California Debt Limit Allocation Committee (CDLAC)

(Agenda Item No. 4)

Memo

Date: July 16, 2010

To: CDLAC Members

From: Sean L. Spear, CDLAC Executive Director
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Subject: **Policy Briefing Memo on Non-Credit Enhanced Bond Applications**

This memorandum serves as a policy review and staff recommendation statement for the CDLAC Members' consideration on applications proposing the unenhanced public sale of private activity bonds. Over the last couple months, CDLAC staff has been approached by project sponsors and issuers asking for clarification of CDLAC's current policy regarding this type of issuance structure in light of the current bond market environment. Whereas such issuance plans have been rare in the past, the current inability for many sponsors to secure credit enhancement or private placement commitments has made them consider going to market as a stand-alone lower credit-rated or even unrated transaction. CDLAC staff believes it is appropriate to examine the current market situation and CDLAC policy on such deals as defined in the proposed CDLAC Regulations.

BACKGROUND

In general, applicants proposing a public sale of the bonds must provide documentation showing proof of Credit Enhancement. CDLAC's Procedures and draft Emergency Regulations state that applications must include identification of the project sponsor; amount and terms of Credit Enhancement; Project Sponsor approval of the terms; as well as other requirements.

The variable rate bonds must have no less than an "A1" or equivalent short-term credit rating. Fixed rate bonds shall be within the "A" category; however, if the rating falls below the prescribed minimum category in either case, they will be subject to additional review. This review will take into consideration the following: credit rating; marketability of the bonds; financial strength of the project and the Project Sponsor; the capability and resources of the parties to the transaction other than the Project Sponsor to complete the project if a default occurs, as well as other key proposal elements. No specific additional items are required to be submitted for these types of transactions, although CDLAC mentions in its applications that it may request additional information at any time.

In addition, if the bonds are not rated, the Committee may require in its approval resolution that the bonds either be sold to institutional investors or be privately placed; with the Applicant required to provide convincing proof that there is a purchaser or purchasers for the bonds. Any commitment to purchase the bonds must, at a minimum, clearly identify the Project Sponsor; the project or program; the amount of bonds to be sold; and the salient terms and conditions of the bond sale, including the remaining financial underwriting required to complete the purchase.

HISTORICAL APPROVALS OF UNRATED PUBLIC SALES

While the vast majority of transactions approved by the Committee have been either credit enhanced or private placements historically, the Committee has approved several BBB or Unrated deals in the last several years; with a few currently pending. A summary of each transaction is as follows:

BBB or Unrated Recovery Zone Bond Projects

California Statewide Communities Development Authority (CSCDA), acting as the conduit issuer on behalf of the Project Sponsor, Sun Edison, LLC; was awarded $9,994,269.00 on March 24, 2010. This transaction calls for a public sale of unrated bonds without credit enhancement. The application called for the purchase of energy-generating solar photovoltaic (PV) power systems for leasing to the Irvine Unified School District at twenty-one of their sites throughout Irvine, CA. The Committee approved allocation for this transaction with the following conditions: 1) the bonds be marketed and sold only to qualified institutional buyers; 2) the bonds be sold in denominations of no less than $500,000; and 3) no less than three business days prior to issuance, the applicant would report to CDLAC staff information on all bond purchase commitments. The bond issuance is currently pending, with a deadline of July 22, 2010.

CSCDA, acting as the conduit issuer on behalf of Solar Power, Inc., was awarded $32,000,000.00 on May 26, 2010. This transaction calls for a public sale of unrated bonds without credit enhancement; however, investor interest letters have been provided. The application called for the construction of a solar panel manufacturing facility to be built in Sacramento, CA. The Committee approved an award of allocation for this transaction with the following conditions: 1) the bonds be marketed and sold only to qualified institutional buyers; 2) the bonds be sold in denominations of no less than $100,000; and 3) no less than three (3) business days prior to issuance, the applicant would report to CDLAC staff information on all bond purchase commitments; including the names of the entities entering into such commitments along with copies of their commitment letters and respective amounts. The bond issuance is currently pending, with a deadline of August 30, 2010.

