enough apart, only a small minimum payment is due. This ensures that the collateral value of the equipment is always more than the loan value.

There are three drivers of risk and cost when financing equipment today:

- **The potential loss of value** in the collateral due to
    a. Damage, theft, destruction, and improper maintenance
    b. Asset value falling below collateral value due to a market downturn or other factors
- **Inability or unwillingness to make payments** on time increasing cost of debt service
- **The cost of handling defaults,** repossession, legal costs, and the time/effort to find a new buyer

These drivers are addressed through the use of technology and risk management.

How lower cost is achieved

The Sweetbridge Synchronized Accounting platform enables financing entities to reduce their risk and cost when financing the equipment used by LSPs when they use the Sweetbridge platform.

Minimizing the potential loss of value: Equipment has a useful life. When properly maintained, that useful life is extended and its value is maintained. The platform bundles maintenance and insurance to prevent the two causes of loss in value.

Inability or unwillingness to make payments: The platform manages all settlement activity for the equipment owner. Payments are siphoned off of all customer payments received in small amounts constantly through the month. These amounts change based on loan-to-collateral value.

The cost of handling default: The platform uses a conditional forward which transfers the ownership of the asset or the lease ownership on default. This is done by tokenizing the asset so it can have the ownership transfer controlled by a smart contract thereby eliminating most costs in a default.

Benefits

The tokenization of the equipment with built-in hedging of risks, the automatic collection of payments, and built-in maintenance reduces risk. By using the asset value to protect the lender, payments can be minimized to the amount needed to maintain the ratio or collateral value and loan value. The result is lower risk and cost for the financier and lower cost to the equipment user. Equipment users can decide on their strategy: do they want to increase their ownership ratio in the assets they own or simply use them and replace them periodically never leaving value on the table. You can even buy down your interest rate with the platforms Sweetcoin which can be used to lower interest rates by 50% or more.

[1] independently managed warehouses, distribution centers and logistics transport services