

Retrofit Chicago I

Board of Directors Update
19 July 2013

- CPS Lighting
 - ~\$20M Funding, Exclusive of Grants
 - \$2.2M Expected Annual Energy Savings
 - Sufficient Cash Flow to Fund Improvements Based Upon 10 Year Term

- Department of Water Management
 - \$73M Project
 - ~\$40M Funding
 - \$4.6M Annual Labor, Maintenance & Energy Savings
 - Sufficient Cash Flow to Fund Improvements Based Upon 15-20 Year Term

- Department of Fleet & Facility Management
 - ~\$26M Funding
 - \$2M Annual Energy Savings
 - Sufficient Cash Flow to Fund Improvements Based Upon 20 Year Term

- Released RFQ
- Circulated Model Term Sheet
- Respondents:
 - Amalgamated Bank
 - Citigroup
 - Energy Infrastructure Partners
 - Green Campus Partners
 - Hapoalim Securities
 - Harvestons Securities
 - J.P. Morgan
 - Johnson Controls
 - Metrus Energy
 - North South Capital
 - PNC
 - US Bank

Potential Retrofit Delivery Models



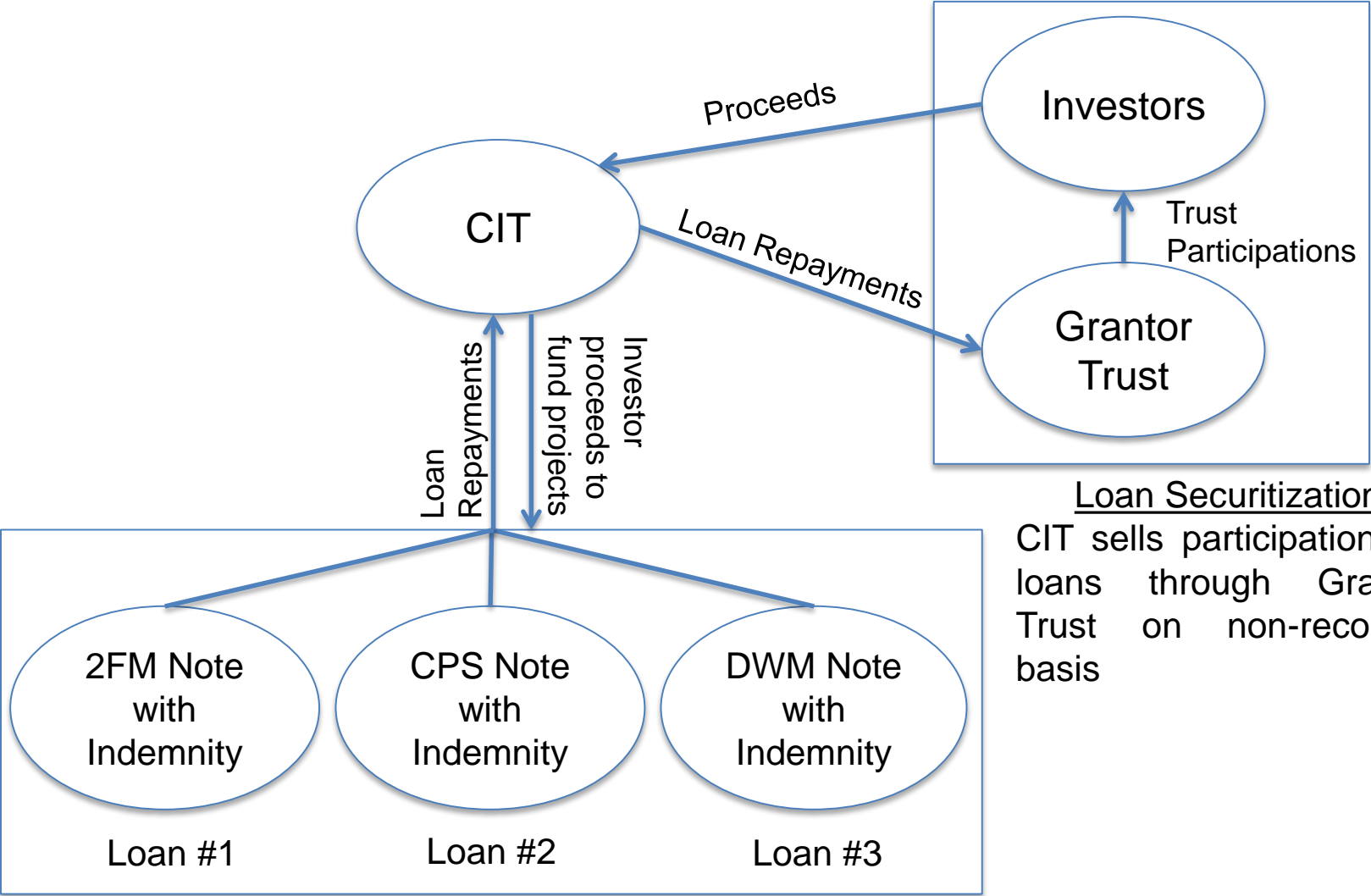
← Higher	Balance Sheet and Credit Impact	Less →
Publicly Financed	Alternative Structure	Privately Financed
<p>Potential benefits:</p> <ul style="list-style-type: none"> ▪ Lower cost of capital ▪ Known financing process ▪ Full control and ownership of retrofit projects ▪ No security interest requirements ▪ Ability to bundle assets and agencies <p>Considerations:</p> <ul style="list-style-type: none"> ▪ Retains schedule and project cost risk ▪ Ongoing operating and maintenance requirements ▪ Internal capability to execute projects ▪ Requires commitment to appropriate ▪ ESCO involvement and guarantee at city's discretion ▪ On balance sheet 	<p>Potential benefits:</p> <ul style="list-style-type: none"> ▪ Partial risk transfer to private party ▪ Potential to finance off balance sheet ▪ Some precedent in alternative financing structures ▪ Potential to bundle assets and agency <p>Considerations:</p> <ul style="list-style-type: none"> ▪ Design and construction risks retained by the city ▪ Commitment to appropriate will impact ultimate cost ▪ Requires ESCO or guarantees throughout term of transaction ▪ Requires some type of security interest in retrofit assets to be transferred to private party 	<p>Potential benefits:</p> <ul style="list-style-type: none"> ▪ Greater risk transfer to private party ▪ Potential to finance off balance sheet and off credit ▪ Potential transfer operations and maintenance costs ▪ Stronger incentives for performance <p>Considerations:</p> <ul style="list-style-type: none"> ▪ Potential higher cost of capital ▪ Innovative and complex process still in development/time to reach close ▪ City retains limited control and ownership of projects ▪ Requires savings or ESCO guarantees for term ▪ Requires ownership or other security interest in assets ▪ Appropriation guarantee and other enhancements lower risk ▪ Labor savings difficult to monetize

