

## Finance new assets with tax-exempt lease purchases

Amid continued budgetary challenges, many municipalities and non-profit organizations (through a conduit issuer) are financing capital equipment and projects with tax-exempt lease purchases (TELPs) rather than traditional bonds.

“TELPs allow you to acquire essential assets through installment lease payments comprised of principal and interest arranged as a series of one-year renewable obligations,” explains Chris Jones, Senior Vice President of U.S. Bancorp Equipment Finance. “When properly structured, the interest portion of lease payments is exempt from federal taxation, providing a significant cost savings compared to traditional commercial financing.”

Qualifying assets or programs that can be financed under TELPs include technology and medical equipment, communications systems, energy management, utility and parking meters, rolling stock and real estate, such as fire stations, detention facilities and school buildings.

“If the asset or program is essential to the organization’s operations and provides a service to its citizens, it will likely qualify for TELP financing,” Jones says.

He adds that TELPs are attractive to municipalities and nonprofits because they are not classified as long-term debt

on the balance sheet but as a current expense, and they do not require approval from the governing body of the public entity like bonds do.

For example, if a city wants to purchase a million-dollar fire truck, it could issue a bond in the capital markets, which, in some cases may require voter approval, continuing disclosure and a great deal of time and expense. Alternatively, through its bank, the city can privately finance the purchase with a 15-year TELP and gain clear title of the asset at the end of the repayment term, which is consistent with the estimated useful life of the financed asset.

### Appropriations clause eases budgeting

Another benefit is that TELPs contain an appropriations clause, allowing borrowers to allocate lease payments in their fiscal year budgets.

“The ability to appropriate for a tax-exempt lease as part of a capital improvement plan is a clear advantage for borrowers as they struggle to meet the needs of their communities and constituents,” Jones says.

There is no minimum lessee credit rating requirement, but the underwriting process includes a review of the lessee’s financials



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and due diligence on the assets or project. Several years’ worth of audited financial statements is required prior to approval, depending on the amount to be financed.

U.S. Bank continues to dedicate financial and human resources to programs like TELPs through its Government Leasing and Finance Group, established in late 2010 to supplement the financing services available through the U.S. Bank Government Banking Group. The bank’s leasing company, U.S. Bancorp Equipment Finance, has existed for four decades and has a solid marketplace reputation.

Contact your banker to see if TELPs can address your organization’s financing needs.

# Maintain vigilance against online payments fraud as new threats continue to emerge

## Laura Listwan

Senior Vice President, Product Development at U.S. Bank.

Preventing online payments fraud remains a daunting challenge. In one of the newer developments, fraudsters have begun leveraging social media in cyber attacks. Criminals collect information about victims and their jobs through social Web sites like Facebook and use social media to get to know who you are on a more personal level, so a scam sounds even more real. Technology is changing, and the creativity of fraudsters is terrifying. To make matters more challenging, today's cyber criminals are patient as well as creative. They monitor banking activity and study patterns over an extended period of time to give themselves an edge when targeting a particular computer user.

### Rogue anti-spyware

When trying to defend against malicious software, known as "malware," beware of rogue anti-spyware scams. Fraudsters will induce alerts on your computer screen alleging that your computer is infected with a virus and offering a link to anti-spyware that supposedly will cure your machine's ills. By clicking the link, you may end up infecting your computer with an additional, more insidious virus. Once infected, a computer will need to be re-imaged.

### Traditional scams

More traditional cyber scams continue to pose an ongoing threat to online payment processing systems. Fraudulent Web sites that capture personal information, including IDs, passwords and wire PIN information, and then inform the user that the actual Web site is down for maintenance are typical. Having this information gives the criminal access to online banking applications. To help protect yourself, payment transactions should be initiated under 'dual authorization,' where one individual initiates the payment



and another approves it. Setting appropriate user dollar limits is also critical.

### New target: mobile banking

In addition to securing computers, treasury professionals also need to protect their mobile phones. With the increase in mobile banking, fraud attempts through smartphones are on the rise.

Protect smartphones in the same way you would protect your computer. Smartphones are mini PCs – they have a lot of information you don't want compromised.

### Education, best practices

Educating staff plays an important part in maintaining computer security. Treasury managers should develop and document strict Internet use policies for staff involved in payment activities and update them as necessary.

Access to personal email and Web surfing on computers that are used for payment initiation should not be allowed. Also, an employee who initiates payments should not be allowed to reconcile those payments.

To improve overall computer systems security, the following practices are recommended:

- Maintain updated systems and software. Configure anti-virus software (AVS) to update regularly and scan automatically
- Install a firewall between your computer and the Internet
- Block pop-up windows that could conceal cyber attacks
- Tighten security settings on browsers

Finally, it is vital to use common sense when dealing with computers, and each Treasury staff member must take a personal role in fraud protection. Preventing online payments fraud starts with computer software, but that only goes so far.

## Managing counterparty risks

In our last issue, we highlighted how U.S. Bank has the products and expertise to help municipal issuers navigate and choose among the options available for taking advantage of the steep municipal market yield curve by issuing short term securities to finance a portion of their long term capital needs. While the reasons for accessing the short end of the yield curve remain

compelling, municipal issuers must be careful to only partner with highly rated, stable counterparties in order to achieve lasting interest cost savings and avoid the potential for nasty, unexpected surprises in the form of interest rate spikes and bond "put backs" due solely to counterparty credit concerns.

