MnCIFA Screening Memo for Board Approval

Project: Enterprise Minnwest Portfolio

Borrower: EESolar 33, LLC Sponsor: Enterprise Energy LLC Location: Owatonna, MN Construction/Operational Jobs: 72/1	Total Project Cost: $16,220,634 Requested Loan Amount: $5,000,000 Other Funding: $6,280,000 Proposed Equity Investment: $4,940,634 Proposed Tenor: 2 years

EXECUTIVE SUMMARY:

- MnCIFA is proposing a $5 million loan to finance construction of Enterprise Energy's Buscho Community Solar project located in Owatonna, MN with capacity of 5.4 MW. MnCIFA's loan is expected to be paid down when tax credits are monetized. The total project cost is $16.2 million, and the expected tax credit amount is $6.6 million prior to being monetized.
- Enterprise Energy LLC ("Enterprise" or "Sponsor") is seeking a loan from Minnwest Bank ("Minnwest") to support the financing of four projects located in Minnesota totaling 17.0 MW. Minnwest requested MnCIFA's participation in the portfolio financing to allow Minnwest to provide the financing across all four projects.
- Owatonna is considered an Environmental Justice Community according to the MPCA definition and map.
- The Project will participate in the Xcel Low- and Moderate Income Accessible Community Solar (LMI-Accessible CSG Program) program and will provide clean energy to residential customers. At least 30% of each project's offtake must be allocated to income-eligible households, defined as those making 150% of area median income or below. Enterprise Energy anticipates that 60% of the subscribers will be LMI households. The project will be required to acquire residential cutomers prior to project operation and keep the project fully subscribed for the life of the project. Not keeping the project fully subscribed may result in lost revenue.

PROJECT OVERVIEW:
Enterprise is seeking financing for four community solar projects totaling 17.0 MW, including the 5.4MW Buscho project. Enterprise is an experienced community solar developer. With over a decade of experience in the industry, senior management has the knowledge and experience necessary to navigate land use laws and other rules related to solar development. Senior management has strong experience in the industry with successfully developing solar projects ranging from small residential systems to 25-megawatt wholesale projects. They have worked in markets spanning the country with core competencies in Minnesota, Wisconsin, Illinois, New York, New Mexico, Delaware, Maryland and Virginia.

Enterprise is developing four community solar projects located in Le Sueur, Stearns and Steele counties. All four projects fall under Minnesota's Low-Moderate Income ("LMI") Community Solar program.

As initially proposed, Enterprise anticipates that 60% of the subscribers will be LMI households and look to bringing energy savings to their electricity bills as well as provide access to renewable energy where otherwise infeasible.

MARKET ASSESSMENT

Minnesota's solar program is one of the most comprehensive in the U.S., combining incentives for rooftop solar with a nationally recognized community solar market. Through Xcel Energy's Solar*Rewards program, homeowners and small businesses can receive production-based incentives, with additional support for income-qualified participants. The state's Community Solar Garden ("CSG") program, reformed in 2023, allows residents and organizations to subscribe to shared solar projects up to 5 MW, with strict requirements that a significant share of capacity serve low- and moderate-income households, affordable housing, and nonprofits.

A major legislative change took place in 2023 (HF 2310) that reformed the program. Key changes include:

- **Project size increase**: Community solar gardens may now be up to 5 MW in capacity, up from ~1 MW under older rules.
- **Subscriber requirements & equity carve-outs**: At least 25 subscribers per MW, no single subscriber may have over 40% of a garden's capacity. There are set-asides: 30% of each garden's capacity must go to low- and moderate-income (LMI) households; overall, 55% must be reserved for LMI households, affordable housing, or public interest entities (nonprofits, schools, etc.).
- **Annual growth caps** on how much new community solar capacity can be approved each year: 100 MW for 2024-2026; 80 MW for 2027-2030; 60 MW per year in 2031 onward.
- **Billing/credit methodology**: Credits paid to subscribers are based on a percentage of the average retail rate (Applied Retail Rates, ARR), rather than some of the older valuation methods.

