

**Montgomery County Green Bank Board of Directors Special Meeting**  
**Thursday December 21, 2017 at 8:00 am**  
 Telephone Conference Call

**Board of Directors Agenda**

<b><u>Time</u></b>	<b><u>Topic</u></b>	<b><u>Lead</u></b>	<b><u>Action</u></b>
8:00	1. Call to Order and Roll Call	Hunter	
	2. Public Introductions		
	3. Approval of the Agenda		
	4. General Business		
	a. Product Development Work Group <ul style="list-style-type: none"> <li>• <i>Adoption of Final Resolution for Ascentium Capital</i></li> <li>• <i>Commercial Loan for Energy Efficiency and Renewables – MCGB Transaction #2 – Approval of Revere Bank for CLEER</i></li> </ul>	Sahadi Hunter  Deyo / Sabatino	R1.  R2.
	Adjournment		

**Topic 1: Call to Order: 8:03 am**

Roll call confirmed the attendance of:

- Bert Hunter, Executive Vice President and Chief Investment Officer, Connecticut Green Bank
- Bonnie Norman, Principal, Chief Marketing Officer, E3 International LLC
- Stacy Swann, Founding Partner, Climate Finance Advisors, Benefit LLC
- Hope Brown, VP and Chief Compliance Officer, Calvert Research and Management /Calvert Funds
- Alex Espinosa, Director, Montgomery County Department of Finance
- Brian Marconi, Senior Manager, Cohn Reznick LLP
- Bob Sahadi, Director, Energy Efficiency Finance Policy, Institute for Market Transformation
- Marcene Broadwater, Global Head of Strategy and Business Development in the Climate Business Department at IFC, The World Bank Group

**Quorum met.**

Board members not present:

- Zack Marks
- Michael Gergen

Other meeting attendees included:

- Tom Deyo, CEO, Montgomery County Green Bank (MCGB)
- Rosemarie Sabatino, Director of Business Operations for MCGB
- Stan Edwards, Montgomery County DEP, Special Advisor to MCGB
- Mary Casciotti, Montgomery County Department of Finance
- Mike Dow, Womble and Carlyle

## **Topic 2: Public Introductions**

There were none, other than the above-listed external guests.

Mr. Hunter thanked Board meeting attendees for joining the special meeting.

## **Topic 3: Approval of the Agenda**

Motion to Approve the Agenda – Ms. Norman Moved; Ms. Brown seconded. The agenda was unanimously adopted.

## **Topic 4 (1): Adoption of Final Resolution for Ascentium Capital**

Mr., Hunter summarized the discussion from the November 15, 2017 meeting regarding approval of Ascentium Capital for the Commercial Loan for Energy Efficiency and Renewables (CLEER) as a participating lender and allocation of capital. Mr. Hunter indicated that the discussion provided direction on how Board Leadership can move forward, but that the technical wording was not clear. Mr. Hunter and Ms. Brown felt the Board should review the final language of the resolution and execute another vote on this final language. The materials distributed for the Board meeting included a blacklined resolution to the original resolution for consideration of approval by the Board.

Ms. Broadwater understood the need for MCGB to move on its first transaction and that a process was in place to review prior to the Board, and such process may not use a formal investment process. However, Ms. Broadwater inquired if there is a plan to have an investment committee. Mr. Deyo responded that this has been discussed with Board, but it has not yet been formed. Mr. Deyo indicated that such process would be to work with Board Leadership and then Governance Committee, with a target to bring the policy to the March 2018 Board meeting. Ms. Brown indicated that as long as MCGB defines the rules around how transactions are approved, approval will be able to stand. Ms. Swann noted that this resolution, while meeting the present need, however, illustrates there is a need for an investment policy that reflects the process for transaction approval and board accountability.

Mr. Deyo reviewed the process by which the Ascentium Capital transaction (and the upcoming Revere Bank transaction) was approved. The transaction went through the Product Development Work Group, then Board Leadership, and then to the full Board on November 15th. Ms. Norman noted that Ascentium Capital was the first transaction that came through the MCGB for approval, and is part a pilot. She suggested that the learning process about what is needed has been informative. Ms. Brown noted that the process followed makes sense as this is first product, but moving forward, there is a need to develop an investment approval policy. Mr. Sahadi, as lead of Product Development Work Group, agreed that another work group looking at the transaction would be important as the Product Development Work Group spends time trying to get banks on board and this may conflict with that required of an investment approval policy.

Mr. Hunter asked if the Board would offer a motion to move Resolution 1 in the Board packet.

Ms. Norman moves the motion and Mr. Espinosa seconds.

Mr. Espinosa inquired regarding the last bullet and the fee change process that is outlined. Mr. Espinosa sought clarity on the timetable for the 6 months when a fee reduction would be available. Mr. Deyo responded that such timetable would be from when we launch product, and after such fee reduction had been approved by the Board Leadership. Mr. Espinosa asked that the Board be notified if the Board Leadership approved any reduction in fees as allowed. Mr. Deyo agreed. Mr. Espinosa also asked the period that the Board Leadership would have to act for making a decision on a fee reduction. Mr. Deyo indicated that it would be best to have this flexibility for the first 3 months from the launch of the

program as the market may dictate a need to adjust that was not recognized when the product launches. Mr. Hunter noted that fees can only be reduced once, and that if more than that then the reduction would need to come back to the board. Mr. Hunter suggested editing the resolution to insert this 3-month window. Mr. Hunter also suggested that the resolution indicate that it supersedes/replaces the resolution passed by the Board on November 15th.

**R.1: 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<sup>th</sup>.

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 any member of Board 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 during the initial 3 months of the program 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.

