

# FAQ's About Leasing Telecommunications Equipment

**Why should we lease our telecom system?** There are many good reasons to lease your new equipment rather than paying cash or financing it. Depending on the type of lease you employ, you may be able to preserve cash, protect credit lines, smooth cash flow, get the equipment off your balance sheet, gain some tax benefits, and/or enjoy flexible end-of-lease options. However, as you will learn, all leases are not the same.

**Shouldn't we just buy our system and count it as an asset?** Do you really want to add a rapidly depreciating asset to your balance sheet? Today's technology is changing continuously...and there are few things more frustrating than being stuck with out-of-date equipment that is obsolete and needs to be written off.

**We're just a small business. Does it make sense for us to lease equipment just like big companies do?** A recent annual survey conducted by the U.S. Small Business Administration states that leasing is up about 20% over the past two years. Leasing gives small business owners more flexibility as they work to grow their companies. Some 86% of last year's SBA Small Business winners lease their equipment indicating the wide acceptance of leasing as a preferred acquisition method.

**What are the different types of leases?** There are three basic lease programs...\$1 Out, FMV and TAMCO Shield®. The **\$1 Out Lease** does not qualify as an off-balance-sheet item and allows you to purchase the equipment for \$1 at the end of the lease term. It is the least flexible of lease options because it obligates you to ownership at some future date. (This lease costs about the same as financing the system.) The **FMV (Fair Market Value) Lease** may qualify as an off-balance-sheet transaction and permits you to return the equipment at the end of the term or purchase it for "Fair Market Value"...an amount that is

somewhat "iffy" at some future date. A **TAMCO Shield Lease** is similar to the FMV program but provides considerably more flexibility because if technology or your business needs change, you can move to a new system without financial penalty...no waiting period, no rollover and no hidden costs. Your old agreement is literally torn up and a new one issued.

**Are "end-of-term" options the same for all types of leases?** No. As noted earlier, the **\$1 Out Lease** obligates you to purchase the equipment for \$1 at the end of the lease term. The **FMV Lease** provides some flexibility in that you can return the equipment to the lessor, purchase it for "Fair Market Value", or continue to lease for an additional term (sometimes at a reduced rate). The **TAMCO Shield Lease** provides all of the end-of-term options of a FMV Lease plus guarantees in writing a specific reduction in payments for your additional term.

**Do all leases protect us against obsolescence?** Although many sales people claim that leasing is a good hedge against obsolescence, in some cases they don't tell you the whole story. In fact, some lease contracts contain no language that defines an upgradability provision and you certainly don't want to be covered by a verbal understanding with a sales rep.

It is true that most leases allow an upgrade to new technology if it becomes available. However, you are usually constrained by time restrictions (i.e., can only upgrade after the mid-point of your lease), balance rollovers (rolling the remaining lease payments into your new lease), or early payoffs (you must make a lump sum payment of the balance on your current lease before committing to a new agreement). So, although most leases allow upgrades...you'll end up

paying for that privilege. TAMCO Shield is the leading "no penalty" lease and the agreement spells out exactly what "upgradability" means and how you qualify. Basically, there are three conditions: (1) Your new lease payment must be equal to or greater than your current payment; (2) Your new term must be equal to or greater than your current term; and (3) You must again be approved for credit worthiness. There are no time restrictions, rollovers, or hidden costs. TAMCO lets you out of your current agreement and issues a new one.

**What if we want to add equipment to our existing system in a year or two?** Most businesses are not static, and if you're experiencing growth or your business needs change, it's very likely that you'll want to add stations, features, or upgrade a component of your system within your lease term. Some leasing companies require you to initiate a new lease on the additional equipment thus creating a new term and new end date. Pretty soon you'll feel trapped by a lease that never seems to end. At TAMCO, all "add-ons" become co-terminus...i.e., the lease term for the new equipment will be the same as your existing agreement and will end on the same date.

**One sales rep told us we're protected by a "technology refresh program." What does that mean?** In the simplest terms, it means you're paying for this "refresh" protection every time you mail in a payment. A "refresh allowance" is built up as you move forward on your lease and may be applied toward a new contract should you choose to move to new technology. TAMCO Shield has no "refresh allowances" because you are completely covered for technology upgrades from Day One.

**What if I have additional questions about leasing telecommunications equipment?** Ask your sales representative or call TAMCO Sales at 1-888-350-1842.