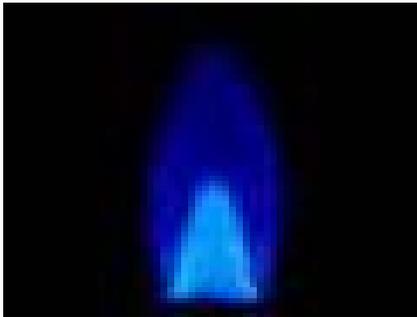


# GE Capital Public Finance, Inc.



Tax-Exempt  
Lease  
Financing

# What is Tax-Exempt, Lease Purchase Financing?

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- It is a loan provided by a Financial Institution (“Lessor”)
- Lease is held by one investor
- Structured to meet IRS guidelines
  - ✓ Interest component of payment is exempt from Federal Income Tax
  - ✓ Lessor passes on tax savings in the form of a lower “tax-exempt” interest rate
- Classified as a lease – includes “non-appropriation clause” – Obligation of current fiscal year only

# Who Qualifies?

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- Public School Districts
- Cities
- Counties
- State Agencies
- Public & Private Higher Ed
- Special Districts
- 501(c)3 not-for-profits

# What Project can be financed With a Tax-Exempt Lease?

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- Energy Equipment Upgrades/Retrofit
- Co-generation Facilities
- Solar Electric Systems
- Any “Essential Use” Public Purpose Project

# How Does Lease Purchase Financing

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## Work?

- Municipality/Agency (“Lessee”)
  - Selects company to perform energy retrofit project (“Vendor”) & selects Financial Institution
    - ✓ Vendor may also provide financing as a full-service offer (“Turnkey”) – assigns lease payments to Financial Institution
  - Obtains approval through Council/Board Action
  - Internal counsel provides legal review and approval of lease documents
- Financial Institution (“Lessor”)
  - Upon acceptance of the Project, Financial Institution pays the Vendor on behalf of Municipality/Agency
  - Financial Institution has first security interest/lien in equipment – not the real property
  - Financial Institution does not provide warranty on equipment – provider of financing only

# Things to remember...

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- **What happens if energy savings is not achieved?**
  - Lease does not allow for “right of set-off”
  - Municipality is required to make lease payment
  - Lease is a separate obligation than the Energy Performance Contract
  - Lease may be utilized for other equipment acquisitions

# Two ways to go to Market...

## Private Placement & Public Issuance

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- One Investor - Direct source of funds
- Financial Institutions
- Parties:
  - ✓ Lessee's Counsel
  - ✓ Lessor
  - ✓ Escrow Agent
- Multiple Investors
- Certificates of Participation (COP's) – sold on public market
- Parties:
  - ✓ Lessee's Counsel
  - ✓ Financial Advisor
  - ✓ Rating Agency
  - ✓ Bond Counsel
  - ✓ Underwriter
  - ✓ Trustee & Escrow Agent
  - ✓ Credit Enhancer
  - ✓ Certificate Holder

# Differences between...

## Private Placement & Public Issuance

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### Direct Source Funding

- Prepay on any payment date
- No Issuance Cost
- Rate can be locked
- Completed in a few weeks
- 3 parties
- No disclosure
- Secured by equipment only

### Public Sale of COPs

- Prepayment restrictions
- Issuance Cost
- Rate not set until bonds sold
- 60 to 90 days to complete
- 8 parties
- Disclosure Issues
- Often secured by real property

# Benefits of Lease Purchase Financing

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- Can Finance 100% of project costs
- Can structure payments to meet savings
- Can be done quickly
- Term of financing typically 10-12 years
- Lessor's view energy management projects as simple personal property, like computers or vehicles
- Commonly used form of municipal finance in CA
- Offers flexibility

*Structure your financing to meet the needs of your Energy Project*

**For more detailed information:**

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