

**Chicago Infrastructure Trust, in conjunction with
the City of Chicago and Chicago Public Schools**

**REQUEST FOR QUALIFICATIONS
For Financial Partners for Retrofit One
Chicago's Energy Retrofit Projects, estimated at \$100 million**

**Dated: January 29, 2013
Responses due March 6, 2013**

The Chicago Infrastructure Trust (the "Trust"), in conjunction with the City of Chicago (the "City") and the Chicago Public Schools ("CPS"), is seeking statements of interest and qualification from all interested parties, including without limitation investors, energy savings consultants and retrofit contractors (for ease of reference, hereafter collectively referred to as the "Financial Partners") to provide financing for certain energy efficiency projects (the "Retrofit Projects," "Projects" or collectively "Retrofit Chicago"). The goals of this RFQ are stated under the heading "Purpose of the RFQ" on page 7 below. It is anticipated that the Retrofit Projects will be rolled out in a series of transactions (the "Tranches") beginning in 2013 and continuing on an as-needed basis with no pre-established end date or limitations as to amount. We refer to the first such transaction as "Retrofit One."

The Investment Opportunity

Retrofit One will fund several projects including lighting retrofit, windows, and HVAC units and a boiler steam plant and provides investors with a unique business opportunity to partner with the Chicago Infrastructure Trust, the City of Chicago (City) and Chicago Public Schools (CPS). These long-established governmental units have demonstrated an ability to budget in a timely manner and fulfill their financial obligations.

Retrofit One is an essential public purpose financing with two City departments and the Chicago Public Schools. The City and CPS have procured for the design, installation and maintenance of the projects to be financed. These projects will decrease the City's and CPS' consumption of electricity and the City's use of natural gas, enabling both the City and CPS to realize savings in their operating budgets. As part of this process the City and CPS have each measured and verified the potential savings that it expects to realize as a result of this financing.

The savings resulting from the Retrofit Projects will fund the payments that provide the return on the investments made by the Trust's Financial Partners. It is expected that the City and/or its Sister Agencies, on behalf of the taxpayers, may wish to "share" the resulting savings with the Financial Partners during the term of the financial agreement (the "Agreement") that is expected to ultimately result from this RFQ. The City and/or its Sister Agencies will also consider transactions in which a portion of the savings is used to create a reserve or provide additional debt coverage for the financial protection of the Financial Partners.



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The payment stream for the investment emanates directly from departmental operating budgets, which will continue to be funded at current levels, subject to annual appropriation risk, the existence of prior liens or similar limitations. The current budget level provides a baseline against which to measure energy cost savings that constitute the projected payment stream from the City.

Investor risk for Retrofit One is minimized through diversification. There are three different entities providing repayment, and investors will have the ability to invest in all or separate tranches which will have different maturities and diverse underlying assets. All payments will be to a special purpose entity.

REPAYMENT FOR INVESTORS WILL BE FROM OPERATING BUDGET SAVINGS ONLY. In the event of default, none of the Trust, the City of Chicago and the Chicago Public Schools will pay any shortfall and the underlying assets and the improvements will remain the property of the City or CPS. Below is a grid that illustrates the projects to be financed, their duration, and the expected energy savings in dollars and percent.



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Project Types and Economics

**Retrofit I: Chicago Public Schools
 Lighting Retrofit Project Detail**

Facility Type	Number of Facilities	Retrofit Project Description	Total Cost of Retrofit Project*	Forecast Annual Savings from Retrofit	Simple Payback Period (Years)
Elementary Schools	211	Retrofit all T-12 lamps, exit signs and install occupancy sensors	\$10,570,000	\$2,037,000/yr	5.18
Middle Schools	5	Retrofit all T-12 lamps, exit signs and install occupancy sensors	\$280,000	\$114,000/yr	2.45
High/Technical Schools	26	Retrofit all T-12 lamps, exit signs and install occupancy sensors	\$3,150,000	\$849,000/yr	3.71
Subtotals	242		\$14,000,000 *	\$3,000,000/yr	4.66

**Preliminary Estimate as of 11/30/12 net of \$5 million DCEO commitment.*



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Retrofit I: City of Chicago DWM Project
Summary of Total Annual Energy & Operation Cost Savings (Estimated)

Savings Element	Estimated Annual Savings Resulting from Conversion
Energy	\$991,600 /year
Personnel	\$2,919,600 /year
Maintenance	\$550,000 /year
Total	\$4,461,200 /year