The foregoing resolution replaces and supersedes the resolution of the Board passed November 15, 2017.

Mr. Hunter called for a vote on resolution as amended.

In Favor: All.

**Topic 4 (2): Approval of Transaction #2 with Revere Bank for CLEER Program**

Mr. Sahadi provided background on the transaction. The proposal resulted from a 6-month effort to develop a relationship with Revere Bank, as it reflects well on the MCGB’s efforts to have a local bank involved. Ascentium Capital, the previously approved finance company, is most likely to do the smaller loans while larger loans are more appealing to Revere Bank.

Mr. Deyo summarized the work with Revere Bank and indicated it has been a very cooperative relationship. Mr. Deyo noted that the CLEER Program was approved at the November 2017 Board

meeting, and that this Board meeting was to consider approving the transaction to allow Revere Bank as a participating lender in CLEER with similar terms as Ascentium Capital, including loss reserve and fees. The one area of difference was the choice of Revere to accept the Misrepresentation Fund (MisRep Fund) which committed \$50,000 in additional capital for 2 years. He reminded the Board that the MisRep Fund is not about the customer, but the contractor. The Ascentium Capital transaction did not include a MisRep Fund provision, at their choosing. Mr. Deyo summarized the capital commitment for this transaction, including the need for the loss reserve and the misrepresentation fund – for an expected total of \$550,000 if Revere were to originate \$10 million in loans.

Mr. Deyo then reviewed the transaction at a high-level, as summarized in the Executive Summary, and discussed the process by which due diligence was collected on the Bank's financials and origination and servicing processes. He also drew the Board's attention to the comparison chart between the Revere Bank and Ascentium CLEER products, which was included in the Board materials.

Mr. Deyo next walked the Board through the different sections of the proposal.

Mr. Deyo noted that the initial capital being requested is \$150,000. The maximum capital is \$550,000; Mr. Deyo noted that the MCGB had communicated with Hertzbach on how the loss reserve would be handled and MCGB was instructed that the initial capital would be a line item reserve and the footnotes would disclose the larger commitment. The amount shown in the reserve would increase as each lender's outstanding loan payoff amounts moved above \$2 million and the MCGB covers 5% of these outstanding balances. Mr. Deyo further reviewed the MCGB capital allocated to date for the CLEER program, and what the capital position would be after the transaction's approval. With approval of this transaction, the total allocated MCGB capital would be \$1,050,000 for the CLEER program.

Mr. Espinosa asked if Revere would charge an origination fee on top of the MCGB fee. Mr. Deyo responded that the bank indicated it would just charge the MCGB fee.

Mr. Deyo reviewed MCGB Return On Investment and volume projections.

Ms. Norman requested that the resolution be corrected to reflect \$550,000 of capital which would include the \$50,000 for the MisRep Fund.

Mr. Hunter requested that revisions made to the Ascentium resolution be included in the Revere Bank Resolution (e.g., "during the initial 3 months of the Program.")

Mr. Hunter asked for a motion on adopting the resolution.

Ms. Swann: moved; Ms. Brown seconded.

Mr. Hunter recognized that MCGB brought forward a nice packet and adding Revere Bank offers a nice breadth of availability. Mr. Hunter asked if Revere Bank was offering a minimum loan size. Mr. Deyo responded that they have not set a hard minimum, but that they indicated they would prefer \$50,000 and above. Mr. Hunter offered caution about causing confusion in the market without a minimum but that could be handled as needed.

Ms. Broadwater inquired as to the MisRep Fund as it presented a possible negative return if used, was a large part of the initial capital outlay, and offered no per project cap so could get used by one transaction. Mr. Deyo indicated that this was put in place to help lenders who might not know this market and the contractors and provide some comfort if there were issues with contractors. Mr. Deyo recognized that there was no current charge for this fund, which would be corrected for future transactions, but that there was high comfort that this would not likely be needed as it comes after a

lender conducts its customary collections practice, that MCGB is using only contractors approved for the PEPCO program, and has a two-year time limit to use or it gets re-captured by the MCGB. In response to Ms. Norman's inquiry about tightening up this element, Mr. Deyo indicated that the MCGB would put operational structure around how this would get requested and drawn but since it had been offered that MCGB should remain committed to it with Revere Bank. Mr. Hunter agreed this may be a useful fund when entering a market, but may not be needed down the road.

**R.2: Approval of MCGB Transaction/Investment No. 2: Revere Bank 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 Revere Bank as an approved lender in the CLEER program, the draft terms of which are outlined in the draft Loss Reserve Agreement between MCGB and Revere Bank presented to the Board on December 21, 2017.

This approval includes the following conditions:

- The final Loss Reserve Agreement between Revere Bank 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 Loss Reserve Agreement if it finds it *materially consistent with the draft terms presented to and approved by the Board on December 21, 2017* and no member of the Board has requested a meeting to obtain full Board approval of the final Loss Reserve Agreement with Revere Bank. Further, full Board approval will be sought if any member of the Board Leadership determines that the final Loss Reserve Agreement is materially not consistent with the draft terms presented *to and approved by the Board on December 21, 2017*.
- There will be a maximum allocation of \$550,000 of MCGB capital to support this transaction.
- Any and all adjustments to the final signed Loss Reserve Agreement shall be treated as an Amendment to the Loss Reserve Agreement with Revere Bank and shall be reviewed and approved by the Board. Except that the Board authorizes the Board Leadership to approve an amendment during the initial 3 months of the program 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. Hunter called for a vote on the Revere Bank transaction.  
In Favor.

Mr. Hunter next asked for a motion to Adjourn.  
Ms. Brown moved the motion; Ms. Norman seconded.  
In Favor: All.

The meeting was adjourned at 8:57 am.