LIFE CYCLE COST REPORT:

How Sioux Corporation Helps Guarantee You A Higher Return On ALL Your Industrial Equipment Investments!

Equipment Life Cycle Cost Analysis

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What Is Life Cycle Cost Analysis?

Life cycle cost analysis has been a growing trend for companies in numerous industries. From its very beginnings with the U.S. military in the 1960s to its establishment into power industries in the 1980s, knowledgeable organizations are increasingly using life cycle cost analysis as a valuable tool when making equipment purchasing decisions.

Life cycle cost is simply the total of all costs of acquisition and ownership of a product or system over its full life. These can include different types of costs such as design, production, warranty, repair, and disposal. By factoring in frequently overlooked items, such as cost of part failures and repairs, or the financial impact of equipment failure on the rest of your operation, life cycle cost analysis can provide your company a picture of true costs over the life of your equipment purchase from Sioux Corporation. Life cycle cost analysis determines the differences in the net present value of competing options and helps identify the option offering the best value for the owner.

For industrial equipment with a typical operating life of 20 to 30 years or more, there are significant costs incurred to acquire the equipment, obtain the parts and contract labor services needed to connect the equipment to the required electric, gas, or water utility services, train equipment operators, and to perform maintenance and troubleshooting as needed over the equipment's operating life. The cumulative costs from these activities can often exceed the initial purchase price.

Today, the cost of maintenance alone can far exceed the initial acquisition cost; life cycle cost analysis provides the total cost likely to be incurred during the life of a particular piece of equipment. Life cycle costs are dependent upon the labor rate and overheads incurred, and can increase significantly when equipment fails to meet reliability expectations, or fails within a few years of purchase requiring unplanned disposal and replacement costs, as well as supervision of these unforeseen tasks. It is generally believed that 80 percent of the life cycle cost is a function of decisions made during the conceptual stage of a project, when the client studies a variety of options. As with any decision, each alternative has a commercial impact that affects the economic value to the customer over the equipment's entire life. This is the best time to consider options which will allow minimizing the total cost of ownership, throughout the equipment's entire life cycle. Improved reliability and reduced repair time results in less downtime and greater availability of the Sioux equipment as well as other operations dependent on that equipment.

When a company evaluates alternatives solely on the basis of initial purchase price, virtually ignoring potentially large operating and other expenditures, this can lead to significantly higher total ownership costs over the equipment life. Businesses now recognize the implications of such an omission.

Life cycle cost analysis provides a solid basis for requiring improved equipment quality, and extends beyond technical compliance and lowest price.

A life cycle cost analysis calculates the cost of a system or product over its entire life span. The analysis of a typical system could include costs as shown on the following table.

