

## Alternative Financing

In today's economy it makes sense to explore all available options to improve your company's cash flow. Leasing is a common, cost-effective means of acquiring equipment and upgrading your technology.

A lease is a financing agreement that can be structured in a variety of ways to best meet your organization's needs. When evaluating whether leasing makes sense for a particular purchase, you should consider three things: the most efficient method of payment, the length of time you will use the equipment, and your future technology needs. Many businesses prefer leasing as a way to spread payments over the exact life of the equipment purchased.

A lease is not a loan, and therefore costs for leases are figured differently from those of loans. Some differences between the two:

- ◆ Leases do not require a large down payment.
- ◆ Leases only finance the value of the equipment depleted during the lease term, with an option to purchase at the lease's end.
- ◆ Leases require no other collateral besides the leased equipment.
- ◆ The leasing company absorbs any risk of premature obsolescence since the lessee can simply choose to not buy the equipment at the lease's end.
- ◆ With operating leases, the entire lease payment can

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## New Microsoft Licensing Program

This summer, Microsoft will revamp its entire system of volume licensing for software. Beginning August 1, customers can join Microsoft's Software Assurance program, which provides all upgrades for a product released during the two year subscription term. While retail upgrades are expected to be available for the foreseeable future, volume licensing may be a cost effective alternative, especially for companies considering software upgrades in the next few months. While the new system can be confusing, we will try to explain the new programs and how they might benefit your company.

Currently, most users buy software preloaded on a new PC (known as "OEM" software). This provides a big discount to the consumer, but also requires them to contact the PC manufacturer for technical support, saving Microsoft in support costs. The most expensive option is to purchase full copies of software (separate boxes) at retail prices. A third option is to use one of Microsoft's licensing programs. Licensing reduces costs by allowing a business to purchase multiple software licenses, and receive a paper license authorizing use along with one copy of the software at minimal price for just the media.

Most ITS clients qualify for Microsoft's Open Licensing program, which allows any company purchasing five or more licenses to receive a volume discount, with that same discount continuing for all purchases over the next two years. This program works for Windows, Office, and several other Microsoft titles. However, Microsoft is discontinuing the upgrade versions of their Open License software, steering customers towards

their Software Assurance program. This means that customers will no longer be able to purchase an "Office XP Professional Upgrade License" but must purchase a license for the full non-upgrade version.

### Upgrade Advantage

Prior to August 1, 2002, customers can join Microsoft's current Upgrade Advantage program to purchase upgrades and a subscription, even for selected older products. On August 1, all Upgrade Advantage licenses automatically convert to Software Assurance licenses (described below), providing rights to future upgrades. This makes Upgrade Advantage a great deal for companies considering upgrading in the near future. Better yet, the price for Upgrade Advantage licenses is comparable to or better than the regular upgrade price.

For example, a company which wants to upgrade five copies of Office 97 to Office XP before the end of July 2002 can either purchase five retail upgrade packages of Office XP, or purchase Upgrade Advantage licenses, saving almost \$300. Plus the latter solution provides upgrades to any version released in the next two years.

Existing retail and OEM licenses can be upgraded using Upgrade Advantage before August 1 as well.

### Software Assurance

The new Software Assurance program provides licensees with the option to purchase two years of upgrade protection at a savings from the regular purchase price. Without Software Assurance a company would have to purchase either individual retail upgrades or full licenses to obtain future versions of a program.

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This subscription then renews every two years.

Before August 1, companies will be able to purchase Software Assurance separately for their existing licenses. After August 1, new software may be enrolled in Software Assurance only at the time of initial purchase or within the next 90 days.

Is Software Assurance similar to Upgrade Advantage? Yes. But the latter is being discontinued in favor of the new program.

### **If You Rarely Upgrade**

For those clients who rarely upgrade their software, it may make sense to bypass the Software Assurance program altogether. In four years one can opt to purchase a new full or upgrade copy of the new version of your software, and probably come out ahead, since they would have saved two terms of Software Assurance subscription fees.

However, Microsoft currently limits upgrade eligibility to the previous two versions. For example only users with Office 97 or 2000 can install a retail upgrade to Office XP. The rest must purchase a full copy or a full Open License to obtain a new version.

### **Planning Ahead**

To get the most out of Microsoft's program, clients must determine their long term needs for future Microsoft software. If your company does not plan to upgrade to Office 2004 within the next few years, signing up for Software Assurance when you purchase Office XP may not make sense. Companies upgrading from older versions of Office may find it more economical to upgrade before July 31 so they qualify for special upgrade pricing.

Microsoft offers special financing for purchases over \$2,000 made before June 30 to encourage participation. As we discuss in our "Alternative Financing" article on page one of this issue, leasing your software purchase may be an option as well.

# Trends

## **IP version 6**

The short sequence of numbers that uniquely identify each PC or Internet device belong to a protocol known as IP (Internet Protocol). The current version of IP (IPv4) has existed for about 20 years, and is now more widely used than ever. The result is that the world is running out of IP addresses. As each device on the Internet requires a unique address, this presents an obvious problem.

Currently the mathematical limit is around 4.1 billion addresses worldwide. However, like phone numbers, address blocks are assigned to ISPs which dole them out to users, and not all possible addresses are currently in use. Some time ago the concept of Network Address Translation was implemented, which allows many PCs to share one public IP address. While this extended IPv4's life significantly, we are again running out of addresses.

IPv6 will be the next generation of

IP addressing. In development since the early 1990s, this new version has only recently been formalized as an international standard. IPv6 promises a significantly larger address space ( $3.4 \times 10^{38}$ ) along with improved security and the ability to route traffic based on priority to aid in streaming multimedia or voice connections.

