

South Carolina EPC Workshop – Financing Options with Financial Institutions and Market Overview

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Energy Performance Contracting – Financing Market Overview

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Energy Services - Markets Served



Tax-Exempt Government

Governmental Entities

- States
- Local governments (cities, counties, etc.)
- Municipal utilities
- Government authorities/agencies (transit districts, park districts, etc.)
- Public housing authorities
- Waste water treatment facilities

Public Education

- K-12 public schools
- Community colleges
- State colleges and universities

Healthcare

- Government owned hospitals and and medical centers



Tax-Exempt NFPs - 501 (c)3

Education

- NFP K-12 private schools
- NFP private colleges and universities

Institutions

- NFP cultural institutions
- NFP health and human service organizations
- NFP scientific/research facilities
- NFP low income housing

Healthcare

- NFP private hospitals and medical centers



Taxable

Government

- Federal government
- Taxable (private use related) local government transactions

Commercial

- For profit education
- Commercial / industrial
- Commercial properties
- Commercial housing

Healthcare

- For profit hospitals and medical centers
- Medical office buildings



Financing Solutions / Transaction Structures



Traditional Products

- Tax-exempt or taxable lease purchase agreement (TELP) – municipal and 501(c)(3)
 - *Similar structures: Installment Financing Contract/Agreement, Acquisition Use and Security Agreement*
- Commercial rated debt (LIS and loans)
- Tax/operating leases
- Privately placed General Obligation Bonds or Revenue Bonds
- Purchase of Receivables
- Low interest state loan programs

Non-Tax and Tax Structured Financing

- Energy/utility service agreements
- Commercial PACE

Tax Advantaged Structures

- Tax Credit Obligations provide financing incentives which reduce interest costs (may be issued as bonds, leases or loans)
 - **Qualified Zone Academy Obligations (QZABs)**
 - New Clean Renewable Energy Obligations (NewCREBs)
 - **Qualified Energy Conservation Obligations (QECBs)**
 - Qualified School Construction Obligations (QSCBs)
- Power Purchase Agreement

Qualified Energy Conservation Obligations (QECBs)



QECBs

- - \$3.2BN Program
- - Capital expenditures for:
 - Reducing energy use in public buildings by at least 20%
 - Implementing green community programs
 - Rural development involving production of electricity from renewable energy resources and research facility expenditures for certain technologies
 - Renewable energy
- Allocated to the States in proportion to US population , with sub-allocations to large local governments (LLGs) with a population > 100,000, and the remainder allocated at the discretion of the State
- No expiration date for allocations (will this change?)
- Sub-allocations may be waived by LLG
- No more than 30% of the allocation may be used for non-governmental purposes
- Carry over of unused credits
- 2% costs of issuance limitations
- Davis-Bacon Applies
- Only 70% of the posted tax credit may be utilized
- Direct Pay Option Permitted via Hiring Incentives to Restore Employment Act of 2010 – “Jobs Act”

QECB Allocation By State (sample list)

AL	\$ 48,364,000
AR	\$ 29,623,000
FL	\$190,146,000
GA	\$100,484,000
IN	\$ 66,155,000
KY	\$ 44,291,000
LA	\$ 45,759,000
MI	\$103,780,000
MS	\$ 30,486,000
MO	\$ 61,329,000
NC	\$ 95,677,000
SC	\$ 46,475,000
TN	\$ 64,476,000
OK	\$ 37,787,000
TX	\$252,378,000
VA	\$ 80,600,000

Qualified Zone Academy Obligations (QZABs)



QZABs

- \$1.2BN program for school districts (\$400MM/yr for 2011, 2012, 2013)
- Proceeds to be used for public school construction and renovation, equipment purchases, training, and course material development
- Allocated by Treasury among the states on the basis of their respective populations below the poverty line, sub allocations by state
- 2% cost of issuance limitation applies
- Maximum permissible tenor determined by Treasury on a monthly basis
- 10% private contribution required
- The direct pay subsidy no longer exists for QZABs, transactions must be issued under an investor tax credit structure

South Carolina Energy Efficiency Act

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South Carolina Energy Efficiency Act