Typical Life Cycle Costs

NO.	COST	COMMENT
1	Costs of initial equipment set up.	Sioux designs equipment to be simple to set up and simple to connect to utilities.
2	Costs to train all operating personnel, both following initial equipment set up, and on-the-job training as needed in the future.	Sioux equipment lasts longer, so that repeated training for replaced equipment is not required during the 20 year life cycle cost evaluation period.
3	Electric power costs or fuel costs to operate the equipment throughout its entire lifetime. Higher efficiency components selected by Sioux during equipment design can reduce utility costs significantly over a time period lasting several decades, and are often overlooked.	Sioux uses high efficiency components including motors, heat exchangers, and other machine components and controls, reducing operating costs every hour of operation for the life of the equipment, reducing energy bills, and minimizing environmental impact.
4	Maintenance and troubleshooting costs can become excessive with lower quality equipment. The following areas are significant sources of problems for equipment in this industry, and the table shows what Sioux has done to provide higher quality products and service to reduce life cycle costs for our customers as a standard practice:	
5	Complete instruction manuals, covering unpacking, set up, operation, maintenance, and troubleshooting.	Complete Sioux instruction manuals make training and operation much easier and faster. Other suppliers provide only a fraction of the information provided by Sioux. The Sioux information is complete, which lowers the total life cycle cost of keeping the equipment running after other models have worn out or parts are no longer available to support repairs and maintenance.
6	Complete troubleshooting guidelines included in the instruction manual.	Sioux manuals provide your operators with complete information on the equipment you purchased, covering equipment setup, operation, maintenance, repair, troubleshooting and storage, and are based on decades of experience. This can make the difference between frustration and equipment down time on the one hand, and fast resolution of a problem and equipment availability on the other hand, lowering life cycle costs.
7	Complete and accurate spare parts information is provided by the manufacturer in the instruction manual	Sioux provides a complete parts listing with each machine shipped since 1970, based the serial number of the unit and on the actual parts used to manufacture each machine. To our knowledge, no other supplier in our industry maintains a parts listing by serial number for each unit shipped. This makes customer ordering of replacement parts simple, accurate, and fast.
8	Availability of spare parts from the manufacturer, for the life of the equipment, reduces life cycle cost. Experienced operating personnel recognize that all equipment must be maintained for optimum performance and long life, and spare parts are required to do this. You can count on Sioux to support your people in this important area.	Sioux maintains a database of parts used on all machines shipped since 1970, in paper copy and electronically, and backed up off site. We take this responsibility seriously, providing parts needed to keep your equipment running for decades, the longest in the industry. Sioux regularly sells parts for units that are 25 to 35 years old and still operating.
9	Costs for removal and disposal of worn out equipment. Longer equipment life reduces life cycle cost.	Sioux equipment is designed to last three to four times as long as other equipment in the industry. This lowers life cycle cost.
10	If the equipment experiences early failure where replacement is needed, there can be excessive costs involved for a wide range of unplanned expenses, including specifying new equipment, acquiring the new equipment, disposing of the old equipment, reconnecting the new equipment to utilities, training operating personnel, obtaining a different list of spare parts to maintain in stock, etc. All labor involved has associated overheads and supervision costs attached. Early failure of low quality equipment can increase your ownership cost significantly.	Sioux has a well deserved reputation for designing and building the most rugged and reliable equipment in the industry. Sioux units commonly remain working for decades in harsh conditions under heavy-duty usage.

Typical Life Cycle Costs, (cont.)

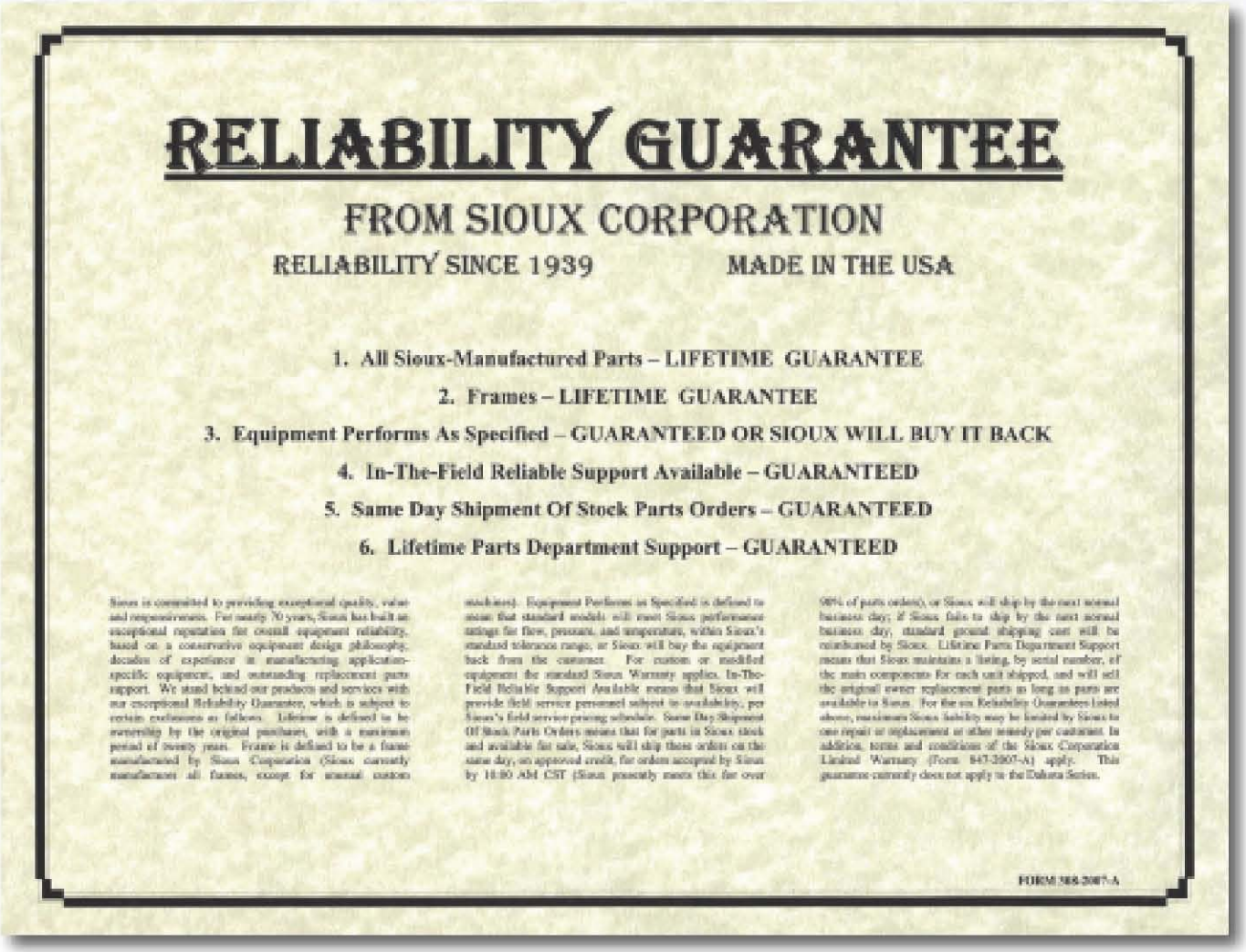
Total cost of ownership during the life of the equipment is the sum of all costs such as those listed on the chart to the left, and can vary considerably depending on the brand of equipment purchased, ease of installation, operation, maintenance, training, and equipment reliability.

