

# FAQ - Leasing Telecommunications Equipment

## Why should we lease our telecommunications system?

There are many excellent reasons to lease, including: the ability to preserve cash, protect business credit lines, budget cash flow, improve balance sheet, gain tax benefits, and enjoy flexible end-of-lease options.

## Shouldn't we just buy our system and count it as an asset?

Probably not. Technology depreciates very quickly, making it an asset you may not want on your balance sheet. And since technology changes every day, it's not uncommon to suddenly find yourself stuck with obsolete equipment that needs to be written off.

## We're just a small business. Does it make sense for us to lease equipment like large companies?

It certainly does. Leasing provides small business owners with more flexibility as they work to grow or change their companies. This is probably why a recent annual survey conducted by the Small Business Administration (SBA) states that leasing has increased by 20% over the past two years.

## What are the different types of leases?

At Allstream, we offer three basic lease programs: \$10 Out, FMV and Allstream Shield. The \$10 Out Lease allows you to purchase the equipment at the end of the lease term for \$10. It does not qualify as an off-balance sheet item and it requires you to own the equipment at the end of the term. 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". The Allstream Shield program is similar to the FMV Lease but provides considerably more flexibility; if technology or your business needs change, you can move to a new system without financial penalty – no waiting period, no rollover balance and no hidden costs. Your old agreement is literally torn up and a new one issued. With Allstream Shield, you pay a monthly "fee for use" only while the technology is useful to you.

## Are "end-of-term" options the same for all types of leases?

Absolutely not. In fact, they're quite different. The \$10 Out Lease requires you to purchase the equipment for \$10 at the end of the lease term. The FMV Lease provides some flexibility: 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. Allstream Shield provides all of the end-of-term options of a FMV Lease plus it guarantees, in writing, a specific reduction in payments if you choose to extend your contract; it also offers a System Replacement Guarantee if your technology needs should change – without rolling over the previous balance.

## Do all leases protect us against technology obsolescence?

No. This is important to understand, because many salespeople will tell you that leasing is a good hedge against technology obsolescence without giving you the whole story. The fact is most lease contracts

contain no language that defines how an unforeseen system replacement would be handled. And you certainly don't want your business to be subject to a verbal understanding. Some leases allow a conditional upgrade to new technology, if it becomes available. However, there's a reason it's called "conditional" – 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 lumpsum-payment of the balance on your current lease before committing to a new agreement). So, although most leases allow upgrades, you may end up paying dearly for that privilege. Allstream Shield is the leading "System Replacement Guarantee" lease and the agreement clearly spells out exactly what "upgradeability" means and how you will qualify for it.

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, no balance rollovers, no re-casts, and no hidden costs. Allstream lets you out of your current agreement and simply issues you a new one for the new system. Now that's a lease that protects you against obsolescence.

## What if we want to add equipment to our existing system in a year or two?

Business needs change. If you experience growth or need to adapt to meet new needs, the last thing you need are lease terms that stand in your way. Many leasing companies would require you to initiate a new lease on additional phones, features, or components, thus creating a new term and new end date. The next thing you know, you're trapped by a lease that never seems to end. At Allstream, 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 Representative told us that we would be protected by a "technology refresh program." What does that mean?

In the simplest terms, it means you're paying extra for this "protection" every time you make a payment. A "refresh allowance" is built up as you move forward on your lease and the credit may be applied toward a new contract should you choose to move to new technology. Allstream Shield has no refresh allowances because you are completely covered for "System Replacement Guarantee" from day one.

## What if I have additional questions about leasing telecommunications equipment?

We'd be happy to answer them for you. Just ask your Sales Representative, visit our website at [www.allstream.com/leasing](http://www.allstream.com/leasing), or call Allstream at **1 888 727-4717**

**ALLSTREAM SHIELD – POWERED BY TAMCO.**