Section 48-52-10 Code of Laws of South Carolina - Highlights

- Article 4:
 - Duties of the State Energy Office
 - Annual state energy action plan
 - Energy Advisory Committee
- Article 6:
 - Energy efficiency standards for state buildings
 - State agencies and school districts to submit energy conservation plans and reports – annual compilation of reports
 - Goal to reduce energy consumption for buildings in use on 7/1/08 by 20% by 7/1/20, relative to year 2000 levels
 - Revolving loan fund
 - Lease/purchase agreements
 - Guaranteed energy, water, or wastewater savings contracts
 - Annual savings from EPCs may be less than the annual payments, if aggregate savings occur as provided in terms of the contract

Energy Services - Economic Rate Trends

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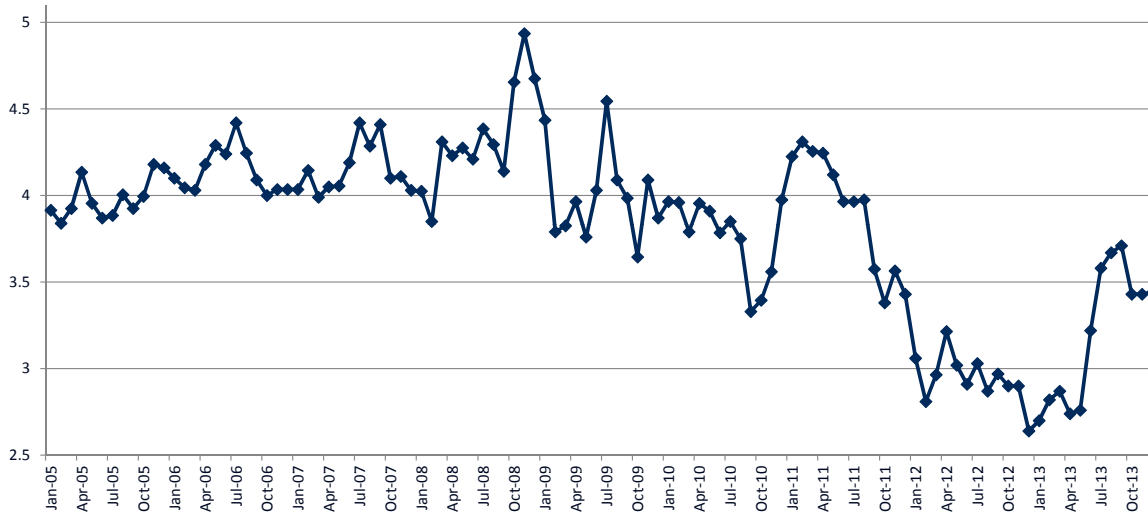
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Market Rate Update



Rates have bounced back from their near record lows in Spring 2013

10 Yr T/E "A" G.O. Rate



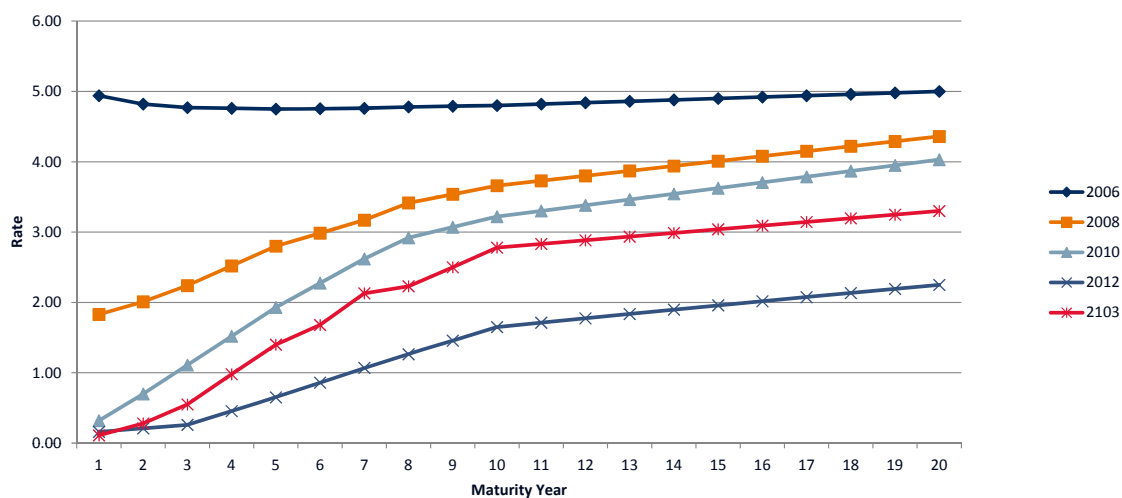
Source: Bloomberg

Market Rate Update



The Yield Curve is Actually Higher and Steeper than 2012 (and 2011) and Close to 2010 Levels

