

QUALIFIED ENERGY CONSERVATION BONDS PROGRAM GUIDELINES

Overview

The Arizona Commerce Authority (“Commerce”) is currently accepting applications for eligible projects seeking an allocation of Qualified Energy Conservation Bonds (“QECB”).

In 2009, federal law allocated a specified amount of QECB that may be used within each eligible local jurisdiction (a “volume cap” or “allocation”). (See <http://www.azcommerce.com/media/32031/qecballocation.pdf> for Arizona’s allocations). Local jurisdictions may release all or part of their allocations to the State for reallocation to other jurisdictions, with or without restrictions as to their future use. At this time, Commerce has \$2,082,884 in released QECB volume cap available for reallocation to rural, urban and tribal communities statewide with qualified projects. Additional allocations will likely become available. Please visit our website at: <http://www.azcommerce.com/incentives/qecb> for up to date information on the amount of available volume cap.

Commerce reallocates available volume cap in one of two ways, depending on whether restrictions were placed on the volume cap by the releasing jurisdiction(s). With respect to volume cap that is released to the State *without restrictions*, such volume cap will be reallocated to eligible projects on a first-come, first-served basis. With respect to volume cap that is released *specifically for use in conjunction with an identified eligible project*, such volume cap will be reserved for that project and can be claimed at any time.

Eligible Projects

According to the federal guidance (<http://www.irs.gov/pub/irs-drop/n-09-29.pdf>) and the American Recovery and Reinvestment Act (ARRA), qualified projects include:

- A. Capital expenditures incurred for purposes of:
 - i. reducing energy consumption in publicly-owned buildings by at least 20 percent
 - ii. implementing green community programs
 - iii. rural development involving the production of electricity from renewable energy resources
 - iv. any qualified facility (as determined under IRC §45(d) without regard to paragraphs (8) and (10) thereof and without regard to any placed in service date).
- B. Expenditures with respect to research facilities, and research grants, to support research in:
 - i. development of cellulosic ethanol or other non-fossil fuels
 - ii. technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels
 - iii. increasing the efficiency of existing technologies for producing non-fossil fuels
 - iv. automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation
 - v. technologies to reduce energy use in buildings.

- C. Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting.
- D. Public education campaigns to promote energy efficiency.
- E. Demonstration projects designed to promote the commercialization of:
 - i. green building technology
 - ii. conversion of agricultural waste for use in the production of fuel or otherwise
 - iii. advanced battery manufacturing technologies
 - iv. technologies to reduce peak use of electricity
 - v. technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity

Prior to submittal of an application to Commerce, applicants must confirm with bond counsel that the project meets all the criteria in federal law and state law and is an eligible projects prior to applying to Commerce for QECB volume cap.

Application Process

Commerce is now accepting “Applications for Reallocation of Qualified Energy Conservation Bonds.” An initial review of each application for project readiness and completeness will be conducted prior to being confirmed for a reallocation. After applications are screened, each applicant will be notified of its eligibility for a reallocation. All eligibility decisions are final.

Commerce will endeavor to make volume cap reallocation decisions within 15 days after receipt of a request for reallocation. If a project is eligible for a reallocation, the applicant and the applicant’s bond counsel will be notified via e-mail. The applicant will have no more than three (3) business days to accept or reject the QECB reallocation offer.

The applicant must notify Commerce in writing whether or not they accept the QECB reallocation. After Commerce receives the required statement accepting the reallocation, Commerce will issue a confirmation for the reallocation. If the reallocation is accepted, the applicant must issue QECBs within six (6) months of the volume cap award. If the QECBs are not issued by the six (6) month deadline, the allocation will automatically be returned to the State for re-allocation to other projects.

Each applicant that accepts and receives a QECB reallocation must submit a “Certificate of Closing” and attach proof of delivery and payment of the QECB to Commerce after the issuance of the QECB. The closing certificate includes a summary of the jobs created, jobs retained, economic impacts and environmental impacts of the project as well as any assumptions used to determine that information. Additionally, each awarded applicant must comply with the reporting requirements as determined by the U.S. Treasury, the Internal Revenue Service and the State Treasurers’ Office.

Application Screening

In accordance with both federal and state laws, Commerce intends to use the following application criteria to screen reallocation requests for eligibility (not all criteria need to be demonstrated in a single project). Additionally, Commerce reserves the right to vary from the reallocation criteria as

necessary or appropriate based on guidelines given by the U.S. Treasury and the Internal Revenue Service.

