

**Ambac**

# Government Uses PPP to Construct Needed Administrative Facilities at Oak Ridge Nuclear Site

**\$154,000,000**

**The Industrial Development Board of the City of Oak Ridge, TN  
Taxable Lease Revenue Bonds (Y-12 National Security Complex)**

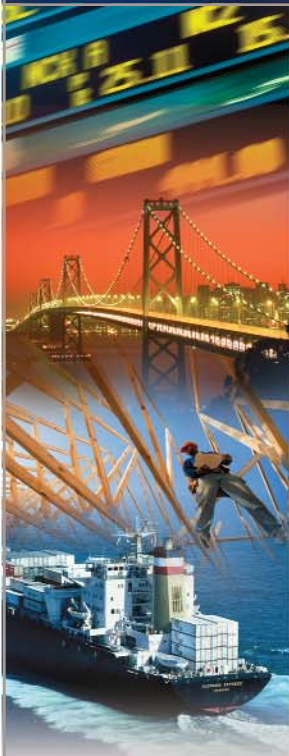
In the early 1940s, with World War II raging and the allies desperate to stay ahead of the Germans in advanced weapons development, the U.S. government quickly and secretly gathered 55,000 acres of land in Tennessee to build what would become Oak Ridge Reservation. That famous site, once known as “the Secret City,” produced the first enriched uranium used in the production of atomic bombs. In the ensuing 60 years, the national security mission in Oak Ridge was concentrated at the Y-12 National Security Complex, which has become one of the nation’s foremost research centers for nuclear research, as well as a critical and unique locale for dismantling and decommissioning nuclear weapons. But the facilities needed to house such an extensive and important enterprise have not kept pace with time— more than half of the 550 buildings comprising Y-12 are more than 50 years old and are now being used for purposes far different than their original use. As a result, the U.S. Department of Energy decided to undertake a billion-dollar-plus modernization and consolidation plan for the Y-12 campus.

Essential facilities in which to build, decommission and store special material are the top priority for the government-funded program. Unfortunately, budget realities meant that “non-essential” facilities— such as administrative office buildings— although sorely needed, could not be included in the government’s plan for several years. Using a carefully assembled public-private partnership (PPP), a plan was developed to enable the financing and building of two new office buildings. These buildings will provide space for more than one-third of the site’s personnel. Thanks to this modernization and consolidation, the new buildings will enable Y-12 to realize a 50% reduction in operating costs. Y-12 management estimates using a PPP to construct and operate the buildings advanced the availability of these needed facilities by at least seven years.

After a competitive process, the government selected an experienced private developer and project operator. The developer assembled the participants needed to structure a financing for the unique project, including a financial guarantor. Ambac was selected as the insurer to help structure the package. Because of important national security concerns, the need to coordinate among numerous government agencies and the unique conditions at the site, due diligence and underwriting brought special challenges. In addition, the government’s initial agreement to lease the buildings would end before the full term of the bonds. Careful structuring and the essential and unique nature of the Y-12 complex helped the financing team overcome hurdles and create a \$154 million financing package for the project. The bonds, rated triple-A by virtue of the Ambac guarantee, were issued in December 2005.

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Sandra Brinkert  
First Vice President  
212 658 7406  
sbrinkert@ambac.com

London  
Milan  
New York  
Sydney  
Tokyo

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