1.1 Purpose

The Policies and Procedures of Rhode Island Infrastructure Bank (the “Bank”) have been established to govern the lending activities of the Efficient Buildings Fund in accordance with R.I. Gen. Laws Chapter 46-12.2 as amended (the “EBF Act”).

1.2 Definitions

Except as otherwise defined herein, the words and phrases used within these Loan Policies and Procedures have the same meaning as the words and phrases in R.I. Gen. Laws Chapter 46-12.2 as amended and the Efficient Buildings Fund Project Priority List 300-RICR-00-00-1.

1.3 Financial Assistance

These Policies and Procedures govern the provision of financial assistance available to local governmental units (“Borrowers”) for energy efficiency and renewable energy projects. Financial assistance may include below market interest rates, interest rate subsidies or other credit enhancements which reduce the cost of financing eligible projects. The amount of subsidy, if any, shall be determined by the Bank. At the discretion of the Bank, financially distressed Borrowers may receive financial assistance with a higher amount of subsidy as long as the additional subsidy does not have an adverse effect on other participants in the Efficient Building Fund; bond holders; other creditors of the Bank; or the finances of the Bank. In determining those Borrowers that qualify as “financially distressed” the Bank may consider the criteria set forth in R.I. Gen. Laws §§ 45-13-12(b)(1) through (4) as amended.

1.4 Loan Application

A. Requests for financing should be submitted in writing by the Chief Executive Officer or other authorized officer of the Borrower to the Executive Director of the Bank. The written request should generally include:
1. A description of the project(s) to be financed with the projected construction and completion schedule. In the case of a refinancing, a description of the completed project and the terms and source of previous financing.

2. A description of the source of repayment, i.e., general revenues of the Borrower or other source of revenue acceptable to the Bank; appropriations pledge; or other dedicated source revenue of the Borrower.

3. A description of the overall operations of the Borrower, including but not limited to the most recent annual report or audited financials, with an emphasis on:
   a. Legal structure;
   b. Management;
   c. Sources of revenues;
   d. Operating expenses;
   e. Operating surpluses or deficits;
   f. Actual results versus budget;
   g. Sources of financial liquidity.

4. Legal authority or authorities to construct, finance and operate the project.

5. The past five years Audited Financial Statements in accordance with Generally Accepted Government Accounting Standards.


7. Such other information as the Bank may reasonably require.

1.5 Loan Approval Process

A. Loan approvals are subject to the following terms:

1. That all projects to be funded appear on the Rhode Island Office of Energy Resources ("OER") Project Priority List in accordance with the EBF Act. Projects not listed on the project priority list shall not be eligible for financial assistance from the EBF;

2. That the loan comply with all federal, state and Bank laws, rules and regulations;
3. That the loan and debt service requirements be approved by any applicable regulatory Agency;

4. That a satisfactory loan agreement be signed by all parties to the transaction;

5. That the loan will be made subject to availability of funds as related to the Bank’s capacity; and that the loan will be made subject to ranking on OER’s Project Priority List.

6. The Bank will conduct a financial analysis for each loan application which may include, but not be limited to:
   a. Projected energy efficiency savings;
   b. Sources of revenue and financial liquidity;
   c. Historical and projected financial operating results;
   d. Present and future debt service requirements;
   e. Impact of dedicated user fees and/or general revenues;
   f. Cost of the project and completion schedule;
   g. Long term capital replacement planning;
   h. Socioeconomic conditions and trends;
   i. Management qualifications and experience;
   j. Effects of legal structure and any regulator control; and
   k. Any other information that the Bank may require.

B. If the Board approves the application, a commitment letter will be issued to the Borrower for their acceptance, outlining the terms and conditions of the loan.

1.6 Terms and Conditions

A. Interest/Pricing: Financial assistance may include below market interest rates, interest rate subsidies or other credit enhancements which reduce the cost of financing eligible projects. The amount of additional subsidy, if any, shall be determined by the Bank. At the discretion of the Bank, financially distressed Borrowers may receive financial assistance with a higher amount of additional subsidy as long as the terms of the financial assistance do not have an adverse effect on other participants in the Efficient Buildings Fund; bond holders; other creditors of the Bank; or the finances of the Bank.
1. Interest is to be calculated on the basis of a three hundred and sixty (360) day year and twelve (12) thirty (30) day months on the outstanding loan balance, paid semi-annually on March 1st and September 1st, and may be capitalized during construction. Borrowers will be contractually liable for the Market Rate on the Loan but will be billed only for the Subsidized Interest Rate. In the event of a default by the Borrower or other Borrowers in the EBF program, the Bank may bill the Borrower for the Market Rate.