Model: Create A Grantor Trust



- Grantor Trust Created by CIT
 - Marketing Securities to Accredited Institutional Investors
 - Facilitates a Private Placement Payable on a Tax Exempt, Limited Recourse Basis from Project O&M and Energy Savings
 - Lends and Disburses Funds to City Departments and Agencies for Key Infrastructure Projects
 - Aggregates Investing
 - Tax Exempt Borrowing
- CIT enters into three loan and disbursement agreements
 - City/2FM
 - CPS
 - City/DWM
- Grantor Trust secured by pledged revenues (energy and operational savings) plus an equity indemnity reserve facility (EIRF)
 - EIRF is funded on Second Lien Basis by Other Investors
- City (2FM), City (DWM) and CPS transfer savings to CIT & Grantor Trust
- CIT sells Trust Participations to Investors
- City Avoids Using City & CPS GO Bond Capacity & Protects Taxpayers
 - Limited Recourse

Flow of Funds



Loan Securitization
CIT sells participations in loans through Grantor Trust on non-recourse basis

Limited Recourse Infrastructure Loans

- CIT – July: RFP, Finalize Process & Timeline
- CIT– August: Board Approves OM
- CIT – September: Board Approves Transaction
- City – September: City Council Introduction
- City – October: City Council Authorization
- CPS – October: Board Authorization