

Customer Financing – Tax Exempt Municipal Lease Purchase Agreements

Bill Stancik & Scott Landau

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MOTOROLA SOLUTIONS



Tax Exempt Municipal Lease - Agenda

- **Funding Options**
- **Overview Motorola Credit Corporation**
- **Financing Products**
 - Tax Exempt Municipal Lease
 - Flexibility
 - Benefits
- **Payment and Interest Rate Illustrations**
- **Cash Flows Scenarios**
- **Alternative Structures**





Diversify Approach by Investment Area

Investment Area	Funding Approach
Infrastructure	One-time revenue source
Subscribers	One-time revenue source
System Maintenance	Sustainable Revenue Source
System Operations	Sustainable Revenue Source
System Lifecycle Upgrades	One-time/Sustainable Source

Consider All Funding Options



Multiple Funding Sources:

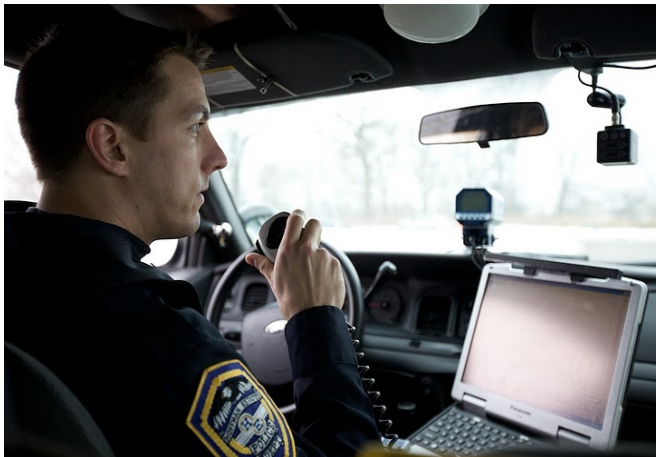
- **Government Bonds**
- **Capital Outlay Appropriation**
- **General Fund Appropriation**
- **Lease Purchase**
- **Sales Tax**
- **Surcharge Fees (Drivers license, vehicle registrations, 911, etc.)**
- **Other Federal Agencies: DOE, HHS, DOT, DOI / BIA, DOC, HUD**
- **System User Fees**
- **Private Foundations**
- **Federal Grants**
- **Earmarks**
- **State Grants**
- **DOJ Grants**
- **DHS Grants**





Motorola Credit Corporation

- Operates as a captive leasing company (Subsidiary of Motorola, Inc.)
- Financing State & Local entities for 42 years
- Funded \$8.1 billion equipment transactions since 1980
- Maintains a \$150 million portfolio of loans with \$450 million in “unfunded” commitments
- Quoted financing on \$2.3 billion of projects
- Financed on Avg. \$112M last 5 years (Gov't.& Public Safety-North America)
- 2500-3000 active accounts



Where we are today...Leasing in today's challenging environment



- State and Local Government challenges
 - Persistent unemployment
 - Uncertain State Aid
 - Falling property values
 - Mortgage delinquencies
 - Enterprise “businesses” (nursing homes, stadiums, convention centers)
 - Sales and income tax declines
 - Non-renewal bank liquidity facilities/ letters of credit
- Trends related to financing during recessionary periods
 - Issuing debt to meet budget requirements
 - Impacts state and counties “debt ceilings”
 - Lease financing doesn't impact debt ceilings
 - Increase in borrowing vs. “pay as you go”
 - Expensed items now being capitalized (computers, vehicles, telecom equipment solutions etc.), minimize impact on cash-flow
 - Bond transactions may be difficult to underwrite
- Lease Financing can help “bridge the gap”
- Motorola Credit Corporation (MCC) has the solution in today's challenging environment
 - MCC comfortable financing w/ BEST EVER rates
 - \$50mm Motorola's balance sheet allocated for strategic projects
 - Stimulus package more favorably impact rates/investment decisions
 - Our projects got funded while credit markets seized up!





