

Montgomery County Green Bank Corporation (“MCGB”) Board of Directors Meeting

Wednesday November 15, 2017 at 1:30pm

Montgomery County Chamber of Commerce | 51 Monroe Place, #1800 | Rockville, MD 20850

Board of Directors Meeting Minutes

1. MCGB Chairman Bert Hunter called the meeting to order at 1:35 pm.

Roll call confirmed the attendance of:

- Hope Brown, VP and Chief Compliance Officer, Calvert Research and Management /Calvert Funds (by phone)
- Michael Gergen, Partner, Latham & Watkins (by phone)
- Bert Hunter, Executive Vice President and Chief Investment Officer, Connecticut Green Bank
- Bonnie Norman, Principal, Chief Marketing Officer, E3 International LLC
- Alex Espinosa, Director, Montgomery County Department of Finance
- Brian Marconi, Senior Manager, Cohn Reznick LLP
- Stacy Swann, Founding Partner, Climate Finance Advisors, Benefit LLC
- Zach Marks, Assistant Director, Housing Opportunities Commissions
- Bob Sahadi, Director, Energy Efficiency Finance Policy, Institute for Market Transformation (arrived at 1:50pm)

Quorum met.

Board members not present:

- Bill Parsons

Other meeting attendees included:

- Tom Deyo, CEO, Montgomery County Green Bank (MCGB)
- Alex Kragie, Coalition for Green Capital, consultant to MCGB
- Stan Edwards, Montgomery County DEP, Special Advisor to MCGB
- Mary Casciotti, Montgomery County Department of Finance
- Marcene Broadwater, Global Head of Strategy and Business Development in the Climate Business Department at IFC, The World Bank Group; incoming member of MCGB Board of Directors
- Rosemarie Sabatino, Incoming Director of Operations for Montgomery County Green Bank
- Lauren Belisle, Brightline Strategies; MCGB Communications Consultant
- Mark Edward; Hertzbach; MCGB Auditor
- Tony Allen, Hertzbach; MCGB Auditor
- Ben Nalette, Hertzbach; MCGB Auditor

2. Approval of Agenda

3. Approval of September and October Special BOD meeting minutes

Mr. Marconi and Mr. Espinosa requested that the minutes should reflect that they were not present at the September 28, 2017 board meeting.

R.1: Approval of Minutes

A MOTION TO APPROVE the minutes of the Board of Directors Meeting for September 28, 2017 and October 24, 2017 special meeting of the Board of Directors.

Ms. Norman moves the motion, Mr. Marks seconds.

All in Favor for approval of the minutes of the Board of Directors Meeting for September 28, 2017: 6
(Alex Espinosa and Brian Marconi abstained as not present at that meeting.)
All Opposed: 0

All in Favor for approval of the minutes of the Board of Directors Meeting for October 24, 2017: 8
All Opposed: 0

4. Administrative Business

Report from the Chair, Report from CEO, and DEP Report:

Mr. Hunter provide a brief update on the work of the Board in support of MCGB since September 28, 2017. Ms. Broadwater, incoming replacement for Mr. Parsons, introduced herself to the Board. Mr. Hunter noted that Ms. Broadwater’s appointment will take effect at the end of the Board meeting.

Board Leadership and Mr. Deyo then recognized Mr. Kragie for his work with the MCGB since its inception.

Whereas: Montgomery County, in 2015, enacted legislation to support the formation of a Montgomery County Green Bank to promote the investment in clean energy technologies in Montgomery County; and

Whereas: Montgomery County, in 2016, designated Montgomery County Green Bank Corporation (the “Green Bank”) as the Montgomery County Green Bank, the first local level Green Bank in the United States; and

Whereas: Alex Kragie, Program Director of the Coalition for Green Capital and an advisor to the Board of Directors of the Green Bank (the “Board”), has worked tirelessly to help establish and support the Green Bank and demonstrated his unwavering commitment to its development; and

Whereas: The Board wants to commend Alex Kragie for his role in the establishment of the Green Bank and for his efforts as Acting Executive Director in addition to working to help stand up the Green Bank with programs and products;
Now therefore be it

Resolved: The Board of Directors of the Montgomery County Green Bank Corporation hereby commends Alex Kragie for his leadership and resolve to establish and foster the early stage operations of the Green Bank and hereby extends its

heartfelt appreciation to him for exemplary service to the Green Bank together with its wishes for his continued success in his future endeavors.

