Q: What is a tax-exempt lease?
A: Tax-exempt leasing provides a convenient, lower-cost alternative to cash purchases and bond financing. The lease structure allows you to spread the cost of your capital equipment over its useful life. The lease is considered to be an installment purchase agreement under which the lease payment is an annually budgeted expense and is normally not considered a debt under state bonding requirements.

Q: Who are the most frequent users of tax-exempt lease financing?
A: Tax-exempt lease financing has been used successfully by a wide range of governmental, educational and not-for-profit entities.

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<th>States</th>
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<td>Housing Authorities</td>
<td>501(c)(3)s</td>
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<td>Cities</td>
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<td>Villages</td>
<td>Hospital Authorities</td>
<td>Building Authorities</td>
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Q: What equipment can I finance with a tax-exempt lease?
A: Virtually any capital equipment qualifies for tax-exempt leasing. Here is a partial list.

- Security systems.
- Vehicles: ambulances, police and service.
- Technology: computers, phones, essential-use software, fiber optic lines, 911 systems, upgrades, 800 MHz communications.
- Building equipment: furniture and fixtures, energy conservation, lighting retrofits, HVAC.
- Other: modular building, water tanks, maintenance equipment, medical equipment, and park and recreation equipment.

Q: What are Key's general financing parameters?
A: Maximum term: 10 years.
Minimum term: 2 years.
Minimum amount: none.
Maximum amount: unlimited.
Payment modes: monthly, quarterly, semi-annually, annually, advance or arrears.
Used equipment: yes.
Finance "soft costs": yes.

Q: What types of leases are available?
A: Key offers a standard leasing product to match just about every type of need, plus customization to meet your special circumstances.

- **Tax-Exempt Lease Purchase** for governmental and educational entities
  - Most common type of financing
  - 100% financing
  - Lower fixed interest rate
  - Alternative to cash purchase or bond issuance

- **Technology Migration Option Lease** for governmental and educational entities, and 501(c)(3) not-for-profit organizations
  - Permits technology replacement during the term

- **Fair Market Value Purchase Option Lease** for governmental and educational entities, and 501(c)(3) not-for-profit organizations
  - Eliminates the hassle of equipment disposition

- **Project Financing** for governmental and educational entities, and 501(c)(3) not-for-profit organizations
  - Facilitates and expedites larger multiple-vendor acquisitions

- **Conditional Sales Agreement** for 501(c)(3) not-for-profit organizations
  - Taxable
  - Used to acquire assets
  - Most common type of financing for not-for-profit organizations
Q: What sort of timing advantages can I expect?
A: One of the chief advantages of tax-exempt leasing is its fast turnaround time. There is limited commitment from your staff and the approval process is simple. This simplicity allows financing of projects that might otherwise be out of the question.

Q: How is a typical tax-exempt lease structured?
A: Generally, you can expect 100 percent financing. The terms are practical, and since it is a two-party agreement, it can be very flexible. In addition, there are no disclosure requirements—just a standard document such as the Key Master Lease Agreement.

Q: What fees and costs are involved?
A: Aside from competitive tax-exempt rates, you can look forward to lower fees and transaction costs than you would normally incur with traditional financing. Plus, you will experience lower up-front costs with committed interest.

Q: What are the advantages of a Key Master Lease Agreement?
A: With a Key Master Lease Agreement, you will be able to make multiple acquisitions under one agreement. This agreement can also include two very beneficial provisions:

1. An escrow funding provision to allow up-front financing and payment for equipment as delivered.
2. Equipment substitution feature to meet changing circumstances.

Q: When does a Master Lease Agreement make sense?
A: Whenever you have multiple vendors or multiple project financing, a Master Lease Agreement is preferred. The standardized documentation will reduce costs, and the simple structure will facilitate board approval. Plus, you will minimize time commitment from your staff.

Q: What can I expect in terms of documentation?
A: Key’s Master Lease documents use a simple, straightforward two-party agreement, allowing for an ongoing, cost-effective financing solution. Once your primary document terms are approved, secondary financing schedules are sufficient for further acquisitions. You can expect a document that promotes:

- **Repeat Usage**
  The executed master lease purchase agreement can be used as many times as the parties to the financing wish.

- **Multiple Financing Structures**
  Each financing under the MLA is structured as an independent property schedule.

- **Quick Financing Turnaround**
  Additional financings under the agreement can be completed with minimal time commitment.

- **Industry Standard Documents**
  Our documentation has been drafted by nationally recognized bond counsel and is compliant with all current state and federal laws.

Q: How can I find out more about how tax-exempt leasing can meet my particular needs?
A: Key’s Public Sector experts will provide a personal review and analysis on your specific financing needs and then recommend the right Public Sector program to fit your budget.

For more information, contact the Key Public Sector Relationship Manager in your area.