CEDA, acting as the conduit issuer on behalf of GreenHunter Mesquite Lake, LLC; was awarded $29,930,000.00 on May 26, 2010. This transaction calls for a public sale of unrated bonds without credit enhancement; however, investor interest letters have been provided. The application called for establishing a biomass commercial plant that converts burned fertilizer into electricity in El Centro, CA. The Committee approved allocation for this transaction with the following conditions: 1) the bonds be marketed and sold only to qualified institutional buyers; 2) the bonds be sold in denominations of no less than $100,000; and 3) no less than three (3) business days prior to issuance, the applicant would report to CDLAC staff information on all bond purchase commitments. The bond issuance is currently pending, with a deadline of August 24, 2010.

CSCDA, acting as the conduit issuer on behalf of Sun Edison, LLC; was awarded $2,947,637.00 on May 26, 2010. This transaction calls for a public sale of unrated bonds without credit enhancement; however, investor interest letters have been provided. The application called for establishing a five acre array of solar panels for leasing to the Ingomar Packing Company in Los Banos, CA. The Committee approved allocation for this transaction with the following conditions: 1) the bonds be marketed and sold only to qualified institutional buyers; 2) the bonds be sold in denominations of no less than $100,000; and 3) no less than three (3) business days prior to issuance, the applicant would report to CDLAC staff information on all bond purchase commitments; including the names of the entities entering into such commitments along with copies of their commitment letters and respective amounts. The bond issuance is currently pending, with a deadline of August 24, 2010.

CSCDA, acting as the conduit issuer on behalf of Sun Edison, LLC; was awarded $831,475.00 on May 26, 2010. This transaction calls for a public sale of unrated bonds without credit enhancement; however, investor interest letters have been provided. The application called for the purchase of energy-generating solar photovoltaic (PV) power systems for leasing to Developers Diversified, which would be installed at three shopping centers owned by Developers Diversified in Long Beach, CA. The Committee approved allocation for this transaction with the following conditions: 1) the bonds be marketed and sold only to qualified institutional buyers; 2) the bonds be sold in denominations of no less than $100,000; and 3) no less than three (3) business days prior to issuance, the applicant would report to CDLAC staff information on all bond purchase commitments; including the names of the entities entering into such commitments along with copies of their commitment letters and respective amounts. The bond issuance is currently pending, with a deadline of August 24, 2010.

<u>BBB or Unrated Qualified Energy Conservation Bond Project</u>
CSCDA, acting as the conduit issuer on behalf of Photovoltaic Panel, who is leasing equipment from Solar Power, Inc.; was awarded $32,024,000.00 on May 26, 2010. This transaction calls for a public sale of unrated bonds without credit enhancement; however, investor interest letters have been provided. The application called for the manufacturing and installation of a solar system at an Aerojet Facility in Sacramento, CA. The bond issuance is currently pending, with a deadline of August 24, 2010.

<u>BBB or Unrated Exempt Facility Projects</u>
CSCDA, acting as the conduit issuer on behalf of Microgy Inc., was awarded $26,130,000.00 on July 16, 2008. The application called for the construction of an alternative fuel facility employing anaerobic co-digestion. This process utilizes dairy fertilizer solids and other agricultural- and food-based residuals to produce renewable natural gas in Fresno, CA. This transaction called for a public sale of unrated bonds without credit enhancement; however, the project did not move forward and there was ultimately no bond issuance.

CSCDA, acting as the conduit issuer on behalf of EnerTech Environmental California CA, was awarded $80,000,000.00 on July, 19, 2006. This transaction calls for a private sale of BBB-rated bonds without credit enhancement. The application called for the construction of a facility adjacent to the City of Rialto's Waste Water Treatment Plant that would process municipal sewage sludge ("biosolids") into a high-grade fuel known as renewable E-fuel in Rialto, CA. The project eventually changed to a private placement structure with Deutsche Bank Securities, Inc., and the bonds were eventually issued.

California Infrastructure and Economic Development Bank (I-Bank), acting as the conduit issuer on behalf of Poseidon Water, was awarded $530,000,000.00 on March 24, 2010. This transaction calls for a limited public sale without credit enhancement, with a project-specific credit rating of BBB by Standard & Poors. The application called for a reverse osmosis desalination plant to produce potable drinking water for transmission to the San Diego region. There was no issuance and the allocation was returned; although this project is expected to reapply for allocation at a future date.

