



USDA-CoBank-Capitol Peak Asset Management

U.S. Rural Infrastructure Opportunity Fund

The Rural Infrastructure Opportunity Fund is a collaborative effort between USDA, CoBank and Capitol Peak Asset Management. Capitol Peak Asset Management (CPAM) will manage the fund's operation and recruit other investors. CoBank has pledged up to \$10 billion of its balance sheet capacity to make loans in conjunction with the fund. USDA is helping to identify and prioritize projects that improve rural infrastructure. The program explicitly targets broadband projects along with other rural infrastructure programs. All applications are confidential.

The purpose of the Fund is to serve as a new source of capital for rural infrastructure projects, promoting financing for critical infrastructure projects in rural America and the resulting creation of jobs in rural communities. The Fund is supported entirely by private sector dollars and offers a sustainable platform for new kinds of investors that traditionally have not participated in financing projects in these markets.

The Fund is designed to complement existing government loan and grant programs by investing in a wide range of projects in America's rural communities. Its activities will include:

- Recruiting new sources of private capital to support rural infrastructure projects, including pension funds, endowments, foundations, and sovereign wealth funds;
- Serving as a co-lender for borrowers financing projects where government program limits or resource constraints warrant the fund's involvement; and
- Promoting private lending in support of projects capable of meeting market terms.

Eligible Projects: Loans include a range of vital infrastructure programs to improve rural communities. Target investments will include rural community facilities (especially health care and educational facilities), rural water and wastewater systems, rural energy projects, rural broadband expansion efforts, local and regional food systems, and other rural infrastructure. Loans will only be provided for commercially available technology, with a preference for proven technology (e.g., it will be advantageous to point to other examples of similar projects to demonstrate low risk). While USDA may help identify projects, projects need not be vetted by USDA to secure a loan.

Entities Funded: Loans can be made to both private and public entities, with consideration given to level of risk. While CoBank will focus on senior lending, CPAM may recruit other investors to provide subordinated debt and/or equity financing depending on project requirements and investor preference.

Nature of Loans Provided: Rates and terms for loans made via the fund will be market-based. Neither CoBank nor CPAM can provide a term sheet at this time as loan terms are project-specific and will vary depending on the level of risk and equity. The fund will partner closely with state and federal agencies to leverage available government direct and guaranteed loan programs for certain eligible projects. The fund will primarily provide senior debt financing, including servicing, underwriting, due diligence, and remediation services on select assets. Other investors identified by CPAM may provide equity financing (at higher rates). In some cases, projects may be funded entirely through private-sector dollars. In others, private dollars may be leveraged with and extend critical government loan and grant programs.

The fund is not merely intended to provide financial assistance; CPAM may also provide strategic consulting and communication services for selected projects on a fee basis.

FY 2015 Resources: CoBank has committed \$10 billion of its balance sheet capacity to lend in conjunction with the fund with additional private investment expected to follow. CPAM is actively recruiting additional investors beyond traditional finance providers, such as banks and insurance companies to supplement the initial investment. CoBank operates several additional loan programs separate from the fund that can be used to finance rural broadband.

Typical Loan: Loan applications will vary significantly in size, with most initial requests to date ranging from \$10 million to \$50 million (though some applications are for significantly larger projects, approaching \$800 million).

Cost-Share Requirement: The program offers loans; however, resources can be leveraged by supplementing with existing public grants.

Applicable Deadlines: The fund was launched in July 2014 and is currently accepting applications. Interested parties can apply through CPAM at <http://www.capitol-peak.com>. Program staff emphasize that this is not a time-limited program. Project funding inquiries may be submitted at any time as the program is designed to operate as a sustainable investment platform.

Program Mission: The loan program is intended to help fund critical infrastructure projects that can help spur economic growth, create jobs and benefit rural economies.

Projects Funded: The fund was announced in July 2014 and is currently accepting project funding proposals. To date, it has received over 200 inquiries, 80 of which were a potential fit for financing, including seven distinct broadband projects. Additionally, some regional broadband initiatives are in active discussion. The Fund is actively evaluating suitable and viable projects, with a number of them in final diligence stages. Loans may be awarded for individual projects or to bundled projects. When submitting project funding requests, it is important to provide detailed financial information, project status and information on any pertinent legal documents. All project submissions will be held in strictest confidence.

Restrictions: Applicants must be U.S.-based businesses doing business in the United States. While projects should benefit rural areas, that requirement is loosely defined. Projects that meet USDA's definition of rural areas (i.e., an area that is not located within a city with a population greater than 20,000 or an urban area contiguous to city with a population greater than 50,000) will be viewed more favorably; however, program staff suggest that projects located in urban areas may still have rural benefits and could be considered.



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KEY LINKS:

Press Release announcing fund:

<http://www.usda.gov/wps/portal/usda/usdahome?contentid=2014/07/0158.xml>

To submit project inquiries:

<http://www.capitol-peak.com/contact/>

CoBank public-private partnership website: (note that CoBank offers several other loans that can be used to fund rural broadband)

<http://www.cobank.com/Products-Services/Public-Private-Partnerships.aspx>

KEY CONTACTS:

Capitol Peak Asset Management LLC

1101 Pennsylvania Avenue, N.W., 7th Floor
Washington, DC 20004

T: 202.756.2985

F: 646.225.7195

For project financing inquiries:

Beverly Karns – Managing Director, Investor and Partner Relations (beverly.karns@capitol-peak.com)

Matthew Davis – Managing Director, Business Development (matthew.davis@capitol-peak.com)

For media, conference and general inquiries:

RuthAnne Dreisbach – Managing Director, Marketing & Corporate Strategy (ruthanne.dreisbach@capitol-peak.com)

CoBank

50 F St. NW, Suite 900
Washington, DC 20001

Nivin Elgohary – Vice President of Public-Private Partnerships (202-650-5867 or ppp@cobank.com)

CAPITOL PEAK ASSET MANAGEMENT

1101 Pennsylvania Avenue, N.W., 7th floor
Washington, DC 20004
www.capitol-peak.com