



Attachment A. Cisco Financing and Leasing

Cisco Capital and Key Government Finance, Cisco Capital's partner for state, local and educational accounts is pleased to provide the financing response to the University of Kentucky's RFP UK1704-017.

We are able to offer the University of Kentucky a 0% master lease to purchase with a \$1.00 buy out at the end of the term financing offer with up to five annual payments and a 0% five year master lease to purchase with a \$1.00 buy-out for a technology lifecycle schedule supported by a four year amortization schedule with four annual payments and no fifth annual payment. With both structures, title passes to the University of Kentucky or other approved entities upon receipt.

A fair market value lease is also offered for consideration by the University of Kentucky.

0% financing is limited to items found in the Cisco Global Price List. Multi-year Cisco SmartNet agreements can be financed at 0% for up to five years. Where allowed, Cisco Capital/Key Government Finance will use tax exempt interest rates. If tax-exempt interest rates are not applicable based on IRS guidelines, taxable interest rates will be used.

With interest rates at historic lows, Cisco Capital and Key Government Finance offer 0% financing on tax exempt and taxable interest rates. With a tax exempt interest, the financial institution does not pay Federal income taxes on the interest income earned on the transaction. This saving is passed through to the University in the form of lower interest rates. The subsidy for the interest rate buy down is provided by Cisco Capital and cannot be re-allocated to a further discount on the acquisition cost. On July 29, 2016, the Federal Reserve H.15 schedule (<https://www.federalreserve.gov/.../h15/update/>) for like term interest rate swaps for 5 years is: 1.15%. Cisco Capital and Key Government Finance reserve the right to re-evaluate the 0% offer if the 5 year interest rate swaps increases by 200 basis points (100 basis points equals 1%). If Cisco Capital and Key Government Finance determine that the 0% financing can be extended, the re-evaluation trigger would be after an additional 200 basis point increase. Lease schedules already in place would not be affected. The first annual payment would be set 90 days after closing. A free escrow option is offered to the University of Kentucky. At closing, the amount financed is deposited into a bank account controlled by the University of Kentucky or the approved entity executing the lease. Withdrawals from the escrow account can be completed with the presentation of a one page disbursement form (sample provided), signed by the authorized representative and accompanied by supporting invoices. There can be multiple disbursements from the account until the account is depleted.

All Cisco Capital/Key Government Finance contracts contain termination for non-appropriation. A sample contract package is provided for your review. We would be happy to review a master lease to



purchase contract provided by the University of Kentucky upon award. The University of Kentucky Master Agreement may be the basis for a mutually acceptable contract after review and approval.

The Master Agreement would require an opinion of counsel by University of Kentucky counsel or by counsel of the lessee for each schedule under the agreement. When appropriate, an IRS 8038G will be provided to Cisco Capital/Key Government Finance.

The University of Kentucky and other approved State entities recognize and accept that in some cases, the schedule of payments may extend beyond the current term of the base agreement or option years.

Termination for convenience was developed with the end of WWII to allow the U.S. Government to exit contracts for assets no longer for the war effort. However, the U.S. Government did provide for payments for work already completed. In the case of financing, the work (financing or lease) is completed at funding. Therefore, termination for convenience is not applicable nor accepted for a financing transaction. At any time, the University can terminate the master agreement for any new agreements being considered. Executed and funded payment schedules cannot be subject to termination for convenience. Termination for non-appropriation is included in the agreement.

Included in the financing package, please find samples of the following:

- 1) Essential Use Form which starts the contract process
- 2) Sample of the Key Government Finance Master Lease to Purchase Agreement with \$1.00 buy-out
- 3) Sample of the Key Government Finance escrow agreement (provided free of charge)
- 4) Sample of the Key Government Finance Fair Market Value Lease
- 5) Sample of a Key Government Finance contract for software only
- 6) Sample of a Key Government Finance contract for Cisco SmartNet maintenance only
- 7) A description of the process to complete a transaction

The essential use form has three functions: information on the form appears on the executable contract, since termination for non-appropriation is included in the executable contract, the credit managers want to know that the project is essential and there are a couple of questions to assist the credit managers in underwriting the agreement.

There are situations where the University of Kentucky and other entities may only wish to finance Cisco software. Since software is not a hard asset, the contract language is shorter and particular to software only. There will be situations where the University of Kentucky and other entities may only wish to finance Cisco SmartNet as a standalone option. Again, the contract language has been modified for Cisco SmartNet only transactions.



If hardware, software and/or maintenance is bundled together in one schedule, the University would use the master lease to purchase agreement only.

As stated earlier, Cisco Capital and Key Government Finance welcomes the opportunity to review a Master Lease to Purchase Agreement provided by the University of Kentucky as a basis for negotiating a mutually agreeable contract.

We look forward to working with the University of Kentucky for many years.