Between 2002 – 2006, California Pollution Control Financing Authority (CPCFA), and between 2007 - 2008 the California Municipal Finance Authority (CMFA), have each acted as the applicant and conduit issuer on behalf of Waste Management Inc. for a total of seven (7) transactions; for an aggregate of $509,550,000 in bonds. Each application called for various improvements to existing landfill facilities scattered throughout the State. 6 out of 7 of these transactions were fixed rate bonds with Waste Management's Corporate BBB rating and no Credit Enhancement. The bonds were only offered to qualified institutional buyers and were successfully sold. The seventh transaction was a variable rate bond sale with a letter of credit from Wachovia Bank (i.e. credit enhanced).

As exemplified above, the Committee has received and approved a variety of unenhanced public sale transactions in recent years (particularly in the last year alone). However, the levels of additional review and ultimate conditions of approval have varied with the perceived strength or weakness of each project's financing plan, bond marketing plan, and/or project sponsor.

OTHER STATES POLICIES ON UNRATED/NON-INVESTMENT GRADE ISSUANCES

CDLAC believes it is prudent to examine the review and approval policies of a sample group of bond allocating agencies for other states in the nation. The CIDFAC Deputy Executive Director contacted the bond allocating agencies of six (6) states (Illinois, Massachusetts, New Jersey, Oregon, New York, and Minnesota); asking them for information on their current policies (see the attached summary memorandum). It was fairly common to see the following approval conditions: 1) That the bonds were required to be issued in minimum denominations of $100,000; and 2) that the bonds must be sold to Qualified Institutional Buyers (QIBs) only.

It is worth noting that the New Jersey Economic Development Authority (NJEDA) reported approving a couple of unrated bond transactions this year; but they did so only after an extensive underwriting review. MassDevelopment (State of Massachusetts), as both a bond allocating and bond issuing entity, requires reviews and approvals by their upper-management of all unrated, unenhanced, and/or below-investment-grade transactions before it agrees to issue bonds for them. Finally, the New York City

Economic Development Corporation, as both a direct allocation recipient from the State of New York and a bond issuing entity, will issue bonds on non-credit enhanced transactions only after it has thoroughly researched the borrower's historical financial statements and projections for future revenues and expenditures. Some of these underwriting and issuance considerations are touched upon in CDLAC's proposed Regulations, but in a discretionary way; whereas for these other states, they are absolutely required by the agency.

CURRENT MARKET CONDITIONS

With the overall reduction in secondary market resources and the availability of credit, it is commonly understood that it is much more difficult now for bond transactions to occur. Securing any form of credit enhancement is now a rarity and becoming increasingly more costly; requiring issuers and project sponsors to either bring their transactions to market using their unenhanced credit rating, or seek a project specific credit rating for each individual transaction. The volume of unrated public sales has also increased in the last 18 months. In these cases, Issuers and their Underwriters / Marketing Agents have been forced to adopt once rarely-used approaches in order to still have a successful issuance.

For this policy review, it is important to have a clear picture of how the bond market has changed; particularly for transactions that do not fit the traditional credit-enhanced or privately-placed issuance profile as described in the General Policy paragraph of Section 9 of the CDLAC Procedures (and now in Article 6 of the CDLAC Emergency Regulations, currently under OAL review). To secure direct information on the state of the bond market and its acceptance of these non-traditional issuances (i.e. BBB and Unrated transactions), CDLAC surveyed three investment banks and a bond financial advisor with a set of questions around what they are seeing as the current credit profile of recent bond issuances. Specific questions focused on the increase in BBB and Unrated Bond issuances and the market's reaction to them.

<u>Today's Bond Issuance Picture</u>

The respondents consistently described the difficulties with securing any form of credit enhancement and how the Issuers have adopted more intensive marketing efforts for their non-investment grade issuances. In the current market, there is only one active bond insurer (Assured Guaranty/FSA); and they currently do not consider providing insurance to private activity bonds. According to a July 16, 2010 article in the *Bond Buyer* by Patrick McGee, he writes, "Three years ago, 48.6% of new volume, or $112.4 billion of bonds, was insured from January to June. In the last six months, only 6.7% of new volume, or $13.6 billion of bonds, came to market insured." Issuers and project sponsors may alternatively seek a Standby Letter of Credit (LOC) from their lender or investor partner to enhance the bond issuance, but these too are currently much harder to secure. McGee continues, "In the past six months only 94 LOCs totaling $4.2 billion were issued compared with 261 issues worth $11.3 billion during the same period of 2009." As is the case for annual Private Activity Cap bonds, the lack of access to credit enhancement has been one of the strongest contributing factors to the limited amount of Recovery Zone Facility Bond issuance. Investors are now skeptical of credit enhancement providers and in many cases prefer not to have credit enhancement at all. Even if bond insurance or an LOC are available, fees can be fairly expensive and require timely credit negotiation. On the other hand, as the number of private placement purchasers has decreased and yields have increased, other options have become more available; with Freddie Mac (variable rate) Credit Enhancement, FHA/GNMA insurance, and other vehicles being priced aggressively in the market. However, these previously seldom-used vehicles are also typically hard to access in a timely manner.

