

Montgomery County Green Bank Corporation (“MCGB”)

Board of Directors Meeting

Tuesday June 26, 2018 at 1:30 pm

Montgomery County Green Bank | 155 Gibbs St | Rockville, MD 20850

Board of Directors Meeting Minutes

1. MCGB Board of Directors Chair Bert Hunter called the meeting to order at 1:45 pm.

Roll call confirmed the attendance of the following:

- Hope Brown, Vice President and Chief Compliance Officer, Calvert Research and Management, Calvert Funds (until 4:10 pm departure)
- Patty Bubar, Acting Director, Montgomery County Department of Environmental Protection (“DEP”)
- Alex Espinosa, Director, Montgomery County Department of Finance (arrived at 4:06 pm)
- Michael Gergen, Partner, Latham & Watkins (by phone)
- Bert Hunter, Executive Vice President and Chief Investment Officer, Connecticut Green Bank (absent from meeting from 4:30 pm to 5:43 pm)
- Brian Marconi, Senior Manager, Cohn Reznick LLP
- Zach Marks, Assistant Director, Housing Opportunities Commissions
- Marcene Mitchell, Head of Business Development, Climate Business Department, International Finance Corporation (by phone and in-person)
- Bonnie Norman, Principal, Chief Marketing Officer, E3 International LLC
- Bob Sahadi, Senior Advisor, Institute for Market Transformation
- Stacy Swann, Founding Partner, Climate Finance Advisors, Benefit LLC

A quorum was present.

2. Public Introductions and Comment

Other meeting attendees included:

- Tom Deyo, CEO, MCGB
- Rosemarie Sabatino, Director of Business Operations, MCGB
- Stan Edwards, Montgomery County DEP, Special Advisor to MCGB
- Lindsey Shaw, Montgomery County DEP (by phone)
- Mary Casciotti, Montgomery County Department of Finance
- Michael Dow, Partner, Womble Bond Dickinson (US) LLP (by phone), MCGB General Counsel
- Keith Derrington, Recurrent Innovative Solutions
- Josh Patton, Ascentium Financial LLC
- Horacio Chacon, Revere Bank
- Tina Poole Johnson, MCGB C-PACE Consultant
- James Moore, Brightline Strategies, MCGB Consultant
- Laura Kieley, Brightlines Strategies (by phone), MCGB Consultant

3. Approval of Meeting Minutes

Mr. Hunter asked for comments or resolutions to approve the minutes to the last three Board Meetings.

R1: Approval of Minutes for the March 21, 2018 BOD Meeting

A MOTION TO APPROVE the minutes of the Board of Directors meeting for March 28, 2018.

Ms. Norman moved the motion and Ms. Swann seconded.

All in Favor: 10

All Opposed: 0

Abstaining: 0

Mr. Hunter next asked for approval of the minutes to the April Special Board of Directors meeting.

R2: Approval of Minutes for the April 25, 2018 BOD Special Meeting

A MOTION TO APPROVE the minutes of the Board of Directors Special Meeting for April 25, 2018.

Ms. Norman moved the motion and Ms. Swann seconded.

All in Favor: 7

All Opposed: 0

Abstaining: Mr. Marconi, Mr. Marks, and Ms. Brown (because they were not in attendance at the meeting)

Mr. Hunter next asked for approval of the minutes to the May Special Board of Directors meeting.

R3: Approval of Minutes for the May 5, 2018 BOD Special Meeting

A MOTION TO APPROVE the minutes of the Board of Directors Special Meeting for May 5, 2018.

Ms. Swann moved the motion and Mr. Marconi seconded.