## Managing counterparty risks (continued)

This risk arises from the issuance of variable rate demand bonds (VRDBs), which are structured with liquidity, and sometimes credit, support from a financial institution in order to cover potential investor “puts” should the weekly interest rate reset remarketing mechanism fail. The worldwide financial crisis has taken its toll on the credit quality of these counterparties. For example, by our count there were 20 domestic municipal credit and/or liquidity providers in 2005 that had bank or claims paying ratings of “Aa2” or higher by Moody’s. This number has shrunk to 6 currently, of which only 5 are active. Furthermore, many analysts expect additional downgrades to occur on several large institutions which have already been downgraded below the “Aa2” level as more time will be needed for these entities

to rebuild their balance sheets to comply with stricter capital requirements. In addition, many large foreign liquidity and credit providers have been forced to withdraw from this sector due to credit rating downgrades related to concerns over exposure to certain European sovereign debt.

Until the financial crisis, the municipal market was a relatively insulated, domestic marketplace. Now, however, issuers need to consider how the potential impact of international events on counterparty credit will increase borrowing costs and liquidity risks. In this difficult and volatile economic environment, it is more important than ever for issuers to monitor these risks and the trading range of outstanding VRDBs. Counterparties undergoing credit deterioration should be replaced as soon

as possible while new transactions should be entered into with the goals of diversification in terms of counterparty exposures, maturity schedules, and mix between fixed and floating rate obligations.

U.S. Bank is the 5th largest commercial bank in the nation and continues to deliver industry leading performance metrics while maintaining prudent operating principles, risk management, and a largely domestic focus. Through our Municipal Securities Group, Government Banking, and Corporate Trust Divisions, U.S. Bank offers municipal issuers a full complement of capital market products and services, credit and liquidity facilities and direct funding options, and credit and non-credit bank services to our new and existing customer relationships.

## Access Online Payment Plus



U.S. Bank Access Online® Payment Plus maximizes your working capital and automates your account payables processes. It can help government entities and institutions reduce risk, increase controls and balance the often-competing interests of various departments. This convenient, Web-based electronic payment management system complements traditional, purchasing, commercial card programs by allowing spend from other categories to be placed onto purchasing cardless accounts.

With Payment Plus, you can manage transactions with suppliers in non-traditional spend categories or with large and complex transaction sizes, and maintain existing controls and experience

seamless integration of all transaction processes with Access Online. This offers a complete, integrated payment process within a single system.

Payment Plus also enables your accounts payable department to more effectively leverage your existing card program to process invoices awaiting payment. It allows you to automate higher-dollar payments without losing control, and decreases the number of check payments while increasing your institution’s visibility to your overall spend. Spend data is conveniently aggregated into one system making overall transaction management much more efficient.

To find how your current, traditional corporate card program can benefit, contact U.S. Bank Corporate Payment Systems at 866.274.5898.

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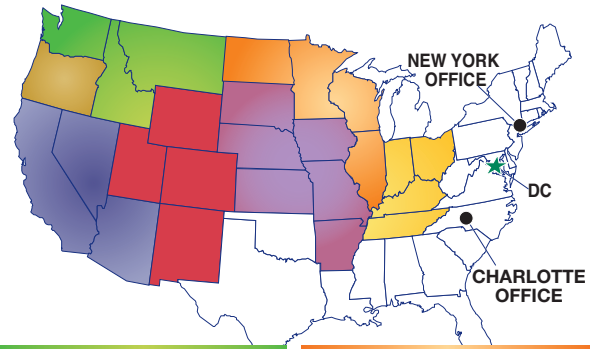
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## 2012 Conference Schedule

### Government Banking Conference Schedule

<b>JAN</b>	Minnesota Association of County Officers (MACO)	09-13
	Wisconsin Counties Association of School Boards	18-20
<b>FEB</b>	Idaho Association of Counties (IAC) Conference	6-10
	Special Districts Association of Oregon (SDAO)	10-12
	Montana Association of Counties	13-16
	GFOA Winter Conference	15-17
	California Society of Municipal Finance Officers (CSMFO)	29-02
<b>MAR</b>	Oregon Municipal Finance Officer Association (OMFOA)	4-7
	Minnesota Municipal Clerks & Finance Officers Association (MCFOA)	14-16
	NAST Legislative Conference	19-22
	Government Investment Officers Association (GIOA)	21-23
	Nebraska Rural Community School Association	22-23
	Wisconsin Government Finance Officers Association	24-25
	California Bankers Associations Annual Legislative Conference	28
	Washington Municipal Treasurers Association	17-20
	Ohio Association of School Business Officials	17-20
	California Municipal Treasurer's Association (CMTA)	18-20
<b>APR</b>	Iowa Municipal Finance Officers Association	18-20
	Alaska Government Finance Officers Association	20-22
	American Jail Association	22-26
	Nebraska Association of School Officials	25-27
	Municipal Treasurers Association of Wisconsin	26-27
	Pennsylvania — GFOA-PA	29-2



<b>NORTHWEST TEAM</b>	<b>UPPER MIDWEST TEAM</b>
Jill Dunn — Regional Manager	Lee Strom — Regional Manager
<b>OREGON TEAM</b>	<b>LOWER MIDWEST TEAM</b>
John DiPasquale — Regional Manager	Tim Schlegelmilch — Regional Manager
<b>SOUTHWEST TEAM</b>	<b>OHIO VALLEY TEAM</b>
Guy Candido — Regional Manager	Karen Bigelow — Regional Manager
<b>MOUNTAIN TEAM</b>	<b>FEDERAL BANKING</b>
John DiPasquale — Regional Manager	Ron Rosenblum — Division Head
<b>DEBT FINANCE &amp; CREDIT MARKETS GROUP</b>	<b>NATIONAL COVERAGE TEAM</b>
Tim McKeon Group Sales Manager	Marti Croak Group Strategic Sales Manager
Ken Haber — Debt Finance Manager	
Jeff Heckman — Debt Finance Manager	
Sue Moses — Debt Finance Manager	

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