Without credit enhancement, the demand for any high yield bond issue (i.e. non-investment grade or unrated bonds) is highly dependent on the issuer, their credit story, and their sector. There is still an ability to place unrated issues with knowledgeable and sophisticated investors, but that market is far more selective than it has been in the past. “Story Bonds” (a name many times used for unrated bonds) have always been a part of the municipal bond market; the difference today is that the story has to be better than ever. Strong financial fundamentals for project financings (i.e. ‘equity’) are very important for investors and rating considerations. Deals can get done; but it really is on a case by case basis now.

The respondents highlighted several tactics for marketing an offering in order to ensure a successful issuance. It is important to post the preliminary official statement early. Identifying buyers/investors that have previously purchased similar issues or have a particular focus in the sector/industry that the project is in has also been helpful. Also hosting an internet road show or investor conference call “to tell the credit history” is good; sometimes then followed-up by arranged site visits and one-on-one Q&A calls.

<u>The Current Market for BBB and Unrated Bonds</u>
When asked if investors are now buying based upon true risk-based underwriting, even if the deal has some form of Credit Enhancement, they responded that for the last two years investors are looking hard at project fundamentals and are discounting or even ignoring the existence of credit enhancement for a bond issue. Investors are digging down much deeper into the project fundamentals than they have in the past. In the past three years, BBB rated issuance volumes have soared; moving from a total of $235.4 million in 2008 to $539 million in 2009. There has already been $545.7 million in the first half of 2010. At the same time, the credit spread for California BBB issuances has also dramatically increased. The spread between AAA and BBB issuances three years ago was at 112 bps, but now stands at 214 bps. The increase in volume suggests that not only are more BBB transactions being bought to the market, but more are getting sold; albeit with higher margins due to the buyers’ desire to mitigate risk through pricing.

<u>Cost Benefit of Credit Enhancement</u>
Despite the seemingly prohibitive credit spread, with bond insurance costing between 200-400 bps, it is often still worthwhile for issuers to proceed without some type of credit enhancement. Barclays Capital has seen some BBB rated hospital credits where the ultimate benefit from the bond insurance has only been about 30-35 bps. They also had seen some unrated deals receive even less benefit from bond insurance. Even if a borrower does have a strong banking relationship, the proposed LOC fees can also be so high (between 200-400 basis points) that they make the use of the LOC non-economical. Yet when compared to conventional debt instruments, a BBB-rated issuance is still more cost effective. This also holds true for unrated transactions if the

dollar amount of the bonds is more than a lender's maximum loan limit or borrower credit concentration limit.

The respondents emphasized that while market conditions have begun to normalize; it is still very challenging to issue BBB debt in the primary market. Even moving the credit profile of a deal from BBB to an A range rating category may be worth pursuing if it doesn't require significant upfront capital contributions from the project sponsor and can be achieved within the realistic investment return expectations of the project sponsor.

California issuers - regardless of credit quality, type of issuer, or sector - have to undertake more extensive marketing and investor education processes; all while facing lower demand and higher yields. Despite these difficulties, it is often still more advantageous for issuers and project sponsors to pursue tax-exempt financing on the market. For example, in the last week of June 2010 there was a Texas managed lanes (toll road) project bond issuance (Baa3/BBB-) that featured $400 million of discount bonds priced with a 7% coupon and a yield of 7.25%, out of a total deal size of $615 million. Even if the banks were making more conventional credit available, they would be hard–pressed to meet this rate. Due to the size, the offering generated a lot of investor interest and saw a significant volume of small orders. However, some of the demand was driven by "flipper accounts" (investors who purchase the bonds at initial sale, and then turn around and sell the bonds to Texas retail customers). This is a phenomenon that appears to be growing, though adequate resale provisions can avoid having this be problematic for the issuer and the project. In an overall sense, there remains a market for unenhanced and even unrated transactions that can be financially justifiable; provided the project sponsor and their team is willing to improve the credit profile of the transaction, and intensify their efforts to seek out and secure bond purchasers.