All in Favor: 9

All Opposed: 0

Abstaining: Ms. Norman (because she was not in attendance at the meeting)

4. Administrative Business

Mr. Hunter next highlighted key accomplishments and efforts of the Board Members and MCGB staff since the last Board of Directors' meeting. He thanked the Finance and Operations Committee for all of the work they did on the proposed Fiscal Year ("FY") budget. He also thanked the newly formed Investment Committee Members for their work on developing draft investment policies and a committee charter. Mr. Hunter acknowledged the MCGB's efforts to market the CLEER product and noted the guests that were present at the meeting who have been integral to the product's launch. Mr. Hunter next recognized the Partnerships and Funding Committee for its work on developing a strategic plan and the video, as well as the Governance Committee for completing the annual review of MCGB policies. Lastly, he thanked the other members of the Board Leadership – Ms. Norman, Ms. Swann, and Ms. Brown – for all of the time they have devoted this past year to guiding the MCGB. Next, he recognized the work that Mr. Deyo and Ms. Sabatino did to make the Town Creek Foundation-funded "Thinking Local: Benefits of a Green Bank for Your Community" Workshop a success, as well as for their work on providing outreach.

Mr. Deyo then provided a retrospective on his first twelve months at the MCGB. His points included that the mission of the MCGB is its strength, the Board Members are of tremendous value to the organization, that the partnerships and connections made during the past year have all laid a strong foundation for the future. Going forward, MCGB will be focusing on products, communications, capital and getting in place a health plan.

Mr. Edwards next gave an update on various matters being undertaken by the DEP and the Montgomery County Council. Benchmarking data was due June 1, 2018 for approximately 900 buildings that are covered by the benchmarking requirement. DEP has posted an interactive map that contains the locations of the first benchmarked buildings. Mr. Edwards also provided an update on the Energy Coach program funded with Pepco/Exelon merger Customer Investment Fund (“CIF”) resources and how it can relate to MCGB efforts. He also described the sustainable energy-related legislation that has been proposed to the Montgomery County Council and the efforts being undertaken by DEP to reconfigure how energy incentives can be used.

Mr. Sahadi remarked that there could be an opportunity to communicate with those whose buildings are not scoring as well as their owners would like. Mr. Hunter asked if Montgomery County could communicate to those on its mailing lists to contact the MCGB for more information about financing opportunities.

5. General Business

a. Product Development Committee Update

Mr. Hunter next introduced the guests who have been key to the CLEER Program: Mr. Chacon, Mr. Patton, and Mr. Derrington. Each provided information about how the CLEER Program fits in with his company’s strategy, and the efforts they are undertaking to market the product. There appeared to be consensus that the Program had a place in the market, and that the large number of older condominium projects, many of which were built with a master meter, would be good candidates for the CLEER product. Mr. Derrington remarked that it takes time to educate the community about opportunities, and there is hesitation to be the first one to use a financing product, to which Mr. Chacon agreed. Mr. Derrington also thought CLEER was a good fit because of the type of buildings in Montgomery County. Mr. Patton remarked that growing the trade ally network of the utilities is key.

In response to a question about where each thought MCGB should focus its marketing efforts, the following advice was received: Mr. Derrington suggested outreach to Home Owners Associations (“HOAs”) and to the broader business community. He also suggested that Montgomery County provide incentives for HOAs to be educated about making energy improvements. Mr. Patton suggested getting closer to the utility, trying to get an interest rate buy-down incentive, and expanding the trade ally network. Mr. Chacon suggested focusing on buildings, particularly those identified through the benchmarking report.

Mr. Edwards discussed the meeting earlier in the week that he, Mr. Deyo and Ms. Sabatino had with the Montgomery County Department of Housing and Community Affairs, where they received an update on their efforts relating to condominium associations. He also indicated that Montgomery County has adopted an HOA Board education requirement, and that the event Montgomery County hosted for common ownership communities in February (where the MCGB staffed a booth) was its first foray into hosting such an educational event. Mr. Hunter thanked Mr. Patton, Mr. Chacon, and Mr. Derrington for their insights; they then departed the meeting.

Mr. Sahadi next asked Mr. Deyo and Ms. Johnson to provide an update on the C-PACE product development effort. Ms. Johnson provided a high-level review of the work that has been done, which included speaking with lenders that have made loans in the program and those that would like to enter the C-PACE lending market and reviewing the County and administrative operations of the C-PACE program. Ms. Swann asked about the length of C-PACE projects, to which Ms. Johnson replied that single measure projects can take 2-3 months; deep retrofits a year or more.

