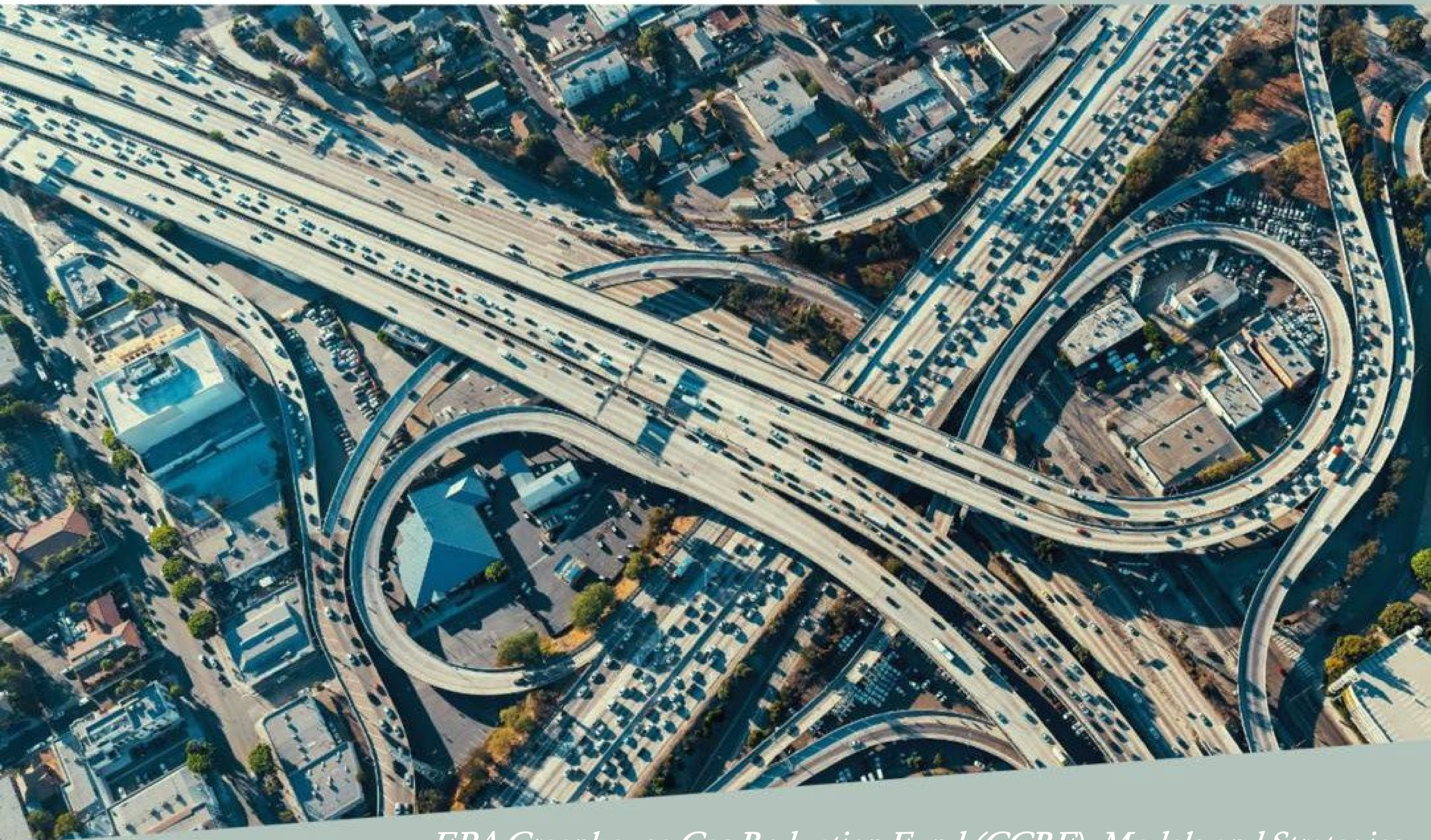
Bostonia

Infrastructure Investments for the Future



EPA Greenhouse Gas Reduction Fund (GGRF): Models and Strategies to Finance Zero Emission Transportation

CAPITAL MARKET

- ***The US Capital Market is vast. Estimated at around $55 Trillion as of July 2024. Plenty of capital available for well structured opportunities.***