As the world becomes more competitive, successful businesses realize that they must continually improving their efficiency. More and more, companies are seeking out those companies that can offer the best life cycle value for the life of the equipment, not just the lowest initial cost at the time of equipment purchase.

This is where Sioux Corporation comes in.

Six Unique Guarantees From Sioux Corporation

Enclosed with this report is an example of the Certificate of Reliability from Sioux Corporation, providing six important guarantees that accompanies each equipment purchase. These six guarantees are the reason Sioux has delivered customers the lowest life cycle costs on their equipment purchases.



RELIABILITY GUARANTEE

FROM SIOUX CORPORATION

RELIABILITY SINCE 1939 MADE IN THE USA

1. All Sioux-Manufactured Parts – LIFETIME GUARANTEE
2. Frames – LIFETIME GUARANTEE
3. Equipment Performs As Specified – GUARANTEED OR SIOUX WILL BUY IT BACK
4. In-The-Field Reliable Support Available – GUARANTEED
5. Same Day Shipment Of Stock Parts Orders – GUARANTEED
6. Lifetime Parts Department Support – GUARANTEED

Sioux is committed to providing exceptional quality, value and responsiveness. For nearly 70 years, Sioux has built an exceptional reputation for overall equipment reliability, based on a conservative equipment design philosophy, decades of experience in manufacturing application-specific equipment, and outstanding replacement parts support. We stand behind our products and services with our exceptional Reliability Guarantee, which is subject to certain exclusions as follows. Lifetime is defined to be ownership by the original purchaser, with a maximum period of twenty years. Frame is defined to be a frame manufactured by Sioux Corporation (Sioux currently manufactures all frames, except for unusual custom machines). Equipment Performs as Specified is defined to mean that standard models will meet Sioux performance ratings for flow, pressure, and temperature, within Sioux's standard tolerance range, or Sioux will buy the equipment back from the customer. For custom or modified equipment the standard Sioux Warranty applies. In-The-Field Reliable Support Available means that Sioux will provide field service personnel subject to availability, per Sioux's field service pricing schedule. Same Day Shipment Of Stock Parts Orders means that for parts in Sioux stock and available for sale, Sioux will ship these orders on the same day, on approved credit, for orders accepted by Sioux by 10:00 AM CST (Sioux presently meets this for over 98% of parts orders), or Sioux will ship by the next normal business day; if Sioux fails to ship by the next normal business day, standard ground shipping cost will be reimbursed by Sioux. Lifetime Parts Department Support means that Sioux maintains a listing, by serial number, of the main components for each unit shipped, and will sell the original owner replacement parts as long as parts are available to Sioux. For the six Reliability Guarantees listed above, maximum Sioux liability may be limited by Sioux to one repair or replacement or other remedy per customer. In addition, terms and conditions of the Sioux Corporation Limited Warranty (Form 847-2007-A) apply. This guarantee currently does not apply to the Dakota Series.