Ms. Johnson then walked through several options for MCGB participation in C-PACE and the risks and considerations that will be assessed as the options are discussed with the Product Development Committee. Ms. Norman remarked that whatever product MCGB decides on, the overall C-PACE execution has to be seamless to the borrower.

Mr. Hunter and Mr. Deyo thanked Ms. Johnson, and she departed the meeting. Mr. Hunter then asked the Board of Directors if they had an objection to moving the rest of the Product Development Committee report to the end of the Board meeting to enable the next guest to speak. There was no objection.

b. Partnerships and Funding Committee Update

Ms. Norman then introduced Mr. Moore, who moved immediately into describing the plan for 2019. He said that the prior strategy was all about helping a start-up organization and the biggest challenge has been that the MCGB is a unique entity. He indicated that it is a broker of capabilities and marketer of ideas. He said that sales works best when there is a clear call to action, but that MCGB does not have any easy next steps. The contractors are the sales team, and yet they have their own sales team helping them grow their business. Helping them get better at what they do will help MCGB. Consequently, 2019 will be focused on supporting a marketing and sales effort. For example, new efforts will include development of a contractor newsletter, and engaging in more two-way communications. Mr. Moore next turned the discussion over to Ms. Kieley, who walked through the proposed metrics that will be used to measure success for the next year. Mr. Espinosa joined the meeting and Ms. Brown departed the meeting. A discussion by the Board of various communication and marketing ideas followed. The Board felt that common ownership communities were an important market for CLEER. Mr. Moore and Ms. Kieley departed the meeting.

Mr. Deyo next presented the preliminary video storyboard to the Board of Directors and a discussion ensued. The Board expressed that the video was good and worth continuing in its present structure while addressing some of the points provided in the discussion both for the video and the website.

Mr. Deyo next asked the Board of Directors to discuss approval of the Brightlines contract. Ms. Norman presented Resolution 4:

R4: Approval of the FY19 Proposal from Brightline Strategies to provide Communications and Marketing Support to MCGB

By recommendation of the Partnership and Development Committee, A MOTION TO APPROVE the FY19 Proposal presented by Brightline Strategies to support communications and marketing activities of MCGB for FY19 and for CEO, Tom Deyo, to complete negotiations and enter into a contract with Brightline Strategies for such services.

Mr. Sahadi moved the motion and Ms. Swann seconded.

All in Favor: 10

All Opposed: 0

Ms. Norman asked Mr. Deyo to provide a brief update on the recent event in Annapolis, MD and on fundraising activities.

Mr. Deyo then reported to the Board about the next steps from the June 7, 2018 workshop on local green banks supported by the Town Creek Foundation's FY17 grant to MCGB. Two papers are being written from the proceedings, and a follow-up to the workshop, which will be held at the Metropolitan Washington Council of Governments on November 16, 2018, is being planned. A sharing platform was also being established to let attendees and those who could not make the meeting sign up to get information and share documents from the workshop.

Mr. Deyo reviewed the fundraising tracking list. Mr. Deyo informed the Board of Directors of a recent decision of a local foundation not to support this year's application from MCGB. Mr. Deyo indicated that there is work to be done to help fundraise, and that the donate button was up and operational on the MCGB website. He asked the Board to consider ways in which they may be able to identify interested donors and support connections and efforts to secure funding in FY19. Ms. Norman supported this and indicated that it was important to get out early in FY19 if we are to obtain funds during the fiscal year.

Mr. Hunter departed the meeting.

Mr. Deyo next reported on the status of the funds from Montgomery County. Mr. Edwards and Ms. Bubar indicated that they would try to find out more about the timing on appropriating any or all of the balance of the \$8 million to MCGB. Mr. Espinosa also noted the administration is reviewing elements of the settlement which could influence decision-making on timing. Mr. Deyo indicated that having less of the funds in MCGB accounts means less earned income from the funding that could be used to cover MCGB expenses for operations and thus a higher percent of CIF funds would be used to cover expenses. Ms. Swann commented on the long lead time needed to obtain the Montgomery County funds – 9 months, based on the prior two appropriations. This should be a consideration for getting a decision quickly on the timing of the next set of funds.