Currently development is under-way for integration into many operating systems, software, and hardware devices such as Internet routers. Eventually the world will transition to the new standard, requiring users to deal with up to 32-character hexadecimal addresses (separated by colons) rather than the current 12-digit dotted decimal address range. We expect this change will take quite some time however. IPv4 is expected to interoperate with IPv6 so there is no hurry to upgrade without a specific need.

# Humor

## **Microsoft Buys U.S. Mint**

*by unknown*

Microsoft Corporation today announced plans to buy the Philadelphia Mint from the United States government. Final details of the transaction were hammered out in an all night bargaining session. In an effort to appease federal regulators, Microsoft gave a copy of Windows NT and a box of paper clips to Novell.

Microsoft said it intends to print money in direct competition with the U.S. Government. Chairman Bill Gates, declared, "The Government has no vision and we intend to eventually take over all operations." The official announcement was made by Microsoft spokesman, Brad Silverberg, who showed reporters an alpha version of the currency Microsoft will release next year. The currency, called simply

"Money" (patent pending) bears a striking resemblance to U.S. currency. When questioned about this, Silverberg stated that the U.S. Government had obviously copied the design. Silverberg alleged this was constantly happening to Microsoft, citing Apple's theft of the Windows look and feel, and Stac's pilfering of on-the-fly disk compression as only two examples.

Response within the industry and government was immediate. All major ISV's appeared at the press conference and announced support for Money. Analysts hailed the acquisition as "the most earth shattering event in the history of the world, without question." Industry experts declared that "Money is now the standard for currency in the United States."

# Tips

## ClearType

ClearType, one of the new technologies included in Windows XP, enhances the use of liquid crystal displays (LCDs) found in notebooks and desktop computers. LCDs consist of thousands of pixels too small to be discernible by the human eye alone. In traditional font rendering, each pixel is either “on” or “off,” when the computer displays a character on the screen, it turns these pixels on or off.

Every pixel on an LCD screen is comprised of three smaller elements called subpixels: one red, one green, and one blue (RGB). When put together, the human eye sees the color white, or some other color as the pixels are adjusted.

ClearType manipulates these individual subpixels, which allows for much smoother fonts as the human eye blurs the subpixels into the larger image.

Note however that ClearType is

designed only for LCD screens. Users on regular monitors will typically experience worse viewing quality using ClearType.

To enable ClearType:

- ◆ Right-click on the desktop and select *Properties*.
- ◆ Go to the Appearance tab.
- ◆ Click the Effects button.
- ◆ Check this option in the Effects dialog box: *Use The Following Method To Smooth Edges Of Screen Fonts*.
- ◆ Select ClearType from the drop-down box.
- ◆ Click OK.

After you close the Display Properties dialog box, Windows XP will turn on ClearType.

After ClearType is enabled, fonts will usually appear smoother and without sharp edges. The final output on the screen varies from LCD to LCD but is typically quite an improvement.

## Q & A

### ScanDisk reported a lost cluster on my hard drive, is that bad?

To understand the answer to this question one must have a basic knowledge of how data is stored on a disk. The main storage mechanism is called a cluster. A data file can take up one or more clusters. When a file is deleted, the operating system simply marks those clusters as being available for use. A lost cluster is not used by a file, and is not marked as available. In the vast majority of cases, lost clusters are extraneous, and caused by incompletely written or deleted files, such as when a user turns off a PC without first shutting down. Unless you suspect data loss, you can probably safely delete any lost clusters ScanDisk finds.

You should worry about the other problems ScanDisk can find, however! For instance if a Thorough scan reveals your disk is developing bad sectors,

this means it is losing its ability to store information reliably. In this case your hard drive should be replaced as soon as possible.

### I use AOL; why do images on web pages sometimes look funny?

AOL recompresses graphics files from web sites to reduce the load on their servers. Their system actually downloads a copy of popular web sites, and saves the text and pictures internally. This way AOL saves bandwidth and provides faster service.

The goal of this recompression is to reduce the file's size, which may result in a loss of image quality. AOL even resizes some types of graphics. While a user's PC can be set to not compress images via AOL's Preferences, another solution is to connect with AOL and then minimize their browser to use Internet Explorer or Netscape Navigator directly.

### Financing Projects

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usually be claimed as a tax deduction, rather than just interest and depreciation (check with your tax professional for your situation). Lease payments may also be shorter than the IRS depreciation schedules, allowing faster expensing of the equipment.

- ◆ A lease is generally not considered a long term liability, improving your balance sheet.

A company planning for a three year life span for computer hardware and software can therefore choose a three year lease term, providing a fixed monthly expense while retaining capital for day-to-day expenses. If the company expects to sell the equipment at the end of the three years, the lease only covers a portion of the original expense, providing further savings.

Although many leases are of the “lease to own” variety it is possible to structure a lease that finances a only a portion of the cost. A *fair market value* lease allows a company to decide down the road to purchase the equipment with a one-time payment, or turn the equipment over to the leasing company. This type of lease provides for smaller monthly payments for the duration of the lease, freeing working capital.

Some leasing companies will even allow leasing for labor costs for installation, training, and maintenance, as well as for software, allowing companies to further defer total payment for a project. At least one will work with ITS and our vendors to help reduce or avoid down payments for larger orders. Leasing is available for projects costing as little as \$1,000.

ITS will work with clients to find a leasing company. Approval is very quick compared to loan or credit line approvals, typically providing approval within 24-48 hours. And there is generally no application fee. With little down side, leasing is certainly worth exploring.

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