

**MARYLAND STATE TREASURER'S OFFICE
Louis L. Goldstein Treasury Building
80 Calvert Street, Room 109
Annapolis, Maryland 21401**

PRE-BID TELECONFERENCE SUMMARY

October 18, 2011

Re: Invitation for Bids for November 2011 Energy Performance Contract Lease-Purchase Financing

State of Maryland Attendees

State Treasurer's Office:

Patti Konrad, Director of Debt Management
Kina Johnson Malcolm, Debt and Lease Administrator
Steven Vanderbosch, Counsel to the Treasurer
Melanie West, Counsel to the Treasurer
Anne Jewell, Procurement Officer

Maryland Port Administration:

Ed Klingenstein, Energy and Engineering Manager
Steven Rogers, Comptroller
Joseph Ford, Assistant Comptroller

Department of General Services:

Hatim Jabaji, Director, Office of Energy Projects and Conservation

A Pre-bid teleconference was held on October 6, 2011 regarding the November 2011 Energy Performance Contract Lease-Purchase Financing. The teleconference opened with the introductions of the participants from the following firms: JPMorgan Chase, PNC, SunTrust, TD Bank and US Bank. Following were the introductions of the State of Maryland attendees.

Kina Johnson Malcolm reviewed the key dates, followed by a brief overview of the financing terms as described in Section 3.03 of the IFB, and the Optional Prepayment with respect to the Equipment Schedule 11-11-#01 (see Sections 3.03 and 3.06 of the IFB). Also mentioned were the three (3) separate bid forms for each financing. It was noted that the annual guaranteed savings must be more than the expected aggregate annual debt service on the three (3) leases. Steve Vanderbosch commented that, although it would be desirable for a single bidder to provide the best rate for all three financings, resulting in one lease with 3 schedules and one amortization schedule, each bid form would be evaluated independently, with the possible result of 3 separate leases.

Clarification regarding Minority Business Enterprise subcontractor participation goal was discussed. As stated in Section 2.10, the Lessor is asked to make a good faith effort to select an MBE bank to act as the escrow agent as described in Section 3.02.11 of the IFB. Please refer to the following websites for a list of minority banks:

<http://www.occ.treas.gov/topics/community-affairs/resource-directories/native-american/minority-owned.pdf> , and

<http://www.fdic.gov/regulations/resources/minority/MDI.html>

The State recognizes that in financings of this type there is very little opportunity for subcontracting work to MBEs.

Several questions received prior to the conference call were discussed. The questions and answers are as follows:

Q-1. What is the total cost of the project?

A-1. The Total Project, \$27,551,209, includes Phase I cost; Construction; Bonds; Operations, Maintenance & Warranties; and Performance Verification Services. The Design/Build Construction cost: \$17,035,639

Q-2. The bid indicates that additional financing will be provided by a Sunburst Block Grant, the State Agency Loan Program, capital investments from the Maryland Port Administration and rebates from Baltimore Gas and Electric. What is the dollar amounts associated with each of these additional financing sources and have these been approved?

A-2. i. Sunburst Block Grant: \$750,000
ii. State Agency Loan Program: \$1,500,000
iii. Capital Investments: \$3,682,924
iv. BGE Rebates: \$172,880
v. Items i, ii, iii above have been approved or agreements have been established. Item iv, is a conservative estimate discussed with BGE during the development phase. The ESCO has been processing the Applications w/ BGE since the project has been approved. Also, the BGE rebate program manager has been participating in the progress meeting for this project.

Q-3. Regarding the possible prepayment of the \$3,500,000 piece, does the Maryland Port Administration have any future plans to sell the World Trade Center or anything else that might cause the improvements to be subject to private use?

A-3. There are no future plans to sell the building that we are aware of. MPA has elected to not include space leased to other state agencies in our Tax-Exempt (non-AMT) calculations at the WTC since MPA does not have long term leases meeting or exceeding the 15year period of this financing.

During the call, questions were taken from the participants and responded as follows:

- Q-4. Are we going to capitalize interest during the acquisition period?
- A-4. Yes. See the three sample amortization schedules as Appendices A-2(a), A-2(b) and A-2(c). The capitalized interest period runs from November 17, 2011 through January 1, 2013.
- Q-5. Can the State provide the annual guaranteed savings on the project?
- A-5. As stated in Section 3.2 of the IFB, the annual guaranteed energy, water and maintenance savings is \$1,908,368 in year one and escalates over 13.5 years to a total savings of \$28,689,290. MPA representatives mentioned that savings on the project escalates at 3% over the term of the lease. See Section 3.02, last paragraph (pg. 13) of the IFB.
- Q-6. A question was asked relating to the 2 equipment lists, and how equipment in the World Trade Center would be divided for security interest purposes.
- A-6. Steve Vanderbosch explained that security interests in the WTC equipment would be granted *pari passu*, and the equipment would not be divided.
- Q-7. Are we prepared to show the breakdown of the Tax-Exempt (Non-AMT) and Taxable private use equipment in the WTC?
- A-7. While some of the WTC equipment (e.g. light fixtures) could be identified by public or private use, other improvements, such as HVAC equipment and controls were allocated proportionately between public and private use on a square footage basis. This was done by MPA and the STO working with bond counsel Kutak Rock, LLP. Steve Vanderbosch also explained that Kutak Rock will be assisting in preparing the IRS Form 8038G to ensure the tax information will be properly reflected on 8038G.
- Q-8. A question was raised about the possible sale of the WTC, and why there was a prepayment option for the tax-exempt portion of the financing.
- A-8. Steve Vanderbosch explained that under a previous administration consideration was given to selling/privatizing the WTC. The current administration has no plans to do so, but MPA determined to take a conservative approach and provide for a prepayment option in the event the WTC was sold during the term of this financing.