Ms. Norman then asked Mr. Marks to speak about the newly-established opportunity zones. He described them as coming out of the tax reform legislation and they represent another possible funding opportunity for MCGB. He indicated that it is likely that the opportunity zones include older buildings and the purchaser of a building located within an opportunity zone is likely to put a certain level of investment into the property. This resource could be used to target buildings that are being bought within the opportunity zones.

Continuation of Product Development Committee Update

Ms. Norman then asked Mr. Sahadi to finish the items pertaining to the Product Development Committee. He gave an update on the procurement of a consultant for due diligence and identification of options for a single-family energy efficiency and solar energy product. Mr. Sahadi also highlighted several items in the Product Development Pipeline. Mr. Deyo reported that the National Housing Trust was very interested in our proposed technical assistance effort for affordable rental properties but that the related grant that MCGB had applied for from a local foundation was not successful.

c. Governance Committee Update

Ms. Swann next provided an update on the newly-created Investment Committee, which was constituted on April 1, 2018. She described the process they followed to create the investment committee guidelines and charter. She summarized the guidelines as describing the approval process by which MCGB would work products through the Product Development and Investment Committees and the roles of other Committees and the Board of Directors in review and/or approvals. She pointed out the Investment

Committee guideline sections that pertain to other Board Committees and noted that these sections would be changed when those Board Committees completed their own charters.

Ms. Norman then read the following resolution which included the ability to amend when the other committees adopt their charters:

R.7: Adoption of MCGB Investment Committee Charter and Policies.

By recommendation of the Governance Committee and Investment Committee, A MOTION TO ADOPT the charter and Investment Committee Policy for the Montgomery County Green Bank which may be amended for the sections pertaining to the purposes of other Committees when those Committees develop their charters.

Ms. Mitchell moved the motion and Mr. Marconi seconded.

All in Favor: 9 (including Mr. Hunter's proxy, which had been given to Ms. Norman)

All Opposed: 0

Abstaining: Mr. Espinosa abstained (because he was not present during the discussion)

Mr. Deyo next walked through the proposed changes to MCGB's various existing policies as part of an annual review of policies.

Ms. Norman then read the following resolution:

R.8: Adoption of Policy Changes to Standard Operating Procedures, Internal Controls, Procurement, Cash Investment, and Travel and Expenses

By recommendation of the Governance Committee, A MOTION TO ADOPT proposed changes to each of the following policies as presented at the June 26, 2018 Board meeting:

- Standard Operating Procedures
- Internal Controls
- Procurement
- Cash Investment
- Travel and Expenses

Mr. Sahadi moved the motion and Ms. Swann seconded.

All in Favor: 10 (including Mr. Hunter's proxy, which had been given to Ms. Norman)

All Opposed: 0

Ms. Swann next read the resolution for FY19 Board of Directors officers, which is:

R.9: Election of FY19 Directors and Leadership

RESOLVED, that Bert Hunter is elected to a one-year term as Chair of the Board of Directors.

RESOLVED, that Bonnie Norman is elected to a one-year term as Vice Chair of the Board of Directors.

RESOLVED, that Stacy Swann is elected to a one-year term as Vice Chair of the Board of Directors.

RESOLVED, that Hope Brown is elected to a one-year term as Secretary of the Board of Directors.

All in Favor: 10 (including Mr. Hunter's proxy, which had been given to Ms. Norman)
All Opposed: 0

The Board of Directors postponed the approval of amended past meeting minutes until the next meeting.