Retrofit I: City of Chicago 2FM Projects
Preliminary Findings - Financial

Facility Type	Number of Facilities	Retrofit Project Description Highlights	Total Cost of Retrofit Project (\$ Millions)*	Forecast Annual Savings from Retrofits (\$ Millions)	Simple Payback Period (Years)
Police/ Service/ Public Safety HQ	40	Enhanced Digital Controls, Lighting Upgrades, Heating and Cooling Equipment Upgrades	\$19.7	\$1.6 /yr	12.2
Fire/ Maintenance Shops/City Hall	18	New City Hall Chiller and Steam Trap Improvements	\$4.1	\$.43 /yr	9.7
Library/ Admin/ Cultural Center	46	Lighting Upgrades, Envelope Weatherization, Digital Control & Mech Upgrades	\$13.3	\$1.3 /yr	10.4
Subtotals	104		\$37.1*	\$3.3 /yr	11.1

**Preliminary estimate as of 11/30/12*



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Background on the Chicago Infrastructure Trust

The Trust is a nonprofit organization established pursuant to Chicago's City Council Ordinances 2012-1366 and 2012-4490 in August 2012 and incorporated as an Illinois Not for Profit for the express purpose of assisting the City and its Sister Agencies in completing investments in transformative and legacy municipal infrastructure projects. These projects may include, without limitation, energy efficiency retrofit, mass transit, surface and highway transportation, freight rail, air and maritime ports, education (elementary, secondary and community college) facilities, broadband, water and sewer, and other services and facilities.

Like governments through the nation, Chicago's infrastructure needs far exceed the current financial resources of the City and its Sister Agencies. At the same time, private investors and organizations, including foundations, labor unions, public sector and private sector pension funds, private equity funds, charitable organizations, mutual funds and sovereign wealth funds have demonstrated a growing interest in low-risk, long-term infrastructure investments.

The City and its Sister Agencies will continue to identify, prioritize and implement infrastructure projects. The Trust will provide funding and credit support, attract private investment, and make grants to the City and Sister Agencies, all in a manner that will establish high standards of transparency, oversight and audit. The Trust will work collaboratively with its Financial Partners, the City and Sister Agencies in a transparent and strategic manner to accomplish a range of transformative infrastructure projects for the benefit of the City and its residents.

Overview of Retrofit Chicago

As Chicago's City Council noted in its ordinance authorizing the establishment of the Trust, Chicago's status as a leading global city relies in part on its ability to be at the forefront of energy efficiency initiatives. Retrofit Chicago is a City-wide, multi-department and multi-City agency energy retrofit program, comprised of multiple individual Retrofit Projects with an expected value of at least \$200 million at various facilities. Collectively, Retrofit Chicago seeks to reduce the energy dependence associated with the relevant facilities by as much as 20% in the aggregate for each year of the program.

The Retrofit Projects will be grouped in Tranches. As described in further detail below, the First Tranche of Retrofit Projects, which may cost more than \$100 million to complete, is expected to involve improvements to facilities owned by the City's Department of Fleet and Facility Management ("2FM") and Department of Water Management ("DWM") and CPS. The second and subsequent Tranches are planned to include other City departments and agencies, including the CTA, CPD, CHA and Chicago Department of Transportation, among others. The City anticipates that it will group future Projects so that the second and subsequent Tranches will each aggregate to at least \$50 million. These expectations reflect the best available information that the City and its Sister Agencies have and may change as more information regarding



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potential projects and available financing vehicles becomes available to both investors and local government.

Retrofit Project and Transaction Details

The section below contains summarized information regarding the Retrofit Chicago program which, in addition to the attached Term Sheet, should be evaluated in conjunction with preparation of your RFQ response. This information is provided to familiarize potential Respondents with the Retrofit Chicago program and to outline certain terms that the Trust and the City are considering. Retrofit One will entail financing only, and in that respect differs from other retrofit projects involving energy-savings companies.

Measurement and Verification ("M&V"). The City is aware that Financial Partners may be accustomed to relying on investment-grade audits and M&V processes to document savings and to assure proper commissioning of the Projects. For the improvements implemented by 2FM, Energy Services Companies ("ESCO") will provide the audit, construction and commissioning services and a three-year performance guarantee. Approved ESCO's for the 2FM projects include Noresco, Ameresco and Schneider Electric. For other projects, such services may be provided by the government agency and/or its contractors. More detailed information about those parameters will be made available to the short-listed Respondents. For each individual building improvement, the City and/or the Sister Agencies will provide the Trust and its Financial Partner(s) with detailed records and projections of energy costs before and after making the retrofit improvements, along with annual certification of results.