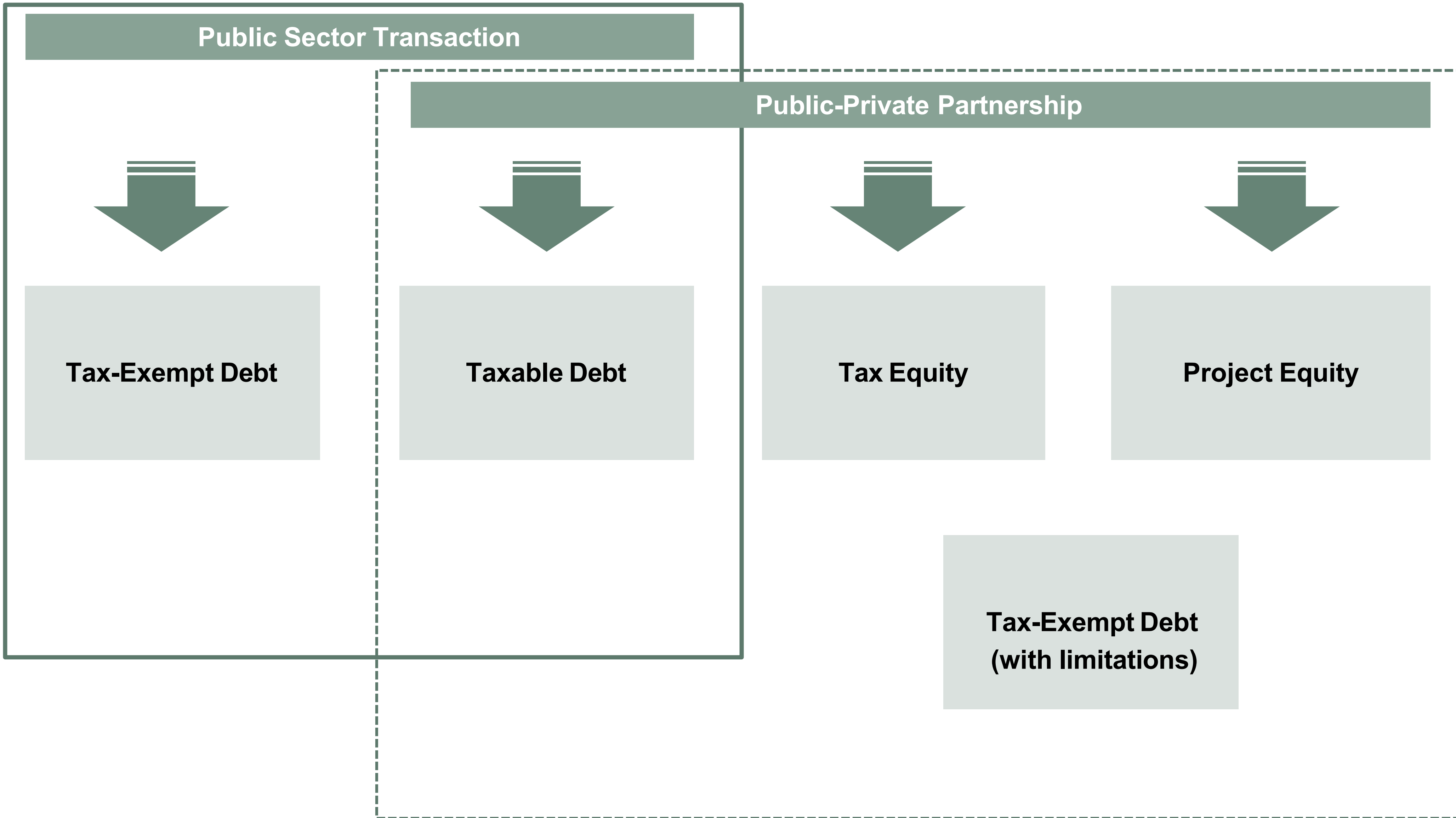
- There are multiple types of capital that can be deployed
  - Equity – retail or institutional
  - Debt – taxable or tax exempt
  - Securitization
  - Project finance

- Important to utilize financing instrument best suited to achieve successful outcome

DRIVERS FOR DEVELOPING THE FINANCING PLAN

- Project: Type, Risks and Available Revenues
- Public Entity's Objectives and Constraints
  - Political
  - Legislative
  - Economic
  - Programmatic
  - Policy
- Private Sector's Appetite – Not all project types have the same appeal
  - ***Don't let the Financing tools drive the process as this approach will not optimize the business model for the public benefit***

FINANCING TOOLS: THE BASIC BUILDING BLOCKS



TAX-EXEMPT AND TAXABLE DEBT

- **Tax Exempt—Public Sector Transaction**
  - Retail investor driven investment product
  - Requires traditional credit/revenue streams
  - Generally must obtain a published credit rating
  - Fundamentals allow for 100% leverage and/or public entity can contribute cash equity
  - Public ownership is preferred/necessary
  - "Public Offering" costs of issuance

- **Taxable Debt—Private Sector Transaction**
  - Multiple institutional investor types/classes to access
  - Accommodates more diverse credit/revenue streams
  - A published credit rating not required
  - Maximum leverage is credit/structure driven
  - Private ownership is typical
  - "Private Placement/Loan" costs of issuance
  - Municipal vs. Corporate Taxable Markets