US Treasury Yield Curve

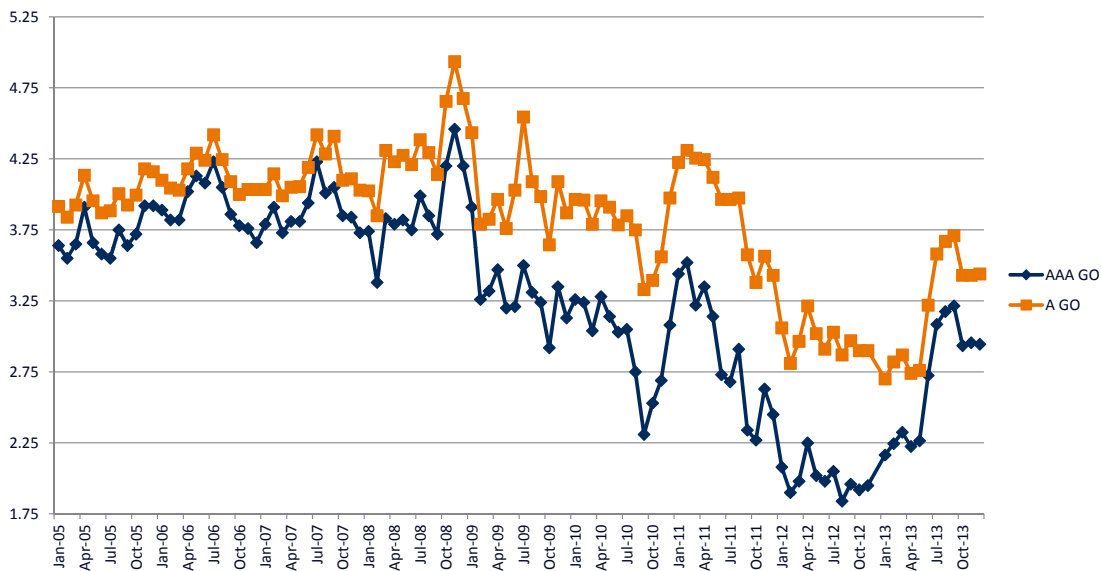


Source: Bloomberg

Market Rate Update



Credit Spreads Continue To Exist – But Are Slightly Less Evident Than 2012



Source: Bloomberg

Benefits of Private Placement Financings with a Financial Institution

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Municipal Lease vs. Bonds



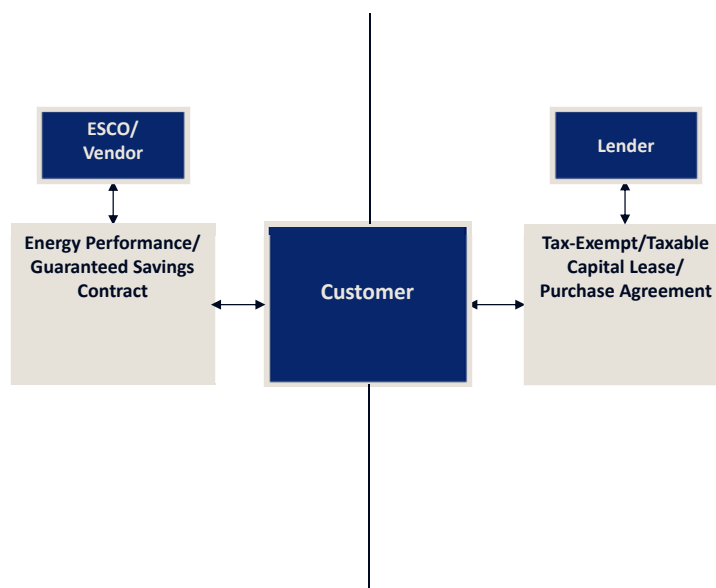
Private Placement Lease	Publicly Issued Bond
Voter approval typically not required	Typically requires voter approval or similar process (state statutes and requirements apply)
Preservation of capital - the leased equipment itself is usually all that is needed to secure a lease transaction	A bond is secured by either a general obligation of the municipality or a revenue stream
Payments are typically subject to appropriation	G.O. or similar debt obligations
Minimal or no costs of issuance	Higher costs of issuance
Closing in 30-60 days	Closing may be dependent upon rating review and preparation of offering documents
Rate locks are available	Rates not locked in until market sale (1-2 weeks before closing)
Can typically be prepaid on any payment date subject to the agreement terms	Usually can be prepaid in 10 years

