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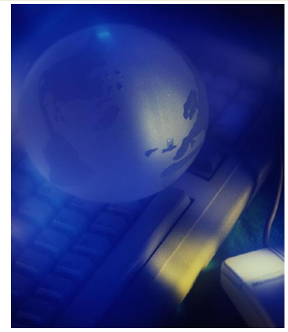
N-1 TECHNOLOGY REFRESH PROGRAM

An innovative approach to financing your IT assets

To learn more, contact your
N-1 Technologies Representative today!
Main Office 708-449-4090



CONVENTIONAL LEASING

Most companies today who lease their IT equipment do so under a Fair Market Value (FMV) Operating Lease (FASB 13) structure. This is a lease where the Lessor is the owner of the equipment and the Lessee, or user of the equipment, pays for the use of the equipment for the period of the lease.

The FASB 13 Operating Lease requires Lessor to invest at least 10.1% of the original equipment cost (OEC) as Residual Value (RV) and the Lessee pays 89.9% of the equipment cost on a Net Present Value (NPV) over the term of the lease.

At the end of the lease term, the Lessee has the option to return the equipment to the Lessor, purchase the equipment for FMV, extend the lease for Fair Market Value or continue to pay the same monthly rentals until one of the aforementioned options is executed.

DRAWBACKS OF CONVENTIONAL LEASING

1. **YOU MUST ACCURATELY GAGE USEFUL LIFE OF AN ASSET.** To take full advantage of an IT FMV Operating Lease, the Lessee must be very proficient at predicting the useful life of the asset to the term of the lease. If equipment is not returned to the Lessor at the end of the lease, every month beyond the original lease termination will cost the lessee between 2.9% and 3.9% of the OEC, depending upon term of the lease, in month-to-month (MTM) rentals. At those rates, if a Lessee keeps the equipment for 3 or 4 months beyond the initial lease term, the Lessee will have paid almost 100% of the equipment cost and still NOT own the asset. The perceived value of a Lessor holding a 10.1% RV is now not realized.

2. **YOU MUST HAVE A PROVEN IT REFRESH PROCESS.** Under a FMV Operating Lease, the Lessee must also have a proven technology refresh process. This must begin months prior to lease expiration to avoid those MTM charges. The Lessee needs to determine the new equipment specifications, submit purchase orders to vendors, set up new lease arrangements, roll-out new equipment prior to lease expirations and must de-install, assemble, pack and ship old leased equipment by the end of the leases.

3. **YOU MUST HAVE ASSET TRACKING CAPABILITIES.** The Lessee is responsible for good asset tracking. If a Lessee cannot find equipment at the end of a lease term, the Lessee will have to pay the FMV for that asset or the pieces missing from that asset. This can result in the Lessee paying over 100% of the asset's original cost when you factor in the lease rentals plus the FMV of the asset.

4. **YOU PAY FOR DAMAGED EQUIPMENT.** If equipment comes back damaged, again the Lessee will have to pay for repairs or the FMV of the asset, thus paying over 100% of the asset's original cost when you factor in the lease rentals plus the FMV of the asset.

N-1 TECHNOLOGY REFRESH PROGRAM

A leasing instrument that provides ownership at the end of the lease with NO penalties for late, lost or damaged assets and provides remarketing proceeds for any assets that return. It is a strategic financial tool that aligns the Lessee's and the Lessor's interests together. By using this tool, you can take advantage of the benefits of leasing without the risk of overpaying for the equipment.

The Lessee has the same monthly cash flows as the Full Market Value (FMV) Operating Lease but does not penalize the Lessee if the equipment is not ready or able to be returned at lease expiration, equipment cannot be found at any time or the equipment is damaged or not working properly.

The Lessee has the expertise of N-1 Technologies (N-1) to remarket whatever equipment is returned in any condition. If the equipment is not returned, the Lessee will have a fixed buyout on those assets, which will be lower than the FMV at the end of the lease.

BENEFITS OF THE TECHNOLOGY REFRESH PROGRAM

1. **NO PENALTY TO KEEP EQUIPMENT**. If a Lessee decides to keep the equipment for whatever reason there is a fixed buyout to minimize the FMV risk at the end of the lease term. The total NPV for these assets will be 102.5%.

2. **MORE VALUE TO RETURNED EQUIPMENT**. If a Lessee returns the equipment utilizing N-1's remarketing expertise, the NPV for the total lease will be 90-95%, depending upon the term of the lease and the type of equipment leased. Equipment returned earlier is worth more (must be in good working condition and peripherals such as mouse, keyboard, etc. are included.)

3. **NO MORE MONTH-TO-MONTH RENTALS.**

4. **NO CHARGE FOR MISSING ITEMS**. N-1 will only sell what it receives. The more assets returned, the lower the overall cost for the Lessee.

5. **NO CHARGE FOR DAMAGED ITEMS.** Again, N-1 will only sell what it receives and will sell the equipment "as is." The better the condition, the higher the value and the lower the overall cost for the Lessee.

6. **EASIER AND LESS EXPENSIVE TO ADMINISTER.** Do not have to be 100% correct on the timing. No more "tail wagging the dog." Do not have to manage to end of lease terminations, but rather to technology cycles.

7. **DOES NOT HAVE TO BE "ALL BUT NOT LESS THAN ALL."** Keep what you need and return the rest. Lowers overall cost of ownership as the Lessee does not have to do wholesale change-outs of their assets.

N-1's Technology Refresh Program can be set up for all IT equipment: Desktops, Laptops, Printers, Servers (UNIX & Intel), Network and all other.