Clean Energy and Bond Finance Initiative (CE+BFI)

501(c)(3) Bonds for Clean Energy Projects

May 29, 2014

CE+BFI

Clean Energy and Bond Finance Initiative

A joint project of:

CleanEnergyGroup
Innovation in Finance, Technology & Policy

cdfa
Council of Development Finance Agencies

Welcome & Overview

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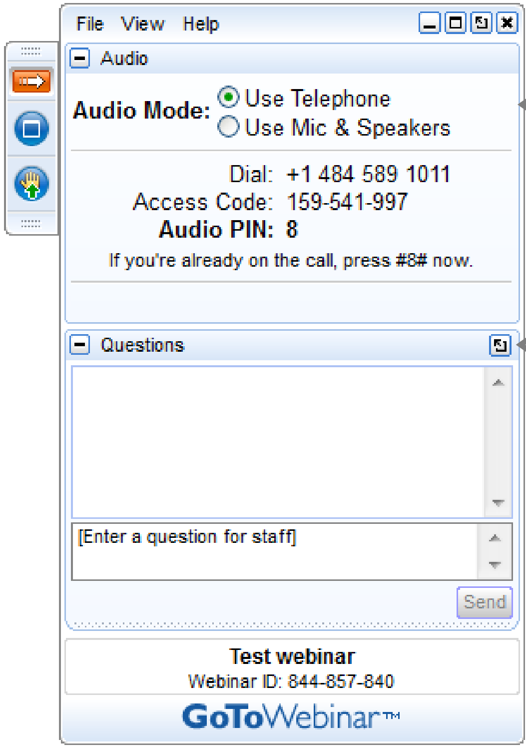
CE+BFI

Clean Energy and Bond Finance Initiative

A joint project of: CleanEnergyGroup — Innovation in Finance, Technology & Policy; cdfa — Council of Development Finance Agencies



Using your telephone will give you better audio quality.

Submit your questions to the panelists here.

- **Want to watch again?**

  You will find a recording of this webcast, as well as all previous CDFA webcasts, in the Online Resource Database at www.cdfa.net.

CDFA

- **The Council of Development Finance Agencies (CDFA)** is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing 300 public, private and non-profit development entities.

- CDFA provides member organizations support in:

  - **Education**: Courses, webinars, certification
  - **Advocacy:** Outreach and legislative efforts
  - **Research**: Customized, peer-based approach
  - **Resources:** Online Resource Database
  - **Networking:** Focus groups, Coalitions, National Summit

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Council of Development Finance Agencies

www.cdfa.net

CEG and CESA

Clean Energy Group (CEG) is a U.S. based NGO that works to accelerate commercialization of clean energy technologies through:

- Advocacy & Education
- Funds Support
- Technology Innovation
- New Financial Vehicles

CleanEnergyGroup
Innovation in Finance, Technology & Policy

www.cleanegroup.org

Clean Energy States Alliance (CESA) is multi-state coalition of clean energy programs cooperating and learning from each other, leveraging federal resources (CEG manages CESA) – 20 states.

- Works with CDFI's on clean energy – 8 states.
- Manages national RPS network – 30 states.

CleanEnergy States Alliance

www.cleanenergystates.org

CE+BFI

Clean Energy and Bond Finance Initiative

- **Pilots + Collaboration**
  CE+BFI is bringing together state and local development finance agencies and energy offices. Through these conversations, CE+BFI is identifying models of bond finance for clean energy development that will work in individual states.

- **Resources + Writing**
  CE+BFI is conducting research, cultivating resources, and producing writing in order to work through the challenges presented by clean energy financing projects.

- **Training + Advising**
  To assist the professionals and organizations interested in implementing clean energy bond financings, CE+BFI is available to provide training and consulting services. These include staff education, organizational workshops, program evaluation, research whitepapers, project pipeline development, and more.

