



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.

Higher Education Institutions, Health Care Institutions and Other Not-For-Profit Institutions

- I. For those institutions that secure a rating of Baa3/BBB-/BBB- or higher as determined by one or more nationally recognized municipal bond rating services, (1) the Loan Agreement shall be a general obligation of the institution; (2) the Bonds shall be limited obligations of the Authority; and (3) all financing documents approved by the Authority shall contain the appropriate standard document provisions for such issuance. In addition, the financing documents may include additional security provisions *based on market conditions and practices* including, for example and without limitation, the following:
 - a) A pledge of revenues;
 - b) Financial covenants
 - c) A mortgage upon real estate; or
 - d) A debt service reserve fund.

- II. 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:
 - A. (1) the Loan Agreement shall be a general obligation of the institution; (2) the Bonds shall be special limited obligations of the Authority; (3) all financing documents approved by the Authority shall contain the appropriate standard document provisions for such issuance and (4) the Bonds shall be secured by credit enhancement that results in the bonds being assigned a rating of Baa3/BBB-/BBB- or higher, including any of 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; or
 - f) Any other form of credit enhancement.

 - B. In lieu of credit enhancement, but subject to the requirements of A (1), (2) and (3), a private placement of bonds may be utilized provided that:
 - a) The purchaser of the bonds is a “Qualified Institutional Buyer” as defined in 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. Transfer restrictions must be noted conspicuously on the Bonds;

- c) An Investor Letter in the form required by the Authority shall be required from the purchaser at the time of issuance whereby the purchaser acknowledges that it is familiar with the condition, financial and otherwise, of the institution, 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 institution and that it has not relied upon the Authority in this regard; and
- d) The bonds must be offered in minimum denominations of at least \$100,000.

III. Credit enhancement and private placements 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 or private placement purchaser, as applicable, and the institution.

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, (1) the Loan Agreement shall be a general obligation of the institution; (2) the Bonds shall be special limited obligations of the Authority; (3) all financing documents approved by the Authority shall contain the appropriate standard document provisions for such issuance; and (4) such provisions as are otherwise necessary to achieve such rating which may include but not be limited to:

- (a) a pledge of revenues acceptable to the Authority and/or an intercept or standby intercept of such revenues; and
- (b) 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.

Approved: July 18, 2018