Flexible Financing Alternatives

100% Transaction Financing

- Motorola & non-Motorola equipment
- Installation
- Program Management
- Delivery
- Sales Tax

Structuring Alternatives

- Ownership vs. non-equity
- Even Payment Streams
- Graduated Payment Streams (“step-up”)
- Deferred Payment Streams (24 months)

Terms

- Up to 15 Yrs. Terms Available
(infrastructure)
- Match Useful Life of Equipment

Payment Structure

- Monthly
- Quarterly
- Semi-Annual
- Annual

Rate Structure

- Fixed Rate
- Floating Rate

Customized Billing

- Inventory Tracking
- Billing by Departments
- Electronic Funds Transfer
- Electronic Invoicing



Municipal Lease Purchase Program

- Motorola Shares Tax Benefits with Lower Interest Rates
 - Opportunity for “Bank Qualified” pricing
- Lease Payments Subject to Annual Appropriations
- Title to Equipment Transfers to Customer
- Aggressive interest rates
- **No** Pre-Payment Penalties
- **No** Hidden Fees or Charges
- An alternative to issuing bonds (debt)





Municipal Lease Purchase Benefits

- The Municipal Lease Purchase may provide an alternative external funding method.
- Lease v.s. Bond Offering, customer avoids:
 - ✓ **Costly Bond Counsel**
 - ✓ **Underwriting fees**
 - ✓ **Bond Insurance costs**
 - ✓ **Printing , mailing etc.**
 - ✓ **Delays purchase decision- (excessive timeframe from voter approval- underwriting[credit/insuring] marketing- funding)**
 - ✓ **Compliance SEC Rule 15c2-12 (disclosure)**
 - ✓ **No Debt Service Reserve requirements with lease**
- A lease purchase typically does not require voter approval.
- Lease **not** considered debt, **not** subject to debt “ceilings”
- The lease purchase spreads costs of equipment over a shorter period than bond financing.



Tax-exempt lease interest rates (Bank Qualified structure)

Interest rate matrix

Transaction size	3 years	5 years	7 years	10 years
Over \$1,000,000	2.86%	3.04%	3.30%	3.74%
\$500,001-\$1,000,000	3.22%	3.38%	3.65%	4.09%
\$250,001-\$500,000	3.38%	3.54%	3.81%	4.24%
\$20,000-\$250,000	3.54%	3.70%	3.97%	4.41%

Rates close to 50 year lows!

Illustration only, in arrears pricing
-Subject to final Motorola, Inc. approval

Grant Funding Arrangements



- **New “friendlier” lease contract that supports grant funding opportunities**
- **Non-appropriation language and revised “statement of source of funds” resolves “supplanting issue”**
- **Full or partial payment comes from grant funding**
 - Set 1st payment for the approx. time grant funding will occur
 - Customer has ability to “fully” or “partially” prepay
 - After partial prepayment, remaining lease payments are reset (lowered)
 - Invoice provided for equipment and services
 - Bona fide best efforts language to secure funding is scaled back





Benefits Summary

- Term structures to 15 years
- Flexible payment options
- Finance 100% of acquisition costs
- Lease is not considered debt
 - ✓ **No voter approval**
 - ✓ **Satisfies non-appropriation requirements**
 - ✓ **Alternative to issuing bonds**
 - ✓ **No pre-payment penalties**
- Aggressive rates under Tax Exempt lease- “Bank qualified”
- Extensive experience with State & Local Government
- Customized financing contract for Indiana and Kentucky municipalities
- Flexible structuring alternatives
 - ✓ **Level Payments**
 - ✓ **Deferred Payments (out full 24 months)**
 - ✓ **“Step-up” Payment Streams**
- Motorola Credit Corp.
 - ✓ **Billing, servicing and administration**





Contact Information

**Bill Stancik- Manager Customer Financing
Motorola Credit Corporation
(847-538-4531)
Bill.stancik@motorola.com**



Thank you!
For additional information visit
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