- **Advocacy + Leadership**
  CE+BFI specifically intends to work with and emphasize finance programs and tools that are currently authorized by federal and state law. When appropriate, CE+BFI will take a leadership role in educating about, and advocating for, existing programs or new bond finance programs.

cleanenergybondfinance.org

Clean Energy Bond Finance Model Series

- Available on cebfi.org

- Four Papers:
  - Industrial Development Bonds

    Tax-exempt bonds for small manufacturers
  - Morris Model

    Bond and credit structure for municipalities and nonprofits
  - Bond-Backed Investment Authorities

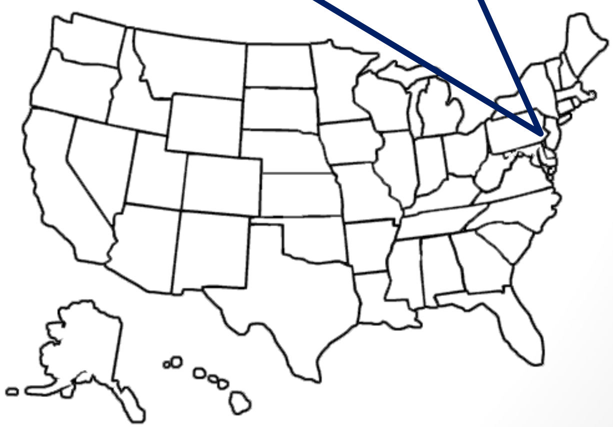
    Public bond-backed special-purpose entities
  - Qualified 501(c)(3) Bonds

    Tax-exempt bonds for nonprofits

Clean Energy Landscape

Rob Sanders

Senior Finance Advisor
Clean Energy Group
Philadelphia, PA



Recent Publication

May 2014, Brookings Institution published "*Clean Energy Finance through the Bond Market: A New Option for Progress*," a collaboration of CEBFI and Brookings. Visit the CE+BFI website for the full report or go to:

http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=brookings-cdfa-ceg-041614.html

Apply infrastructure finance tools to clean energy, just as nation's roads, bridges, hospitals & schools been financed for 100 years

- Recommendations:
    - Establish partnerships between development finance experts and state/city clean energy officials
    - Expand & scale up bond-financed clean energy projects using credit enhancement to mitigate risk
    - Improve availability of data, develop standardized documentation so risks & rewards are better understood
    - Create a pipeline of rated & private placement deals that address demand of institutional investors for fixed-income clean energy securities

Recent Publication

- Examples highlighted in paper:
  - **The Morris Model: Financing Municipal Clean Energy Projects with Low-Interest Bonds**
    - Innovative P3 for solar on public buildings
    - Primary credit enhancement is GO guaranty (NJ counties)
    - Hybrid model: public entity issues a government bond, transfers low cost capital to developer for lower PPA price
    - Bonds are issued for a pool of projects
  - **Hawaii Green Infrastructure Loan Program: SBCs as Credit Enhancement for Bonds**
    - Hawaii Senate Bill 1087 (May 2013): new loan fund to finance purchase & installation of CE / EE for homes & businesses
    - For first time, program combines bond financing with credit enhancement from utility surcharge with utility on-bill repayment
    - Creates investment grade security without state's GO guaranty
    - Revenue bonds repaid from underlying loan payments
    - Initial capitalization: $100 million
    - Could be model for all states with SBC funds, to leverage some portion to create more capital for bond issuance
  - **"Reduce Risk, Increase Clean Energy,"** http://www.cleanegroup.org/assets/Uploads/CEBFI-Reduce-Risk-Increase-Clean-Energy-Report-August2013.pdf

Focus on Institutional Investor Demand

- Supply vs. demand – Chicken and egg question
- Contracted with Croatan Institute to research & interview a broad range of institutional investors re: investment decision criteria
  - What kind of clean energy bonds will institutional investors buy?
- By understanding demand characteristics of institutional investors, can identify opportunities to increase capital into fixed-income investments for clean energy
- Will convene a meeting in NY in September to present findings, then prepare paper for release later in the fall
- Preliminary findings:
  - Liquidity matters
  - Credit quality matters
  - Size matters (but is mitigated by prospect of multiple issuances from the same issuer)

