FINANCING GUIDELINES
FOR INDEPENDENT INSTITUTIONS

The purpose of these guidelines is to provide an outline for Authority staff when considering financings on behalf of independent institutions, including higher education, health care and other eligible not-for-profit institutions. Although each proposed financing must be reviewed individually and exceptions to these guidelines may be considered, the Authority will generally require the provisions outlined below.

**Higher Education Institutions**

I. The following security provisions are required for bond financings undertaken on behalf of higher education institutions.

A. For those institutions that secure a rating of A3/A-/A- or greater, as determined by one or more nationally recognized municipal bond rating services:
   1. A general obligation of the institution;
   2. The retention of a qualified management consultant, at the discretion of the Authority, if an institution no longer has at least one rating of A3/A-/A- or better as determined by one or more nationally recognized municipal bond rating services.

B. For those institutions that secure a rating in the BBB category (Baa3/BBB-/BBB- through and including Baa1/BBB+/BBB+) as determined by one or more nationally recognized municipal bond rating services:
   1. A general obligation of the institution;
   2. A pledge of revenues acceptable to the Authority;
   3. Financial covenants, including restrictions on pledging assets and incurrence of additional debt, and covenants relating to financial performance to serve as an early warning of financial deterioration. The specific types and terms of the covenants shall be at the discretion of the Authority. If the financial covenants are not met, the remedies available to the Authority shall include the right to require the institution to retain the services of a qualified management consultant acceptable to the Authority; and
   4. A mortgage upon real estate.
   5. A debt service reserve fund may be required. The debt service reserve fund may be funded with cash, securities, the proceeds from the sale of obligations, a letter of credit or a surety bond in an amount acceptable to the Authority.

C. For institutions that secure a rating of less than Baa3/BBB-/BBB-, as determined by one or more nationally recognized municipal bond rating services, or that are not rated:
   1. Credit enhancement, acceptable to the Authority. Credit enhancement may include, but not be limited to, the following:
      a) A policy of municipal bond insurance;
      b) An FHA-insured mortgage;
c) A SONYMA-insured mortgage;
d) An irrevocable direct-pay or stand-by letter of credit;
e) A guarantee acceptable to the Authority.

2. In lieu of credit enhancement, a private placement of bonds may be utilized provided that:
   a) The purchaser of the bonds is a qualified institutional buyer within the meaning of federal securities laws;
   b) The purchaser is purchasing the bonds for investment purposes only (and not as an underwriter) and does not presently intend to transfer, otherwise distribute or sell the bonds. The purchaser, and any subsequent purchaser, agrees that if the bonds are subsequently sold, transferred or disposed of, such sale, transfer or disposition will be limited to other qualified institutional buyers;
   c) The purchaser acknowledges that it is familiar with the condition, financial and otherwise, of the borrower, that it obtained all information that it regards as necessary for its decision to purchase the bonds, that it has made its own credit evaluation of the borrower and that it has not relied upon the Authority in this regard; and
   d) The bonds will be offered in large denominations (at least $100,000).

**Other Not-For-Profit Institutions**

II. The following security provisions are required for bond financings undertaken on behalf of eligible not-for-profit institutions other than higher education and health care institutions.

A. For those institutions that secure a rating of A3/A-/-A- or greater, as determined by one or more nationally recognized municipal bond rating services:
   1. A general obligation of the institution;
   2. The retention of a qualified management consultant, at the discretion of the Authority, if an institution no longer has at least one rating of A3/A-/-A-- or better as determined by one or more nationally recognized municipal bond rating services.

B. For those institutions that secure a rating in the BBB category (Baa3/BBB-/BBB- through and including Baa1/BBB+/BBB+) as determined by one or more nationally recognized municipal bond rating services:
   1. A general obligation of the institution;
   2. A pledge of revenues acceptable to the Authority;
   3. Financial covenants, including restrictions on pledging assets and incurrence of additional debt, and covenants relating to financial performance to serve as an early warning of financial deterioration. The specific types and terms of the covenants shall be at the discretion of the Authority. If the financial covenants are not met, the remedies available to the Authority shall include the right to require the institution to retain the services of a qualified management consultant acceptable to the Authority; and
   4. A mortgage upon real estate.
   5. A debt service reserve fund may be required. The debt service reserve fund may be funded with cash, securities, the proceeds from the sale of obligations, a letter of credit or a surety bond in an amount acceptable to the Authority.

C. For institutions that secure a rating of less than Baa3/BBB-/BBB-, as determined by one or more nationally recognized municipal bond rating services, or that are not rated:
1. Credit enhancement, acceptable to the Authority. Credit enhancement may include, but not be limited to, the following:
   a) A policy of municipal bond insurance;
   b) An FHA-insured mortgage;
   c) A SONYMA-insured mortgage;
   d) An irrevocable direct-pay or stand-by letter of credit;
   e) A guarantee acceptable to the Authority.