Energy Performance Contracting Diagram

Financing Example Using a Lease/Purchase Agreement



The issuer's obligations under the Lease/Purchase Agreement are independent of the vendor's obligations under the Energy Performance Contracting Agreement.



BAPCC Energy Services Overview and Coverage Map

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About Banc of America Public Capital Corp



Business Model

Banc of America Public Capital Corp (BAPCC), a wholly-owned subsidiary of Bank of America N.A., serves the needs of clients in the energy, healthcare, institutions and government markets, providing integrated resources and business capabilities under one organization. BAPCC, which includes Energy Services, Renewable Energy Finance, Healthcare & Institutions Finance, Government Finance, and Tax Credits, provides both taxable and tax-exempt financing solutions to states, municipalities and other tax-exempt institutions, as well as commercial and industrial companies. The team works closely with clients to develop solutions ranging from standard financings to highly structured transactions, each tailored to a client's unique needs and objectives.

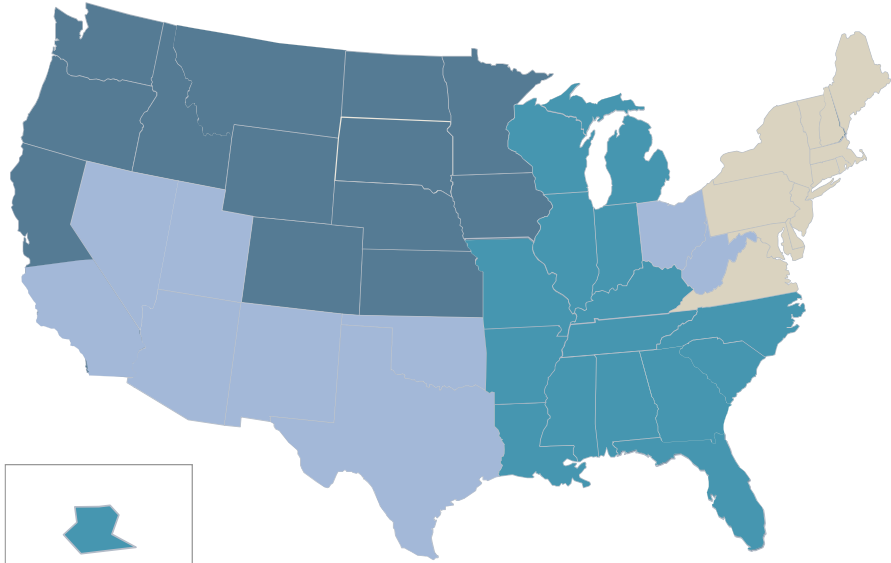
Line of Business	Client Focus	Market Coverage	Deal Size
Healthcare & Institutions Finance	Multi-hospital systems, stand-alone hospitals, large physician groups, multi-specialty physicians groups, est. outpatient centers and hospital joint ventures (DIC's, ASC's, cancer centers, laboratories) and for-profit entities; Institutions: not-for-profit cultural, religious and civic organizations, private and public colleges /universities, private primary/secondary schools	Geographic focus	\$1MM-\$100MM
Government Finance	Governmental agencies and sub-agencies including states, cities, counties, K-12 school districts, special districts (ports, transportation, water, sewer, power and health), public colleges and universities	Geographic focus	\$1MM-\$100MM
Energy Services	State and local governments, federal government agencies, public education, public housing authorities, institutions, healthcare, ESCOs (Energy Services Companies), waste water treatment facilities, public utilities, cooperative utilities, commercial and industrial	Geographic focus	\$2MM-\$100MM
Renewable Energy Finance	Utilities, Independent Power Producers, project developers, equipment manufacturers, EPC contractors, municipalities, private equity and U.S. affiliates of foreign entities installing wind and solar projects	Industry focus	\$20MM-\$150MM
Tax Credits	Source of business (Originate): tax credit aggregators/syndicators, financial institutions (looking to sell) and developers; Investors (Distribute): banks, insurers, corporate and industrial entities	Transaction/Geographic focus	\$25MM-\$100MM+