Advances in Securitization

- Solar Access to Public Capital (NREL project funded through DOE's Sunshot Initiative)
  - Designed to facilitate capital market investment for residential & commercial solar projects via securitization
  - Working group members: over 100 project developers, banks & institutional investors, law firms
  - Goal: streamlining transactions by issuing standard contracts to lower transaction costs
  - Has issued two model agreements: a residential lease and a commercial power purchase agreement.

See:
https://financere.nrel.gov/finance/solar_securitization_public_capital_finance

Securitization - Connecticut C-PACE Sale

- May 2014, Clean Energy and Finance Authority (CEFIA, now CT Green Bank) closed on deal to bundle and sell majority of its C-PACE loan portfolio
- $30 million taxable bond issuance priced at near par (95.9) to recapitalize with private capital their commercial PACE loan program for energy efficiency in commercial buildings in CT
- No additional credit enhancement required other than CT Green Bank holding 20% of issuance on subordinated basis

See: http://www.prnewswire.com/news-releases/cefia-announces-sale-of-commercial-property-assessed-clean-energy-benefit-assessment-liens-259802461.html

Securitization - Warehouse for Energy Efficiency Loans (WHEEL)

- Warehouse facility to bundle and sell $100 million of residential energy efficiency loans to institutional investors
- WHEEL is collaboration between finance managers and energy officials, including Citi, PA Treasury, Renewable Funding, Energy Programs Consortium, National Association of State Energy Officials, U.S. Department of Energy
- Loans purchased by Renewable Funding with a credit facility provided by Citi & PA Treasury, aggregated into diversified pools, securitized, and sold to institutional bond investors, thereby replenishing the capital to be loaned to consumers

See:
http://www.naseo.org/Data/Sites/1/documents/committees/financing/documents/WHEEL_Primer.pdf

Securitization - Sale of NYSERDA EE Loan Portfolio

- August 2013, New York raised $24.3 million in bond market to finance energy efficiency projects
- Rated AAA/Aaa, backed by a guarantee from the New York State Environmental Facilities Corporation (EFC) through its Clean Water State Revolving Fund (SRF) program
- Creates investment grade security without state's GO guaranty
- NYSERDA was able to prove that energy efficiency programs can reduce fossil fuel consumption and air pollutant deposition in water bodies and are, therefore, eligible for assistance under the SRF program
- Taxable Qualified Energy Conservation Bonds (QECB), which provide a partial interest subsidy from the U.S. Treasury, resulted in a net cost of capital for the bonds of below 1 percent
- An important precedent, can be replicated elsewhere

See: http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=cebfi-anatomyofthedeal-nyserda.html

Other Developments - Micro-grids and Resilient Power

- **NJ Energy Resilience Bank**
  - Preliminary framework announced April 2014
  - $200 million fund (post-Sandy CDBG funds)
  - CHP, micro-turbines, solar PV with battery storage
  - Direct loan and grant program, but also credit enhancement for bond issuances and other private financing participations
  - Initial priority on water & wastewater treatment facilities
  - Will also fund hospitals, emergency response facilities, municipal town centers, correctional facilities, transportation & transit, public housing & regional high schools as shelters in case of emergency

See: http://www.njspotlight.com/stories/14/04/07/state-agencies-explore-initial-framework-for-energy-resiliency-bank/

- **CT Green Bank**
  - Micro-grids can now be financed through the CT Green Bank C-PACE program, aggregated and sold as a security into the bond market

Green Banks

- Coordination and consolidation of state resources to increase access to private investment, support scalable financing strategies for clean energy
  - **NY Green Bank** (NYSERDA, December 2013)
  - **CT Green Bank** (CEFIA, May 2014)
  - Should be one of a portfolio of clean energy strategies, not a replacement for public investment in research, incentives, subsidies and pilot programs
  - Should not duplicate capacity of existing development and CE finance agencies