Ms. Swann moves the motion, Ms. Brown seconds. Motion passes unanimously.

All in Favor: 8
All Opposed: 0

The Board then recognized departing Board member Bill Parsons for his contributions to MCGB with a resolution.

Whereas: Montgomery County, in 2015, enacted legislation to support the formation of a Montgomery County Green Bank to promote the investment in clean energy technologies in Montgomery County; and

Whereas: Montgomery County, in 2016, designated Montgomery County Green Bank Corporation (the “Green Bank”) as the Montgomery County Green Bank, the first local level Green Bank in the United States; and

Whereas: Bill Parsons, a member of the Board of Directors of the Green Bank (the “Board”), has worked tirelessly to help establish the Green Bank and demonstrated his unwavering commitment to its development and sustainability; and

Whereas: The Board wants to commend Bill Parsons for his role in the fundraising and philanthropic efforts on behalf of the Green Bank and for his passion, insights and guidance as a Director on the Board;

Now therefore be it

Resolved: The Board of Directors of the Montgomery County Green Bank Corporation hereby commends Bill Parsons for his leadership, commitment and resolve to establish and advance the initial governance structure of the Green Bank as well as his contributions in fundraising and finance and hereby extends its heartfelt appreciation to him for exemplary service to the Green Bank together with its wishes for his continued success in his future endeavors.

Ms. Norman moves the motion, Mr. Marconi seconds. Motion passes unanimously.

All in Favor: 8
All Opposed: 0

The Board then recognized departing Board member Lisa Feldt for her contributions to MCGB with a resolution.

Whereas: Montgomery County, in 2015, enacted legislation to support the formation of a Montgomery County Green Bank to promote the investment in clean energy technologies in Montgomery County; and

Whereas: Montgomery County, in 2016, designated Montgomery County Green Bank Corporation (the “Green Bank”) as the Montgomery County Green Bank, the first local level Green Bank in the United States; and

Whereas: Lisa Feldt, Director, Department of Environmental Protection, and a member of the Board of Directors of the Green Bank (the “Board”), has worked tirelessly to help establish the Green Bank and demonstrated her unwavering commitment to its development and sustainability; and

Whereas: The Board wants to commend Lisa Feldt for her role in the establishment of the Green Bank and for her diligence, thoughtfulness and guidance as a representative of Montgomery County and a Director on the Board;

Now therefore be it

Resolved: The Board of Directors of the Montgomery County Green Bank Corporation hereby commends Lisa Feldt for her leadership, commitment and resolve to establish and advance the initial governance structure of the Green Bank as well as the recruitment of its Chief Executive Officer and hereby extends its heartfelt appreciation to her for exemplary service to the Green Bank together with its wishes for her continued success in her future endeavors.

Ms. Norman moves the motion, Mr. Marconi seconds. Motion passes unanimously.

All in Favor: 8

All Opposed: 0

Mr. Deyo then gave the CEO update. He described the work on a first transaction for MCGB, other product development activities, and progress reports to various funders, staffing, outreach, website, presentations, and fundraising. Mr. Deyo said that the priority of the next six weeks was to get the Commercial Loan for Energy Efficiency and Renewable (CLEER) product into the market.

Mr. Edwards gave an update on community solar in Montgomery County, as well as a study on energy efficiency and restaurants that Montgomery County is completing with the University of Maryland Environmental Finance Center.

The incoming Director of Operations, Rosemarie Sabatino, gave a brief description of her background and she was welcomed to the MCGB team.

Mr. Deyo then introduced the audit team from the Hertzbach firm. The Hertzbach team led the Board through a report on the MCGB’s FY17 audit and IRS Form 990 filing, including an update on the unrestricted and temporarily restricted classification of MCGB’s funding received from Montgomery County. Hertzbach noted that this year’s audit was relatively straightforward with limited activity. With transactions likely to occur in the current year, more interest will be on how to account for transactions and controls. The Form 990 was also noted as being provided to the Board for review but

not approval. Mr. Hunter then moved to close the meeting to all except for Board members for a discussion with auditors.