TAX EQUITY AND PROJECT EQUITY

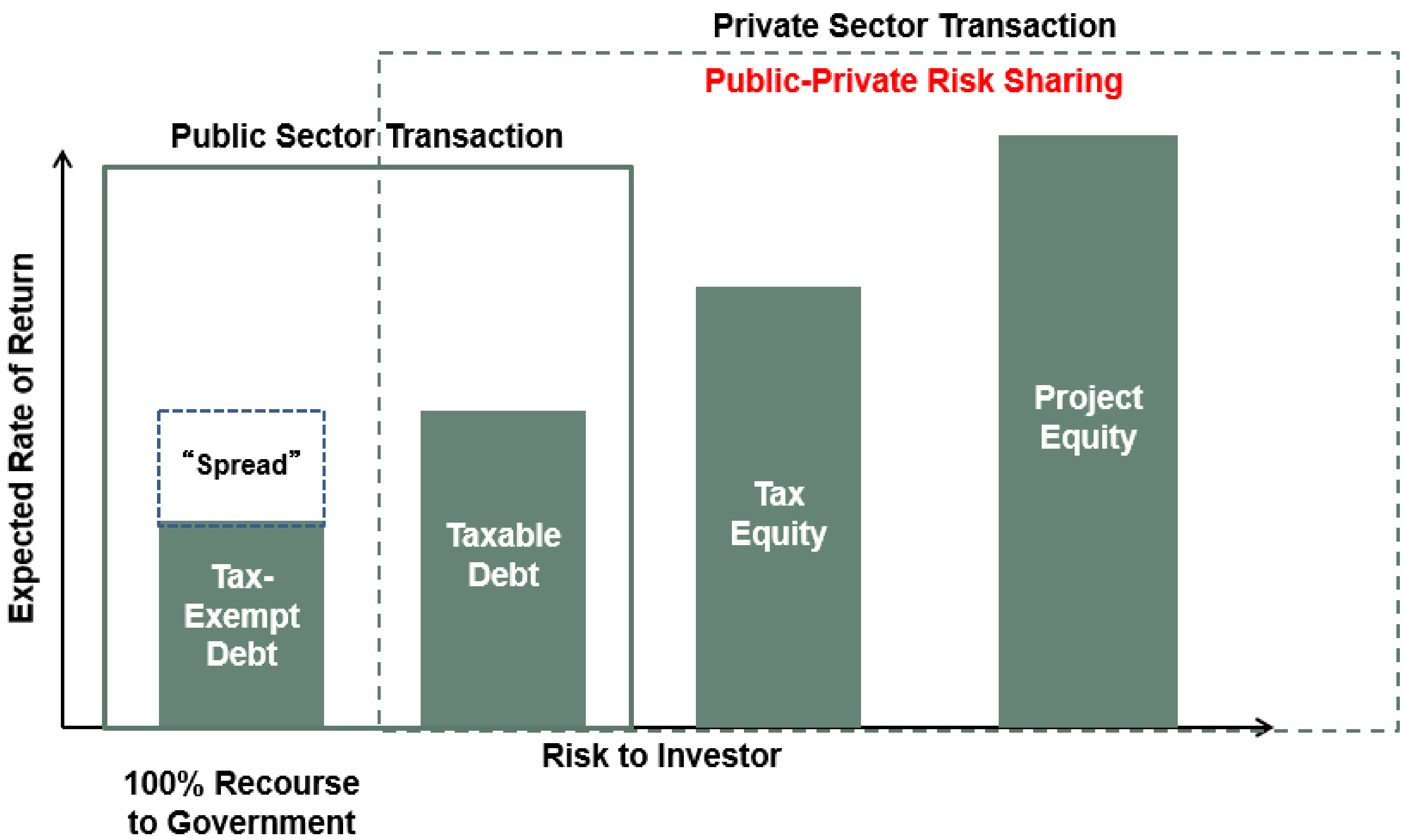
- **Tax Equity**
  - Cash contributions in exchange for tax benefits/portion of project cash flows
  - Return is based on "after-tax" basis, which incorporates tax savings it receives from ITC/PTC/depreciation benefits
  - Limited investor universe
  - Various structures available, such as lease pass-through and partnership-flips, and direct pay

- **Project Equity**
  - Investor equity return requirements
  - Equity from developer/sponsor, venture, private sources
  - Money can be left in the deal to act as equity (e.g., deferred development fee)
  - Passive or active investor

7 STEPS FOR A SUCCESSFUL PPP

1. **Alignment of objectives –** does each party really understand the objectives of the other and do they believe they can achieve their own objectives without bringing them in to conflict with their partners?
2. **Effectiveness of communications –** are meetings and communications focused on the right issues and is the information believable – or is all just about telling good news and then backstabbing behind the scenes?
3. **Clarity of decision-making –** is the process of decision-making across the partnership clear to all – and are the right people involved at the right time?
4. **Clarity of accountabilities –** do people understand who is accountable for what, or is there much duplication of effort across the partnership?
5. **Right skills in the right place –** are all partners getting people with the right skills in the right place to manage the partnership, or are skill gaps being ignored?
6. **Partnering behavior of leaders –** do people believe that their leaders are acting for the good of the whole partnership or do they see them pushing their own agendas?
7. **Responsive ways of working –** are all parties willing to adapt their ways of working to resolve interface issues and meet the needs of others – or do they say just do it my way?

COST OF FUNDS



PPP CAPITAL STACK

- Typically, a Special Purpose Vehicle (SPV) will be the owner of the project. The SPV can have many different sources of capital or a simple debt/equity structure.

- The capital stack demonstrates a positive relationship between risk and return.

  - Investment grade debt assumes the least amount of risk and requires lowest return
  - Sponsor equity assumes the greatest risk and requires the highest return