FORM 588-2007-A

These guarantees are the only way any manufacturer can assure its customers the lowest life cycle costs possible. This is what makes Sioux Corporation unique.

Your Company's Custom Life Cycle Cost Analysis

Following is an example of what a typical life cycle comparison between the reliable Sioux Corporation equipment and typical equipment alternatives. The lifetime warranties and other guarantees are not matched by any other company in the industry which is the only way to make a 20 year comparison possible.

	SIOUX	OTHER MACHINE	DIFFERENCE
Machine Cost	$30,000.00	$25,000.00	$5,000.00
Material Acquisition Costs (4 hours)	$160.00	$160.00	$0.00
Installation Cost	$4,000.00	$4,000.00	$0.00
Labor Cost Operator Training For New Machine — Learning to operate, maintain, troubleshoot and repair equipment, ($60/hour x 4 hours x 5 operators)	$1,200.00	$1,200.00	$0.00
Annual Operation Costs to operate unit on the job (1 man x 10 hours/week x 50 w/year)	$2,000.00	$2,000.00	$0.00
Annual Maintenance Costs	$1,000.00	$1,000.00	$0.00
Annual Operating Cost	$2,000.00	$2,500.00	($500.00)
Disposal Cost (Labor and Misc.)	$500.00	$500.00	$0.00
Life of the equipment purchased, years	20	5	
Annual Cost[1]	$6,596.12	$11,149.01	($4,552.89)
			$0.00
Annual Savings from selecting Sioux vs. Other Machine	($4,552.48)		($4,552.89)
Period of Life Cycle Cost Evaluation, years	20	20	
Cost for 20 years, using annual cost above x 20 (future dollars)[1]	$131,922.49	$222,980.26	($91,057.79)
Total Life Cycle Cost for evaluation period of 20 years, (current dollars)[1]	$64,761.72	$109,462.65	($44,700.94)
ASSUMPTIONS			
Interest Rate	9.00%		
Labor Rate per hour, minimum (including overheads)	$40.00		
Labor Rate per hour, maximum (including overheads)	$90.00		

[1] Life Cycle Cost Method is from *Engineering Economy*, McGraw Hill, by Leland Blank and Anthony Tarquin.

Call a Sioux Corporation representative and we will work with you to determine the best way to calculate your company's life cycle costs and maximize the return on your equipment investment.

Sioux is the industry leader in designing and manufacturing custom, application-specific equipment. Sioux has a wide range of options available, such as all-electric and explosion-proof construction, alternate electricals, 50 Hz units, SCR temperature controls, custom frames and mountings. We can provide the EXACT equipment for your needs. Call us for a quote today!

Call us Toll-free at (888) 763-8833

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MADE IN USA

A Greater Return on Investment for all your Industrial Equipment!

Regardless of the industry you are in – chemical, concrete production, construction, facility maintenance, food processing, forestry, government, greenhouse and nursery, hazardous materials and pollution management, logging, manufacturing, marine, mining, petroleum exploration and production, pharmaceutical, water and wastewater, utilities, or others, you make significant investments in industrial equipment – equipment you want to keep running as long and as efficiently as you can.

The six Sioux Corporation guarantees mean that the life cycle costs of ALL your industrial equipment will be lower. When the equipment from Sioux is backed up with six reliability guarantees, it means the productivity and performance of all your industrial equipment will be improved. Normally for most customers, if the equipment (for which you are considering the Sioux brand) fails, and needs to be repaired or replaced, this can affect other parts of your operation, not just the Sioux equipment, causing additional expense. An estimate for this cost should be added to the evaluation also.

When all of your industrial equipment lasts longer and operates more efficiently, the return on your investment for ALL your industrial equipment, not just the Sioux equipment, increases.

And, Sioux Corporation is the only company in the industry willing to help you guarantee that!

Call now for your customized Life Cycle Cost, ROI consultation with your Sioux representative.

SIOUX®

Reliability Since 1929

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Get A Higher Return On ALL Your industrial Equipment Investments!