



EQUIPMENT LEASING SALES GUIDE

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► Leasing Overview

Purpose

The following document was developed as a road map to understanding the leasing process. We look forward to working closely with you to serve your customers and to ensure they succeed. We thank you for your trust and confidence.

Founded in 1991, Northern Leasing Systems, Inc. (“NLSI”) is our primary underwriter of pos equipment leases and is the nation’s leading provider of micro-ticket leases now managing over 200,000 accounts nationwide. “Micro-Ticket” leases are defined as those that range from \$1,500 to \$10,000 in equipment cost. Headquartered in New York City, NLSI is focused on providing micro-ticket leasing to a diverse customer base through a system of nationwide equipment Vendors for defined niche markets. We offer competitive lease funding factors, fast approvals, dedicated account management and superior quality customer service. Northern Leasing Systems differentiates itself in the marketplace by demonstrating the following attributes:

- A team of highly experienced and tenured management
- Comprehensive credit expertise
- Proven access to capital markets
- World-class customer service
- Enhanced asset management expertise
- Integrated use of advanced technologies

► The Context for Leasing and Lease Definition

Over the last ten years Fortune 500 corporations have decreased in size by an average of 30%. During this same period, small businesses have increased by almost 80%. Determining the benefits of leasing for a Fortune 500 company requires complex financial analysis. However, the advantages to leasing for a small business are significantly more apparent. These small businesses are the key target market of Secure Payment Systems.

Defining A Lease

A lease is a contractual agreement to use a piece of equipment for a fixed period of time (Term) at a fixed monthly cost.

► The Benefits Of Leasing

- Conservation of Capital (Reallocate cash to purchase additional inventory or for other business requirements)
- Conservation of other lines of credit
- Lease payments are tax deductible
- Same day approval process accelerates decision making

► Credit Scoring

NLSI utilizes the Fair Isaac (FICO) scoring model provided by Experian (formerly TRW). It is a computerized scoring model that can predict within 99% accuracy the WILLINGNESS and ABILITY of an individual to repay a commitment. Upon entering an individual’s information, the FICO score is instantly computed. FICO scores range from a low score of 000 (bad credit) to a high score exceeding 800 (good credit). Scores are grouped into high, medium and low credit levels, which are as follows:

000	No score
300-550	E
551-608	D
609-641	C
642-665	B
666-792	A
792 and up	A+

► Interim Rent

All lease terms begin on the first of the month. Merchants will be charged a per diem rent for the period between the day the equipment is placed, up to the last day of the month. The per diem rent is computed by dividing the monthly charge by the number of days in the month. For example, a terminal placed and verified on the 15th of the month that has a monthly payment of \$39.95 per month, would have a per diem rate of \$1.33. If there was an additional 15 days left in the month, the interim rent charge would be $\$1.33 \times 15 = \19.95 .

► End of Lease Term Options

The merchant has 3 options at the end of the lease term.

- Return the equipment and terminate billing
- Exercise the buyout option and purchase the terminal out right
- Continue renting on a month-to-month basis

► Charge Backs

Agents submitting and receiving payment have the following liability. NLSI must be able to successfully ACH the first full month rent. If that it is not accomplished for reasons such as Non Sufficient Funds (NSF) or a closed account, NLSI will send SPS a Charge Back Notification. If the problem is not rectified within two weeks, NLSI expects the money to be returned. If the first ACH is successful, neither SPS nor the agent has any further responsibility in the performance of the lease. However, in the case of a forgery, SPS, and by definition, the agent, will be responsible for the entire amount of the lease. In this situation, NLSI will take whatever steps necessary to recover its investment directly from SPS and, in turn, SPS will then charge back the agent.

The Leasing Process

The following is a guide to the typical flow of the lease application, approval, and lease commencement process. The lease application is faxed or emailed to SPS and must at a minimum include the following data:

- Customer business name and DBA, if applicable
- Customer address and business telephone number
- Years in business
- Term of lease
- Monthly lease payment
- Personal Guarantor information, including name, address, home telephone #, and social security #
- Title and type of business

- Ownership percentage
- Dealer name
- Office phone number
- Applications will be entered into the NLSI leasing system, which will automatically obtain a credit report with a credit score

► Additional Processing Information

Notification of credit score will be faxed to SPS within two hours and emailed to you within 4 business hours thereafter so you can determine your residual funding from SPS. While each lease document should be filled out completely, the following is a list of critical fields most often omitted:

- Equipment information
- Lease Term
- Lease Payment
- Customer bank information, including customer initials authorizing NLSI to ACH the monthly payment
- Lessee/Personal Guarantor signatures
- Complete Personal Guarantor information, including social security #

Lessee Payments

Lessee payments are collected via ACH debit from the customer's checking account. In order to maintain an accurate ability to ACH lease payments, a voided customer check must be submitted with the lease application. The check should be in the name of the company documented on the lease. Personal checking accounts will be accepted for ACH purposes on an exception basis only.

Customer Service

Once a lease is funded and NLSI begins collecting monthly payments, our customer service professionals are available to assist customers with billing questions, administrative account changes (telephone number, address, and bank change / ACH information), lease transfers, buyout quotes, and other general services. You can contact NLSI by e-mail to: customerservice@northernleasing.com or at 1-888-275-3251.

Lease Buyout

Customers may choose to purchase the leased equipment at the end of the lease term by paying the Fair Market Value (FMV), which is calculated as a percentage of the equipment cost as follows:

12 month lease	25% of the original equipment cost
24 month lease	20% of the original equipment cost
36 month lease	15% of the original equipment cost
48 month lease	10% of the original equipment cost

Taxes

Sales/Use Tax will be assessed on lease payments based on the current state, county, and/or local tax rates in the jurisdiction where the equipment is located, and will be added to the basic monthly lease payment and debited from the customer on a monthly basis. Personal Property Tax on leased equipment in those jurisdictions where such tax exists will be collected on an annual basis along with an administrative fee. It will be paid by ACH debit from the customer account. This tax will be paid by NLSI directly to the customer's local tax jurisdiction.

► Frequently Asked Questions and Answers

1. Q: *Who actually owns the terminal?*

A: NLSI owns the terminal.

2. Q: *How can I obtain a copy of the lease agreement?*

A: Simply call the lease request hotline at 888-275-3251.

3. Q: *How will I pay for the lease payments?*

A: All payments are deducted via Automatic Clearing House (ACH from your business checking.

4. Q: *Why is the ACH different from the amount written on the lease?*

A: The ACH includes the basic monthly payment, tax and an equipment loss and damage waiver (which covers loss or destruction of the sign).

5. Q: *Why is sales tax charged on the lease, what if I am tax-exempt?*

A: The customer is responsible for any applicable tax on the lease payment or levied on the equipment. Only non-profit organizations are exempt from paying sales tax on the lease, i.e., YMCA, churches and charitable organizations. Customers are tax-exempt for purchases for resale through their business. The equipment we lease is not for resale.

6. Q: *What do I do if I change my bank account?*

A: Just fax a copy of your new check with your lease number to customer service @ 888-275-3251.

7. Q: *Can I cancel my lease?*

A: While your lease is non-cancelable, it can be prepaid or transferred (subject to approval of NLSI) at any time. For lease prepayment please call our customer service department at 888-275-3251 for calculation.