**Section 1100.660 Method of Financing**

Three methods of financing are now available:

a) Lease Method. Under this method the Authority acquires title to the educational or cultural facility to be financed, issues bonds to finance its cost and leases the facility to the participating institution under a lease with a term equal to the final maturity of the Authority's bonds and with rental equal to principal and interest on the bonds. At the end of the lease term, the Authority is required to reconvey title to the facility to the participating institution.

b) Ground Lease Method. This method, which the Authority does not encourage, is a variant on the Lease Method. Here the participating institution retains title to the facility and leases it to the Authority for a nominal rental with a Sublease back to the participation institution for a term equal to the maturity of the bonds and at rentals equal to principal and interest. A mortgage of the facility by the Authority is possible under both these Methods (subject, of course, to the rights of the participating institution under the Lease or Sublease) and may be recommended in some instances to reduce interest costs. Both of these Methods also contemplate that the participating institution will guaranty the bonds.

c) Secured Note Pass Through Method. Under this Method the participating institution issues a secured note to the Authority, secured by a first mortgage lien on the facility to be financed or by a first mortgage lien on or security interest in other real or personal property acceptable to the Authority. The determination of what real or personal property is acceptable to the Authority for security purposes in each instance is based on a variety of factors that include, but are not limited to, the following: the credit worthiness of the participating institution; the requirements of the particular market in which the related bonds are proposed to be offered for sale; the preferences of the participating institution, including the availability to it of various types of real and personal property for use as collateral; the requirements or suggestions of any rating agency that is providing a rating of the related bonds; and the legality of the proposed collateral structure, particularly insofar as it relates to the federal tax-exempt status of interest on the related bonds. In reviewing the foregoing factors and determining the acceptability of a proposed security arrangement, the Authority relies to a significant extent upon advice provided by its financial advisor, insofar as financial matters are concerned, and its bond counsel, insofar as legal matters are concerned. The Authority, in turn, issues its own bonds to purchase the participating institution's note and pledges it as security for those bonds. Here, again, title to the facility never leaves the participating institution unless, of course, the participating institution defaults in payment.

(Source: Amended at 11 Ill. Reg. 9106, effective April 28, 1987; recodified from 23 Ill. Adm. Code 2310.50 at 31 Ill. Reg. 12104)