R.2. Closing Statement

This closing statement was prepared by CEO, Tom Deyo, and, I, Bert Hunter, Chairperson of the Board of Directors, attest to its compliance with the Maryland Open Meetings Act. Per §3-305(d) of the Maryland Open Meetings Act, I move to convene a closed session.

In this closed session, the Board will discuss the FY 17 audit with MCGB's auditor, per the "other law" exception §3-305(b)(13). The reason for closing the meeting is to discuss confidential financial information pertaining to the preparation of the audit.

Ms. Hunter moves the motion, Mr. Marconi seconds.

All in Favor: 9
All Opposed: 0

Mr. Hunter makes a motion to adopt the FY17 audit. Mr. Marconi seconds. The motion passes unanimously.

R3. Adoption of the FY17 Audit for Montgomery County Green Bank

By recommendation of the Audit and Budget Work Group, A MOTION TO APPROVE the Audited Financial Statements for Fiscal Year 2017 of the Montgomery County Green Bank (the "Financial Statements") as submitted to the Board by Hertzbach on November 15, 2017, with the understanding that the Financial Statements will be modified by Hertzbach to reflect adjustments related to funds that are temporarily restricted pursuant to Montgomery County Green Bank's contract with Montgomery County, as explained by Hertzbach during their presentation to the Board on November 15, 2017.

Meeting entered went into closed session at 2:05 and resumed in open session at 2:45.

Mr. Deyo then reported on the MCGB's current FY18 financial statements as of September 30, 2017, cash investment accounts, and actual to budget for FY18. Notable changes in actual to budget include a reduction in projected funder contributions and program fees, an increase in interest income, decreases in payroll and other administrative budget items, an added line item for a Product Development Manager consultant, and additional budget for marketing and communications. Overall the projected actual should be within the original budget for non-Montgomery County contract funds, with additional marketing and communications costs covered by the Town Creek Foundation funding.

Mr. Deyo then presented a proposed amendment to the FY18 Budget to better capture lower projected revenue from program fees and foundation funds, to re-categorize the communications position from a full-time position to a consultant, to reduce the payroll for the timing of the Director of Operations and the impact on fringe for this delay, to reclassify the communications consultant, and to increase budgets for the product development manager and marketing and communications. The proposed changes covered by the Town Creek Foundation funds would only increase the budget for the Town Creek Foundation supported activities which funding was being re-allocated from FY17 to FY18 as expenses using Town Creek Foundation funds were not realized in FY17 and would be paid in FY18.

R4. Adoption of Budget Amendments to FY18 Budget

By recommendation of the Audit and Budget Work Group, A MOTION TO APPROVE the Amended FY18 Budget as presented on November 15, 2017.

Ms. Norman moves the motion. Ms. Brown seconds. The motion passes unanimously.

All in Favor: 9
All Opposed: 0

5. General Business

Product Development Work Group Update:

Mr. Sahadi gives an overview of the product development progress since September 28, 2017, including a summary of various lenders that the MCGB has met.

Mr. Deyo described that staff was requesting approval of two items: the CLEER program; and the first transaction within the CLEER program, an agreement with Ascentium Capital that provides for a loan loss reserve to support Ascentium Capital's lending into the Montgomery County clean energy and energy efficiency markets. Mr. Deyo noted that the program description includes an addition of energy storage to the eligible scope of work for the CLEER program. Ms. Norman confirmed that cogeneration was also an eligible technology under the program.

Mr. Deyo reviewed the CLEER program as described in the Board package.

Ms. Norman noted that it would be important to establish a baseline energy savings from the EmPOWER program. Ms. Swann identified getting metrics will be important to show our impact and that these should be monitored in our Program Framework. Mr. Deyo noted that the energy savings information would be obtained from the contractors in the program. Mr. Marconi inquired about monitoring recoveries of losses by lenders that had used the loss reserve account and ensured that these recoveries get replenished into the loss reserve fund of that lender. Mr. Deyo noted that MCGB will need to be sure to track this with lenders. Mr. Sahadi asked whether the MCGB has a women/minority business goal within the proposed language, and suggested that this be considered as a data point captured for businesses supported by the CLEER product.