Pledged Sources. Savings attributable to the Retrofit Projects will be used to repay the Financial Partners. Those savings will flow to the Financial Partners through a special purpose entity created by the Trust to finance Retrofit One. These savings may be subject to annual appropriation risk, the existence of prior liens, or similar limitations. Financial Partners will be expected to provide financing terms on the basis of that revenue stream. For certain facilities it is anticipated that there will be significant savings from the operations of the facility following implementation and, as a result, those savings will be included as Pledged Sources.

Facility Ownership. There will be no sale, lease, conveyance or transfer of title to existing assets or property of the City and its Sister Agencies in connection with the financing and implementation of the Retrofit Chicago Projects. It is not initially anticipated that a security interest in the specific Retrofit Project improvements will be granted, absent a significant benefit to the City or the Sister Agencies.

Financing Entity. For each Tranche, the City anticipates that the Trust will establish a separate legal structure, such as a limited liability company ("LLC"), to safeguard revenues of that Tranche solely for the benefit of those specific Financial Partners. Tranches will not be commingled: The First Tranche Retrofit Project revenues will be solely for the benefit of such Financial Partners. Financing terms and the process to secure Financial Partners will be unique to each Tranche of the Trust.



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Operations & Maintenance. It is currently anticipated that services other than financing will be provided either directly by the sponsoring government, its direct contractors or pursuant to intergovernmental cooperation agreements.

Purpose of the RFQ

The issuance of this RFQ and Term Sheet is the initial step towards financing the first Tranche of Retrofit Chicago. The purpose of the RFQ is to:

1. Alert potential Financial Partners and solicit their input regarding available financing.
2. Provide potential Financial Partners the opportunity to state terms and conditions that they would require in a financing.
3. Provide potential Financial Partners the opportunity to outline financing strategies for Retrofit Chicago, including strategies which may require two or more Financial Partners to coordinate an offer to the Trust.

The principal purpose for the RFQ, then, is to solicit information. While the Trust, in conjunction with the City and CPS, reserves the right to solicit proposals from the Financial Partners deemed most qualified on the basis of the qualifications provided, any solicitation of proposals for financing will afford an opportunity for consideration or re-consideration of a firm's or firms' qualifications.

RETROFIT CHICAGO indicative timeline

It is the intention of the City to achieve financial close during the summer of 2013. Thus firms must be willing to commit the time and resources to the completion of the transaction. The Trust and City expect the financing process to include (i) the formation of a pool of qualified investors, (ii) issuance of a request for proposals ("RFP") from the qualified investors, (iii) evaluation and negotiation of the proposed financing, and (iv) approval by the Trust, City Council and Board of Education, all prior to closing.

Registration of Potential Respondents to RFQ and Submission Requirements. Publicly available information concerning the Retrofit Chicago projects, the Request for Qualifications ("RFQ") for Financial Partners, a link to registration for the RFQ, procurement requirements such as the Economic Disclosure Statement ("EDS"), and Questions and Answers ("Q&A") from potential Respondents regarding the RFQ, and any addenda can be found at: www.chicagoinfrastructure.org. All potential Respondents must register at the website, which will also be the sole source of information regarding the RFQ. The registration process will include completion of the City's EDS, a copy of which is attached.

Establishment of Pool of Qualified Financial Partners. To facilitate selection of Financial Partners and implementation of the Retrofit Projects, the Trust plans to establish an open pool of qualified Financial Partners (the "Pool") as a result of this RFQ. Potential Financial Partners



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included within the Pool will be invited to participate in information sessions conducted by the Trust and City, and provided access to secure areas within a Data Room that will be established by the Trust in conjunction with each Tranche to facilitate due diligence processes. Subsequent to initial establishment of the Pool, admission to the Pool will be permitted for additional qualified Financial Partners, using the same application and approval process described within this RFQ. **There is no pre-established end date for admission to the Pool, following its initial establishment.** Through issuance of one or more addenda, the City and its Sister Agencies intend to request that the Trust solicit Financial Partners from the Pool for future Tranches on an as needed basis. Potential Financial Partners will be permitted to submit proposals in response to any RFP issued by the Trust, provided that they also furnish the documents required by this or subsequent RFQs. Please be advised that if you elect to submit a response to the RFQ after any specific dates established by the Trust, you assume any risks associated with missing the information sessions and access to the Data Room described above. Access may be provided to the Data Room at any time, but the Trust reserves the right to maintain dates for the issuance or receipt of any RFP, or any subsequent RFQ.

Short List for First Tranche Retrofit Projects. In addition, and as a result of this RFQ, the Trust, in collaboration with the City and CPS, reserves the right to select a “short list” of qualified respondents from the Pool, based on selection criteria established within this RFQ and in accordance with commercially reasonable parameters. Such short-listed Respondents will be invited to complete due diligence and submit bids for the First Tranche of the Projects.

