



## **Lease Option Overview**

Hewlett-Packard Financial Services Company provides global leasing and financial asset management solutions which include cost-effective leasing offers, trade-in programs, asset management, and asset recovery. Hewlett-Packard Financial Services Company was incorporated in 1997 and is based in Berkley Heights, New Jersey. Hewlett-Packard Financial Services Company operates as a subsidiary of Hewlett Packard Enterprise Company and is Hewlett Packard Inc.'s primary financial services partner under HP Integrated Financial Solutions.

HPFS' Public Sector unit specializes in customized financing plans tailored to meet the needs of educational and governmental customers in the United States. Our familiarity with the needs of public sector customers enables us to offer viable leasing and financing plans for customers like you.

There are variations and options with each major lease plan. The plans presented are examples of what we can offer, and can be adapted to address your specific needs. For example, we can structure a customized leasing or financing plan based on factors such as your budgetary requirements, equipment delivery and installation cycles, and the anticipated period of use to help maximize the benefits to you.

Leasing options and how rates are determined are presented below.

## **Fair Market Value/True Lease**

Customers that want to lower their cost of using the equipment and retain maximum flexibility at the end of the lease, HPFS offers a fair market value lease (also known as a true lease). This "pay-as-you-go" structure helps you stretch your budget dollars to get the technology you need today. At the end of the lease term, you have several options: 1) return the equipment without penalty; 2) renew the lease for a specified renewal term at a negotiated lease payment amount; 3) purchase the equipment at its then fair market value; or 4) extend the original term and continue to make the same periodic lease payments until you are ready to exercise one of the three previously listed options. This plan may help customers avoid technology obsolescence and asset disposition costs.

HPFS does allow our customers to enter into a month to month extension at the end of each lease agreement if they find it necessary to maintain their existing leased equipment for longer than the original lease timeframe. We also have a package and shipping service that can be incorporated into the lease contract

upfront for returns of equipment at lease end. This service can be very valuable when budgeting for your technology costs.

## **Tax Exempt Installment Sale (Lease Purchase)**

In a Tax-exempt Installment Sale structure, payments consist of both principal and interest, with the interest being excludable from the Lessor's gross income for Federal income tax purposes. During the term of the Lease the Concluding Payment – primarily consisting of unpaid principal – declines as each Lease Payment is made and applied. Under this structure Title typically passes to the Lessee at the Lease Acceptance and the Lessor files a security interest in the equipment. Once the original base Lease Payments are made the Lessee owns the equipment free and clear.

## **Tax Exempt Tech Refresh**

Tech Refresh is structured as a Tax-Exempt Installment Sale with an option on the last payment to return the equipment (and acquire new) or make the payment and own the equipment outright. Our standard offer calls for payments to be made annually in advance, though additional structures may be tailored to accommodate budget restrictions. The final (or option) payment is a set amount of the original purchase price of the equipment and is our estimate of the wholesale value of the equipment at the time of the option. The balance of the cost is amortized over the term. The benefit is that an entity is not locked into any one particular deal; it can purchase the equipment or return it and get new technology.

Other important elements of the Tech Refresh structure:

- There is only one refresh opportunity during the lease
- Lessee must be committed to acquire and lease similar equipment prior to exercising the option
- Tech Refresh is offered only as a Tax-Exempt Installment Sale structure
- The option cannot be exercised if an event of default has occurred and is continuing
- Lessee must provide an irrevocable written election of notice of its intent to refresh or purchase 3 months prior to the refresh period. On the 48-month term the refresh point is month 36 which requires notification at month 33. On

the 60-month term the refresh point is month 48 which requires notification at month 45. Sample buyout goes into effect if refresh option is not exercised.

## **Customize your IT retirement**

HPEFS Asset Upcycling Services delivers a flexible, consistent process for retiring IT equipment. We can help you build a customized plan for your business' unique needs and navigate the 160+ pieces of legislation for environmentally responsible IT removal and recycling.

We work with you to manage each stage of the process, including transit, tracking, processing, security and resale or recycling. Our programs extend globally, providing you with the same high level of integrity, process control and expert support regardless of where your assets may be located.

We are committed to maintaining your brand's credibility and security. We do this by:

- Ensuring governance of business processes and data security
- Managing global scope and capabilities with quality and consistency
- Driving revenue through monetizing no longer useful owned assets
- Delivering global reach and expertise with presence in over 50 countries
- Flexibility to handle a range of requirements for your networking and data center

Let us help streamline your IT asset recovery process. As your partner, we help you help minimize the effort required to refresh IT infrastructure when your business demands innovation, putting you in control of your IT asset management strategy.