CALIFORNIA ALTERNATIVE ENERGY & ADVANCED TRANSPORTATION FINANCING AUTHORITY

Meeting Date: July 22, 2009

Request Approval for Bond Issuance Guidelines

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Request: During the past year, CAEATFA (the "Authority") has received proposals from potential borrowers to consider various bond financing structures to issue either unrated debt or debt rated lower than "A-". In developing the proposal, Staff reviewed the issuance guidelines of other authorities within and outside of the STO. We further received comments from legal and financial bond professionals associated with the Authority as well as from potential borrowers. Staff believes that the proposed guidelines appropriately blend borrowers' interests for greater issuance flexibility with the Authority's interests that any bonds rated below "A-" and unrated bonds be placed only with appropriate investors.

BOND RATING	**DEBT ISSUANCE PROVISIONS**
I. Debt Rated A-/A-/A3[(1)] or Better	• May be broadly offered • General Obligation Pledge.
II. Debt Rated a minimum BBB--/BBB-/Baa3[(1)]	1. Purchasers of bonds (in both primary and secondary markets) limited to "Qualified Institutional Buyers (QIB)," as QIBs are defined under SEC Rule 144A, promulgated under the Securities Act of 1933. 2. Bonds may be initially placed with no more than 35 QIBs. 3. Bonds must be issued in minimum denominations of $250,000 or any integral multiple of $5,000 above this amount, with the requirement that all bonds must equal the chosen denomination. 4. All sale restriction information must be prominently printed on the cover and described in the body of any offering materials. The indenture's "Registration and Transfer of Bonds" section must clearly describe all sale and purchase restrictions, and the bond certificates in their legends must note all sale and purchase restrictions. 5. Sinking fund maturities must match the bond denomination. 6. Participatory shares of bonds in trusts may be sold only to QIBs. Trust shares must be sold only in increments equal to the bond's minimum denomination.
III. Debt Rated less than BBB-/BBB-/Baa3[(1)], or unrated	1. Issuance structures to be evaluated on a case-by-case basis.

(1) Represents Ratings by Standard & Poors, Fitch and Moody's respectively.

Recommendation: Staff recommends approval of the above proposed bond issuance guidelines.