CONCLUSIONS

In the current market, and for the foreseeable future, there is a lack of access to traditional Credit Enhancement; coupled with a reduction in lender appetite for Private Placements. This has resulted in an increasing volume of Unenhanced Public Bond Issuances. While in 2008 the private activity issuance volume for this type of transaction was $43.7MM, in 2009 it was $49.8MM.

Because the markets are changing, the Bond investors have now been underwriting individual projects regardless of whether or not it has Credit Enhancement. Underwriters and Investment Bankers are bypassing enhancement vehicles to market the bond to investors; presenting the true credit profile of each individual project. These adaptations to the market are becoming the new norm.

Although the market is changing, the Issuers of Private Activity Bonds have continued to remain the same for CDLAC. Repeat applicants such as the joint-powers authorities, statewide issuers such as CPCFA, and high-volume localities (such as Los Angeles, San Jose, and San Diego) continue to submit applications to us. None of them have significantly changed their underwriting standards, suggesting that the projects they do forward to CDLAC meet their credit and project feasibility standards. The major difference here is just that they are less often coming in with Credit Enhancement, and may have additional issuance conditions (as per their policies) to mitigate the risk.

Our current Procedures and proposed Regulations favor projects having some form of Credit Enhancement, but with provisions for Private Placement and Unenhanced transactions. Additional information is sometimes required for unenhanced transactions, but with only a suggestion of possible additional approval requirements. A fair number of other states, however, have more specific and uniform approval requirements and conditions for these types of transactions. Given the market changes, it is prudent for CDLAC to also more clearly define what its application analysis and approval requirements for these types of transactions should be.

RECOMMENDATION

During the process of drafting Emergency Regulations for CDLAC, CDLAC staff took the opportunity to clarify the application and review requirements for transactions seeking private activity bond allocation based upon the type of bond issuance structure the applicants were proposing. This reorganized language was designed to clarify the requirements and stated considerations that were already found in Section 9 of the CDLAC Procedures; and was shared with the public and later approved by the Committee on May 26, 2010. Despite that effort, the information presented above causes CDLAC staff to conclude that revisions to CDLAC's current policy and review requirements are merited in order for CDLAC to remain in-step with the current bond market conditions.

After assessing the abovementioned information, CDLAC staff recommends that the Committee consider the following programmatic changes for the public sale of Bonds without Credit Enhancement:

- Require a Bond Marketing Plan and other supplemental project and project sponsor financial information;
- Establish minimum approval requirements that such sales, at minimum, be: 1) in denominations of $100,000.00 or more; 2) only sold to Qualified Institutional Buyers; and 3) only after the QIBs would provide a Traveling Investor Letter;
- Consider a scale of application requirements and/or approval conditions depending on the bond issuance amount; and/or
- Institute a penalty for bond defaults within the first three years of issuance

With Committee consent, CDLAC staff will review the proposed Regulations and produce revised regulatory language for the Committee to consider for approval. Following a public comment period, CDLAC staff anticipates having a set of proposed revisions ready for Committee consideration by the December meeting; which would then be incorporated into the eventual CDLAC Permanent Regulations by the end of the year.

California State Treasurer's Office

MEMORANDUM

May 18, 2010

To: Sean Spear
Nini Redway

From: Eileen Marxen

Re: Credit Ratings for For-Profit and Nonprofit Private Activity Bonds (PABs)

Subsequent to the April 20th meeting regarding credit rating policies of the State Treasurer's Office's boards, commissions, and authorities, I informally surveyed PAB issuers outside of California about their credit rating policies. The following is a summary of the responses received to date:

State of Illinois Finance Authority (IFA)