Energy Services Regional Coverage



Energy Services Originations
Chris Giuliano, Managing Director
415.765.7381

- Holly Andreozzi**
617.434.7760
Boston, MA
- Mike Brunsmann**
513.929.5102
Cincinnati, OH
- Geoff Culm**
312.828.5319
Chicago, IL
- Chris Youngs**
303.617.1290
Denver, CO
- Federal**
Karen Gierhart
401.278.7764
Providence, RI



Bank of America Merrill Lynch Overview

\$50B Environmental Business Initiative and Operational Goals



Environmental Business Goal: \$50B

Operational Goals: Achieve by 2015

- Bank of America has established a new 10-year, \$50 billion goal to address climate change, demands on natural resources and advance lower-carbon economic solutions.
 - The new goal, effective January 1, 2013, builds on the early completion of the company's 10-year, \$20 billion initiative announced in 2007.
 - The initiative will focus on energy efficiency, renewable energy, transportation, waste and water .
 - It will be achieved primarily through lending, equipment finance, capital markets and advisory activity, carbon finance, and advice and investment solutions for clients.
 - The new initiative also earmarks \$100M for grants and program related investments to nonprofits and community development financial institutions.
- 20% reduction in energy consumption (2004 baseline).
 - 20% reduction in paper consumption (2010 baseline).
 - 20% reduction in global water consumption (2010 baseline).
 - 70% diversion of global waste from landfill.
 - 30% aggregate reduction in global GHG emissions (2004 baseline).
 - 20% LEED certification within our corporate workplace portfolio.
 - All paper will contain 20% post-consumer recycled content and be sourced entirely from certified forests.
 - All electronic waste streams to be disposed of using certified, responsible vendors.



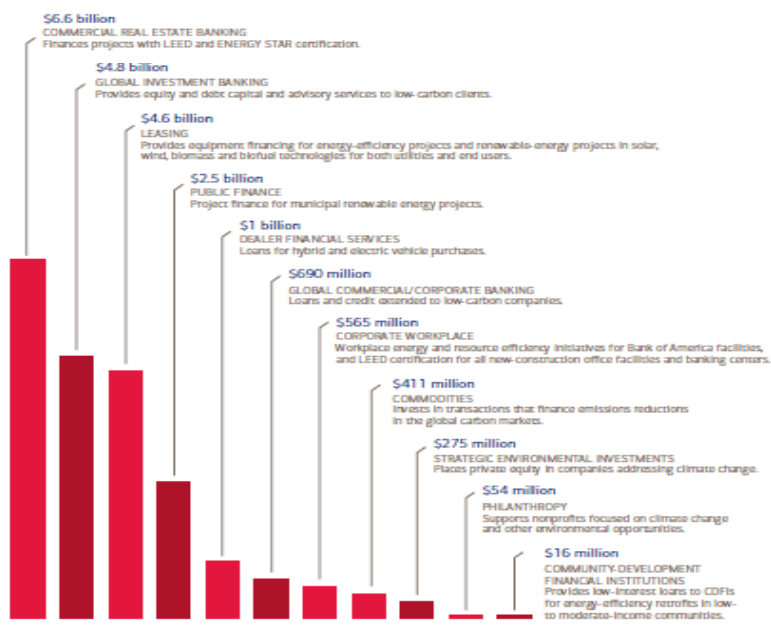
Environmental Commitment Breakdown



(From original 2007 \$20 BN Commitment – through 2012)

▪ **BAC's Environmental Commitment Through 2012 has Included:**

- Energy efficiency financings provided by BAPCC Energy Services for public sector entities;
- Renewable energy financings including tax equity financing for large wind projects in the US;
- Over \$60 mln of low interest loans and grants for Community Development Finance Institutions for energy efficiency improvements;
- Reduction in corporate facility green house gas emissions with a new 2010 through 2015 15% reduction goal.



Breakdown of the Environmental Commitment (through 2012)

Questions? And Contact Information

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BAPCC Energy Services Contact Information



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