

# -on-Line- update

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Website: [www.mfalease.com](http://www.mfalease.com)

## COMPUTER LEASES

On-Line has purchased and leased to municipalities hundreds of computer systems from laptops to large scale network servers and related personal computers, printers etc. Computer systems constitute a very poor lease security, as they have high obsolescence, they are usually customized to suit a particular municipality's requirements, they are difficult to identify as many components constitute the asset, and finally, in order to become operational, computers involve large amounts of other soft costs including initial installation and configuration services, data conversion from existing systems, training, application software licenses and related consulting services etc.

### Supplier Invoices

In order to identify a computer asset for both lease registration and insurance purposes, the supplier must provide one invoice as it will be the document of reference. In order to minimize transaction fees, the supplier's invoice must provide sub-totals under the following headings – otherwise, On-Line would have to charge for each invoice as a separate lease account and for each invoice line item as a separate security.

### Hardware

All hardware costs must be identified under one heading, including product codes and serial numbers where applicable. The hardware component of the invoice can also include shipping, the operating software and any warranty maintenance that is transferable during its term to a new owner.

### Application Software Licenses

All application software license costs must be identified under one heading, including the number of users etc. The software vendor must be aware that the Lessee is the licensed user and not the Lessor.

### Maintenance

The cost of non-warranty maintenance that is not transferable to a new owner should be described under one heading, including the type of maintenance, the expiry date, the days of the week and the hours of the day for maintenance coverage, etc.

### Other Soft Costs

All soft costs such as conversion, training and consulting, should be described under one heading. **It is strongly recommended that these costs be excluded from the lease and paid directly by the Lessee. If they are included in the lease, these services become a product and therefore will attract provincial sales tax.**

### Limits to Soft Costs

On-Line will not lease a computer system where the total of the application software licenses, non warranty maintenance and other soft costs is greater than the cost of the hardware.

### Transaction Fees

On-Line charges a transaction fee of \$200 for setting up a lease account plus \$100 for each security. Each of the above invoice headings is considered a security, and therefore, if all the above headings are described on a supplier's invoice, then the transaction fee would be \$600 (\$200 plus \$100 x 4). Please refer to our website [www.mfalease.com](http://www.mfalease.com) to determine computer lease payments and residuals, etc.

### Computer Residuals

Computer lease residuals are generally ten percent of the total of all the securities at the end of a five-year term. If the supplier provides a written guarantee of a residual value different from the guidelines (see Pricing [www.mfalease.com](http://www.mfalease.com)), On-Line will use the guaranteed value. If the municipality does not intend to exercise its option to purchase the computer from On-Line at the end of the lease term, it must negotiate, at the time of purchase, either a trade-in value for a new computer lease (renewal) or an end of term sale value to the supplier.

### CLICK PRICING TAB FOR CURRENT LEASE RATE (PRIME MINUS 1%)

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