R5. Approval of MCGB Commercial Loan for Energy Efficiency and Renewable (CLEER) Program

By recommendation of the Product Development Work Group and Board Leadership, A MOTION TO APPROVE the CLEER program as presented in the MCGB CLEER Program Description document. Mr. Sahadi moves the motion. Ms. Norman seconds. The motion passes unanimously.

All in Favor: 9
All Opposed: 0

Mr. Deyo then introduced the first transaction with a lender partner under the CLEER program. Mr. Kragie reviewed the transaction with Ascentium Capital as described in the Board package. Mr. Kragie noted that each Board member had been contacted and briefed on the transaction prior to the Board meeting.

Mr. Espinosa asked about the underwriting guidelines for lenders participating in the program and what was the expectation on flexibility under the program. Mr. Deyo explained how the approval rates of participating lenders could increase slightly up because of the existence of the loan loss reserve but that the lender was not going well outside of their credit bounds, but may give some latitude for the presence of the loss reserve such as qualifying a borrower under any property type versus a specific property type. Ms. Swann inquired on how the MCGB would check to make sure that the lender stays within the agreed-upon credit box. Mr. Deyo noted that if a loan does not perform and it was made outside of customary underwriting standards of lender, the MCGB had a right to review loan documents on any loan and, if found outside such customary standards, that MCGB would not be responsible for covering such defaulted loan.

Ms. Broadwater asked whether Ascentium Capital had experience coming into a new market for their product. Mr. Kragie noted that Ascentium Capital has experience entering the Michigan market through Michigan Saves. Mr. Deyo noted also that Ascentium Capital recently entered into work with National Grid and expressed their approach to how they have entered that market and worked with rolling out the product. Ms. Norman asked that we assure market support from Ascentium Capital. Mr. Deyo noted that a commitment to this marketing support is in the draft contract and Mr. Kragie stated that Ascentium Capital will be participating in the contractor trainings offered by the MCGB.

Mr. Deyo noted that the original term of the agreement with Ascentium Capital would be set at 3 years to give the lender room to originate and build a business around the product. Mr. Hunter noted that the rates were typical on business loan rates. Mr. Sahadi suggested that the minimum FICO scores for any personal guarantees seemed low and may wish to discuss with Ascentium Capital about a higher rate or understand when they would go this low. Mr. Hunter noted that the MCGB would be working with an experienced lender that would be underwriting to place these loans in a security. Mr. Sahadi also noted MCGB would be working with a lender who does this lending regularly and the MCGB could benefit from their experiences.

Mr. Edwards inquired if the contract limited loans to the Pepco service area. Mr. Deyo indicated that this was the limit for the program.

Mr. Espinosa inquired about the interest expressed by the MCGB in the Board memo to reduce the fees below those proposed. Mr. Deyo indicated lower fees might be useful at the launch if the MCGB needed to build user and contractor interest in the product. After discussion, it was agreed that the Board could establish a lower fee limit at the outset which the Board Leadership would be able to approve on behalf of the Board as an amendment to the lender contracts in conjunction with the MCGB CEO.

Mr. Hunter expressed that the MCGB should include a clause related to communications and ownership of the MCGB's product communications in the agreement.

Mr. Deyo also reviewed the transaction against the MCGB Program Assessment Framework.

Ms. Swann and Mr. Espinosa offered suggested changes to the proposed transaction approval resolution.

R.6: Approval of MCGB Transaction/Investment No. 1: Ascentium Capital as a Participating Lender under the Commercial Loan for Energy Efficiency and Renewables Program ("CLEER").

By recommendation of the Product Development Work Group and Board Leadership, A MOTION TO APPROVE the proposed transaction of Ascentium Capital as an approved lender in the CLEER program, the draft terms of which are outlined in the draft Loss Reserve Agreement between the MCGB and Ascentium Capital presented to the Board on November 15, 2017.

