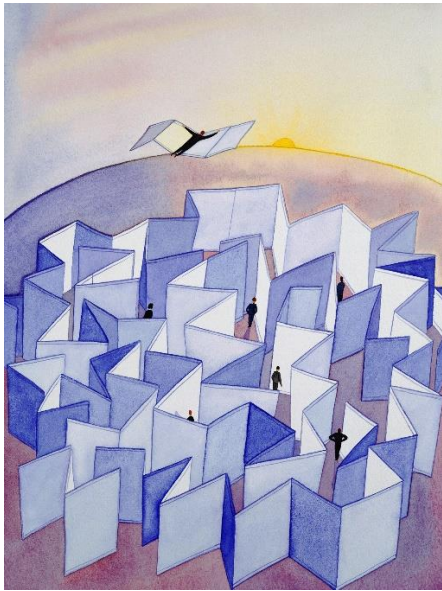


Case Study: State of Illinois Agencies *Facility Energy Efficiency Program* \$19.2 Million, Illinois Energy Efficiency Pilot Program



The State was challenged by the cost of maintaining and improving many state-owned facilities across several agencies. Energy related retrofits were an innovative means of addressing deferred maintenance issues, particularly as they related to a facility's HVAC systems. Norton Scott's professionals were asked to establish a pooled leasing program to finance the needed energy retrofits and to serve as Master Lessor for the program.

Under the program, energy services contractors ("ESCO") audited the energy efficiency of various State facilities and proposed retrofits with associated guaranteed savings contracts with the various agencies. The proposals were scored and ranked according to their energy savings and risk. The top-ranked projects applied with the pool administrator for the capital funding to implement the necessary retrofits to its facilities. An installment purchase agreement was executed between each agency and the Master Lessor. The cost of the retrofits was repaid through guaranteed budgetary savings to be enjoyed by the agency over the 10-year term of the ESCO contract.

The Master Lessor pooled the installment purchase agreements for the projects, obtained credit enhancement from AMBAC (a municipal bond insurer), and issued project backed, appropriation-based, revenue obligations for the pool through a State-selected bond underwriter. In order to obtain credit enhancement for the assets-based credit, the entire pool of projects was cross-collateralized. The Illinois Department of Natural Resources audited annual compliance of the ESCO energy savings guarantees for the life of the financing. The transaction is an excellent example of how an ongoing budgetary savings can be monetized to provide capital for major maintenance of governmental facilities.

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