THIS RFQ IS FOR FINANCIAL PARTNERS ONLY. THIS IS NOT A DESIGN, BUILD, OPERATE OR MAINTAIN CONTRACT OPPORTUNITY. Interested parties are invited to submit their qualifications, as further described herein via electronic submission of a PDF by 4:00 p.m., Central Standard Time, March 6, 2013 to:

Chicago Infrastructure Trust
rfgresponse@chicagoinfrastructure.org

With a copy to:

City of Chicago

David.winters@cityofchicago.org

Mr. Winters is a Chief Assistant Corporation Counsel with the City’s Law Department.

Prior to submittal of responses, inquiries should be addressed to:

rfqinquiry@chicagoinfrastructure.org

Inquiries will be reviewed by PFM, Financial Advisor to the Trust; Kirkland & Ellis LLP, counsel to the Trust; the City’s Law Department; and Acacia Financial Group and Public Finance Advisors, LLC, Financial Advisors to the City. **Prospective Financial Partners that anticipate responding to**



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this RFQ shall so indicate as soon as possible by providing the proper contact information via e-mail to rfqinquiry@chicagoinfrastructure.org.

Data Room. The Trust is creating a Data Room that will provide more details on the underlying projects. The Data Room will be open to the public, although the Trust and its government partners may establish a site for security-sensitive information that will be accessible only to qualified Financial Partners. The Trust anticipates hosting one or more bidder due diligence sessions for the qualified Financial Partners to ensure that the qualified Financial Partners have the opportunity to ask questions and clarify information related the Retrofit Projects. Site visits will also be offered, as deemed necessary. Legal comments will also be considered, although the final structure of the financing may or may not incorporate such comments.

Evaluation Criteria

The Trust anticipates that qualifying Financial Partner(s) offering the lowest risk-adjusted cost of capital will be selected to invest in the Retrofit Chicago project. Responses to this RFQ are designed to identify those firms with the resources and/or commitment to achieve the mission of the Trust in financing transformative infrastructure projects in a transparent and strategic manner. By responding to this RFQ, you will be registered for continued participation in the procurement process that will result in the selection of the Financial Partner(s) that will be invited to invest in the Retrofit Projects via the Trust. All registered parties will receive prior notice when the process advances to each selection stage of the procurement process described above.

It is anticipated that the responses to the RFQ will provide a variety of potential solutions. The Trust is interested in assessing all types of proposals to finance the Retrofit Projects. Towards this end, the financing package to be provided by Financial Partners may include a mix of senior debt, subordinated debt, equity or any other innovative structure put forth to the Trust. Financing options, including bonds issued by the City or its Sister Agencies, will be considered by Trust.

Your response to this RFQ will be evaluated based on the following:

- Financial resources and ability to complete the Retrofit Project, including a minimum capital requirement of \$10 million of assets under management
- Overall risk-adjusted cost of capital

- Proven experience in financing public improvements, including specific experience in no fewer than three (3) prior transactions of similar size and scope to Retrofit Chicago
- Diversity of investors, including labor-friendly investors, charitable organizations, minority-owned business enterprises, women-owned business enterprises, veteran-owned business enterprises and business enterprises owned by persons with disabilities.
- Risk Transfer



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The Trust and the City invite interested respondents (“Respondents”) to submit comments regarding the Term Sheet and other potential terms of the transaction in addition to the requested qualifications. The Trust, in collaboration with the City, reserves the right to request additional information from Respondents and potential Respondents to this RFQ, to issue one or more addenda to the RFQ throughout the entire process, to solicit proposals from those potential Financial Partners that the Trust deems qualified pursuant to the criteria stated herein, to negotiate bids and the terms of an agreement with any Financial Partner and to reject any or all submissions or part of any submission. The Trust and the City have the joint responsibility to determine the qualifications and capability of prospective Financial Partners.

Submission Requirements

Responses should be submitted in electronic form that would print with 8 1/2 x 11 inch paper size and use a font no smaller than 10. Please limit response to **15 numbered pages** not inclusive of transaction appendices. The Trust will not be liable for any costs incurred by any Respondent in connection with preparing responses to this RFQ. You should assume that the majority of each response will be subject to the Freedom of Information Act (“FOIA”). Should a Respondent seek to exclude certain confidential and proprietary information from the provisions of FOIA, that information must be clearly marked.

Joint proposals are encouraged to the extent they help to achieve the financing goals as outlined above.