This approval includes the following conditions:

- The final Loss Reserve Agreement between Ascentium Capital and the MCGB will be circulated to the Board by the Board Leadership once finalized and prior to execution. After 5 days of distribution, Board Leadership may execute the LLR Agreement if it finds it materially consistent with the draft terms presented to and approved by the Board on November 15, 2017 and no member of the Board has requested a meeting to obtain full Board approval of the final LLR Agreement with Ascentium Capital. Further, full Board approval will be sought if BOD Leadership determines that the final LLR Agreement is materially not consistent with the draft terms presented to and approved by the Board on November 15, 2017.
- There will be a maximum allocation of \$500,000 of MCGB capital to support this transaction.
- The MCGB CEO, in conjunction with the Audit and Budget Work Group, will seek guidance from its auditors for the accounting of the transaction and the impact on the MCGB financial statements, and report back to the Board on the auditor's guidance.
- Any and all adjustments to the final signed Loss Reserve Agreement shall be treated as an Amendment to the Loss Reserve Agreement with Ascentium Capital and shall be reviewed and approved by the Board. Except that the Board authorizes the Board Leadership to approve an amendment for any contractor fee reductions down to 1.99% and lender referral fee reductions down to 0% for a specified period of time not to exceed 6 months. Any fee changes below these levels or for longer period must receive approval from the Board.

Mr. Sahadi moves the motion. Ms. Swann seconds. The motion passed unanimously.

All in Favor: 9

All Opposed: 0

Mr. Deyo reviewed the upcoming product development pipeline.

Fundraising and Finance Work Group Update:

Mr. Hunter asked that the discussion on the MCGB Strategic Framework be postponed until the January Board of Directors meeting. The Board agreed to this proposal.

Ms. Belisle gave a presentation on Brightline Strategy's engagement with the MCGB based on materials in the Board package. Ms. Belisle noted that a brainstorm meeting on the MCGB Promise Statement and message statements would be held with the Fundraising and Finance Work Group on November 17, 2017. Ms. Belisle also informed the Board that Brightline will hold a media training for staff and Board members in December.

Governance Work Group Update:

Ms. Brown updated the Board that she is working on a Board member training, and aiming for the March Board meeting as the time for the training.

Mr. Deyo then reviewed the MCGB Staff Member Handbook which had been distributed to the Board on November 8, 2017. Mr. Deyo indicated that the Handbook included the factors that the Board had discussed at prior meetings as well as some additional items not resolved at prior meetings, including a parental leave policy, a whistle blower policy, and unpaid disability leave.

R.8: Adoption of MCGB Staff Member Handbook

By recommendation of the Governance work group, A MOTION TO ADOPT the MCGB Staff Member Handbook with recommended edits on parental leave, whistleblower policy, and unpaid leave amendments offered at the November 15, 2017 Board meeting.

Ms. Brown moves the motion. Mr. Espinosa seconds. The motion passed unanimously.

All in Favor: 9
All Opposed: 0

Mr. Hunter then read the resolution appointing Ms. Broadwater to the Board.

R9: Seating of Marcene Broadwater as Board Member

WHEREAS, Bill 18-15, passed by the Montgomery County Council in June of 2015, allows for the appointment of up to eleven (11) Directors to the Board of Directors of the Montgomery County Green Bank.

WHEREAS, the Montgomery County Green Bank Bylaws as of June 14, 2017 state that the powers of the Montgomery County Green Bank Corporation are vested in and exercised by a Board of Directors.

WHEREAS, Bill Parsons, a non-ex-officio Board of Director member, is resigning from the Board as of the end of the meeting on November 15, 2017 and who was in the first year of his full three-year term.

NOW, therefore be it:

RESOLVED, that Marcene Broadwater, Global Head of Strategy and Business Development in the Climate Business Department at IFC, The World Bank Group, be added to the Board to replace the seat being vacated by Bill Parsons and to serve out his three-year term.

Mr. Sahadi moves the motion. Ms. Norman seconds. The motion was approved unanimously.

All in Favor: 9
All Opposed: 0

6. Adjournment

Mr. Espinosa moves the motion to adjourn. Mr. Marks seconds. The motion passes unanimously among Directors present.

The Green Bank Board of Directors is scheduled to meet in person at the Montgomery County Green Bank, subject to change of location.:

- **Wednesday January 10th, 2017**

For inquiries about the Green Bank Board of Directors, to access meeting materials, or for information about attending a meeting, please contact the Montgomery County Green Bank at info@mcgreenbank.org.