Mr. Deyo then reviewed the FY19 Board of Directors calendar. No changes were suggested for the calendar.

d. Finance and Operations Committee Update

Mr. Marconi reported on the Finance and Operations Committee's activities. Ms. Sabatino provided an update on the transition of accounting services to the newly-hired accountant. Mr. Deyo then proceeded to walk through the FY18 reports including the May 2018 Financial Statements, Cash Investment Report, Actual vs. Budget report, Allocation of Expenses to Sources report, and Capital Allocation Report. While giving his reports, he noted that the May 2018 Financial Statements reflect the limited-moderate income and multifamily temporary restriction as used and shown on the FY17 audit statements and related to the Montgomery County contract for the CIF funds. He also reported that MCGB added Capital Bank as a new bank after the approval of the Finance and Operations Committee in April 2018.

Mr. Marconi then introduced the proposed FY19 MCGB Budget for consideration by the Board of Directors for adoption. Mr. Marconi indicated that this budget, which had been preliminarily presented to the Board at its April 25, 2018 Board of Directors meeting, had subsequently been through several reviews by the Finance and Operations Committee and Board Leadership and was being presented to the Board of Directors for its approval. The budget remained generally consistent with the April 25th presentation, but some formatting and structural elements of the presentation had been changed based on direction from the Finance and Operations Committee. Mr. Deyo walked the Board of Directors through the summary of the budget and a couple key documents, including sources and uses and the break out of Administrative Expenses and Programmatic Expenses (associated with transactions), the latter which would not count against the administrative expense percent of the Montgomery County contract. Mr. Deyo also addressed questions from the Board of Directors on different components. The Board of Directors discussed the possible delegation to the Finance and Operations Committee of the authority to permit MCGB to exceed the FY19 Programmatic Expense budget line item (with certain conditions). The Board of Directors asked that the delegation concept be presented at the next Board of Directors meeting as it was unlikely that it would be needed in next couple months.

Ms. Norman next read the following resolution:

R.5: Adoption of MCGB FY 19 Annual Operating Budget

A MOTION TO ADOPT a Fiscal Year 2019 Annual Operating Budget for the Montgomery County Green Bank as presented at the June 26, 2018 Board meeting.

Ms. Swann moved the motion, and Ms. Mitchell seconded.

All in Favor: 10 (including Mr. Hunter's proxy, which had been given to Ms. Norman)
All Opposed: 0

Mr. Hunter re-joined the meeting.

Mr. Marconi asked Mr. Deyo to present the proposed FY19 MCGB Workplan. Mr. Deyo reviewed the FY19 MCGB Work Plan, which had previously been evaluated by each of the Board of Directors' Committees.

Ms. Norman then read the following resolution:

R.6: Adoption of MCGB FY 19 Work Plan

A MOTION TO ADOPT a Fiscal Year 2019 Work Plan for the Montgomery County Green Bank as presented at the June 26, 2018 Board meeting.

All in Favor: 10

All Opposed: 0

The Board of Directors then wished to acknowledge the contributions of Mr. George Bellas of the Connecticut Green Bank for his support and contribution as MCGB's interim accountant since early 2017.

Ms. Norman next read the following resolution and presented a plaque to Mr. Hunter to deliver to Mr. Bellas:

Whereas: Montgomery County, in 2015, enacted legislation to support the formation of a Montgomery County Green Bank to promote investment in clean energy technologies in the 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: George Bellas, Vice President Finance & Administration at the Connecticut Green Bank, has been a steadfast supporter of the Green Bank, has been an always-available advisor to the Green Bank, and has provided immeasurable services to the Green Bank in assuring disciplined financial reporting each month since January, 2017, and;

Whereas: The Board wants to commend George Bellas for his fundamental role in helping the Green Bank set a sound financial reporting foundation.

Now therefore be it

Resolved: The Board of Directors of the Montgomery County Green Bank Corporation hereby commends George Bellas for his commitment, dedication, and resolve to assist the Green Bank in establishing its financial reporting and hereby extends its heartfelt appreciation to him for exemplary service to the Green Bank.

Ms. Mitchell moved the motion and Mr. Marconi seconded.

All in Favor: 10

All Opposed: 0

Ms. Norman thanked everyone for their participation in the meeting.

The meeting was adjourned at 5:50 pm.