- At least 70 percent of the State's allocation must be used for government projects and no more than 30 percent for private activities.
- The extent to which the project demonstrates the potential to directly conserve energy.
- The number of citizens benefiting from the project.
- The extent to which the project supports the development or implementation of innovative energy conservation technology.
- The extent to which the project uses renewable resources to produce energy.
- The readiness of the project to proceed.
- The number of jobs produced by the projects and the amount of QECB authority per job produced (for private activity allocations).
- The certainty of the issuer closing the allocation within the program timelines.

Only applications deemed eligible for readiness and completeness will be given a QECB reallocation. The application materials should be submitted in the sequence listed below. Applications and exhibits shall be contained in some form of binder, with section tabs and/or separated sections clearly labeled. A separate application and exhibits must be submitted for each project. **Applications with missing elements will be rejected and returned to applicants with no action being taken on them.**

1. **Application-** Submit one (1) original copy of the application form that is clearly labeled "ORIGINAL" and one (1) copy of the application form plus all required exhibits. The application form must be fully completed and executed.
2. **Resolution-** or reviewed plan identifying the proposed energy projects and evidence of official action to proceed
3. **Legal Statement-** Attach a statement by bond counsel to the effect that:
 - a. The issue does not appear to be in conflict with applicable State and Federal legislation.
 - b. Is the type of issue that must be counted against the State's QECB volume cap limitation.
4. **Financial Commitment Letter-**
Private Activity- Attach a tentative commitment to purchase the bonds
Government Projects- Governing body action or official action indicating that a financing process has been initiated, such as:
 - a. Resolution- Attach evidence of the issuer's resolution or other official action indicating its intention to issue bonds for the project and describing the proposed financing plan; or
 - b. Completed notice of declaration of intent to be reimbursed from tax exempt proceeds relating to the proposed energy projects; or
 - c. Resolution or official action authorizing staff to pursue the financing of the proposed energy projects.
5. **Energy Audit-** Evidence of the authority to retain or the retention of a person or firm to provide an energy audit of the facilities (or the actual audit if completed).

By submitting an application, the applicant affirms its acceptance of the terms and requirements of the QECB program as established by the U.S. Treasury and the State of Arizona.

All volume cap allocations are conditioned upon veracity of information provided by the applicant and will require accountability and reporting. Additional information may be requested by Commerce from applicants prior to allocation determination.

Waiver of QECB Allocation

A jurisdiction may release any or all of its QECB allocation to the State by completing the “Waiver of QECB Allocation” form, attaching a copy of the official action taken to release the allocation and submitting it to Commerce. If the jurisdiction wants any or all of the QECB allocation being released to be used only for a specific project, the official action must so state. If the official action does not so state, Commerce will reallocate the volume cap on a first-come, first-serve basis.

APPLICATION FOR REALLOCATION OF QUALIFIED ENERGY CONSERVATION BONDS

All submissions are public record filings and subject to anti-fraud and false filing laws. A.R.S. § 13-2407

Type of Project (check one)		
Government Project <input type="checkbox"/>	Amount of Allocation Requesting:	\$
Private Activity <input type="checkbox"/>	Amount of Allocation Requesting:	\$
APPLICANT		
Beneficiary/Recipient of bond proceeds:		
Contact name/ Title:		
Phone:	E-mail:	
Exact address of project:		
City:	State:	ZIP Code:
Legislative District of Project Location:		
ISSUING AUTHORITY		
Name:		
Address:		
City:	State:	ZIP Code:
Issuing Authority Officer:	Title:	
Telephone:	E-mail:	
BOND COUNSEL FIRM		
Firm Name:	Contact Name:	
Address:		
City:	State:	ZIP Code:
Phone:	E-mail:	