501(c)(3) Model Paper

Jason Rittenberg
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Clean Energy + Bond Finance Initiative

CE+BFI

Clean Energy and Bond Finance Initiative

A joint project of: CleanEnergyGroup Innovation in Finance, Technology & Policy cdfa

Clean Energy and Bond Finance Initiative

As the country looks for new sources of clean energy finance, a group of public and private investors, policy makers, and industry practitioners have agreed to explore new ways to scale up clean energy investment. This partnership, the Clean Energy and Bond Finance Initiative (CE+BFI), brings together public infrastructure finance agencies, clean energy public fund managers and institutional investors across the country to explore how to raise capital at scale for clean energy development through bond financing.

Features

Clean Energy Bond Finance Model: Qualified 501(c)(3) Bonds
CE+BFI | May 23
The Clean Energy + Bond Finance Initiative created this recommended financing model factsheet for clean energy development. The Qualified 501(c)(3) model achieves low-cost capital for renewable energy installations at nonprofit facilities.

CE+BFI Releases Financing Model Document on 501(c)(3) Bonds
CDFA | May 22
The Clean Energy and Bond Finance Initiative (CE+BFI) released a new clean energy bond finance model, further demonstrating the tremendous potential to support clean energy investment through the bond market. A free webcast at 1pm ET on May 29 will...

Upcoming Events

CE+BFI: 501(c)(3) Bonds for Clean Energy
May 29, 2014
1:00 pm EDT

CDFA Summer School
August 11-15, 2014
Washington DC

CDFA National Development Finance Summit

CE+BFI
Clean Energy and Bond Finance Initiative

A joint project of: CleanEnergyGroup cdfa

Clean Energy Bond Finance Model

Qualified 501(c)(3) Bonds

Summary Description

501(c)(3) bonds are financing vehicles for nonprofit organizations seeking to make facility improvements and capital expenditures. The bond is issued by a government entity to provide long-term, low-cost capital for large clean energy projects. 501(c)(3) issuances for energy efficiency or renewable energy projects mirror issuances for other eligible capital expenditure projects.

Model Profile

Model Type:	Tax-Exempt Bond	**Energy Type:**	Renewables or Efficiency
Bond Type:	Revenue Bond	**Applying Entity:**	State, Local, or Regional Issuer

Model Benefits

- **Cost of Capital** – Tax-exempt bonds offer borrowers exceptionally low interest rates over extended periods of time, making marginal projects financially feasible.
- **Existing Investment Class** – 501(c)(3) bonds are a familiar product to institutional investors, ensuring a market of buyers for quality issuances.
- **Access to Large Amounts of Capital** – Through combining multiple energy-related improvements into one project or pooling improvement projects across multiple facilities (such as a network of charter schools), 501(c)(3) bonds can be used to finance deep retrofits or clean energy installations of nonprofit facilities, creating a significant impact on local energy consumption.
- **Large Pool of Prospective Projects** – School and nonprofit facilities are common in all regions of the United States. Both new buildings and older facilities stand to benefit from clean energy improvements that reduce monthly energy expenditures.
- **Revenue Generation** – Rather than relying on public funds to service debt, as in the case of general obligation bonds, 501(c)(3) bonds are repaid by revenues of the nonprofit borrower. Cost savings on utility bills may free sufficient revenues to support a significant piece of the payments.

Model Shortcomings

- **Project Size** – 501(c)(3) bonds are ideal for larger projects, and offer little cost benefit to smaller projects due to the administrative costs associated with structuring bond transactions.
- **Revenue Requirements** – Nonprofits must demonstrate strong potential for future revenue to service bond debt. Private, detailed assessments would need to be conducted to ensure the cost savings would support repayment of such an investment. Furthermore, on-bill repayment models are relatively new concepts with few programs that have reached the end of a portfolio loan life cycle.