B. Fees: The Bank will charge an Origination Fee of one percent (1.0%) of the principal amount of the loan at closing with a minimum of one thousand dollars ($1,000). All out of pocket closing costs, i.e. Borrowers cost of issuance, Bank cost of issuance, Bank underwriting costs, and any other closing costs, will be paid by the borrower(s). The Bank will also charge an annual Service Fee of one-half of one percent (0.5%) of the outstanding principal payable semi-annually at each interest payment date. A late payment fee will be charged for every fifteen (15) days that a payment is late of five percent (5.0%) of the amount of the payment.

C. Amortization: Amortization will begin within one year after completion of construction and one year after closing for a refinancing. Principal payments will be made annually on September 1st and the schedule of payments will be structured to meet the debt service and financial assistance needs of the Borrower.

D. Term/Final Maturity: The length of the term of financial assistance awarded shall be determined by the Bank in consultation with the Borrower. The useful life of the project(s) shall, among other factors, determine the length of the term of the financial assistance. For applications with multiple projects with varying lengths of useful life, a blended useful life calculation may be utilized.

E. Prepayments: The loan may be prepaid by the Borrower at any time but may be subject to a prepayment penalty based on the cost of reinvesting the prepayment, the cost of prepaying outstanding bonds of the Bank or any other negative financial impact to the Bank.

F. Security: Each project funded through an Efficient Buildings Fund loan shall be subject to an investment grade audit to establish the projected energy savings. All audits shall be reviewed and verified by the OER. Loans will have a pledge of:

1. An appropriations pledge;
2. General revenues; or
3. May be secured by any other assets or pledges of the Borrower and upon such other terms and conditions as the Bank deems appropriate to protect
the interests of the other participants in the EBF program of the Bank; bondholders; other creditors of the Bank; or the finances of the Bank.

G. Construction Progress Payments:

1. Progress payments for each construction project will be made through the Construction Proceeds Fund (CPF). Loan proceeds will be transferred monthly from the CPF for each Borrower based upon approved Requisition Forms submitted to the Bank. Upon receipt of the Requisition Forms and all associated Requisition Documentation, the Bank will verify:
   a. That the costs requisitioned for payment are in connection with a project(s) listed on the project priority list established by the OER;
   b. The vendor is identified in the contract; and
   c. There is sufficient availability in the CPF to make the payment; and
   d. The OER has reviewed the Requisition Forms and Requisition Documentation and approved payment be made by the Bank.

2. Payments will be made directly to the vendor and/or the Borrower for reimbursements by the Bank, and a “paid” stamped copy of the Requisition Form will be sent to the Borrower.

3. The OER will perform periodic project inspections to:
   a. Monitor construction progress;
   b. Verify eligibility of construction cost under the program; and
   c. Ensure construction is in conformity with Plans and Specifications.

4. The OER will provide a copy of the inspection report to the Bank. Any adverse conditions will be reported to the Bank, who may suspend further payments until the adverse conditions have been rectified. The OER will perform a final project inspection before the final payment is made by the Bank.

1.7 Reporting Requirements

A. Borrowers will be required to provide information to the Bank during the life of the loan including, but not limited to, the following:

1. A copy of its Annual Audited Financial Statements in accordance with Generally Accepted Government Accounting Standards, annually within nine (9) months of end of fiscal year.
2. An annual analysis of Operating Revenues and Expenses with an emphasis on the status of the dedicated revenues and/or general revenues securing the Borrower Bond and operating expenses in excess of budget, annually within nine (9) months of the end of fiscal year if the Borrower Bond is not a general obligation Bond. If the Borrower Bond is a general obligation bond, paid from ad valorem taxes, unless included as part of the annual budget, an analysis of Borrower operating revenues and expenses and a comparison for the respective period, annually within nine (9) months of the end of the fiscal year.

3. A copy of the annual budget of the Borrower, within fifteen (15) days of its adoption.

4. An annual schedule of current and projected short term and long term debt service.

5. An annual schedule of Capital Replacement Reserves.

6. Copies of reports submitted to OER, and any other regulatory agency relating to the projects financed.

7. During the construction period, an accounting of the monthly disbursements relating to the project.

8. Other information or reports as and when the Bank may reasonably require.

1.8 Loan/Financing Agreements

There will be a Loan/Financing Agreement for each approved loan outlining the terms and conditions of the loan.

1.9 Compliance with Federal, State and Local Law

The Borrower must comply with all applicable federal, state and local laws and regulations.

1.10 Modifications

Where deemed appropriate by the Bank, waiver or variation of any provisions herein may be made or additional requirements may be added.

1.11 Severability

If any provision of this Part or the application thereof to any local governmental unit, person, or corporation is held invalid by a court of competent jurisdiction, the remainder of this Part shall not be affected thereby. The invalidity of any section or sections or parts of any section or sections shall not affect the validity of the remainder of this Part.