- The IFA has not changed its credit rating policies in response to the recent recession and credit crisis.
- The IFA's preference is to issue bonds that are rated or credit enhanced by a rated entity. However, the IFA recognizes that in certain instances the issuance of unrated or non-credit enhanced debt may be necessary.
- In order to maintain its reputation in the market, the IFA will only issue unrated or non-credit enhanced bonds under the following conditions:
  - ✓ Bonds have to be issued in minimum denominations of $100,000
  - ✓ Bonds have to be sold to entities or persons that qualify as sophisticated investors as defined in federal securities laws
  - ✓ Purchaser(s) of the bonds must execute and deliver an investor letter (a "big-boy letter") to the IFA in conjunction with the sale
- A borrower may request a waiver of the conditions listed above if it meets the following criteria:
  - ✓ In the immediate preceding seven years, the borrower has issued at least two series of bonds that were unrated and non-credit enhanced in an aggregate total of not less than $40,000,000; or,

- ✓ The borrower has secured a published feasibility study from an independent, qualified accounting firm or consulting firm acceptable to the IFA that supports the financial viability of the project; <u>or,</u>
- ✓ The bonds are being issued to refund IFA or a predecessor authority bonds and will result in cost savings; <u>and,</u>
- ✓ The borrower is not currently in default on any bonds and has not missed an interest or principal payment date on any bonds in the immediately preceding three years.

- The IFA Credit Review Committee reviews all waiver requests and, based upon that review, makes a recommendation to the IFA board.

<u>State of Massachusetts (MassDevelopment)</u>

- MassDevelopment has not changed its credit rating policies in response to the recent recession and credit crisis.

- Most of MassDevelopment's PAB transactions are private placements with banks. It has developed a strong "direct purchase" program in the last five to six years with over 60 banks, which has helped to keep the program operating despite weak credit markets and disruptions in capital markets.

- MassDevelopment does not take credit risk on most bond transactions, and it is always concerned with credit quality from a market reputation risk perspective.

- MassDevelopment issues investment grade PABs (equal to or better than Moody's Baa or Standard & Poor's BBB) without upper-management review. These bonds may be sold to retail or institutional investors with proper disclosures.

- MassDevelopment issues direct purchase bonds to sophisticated financial institutions (e.g., certain banks, insurance companies, etc.) for non-rated or below-investment-grade issues without higher-level management review within its organization. However, it requires an investor letter with specific restrictions.

  - ✓ However, if MassDevelopment staff is aware of credit problems on behalf of the borrower, then it may require upper-level management review in any case.

- MassDevelopment requires review and approval by upper-management of all unrated, unenhanced, or below-investment-grade transactions before it agrees to issue bonds.

  - ✓ The review is intended to evaluate reputation risk and related issues.

- ✓ The review includes an evaluation of credit, a review of the proposed distribution method, and a determination of the steps needed to ensure appropriate primary and secondary market ownership.
- ✓ If approved, these bonds may be sold only in minimum denominations of $100,000, although higher minimum denominations may be required by upper-management, and only to accredited investors as defined in federal securities laws.

<u>New Jersey Economic Development Authority (NJEDA)</u>

- The NJEDA has approved a couple of unrated bond transactions in 2010. However, its own banking underwriting team reviews such transactions as if they were underwriting a loan so that the Authority can become comfort with the credit quality of the borrower before agreeing to issue bonds.
- For unrated bond transactions, NJEDA requires minimum denominations of $100,000 and an initial investor letter.

<u>Additional responses</u>

- The Oregon Finance Authority, under the auspices of the Oregon State Treasurer's Office, has just decided to require that nonprofit borrowers seeking access to the public markets have two credit ratings if their ratings fall below BBB+/Baa1 (i.e., below investment grade).
  - ✓ It is the Authority's position that non-investment-grade nonprofits should not borrow from the public markets. Rather, such borrowers should access financing through private placement markets where sophisticated investors are willing to lend at risk-adjusted rates.
- The New York City Economic Development Corporation will issue non-credit enhanced transactions based upon its review of the borrower's historical financial statements and projections for future revenues and expenditures. It wants to ensure the borrower provides a debt service ratio above 1.1 or 1.2 times.
  - ✓ Apparently, local Industrial Development Authorities in New York generally are issuers of "last resort," and therefore in many instances they are providing financing to marginal borrowers.

- ✓ The downside of this approach is a greater likelihood of default on bond issues.

- The City of Minneapolis, Department of Community Planning & Economic Development, continues to maintain its policy of issuing PABs only with investment grade or better ratings.