Detailed & Summary Description

Model Profile

Benefits

Shortcomings

Applications

Projects that Could Apply the Model

Potential Modifications

Resources

501(c)(3) Bonds

Scott Cockerham

Associate

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Qualified 501(c)(3) Bonds

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Tax-Exempt Obligations Generally

- Section 103 of the Internal Revenue Code excludes the interest paid on tax-exempt debt from the gross income of bondholders for purposes of federal income taxation
- Interest rates on tax-exempt bonds are generally lower than on conventional debt because the bondholder isn't taxed on the interest component of the bond payment; benefit flows to issuers and borrowers of tax-exempt bond proceeds

Tax-Exempt Obligations Generally (cont'd)

- Bonds may not be issued as tax-exempt (or may lose tax-exempt status) if they are deemed "private activity bonds"
- Private activity bonds meet both a private business use test and a private security or payment test, or a private loan financing test
- These requirements ensure that the federal subsidy runs directly to the group that the federal government wishes to subsidize

Qualified 501(c)(3) Bonds

- Congress created a special category for "Qualified 501(c)(3) Bonds," which are technically private activity bonds, but which are still exempt under Section 103 if certain additional requirements are met
- A state or local governmental entity is still needed to issue qualified 501(c)(3) Bonds
- A 501(c)(3) organization may borrow the proceeds from the sale of the bonds in exchange for a pledge to make debt service payments on behalf of the issuer

501(c)(3) Ownership Requirement

- All bond financed property must be owned by a Section 501(c)(3) organization or a state or local government entity *for the life of the issue*
- Any transfer of bond-financed property to private ownership creates a nonqualified use that must be "cured" by "remedial action" under the tax regulations or else the bonds are exposed to loss of tax exemption

95% Use Requirement

- 95% of the total net proceeds of the Bonds (i.e. net of debt service reserve fund but including earnings on investments) must be used to finance facilities that will be used solely by 501(c)(3) organizations or governmental units until the final Bond payment is made
- Relevant Use Arrangements:
  - Leases
  - Certain management or service contracts under which a for-profit service provider manages part or all of the facility (e.g. food service contracts)
  - Sponsored research agreements
  - Any other arrangement giving a business entity a "special legal entitlement" to the use of the facility (for example, commercial naming rights contracts)

95% Use Requirement

- Bond proceeds applied to pay issuance costs (exclusive of qualified letter of credit fees and bond insurance premiums) must be treated as private use costs that count toward the 5 percent "private use" allowance
- May not be used in an unrelated trade or business of any 501(c)(3) organization (regardless of whether tax is paid with respect to income earned in such unrelated trade or business)
- Federal government is treated as a private entity for this purpose

Other Tax Requirements

- Comply with Section 148 arbitrage and rebate requirements
- Reimbursement of costs paid by before the Bonds are issued from Bond proceeds is limited. Generally, the following expenditures may be reimbursed from Bond proceeds:
  - certain preliminary expenditures (*e.g.*, architects' and engineers' fees that are paid prior to any physical site improvements or construction) in an amount of up to 20% of the issue price of the Bond issue; and
  - capital expenditures paid no more than 60 days prior to the date on which the borrower took action declaring its intent to reimburse expenses of the Project with debt *provided* that the Bonds are issued within 18 months after the property was placed in service and not more than 3 years after the expenditure was originally paid
  - de minimis amounts equal to the lesser of $100,000 or 5% of the proceeds of the issue

Other Requirements (cont'd)

- Issuance costs (including underwriter's or placement agent's compensation) financed with Bond proceeds must not exceed an amount equal to 2% of the price at which the Bonds are sold to the public (i.e., the par amount of the Bonds less any original issue discount)
- Weighted average maturity of the Bonds may not exceed 120% of the weighted average reasonably expected economic life of the financed facilities
- Subject to notice and public approval requirements (note that local jurisdictions may have additional requirements)

Other Requirements (cont'd)