A. Qualification/Information of the Financial Partner

1. Name of lead firm and each financing team member.
2. Capital Position and Audited Financial Statements. Provide a summary table of the capital position for organizational team members. Include Audited Financial Statements in the appendix if available and in not, please provide three years’ of financial statements and a certification of the chief executive officer that the financial statements accurately reflect the resources and liabilities of that firm to the best of their knowledge.
3. Please provide current debt ratings and outlooks by Moody’s, S&P and Fitch for any Respondent firm.
4. Please describe your firm’s commitment to infrastructure finance, including an affirmative statement that:
 - i. You are committed to the financial and operational goals of the Trust as defined in the Ordinance
 - ii. You are able and willing to participate in a new approach to financing infrastructure in the U.S.



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- iii. You are able and willing to comply with the rigorous standards of disclosure, transparency and innovation of the Trust.
5. Provide names, addresses, and phone numbers of four references, at least two of which should be governmental clients, where you have provided similar types of financing.

B. Assigned Professionals

1. Provide name, title, location, contact information and brief background for key professional(s) who would work on the Retrofit Project. Please include the number of years' experience, number of years at the firm, and experience applicable to Trust financings. DO NOT include detailed resumes.

C. Experience Financing Similar Projects

1. Listing of similar energy or infrastructure projects which your firm has financed with a similar structure and your firm's role with such project.
2. One-page case studies of three projects your firm has participated in and your firm's role in those projects. These pages count towards the page limit stated above.
- 3.

D. Approach to the First Tranche Retrofit Projects

1. Outline your general approach to the Retrofit Projects.
2. Provide concise comments as to any terms listed in the Term Sheet that may be problematic, the reason for such assessment and potential options for the Trust to consider implementing. Please see Attachment A, Key Term Sheet Provisions.
3. Provide a listing with a short description of any required term sheet conditions or covenants that the Trust and its government partners should consider for inclusion in the final transaction.
4. Provide a high-level outline of one or more potential transaction structures including potential sources of debt, equity or other financial sources and the approximate amount of each. Such outline should reflect the City's proposed terms to the greatest degree possible.
5. Describe your proposed approach to M&V and related due diligence, given that this is a financing-only transaction.
6. Discuss any concerns or challenges which you consider the Retrofit Project to have.
7. Discuss your financial capacity for Retrofit Projects in terms of value and duration, understanding that the City may wish to include individual Retrofit Projects with a duration of up to 20 years.



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E. Compliance Requirements

The City and the Trust are committed to transparency and thus the following will apply to any responses.

1. Firms should determine if any members of their teams need to register as a lobbyist. In general, any action that seeks to influence an executive or legislative branch decision requires registering as a City lobbyist. A statement about the Respondent's lobbyist registration(s) is required.
2. Firms will be expected to complete and submit an EDS as part of the registration process prior to responding to the RFQ and on a per transaction basis in response to potential future submissions under the Retrofit Chicago RFQ for Financial Partners. A copy of the EDS can be found at www.cityofchicago.org/finance.
3. The Trust reserves the right to modify or terminate this solicitation at any stage if it determines this action to be in its best interest. The receipt of qualifications or other documents at any stage in the RFQ will in no way obligate the City or the Trust to enter into any contract of any kind with any party. The Trust reserves the right to reject any and all proposals, to waive any irregularities in any proposal and to request clarification or any additional information. A statement acknowledging this provision is required.
4. MBE/WBE participation is always a goal of the City and the Sister Agencies. A statement about your efforts to achieve such goals is a required submission. The Trust reserves the right to allocate a minority share of any financing to qualified MBE/WBE Financial Partners in its sole discretion. Such firms must submit a response to this RFQ, either independently or as part of a team bid, in order to be considered by the Trust for inclusion.

F. Legal and Firm Issues

Please include the following information as an Appendix to your response; the appendix does not count against the page limit. This information may be marked as proprietary and confidential.

1. Does your firm have an equal employment opportunity policy? If so, please provide information regarding the policy and program?
2. Please provide information as to whether your firm is a Woman / Minority / Disabled / Veteran Business Enterprise, and if so what type(s)?
3. Do you pay a Living Wage to all employees (see Section 2-92-610, "Contracts requiring a base wage," of the Municipal Code of Chicago)?



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4. Please disclose and explain any significant negative events in your firm's recent history including criminal charges, civil litigation, or administrative actions involving allegations of securities law violations by your firm or its employees during the past three years. Please comment on the resolution and/or status of the actions.

5. Are there any other lines of business conducted by your firm that could complement or conflict with your role for the Retrofit Project? Do you or any of your team members provide financing or other services to any potential ESCOs? Please disclose any arrangements that might present an actual or apparent conflict of interest with this role. **If selected, your firm will be expected to provide status changes as they occur.**