2. In lieu of credit enhancement, a private placement of bonds may be utilized provided that:
   a) The purchaser of the bonds is a qualified institutional buyer within the meaning of federal securities laws;
   b) The purchaser is purchasing the bonds for investment purposes only (and not as an underwriter) and does not presently intend to transfer, otherwise distribute or sell the bonds. The purchaser, and any subsequent purchaser, agrees that if the bonds are subsequently sold, transferred or disposed of such sale, transfer or disposition will be limited to other qualified institutional buyers;
   c) The purchaser acknowledges that it is familiar with the condition, financial and otherwise, of the borrower, that it obtained all information that it regards as necessary for its decision to purchase the bonds, that it has made its own credit evaluation of the borrower and that it has not relied upon the Authority in this regard; and
   d) The bonds will be offered in large denominations (at least $100,000).

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**Health Care Institutions**

III. The following security provisions are required for bond financings undertaken on behalf of health care institutions including members of obligated groups.

A. For institutions that secure a rating of Baa3/BBB-/BBB- or greater, as determined by one or more nationally recognized municipal bond rating services:
   1. A general obligation of the institution;
   2. A pledge of gross revenues acceptable to the Authority;
   3. Financial covenants, including restrictions on pledging assets and incurrence of additional debt, and covenants relating to financial performance to serve as an early warning of financial deterioration. The specific types and terms of the covenants shall be at the discretion of the Authority. If the financial covenants are not met, the remedies available to the Authority shall include the right to require the institution to retain the services of a qualified management consultant acceptable to the Authority;
   4. A mortgage upon real estate is generally required; and
   5. For institutions rated A3/A- or A- or greater, a debt service reserve fund is not required. For institutions rated in the BBB category (Baa3/BBB-/BBB- through and including Baa1/BBB+/BBB+) a debt service reserve fund may be required. The debt service reserve fund may be funded with cash, securities, the proceeds from the sale of obligations, a letter of credit or a surety bond in an amount acceptable to the Authority.

B. For institutions that secure a rating of less than Baa3/BBB-/BBB-, as determined by one or more nationally recognized municipal bond rating services, or that are not rated:
   1. Credit enhancement, acceptable to the Authority. Credit enhancement may include, but not be limited to, the following:
a) A policy of municipal bond insurance;
b) An FHA-insured mortgage;
c) A SONYMA-insured mortgage;
d) An irrevocable direct-pay or stand-by letter of credit;
e) A guarantee acceptable to the Authority.

2. In lieu of credit enhancement, a private placement of bonds may be utilized provided that:
   a) The purchaser of the bonds is a qualified institutional buyer within the meaning of federal securities laws;
   b) The purchaser is purchasing the bonds for investment purposes only (and not as an underwriter) and does not presently intend to transfer, otherwise distribute or sell the bonds. The purchaser, and any subsequent purchaser, agrees that if the bonds are subsequently sold, transferred or disposed of such sale, transfer or disposition will be limited to other qualified institutional buyers;
   c) The purchaser acknowledges that it is familiar with the condition, financial and otherwise, of the borrower, that it obtained all information that it regards as necessary for its decision to purchase the bonds, that it has made its own credit evaluation of the borrower and that it has not relied upon the Authority in this regard; and
   d) The bonds will be offered in large denominations (at least $100,000).

**Multiple Borrowers/Structured Financings**

IV. For financings involving multiple borrowers and/or structured financings that secure a programmatic rating of Baa3/BBB-/BBB- or greater, as determined by one or more nationally recognized municipal rating services, such provisions as are otherwise necessary to achieve such rating which may include but not be limited to:

A. A general obligation of each institution(s);

B. A pledge of revenues acceptable to the Authority and/or an intercept or standby intercept of such revenues;

C. Financial covenants, including restrictions on pledging assets and incurrence of additional debt, and covenants relating to financial performance to serve as an early warning of financial deterioration. The specific types and terms of the covenants shall be at the discretion of the Authority. If the financial covenants are not met, the remedies available to the Authority shall include the right to require the institution to retain the services of a qualified management consultant acceptable to the Authority.

V. Credit enhancement may be used in connection with any financing undertaken on behalf of an institution without regard to such institution’s rating. Notwithstanding any other provisions herein, specific security provisions will be determined by the credit enhancer, the institution and the Authority.

VI. Private placement of bonds may be undertaken in connection with any financing undertaken on behalf of an institution without regard to such institution’s rating provided that the private placement should be advantageous for the institution when compared to other financing options. Notwithstanding any other provisions herein, specific security provisions will be determined by the institution and the buyer.
VII. Notwithstanding any other provisions herein, the Authority has the discretion to require a pledge of revenues, a mortgage upon real estate, financial covenants and/or a debt service reserve fund in any particular financing.

Approved: December 9, 2015