- Proceeds may not be used to provide an airplane, a skybox, a private luxury box, a gambling facility or a store selling alcoholic beverages for consumption off premises
- Some Others:
  - May not be federally guaranteed
  - May not be "hedge bonds"
  - Reported by timely filing of IRS Form 8038

Common Projects Financed with 501(c)(3) Bonds

- Hospitals
- Colleges/universities (e.g. classrooms, student unions, athletics facilities, dorms)
- Headquarters/office space
- Components of all of the above

501(c)(3) Projects

Rich Frampton

Vice-President

Illinois Finance Authority

Chicago, IL

CE+BFI

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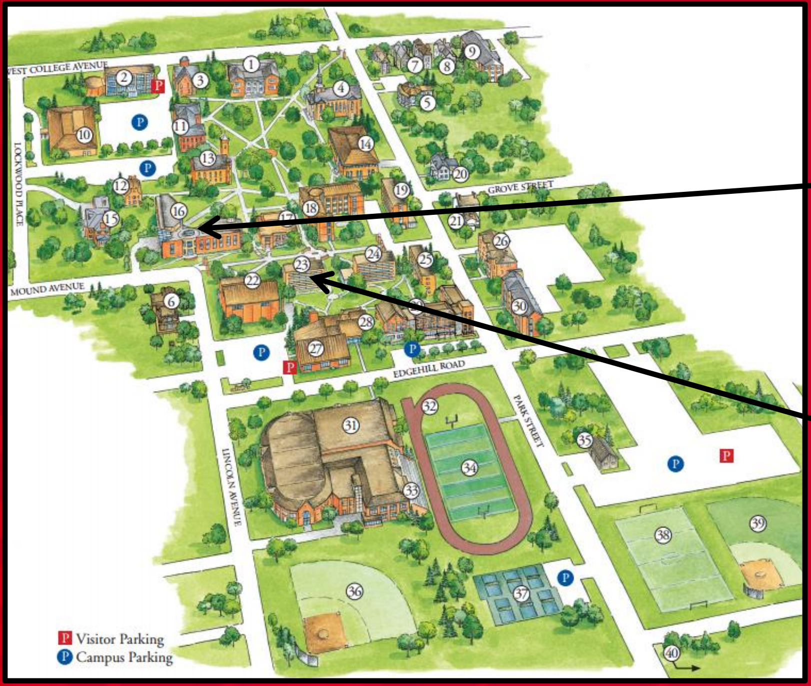
Successful Clean Energy-Focused 501(c)(3) Bond Financings in Illinois

Rich Frampton, Vice President, Illinois Finance Authority

www.il-fa.com

IFA

Illinois Finance Authority



Parker Science Building

Gardner Residence Hall

Illinois College – 501(c)(3) Lease Revenue Bonds

Clean Energy + Bond Finance Initiative Webinar

Thursday, May 29, 2014

IFA
Illinois Finance Authority

ILLINOIS COLLEGE
FOUNDED 1829

501(c)(3) Profile

- Private, liberal arts college located in Jacksonville (Morgan County), IL (~30 mi. W. of Springfield)
- Prepares students for careers in public service, education, medicine, law, and other professions
- Degrees: mostly 4-year undergraduate degrees
  - Exception: Master of Arts in Education (newer program)

Enrollment and Financial Profile

- 2013 enrollment of 1,010
- Rated “A-” (Stable) by S&P; affirmed 9/5/2013
- Has existing LOC-secured Bonds outstanding ($12.97MM as of 5/21/2014 per EMMA)

Illinois College – Energy Project

- Upgraded Mechanical Systems/HVAC & Lighting/Electrical Systems; constructed new pitched roof system; installed energy efficient window/door upgrades; and completed interior remodeling at Gardner Residence Hall (built in 1954)

- Upgraded Primary/Secondary Chilled Water Piping, converted to Variable Flow Pumping; and installed Direct Digital Controls at Parker Science Building (built in 2000)