PROJECT INFORMATION	
1. Project Name:	
3. Please provide a detailed description of the entire project. Be sure to include: the product(s) manufactured by the company (if applicable); the target audience of any public education campaigns; the population that will specifically benefit from the project (e.g. individual homeowners, low-income homeowner, businesses, taxpayers, etc. as appropriate) :	
4. What public benefit or purpose would be accomplished by this project?	
5. What are the energy conservation benefits of the project to the particular community, the county, or the state?	
6. Describe the extent to which this project will result in energy savings and the criteria you used to estimate the savings.	
7. Estimated employment impact of the project. Number of jobs created and/or retained. (if applicable):	
8. Anticipated date of bond issuance and proposed terms.	
Closing Date:	Terms:
INDICATE THE CATEGORY FROM WHICH THE PROJECT IS REQUESTING AN ALLOCATION. SELECT ONLY ONE CATEGORY.	
1.	<input type="checkbox"/> Capital expenditures incurred for purposes of (check one below):
	<input type="checkbox"/> Reducing energy consumption in publicly-owned buildings by at least 20 percent.
	<input type="checkbox"/> Implementing green community programs.
	<input type="checkbox"/> Rural development involving the production of electricity from renewable energy resources.
	<input type="checkbox"/> Any qualified facility (as determined under section 45(d) without regard to paragraphs (8) and (10) thereof and without regard to any placed in service date). Describe:
2.	<input type="checkbox"/> Expenditures with respect to research facilities, and research grants, to support research in (check one or more below):
	<input type="checkbox"/> Development of cellulosic ethanol or other non-fossil fuels.
	<input type="checkbox"/> Technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels
	<input type="checkbox"/> Increasing the efficiency of existing technologies for producing non-fossil fuels.
	<input type="checkbox"/> Automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation.

3.	<input type="checkbox"/>	Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting.
4.	<input type="checkbox"/>	Demonstration projects designed to promote the commercialization of (check one or more below):
	<input type="checkbox"/>	Green building technology.
	<input type="checkbox"/>	Conversion of agricultural waste for use in the production of fuel or otherwise.
	<input type="checkbox"/>	Advanced battery manufacturing technologies.
	<input type="checkbox"/>	Technologies to reduce peak use of electricity.
	<input type="checkbox"/>	Technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity.
5.	<input type="checkbox"/>	Public education campaigns to promote energy efficiency.
BORROWER / ISSUER CERTIFICATION		
<p>The application and all supplemental materials attached hereto are an “instrument” for purposes of A.R.S. §39-161. The knowing inclusion of any false information is a Class 6 felony.</p> <p>The information contained in this Application for Re-Allocation of QECBs volume cap and all supplemental materials attached hereto is, to the best of our knowledge, true and accurate.</p>		
BORROWER SIGNATURE		
Name (print)		Title
Authorized Representative Signature		Date

Before submitting this application, ensure that the application is completed in its entirety and includes all required exhibits listed below. Incomplete applications are subject to disqualification.

See page 3 of the guidelines for more detail information of the exhibits.

1. A completed Application form. The applicant is required to submit one (1) original and one (1) copy including all required exhibits.
2. A copy of the issuer’s resolution or other official action taken for the project.
3. A legal statement.
4. Financial commitment letter or Governing body action or direction indicating that a financing process has been initiated.
5. Evidence of the authority to retain or the retention of a person or firm to provide an energy audit of the facilities (or the actual audit if completed).

CERTIFICATE OF CLOSING OF QUALIFIED ENERGY CONSERVATION BONDS

All submissions are public record filings and subject to anti-fraud and false filing laws. A.R.S. § 13-2407

**To prevent expiration of a confirmation, file an original and one copy,
together with proof of delivery and payment for the bonds.**

BOND ISSUER

Name of Issuer

Name of Bond Counsel for Issuer

Firm

Telephone

E-mail

DESCRIPTION OF PROJECT FINANCING

Beneficiary/Recipient of Bond Proceeds

Project Name

Project's Street Address

City

Zip

Legislative District

Description of the Project

Number of jobs created/retained

Average wage

Percentage of Health Benefits paid

BONDS, TERMS AND CONDITIONS

Term of Bond Issue
(Principal Amortization Period)

Principal Amount
of Allocation

\$

Expiration Date
(Including Extension)

Amount of Bonds
Issued

\$

Date Bonds Issued

Amount
Released

\$

TYPE OF BOND ISSUED

☐ Governmental

☐ Private Activity

Interest Rate(s):

DISPOSITION OF BOND PROCEEDS

New Building Construction

Improvements

Machinery & Equipment

Issuance Expenses

Other

Total amount of bond issuance

SIGNATURE - The undersigned hereby certifies that the bonds described below have been issued as said term is defined in Internal Revenue Notice 2009-29 in the principal amount, at the issue price and for the project described above.

Executed by (signature)

Print Name

Title

Date