- Consolidated Utility Meters, installed energy-efficient lighting, and expanded Building Automation Systems campus-wide

Illinois College – Financing Summary

- **IFA Lease Revenue Bonds: $3.9MM**
  - 15-year maturity
  - Fixed Rate of Mid- to High-3%
  - Equipment Lease with **PNC Equipment Finance, LLC** (an affiliate of PNC Bank, N.A.)
  - Effectively a 15-year installment purchase contract

- **Trane U.S., Inc.** (div. of Ingersoll-Rand Company) executed an Energy Savings Contract with Illinois College, guaranteeing minimum energy savings to service lease payments
- Enabled energy lease to be originated from dedicated cash flows plus ESCO guarantee (Baa2/BBB by Moody's/Fitch)

Illinois College – Lease Rev. Bonds – Structure

- Tax-exempt Lease Purchase Agreement with $1.00 buyout option at end of lease term (i.e., 15 year Capital Lease)
- Lease payments structured so that minimum energy savings resulting from the equipment would be sufficient to cover principal and interest payments on the Lease Revenue Bonds
- Illinois College currently has $12.9MM of IFA tax-exempt bonds outstanding; secured by a Bank LOC (US Bank, N.A.)

Illinois College – Additional Facts

- **2010 IFA Lease Revenue Bond Financing**
  - Illinois College and IFA were able to use the temporary $30MM ARRA Bank Qualification provision (was applicable in 2009 and 2010)
  - This Bank Qualification provision – and the ability to make it applicable at the Borrower level - would be a matter that CDFA's proposed American Manufacturing Bond Finance Act would fix
    - Because Illinois College issued less than $30MM in 2010, the Lease Revenue Bonds were "Bank Qualified"

- The energy savings [and related Trane guarantee] enabled these pledged cash flows to bypass the College's general revenue pledge to US Bank on their 2005 Bonds
  - LOC Bank consented to this additional debt and structure

HVAC Renovations

Passavant Memorial Hospital Association – 501(c)(3) Lease Revenue Bonds

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501(c)(3) Profile

- 93-bed, non-profit community located in Jacksonville (Morgan County), IL
- Serves 5 counties in West Central Illinois
- 900 full and part-time employees; 70 physicians
- Largest employer in Jacksonville, Illinois

Hospital Project Impact: "Structured Physical Environment of Care Study"

- Board engaged ESCO to identify all "impacts"
  - A "360 degree" survey with all hospital departments
  - Conclusions: 3 primary environmental issues: temperature; noise level; and aging plant & equipment

- Results – extended beyond energy savings:
  - Improved air flow, lighting, humidity and temperature controls, and reduced noise would:
    - Improve patient comfort
    - Improve employee morale (+ aid retention and attraction)
    - Improved air quality would enhance the ability to control hospital-acquired infections

Passavant Hospital – Financial Profile

- Licensed for 93 patient beds
- Non-rated community hospital
- Passavant had existing LOC-secured Bonds outstanding (approx. $28MM)
  - refinanced as a bank direct purchase in Dec. 2010
  - the Series 2006 Bonds are collateralized by substantially all of the property of Passavant

Passavant Area Hospital – Energy Project

- Upgraded Lighting/Electrical Systems
- Upgraded HVAC Mechanical Systems & Controls
- Upgraded Central Chilled Water and Steam Boiler Systems (saving energy and water)
- Improved efficiency in hospital laundry operations
- Estimated 6.5 year payback based on energy savings

- Total project cost: $2.3MM
  - Twist: $100,000 of borrower-funded to be rebated by local utility company after completion subject to completion of savings verification audit

Passavant Hospital – Lease Financing Summary

- **IFA Lease Revenue Bonds: $2.19MM**
  - 7-year maturity
  - Fixed rate: >4.0%
  - Equipment Lease with **Bank of America, N.A.**
  - Effectively a 7-year installment purchase contract

- **Trane U.S., Inc.** (div. of Ingersoll-Rand Company) executed an Energy Savings Contract with Passavant, guaranteeing minimum energy savings sufficient to service the Lease (Revenue Bond) payments

- Enabled energy lease to be originated from dedicated cash flows plus ESCO guarantee (Baa2/BBB by Moody's/Fitch)

Passavant Hospital – Lease Rev. Bonds – Structure

- Tax-exempt Lease Purchase Agreement with $1.00 buyout option at end of lease term (i.e., 7-year Capital Lease)

- Lease payments structured so that minimum energy savings resulting from the equipment would be sufficient to cover principal and interest payments on Lease Revenue Bonds

- Passavant Hospital had approximately $29.8MM of bank-purchased tax-exempt bonds and other bank debt outstanding as of 9/30/2013

Passavant Hospital – Additional Facts

- **2009 IFA Lease Revenue Bond Financing**
  - Passavant and IFA were able to use the temporary $30MM ARRA Bank Qualification provision (applicable in 2009 and 2010)
  - This Bank Qualification provision – and the ability to make it applicable at the Borrower level - would be a matter that CDFA's proposed American Manufacturing Bond Finance Act would fix
    - Because Passavant issued less than $30MM of tax-exempt bonds in 2009, the Lease Revenue Bonds were "Bank Qualified"

- The energy savings [and related Trane guarantee] enabled these pledged cash flows to provide sufficient security to Bank of America without impairing Passavant's general revenue pledge to Comerica Bank on the Series 2006 Bonds
  - Bank consented to this additional debt and structure (bank held bonds)

Additional Clean Energy-Focused 501(c)(3) Bond Projects in Illinois

Clean Energy + Bond Finance Initiative Webinar

Thursday, May 29, 2014

IFA 501(c)(3) Bonds: Financing Construction of New Clean Energy/ Green Projects

Several IFA 501(c)(3) Bond Issues have financed Clean Energy and other "Green" Projects

Frequently financed as part of a larger financing originated by a Bank or issued using the Borrower's underlying credit rating

Examples:

1. **Elmhurst College – example of financing under bank-originated credit facility**

2. **Loyola University – example of financing using underlying investment grade rating**

Elmhurst College – $25MM IFA Bonds (Bank of America Direct Pay LOC)

- Private college of 2,400 undergraduate and 230 graduate students
- Elmhurst College is a non-rated entity
- Accordingly, Bonds were sold based on rating of the College's Bank (Bank of America Direct Pay Ltr. of Credit)
- Bond proceeds were used to finance construction of:
  - a 170-room LEED Gold-certified West Hall student housing facility (increased on-campus beds to 975) featuring:
    - Motion-sensitive interior lighting; underground cisterns that store storm was for use; rooftop solar panels that reduce water-heating costs; water-stingy native prairie landscaping
  - a "green" surface parking lot featuring permeable paving and native vegetation to help minimize run-off into storm sewers and local waterways
  - Other general campus-wide renovations and improvements, many of which were designed to increase energy efficiency

Loyola University – $92MM IFA Bonds (Sold Based on University's Ratings)

- Private college of 15,900 undergraduate and graduate students at three Chicago area campuses (+ 2 satellites)
- Loyola University is rated A2/A (Moody's/S&P)
  - Accordingly, Bonds were sold based the University's underlying investment grade ratings
- Bond proceeds were used to finance construction of:
  - LEED Gold-certified Cuneo Hall – a new 4-story academic building at Loyola's Lake Shore Campus featuring:
    - Daylighting to provide more natural lighting for daytime classes
    - Operable windows with an atrium that provides natural ventilation
    - Radiant in-ceiling heating and cooling
    - Partial green roof vegetation
  - Two new student housing facilities that incorporate many energy saving features
  - The project included other campus-wide renovations many of which were designed to improve energy efficiency

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Questions / Follow-up

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IFA

Illinois Finance Authority

Open Discussion-
Questions & Comments

CE+BFI

Clean Energy and Bond Finance Initiative

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