INVESTMENT RATIONALE

Community solar projects allow consumers to access the benefits of solar without behind the meter projects on their property. It also allows solar benefits to reach geographically dispersed communities. If done correctly, community solar could be a key tool to allow MnCIFA to hit its mandate of "no less than 40% of the direct benefits of authority activities flow to environmental justice communities as defined by the US DOE." MnCIFA will

continue to use the MPCA definition and map to define environmental justice communities. The Owatonna project will strive to serve the surrounding community, which falls into the MPCA environmental justice community definition.

The Enterprise projects in this portfolio have a path to private sector financing. MnCIFA's participation allows Minnwest to finance the full portfolio of four projects and serve more LMI consumers.

TECHNOLOGY OVERVIEW

Solar technology risk is considered low compared to many other energy technologies, since photovoltaic (PV) panels and inverters are mature, widely deployed, and backed by decades of performance data. Key risks to be considered are:

- **Performance degradation** – Solar panels typically lose efficiency over time (about 0.5–0.8% per year), which can reduce output below forecasts.
- **Component failures** – Inverters, trackers, and other balance-of-system components often fail before panels do, driving replacement and maintenance costs.
- **Technology evolution** – Rapid advances in PV (e.g., bifacial modules, perovskites) may make today's technology less competitive in the future, creating obsolescence risk for long-lived assets.
- **Supply chain / quality issues** – Panels from lower-tier manufacturers or unproven suppliers may not meet warranty claims or durability expectations.
- **Environmental stresses** – Hail, snow, wind, fire, and extreme temperatures can damage systems, with risk heightened by climate change.
- **Integration risk** – Pairing solar with storage or advanced grid controls adds complexity and potential points of failure.

Solar technology is judged to be reliable and bankable, while projects rely on warranties, proven suppliers, and conservative performance assumptions to mitigate these risks.

All projects will have qualified under the IRS Safe Harbor rules, having procured at least 5% of the total project spend before September 2, 2025 (procurements in December 2024 and May 2025).

FINANCE STRUCTURE AND TERM SHEET SUMMARY

MnCIFA will participate in the MinnWest loan and provide up to $5,0000,000 of tax credit bridge financing across for the Owatonna project, fully repaid when tax credits are received and monetized with a term no longer than 2 years. MinnWest is providing a $6,280,000 construction loan that will convert to a term loan. The MinnWest loan will have a nine-year

tenor with interest payment only for the first two years. MinnWest lending the full construction loan across the portfolio is reliant on MnCIFA or other private sector participating. MnCIFA will review and verify MinnWest due diligence, which will allow for a faster closing process. MnCIFA and MinnWest are mission aligned and worked together on the New Rock LLC project in Sandstone.

Sources and Uses

SOURCES	Total	%	USES	Total	%
MinnWest	$6,280,000	38.7%	Equipment & EPC Costs	$9,180,000	56.6%
MnCIFA Buscho Loan	$5,000,000	30.8%	Subscriber Acquisition	$528,444	3.3%
Equity-Sponsor, EPC, Other	$4,940,634	30.5%	EPC Markup	$1,904,762	11.7%
			Appraisal	$2,308	0.0%
			Title	$2,308	0.0%
			Development Fee	$3,325,429	20.5%
			Lender Legal	$9,231	0.1%
			Investor Legal	$9,231	0.1%
			Bank Construction Origination	$169,200	1.0%
			Borrower Legal	$19,231	0.1%
			Construction Interest	$460,600	2.8%
			Hard Cost Contingency	$38,462	0.2%
			ITC Insurance	$253,968	1.6%
			Operating Reserve	$317,460	2.0%
			Landowner Begin Construction Bonus / Prepaid Lease	$0	0.0%
TOTAL SOURCES	$16,220,634		TOTAL USES	$16,220,634	

Key Ratios:

- **2027 Debt Service Coverage Ratio:** 1.27X (Based on tax credit proceeds of $0.85 of eligible costs)
- **Debt to Tangible Net Worth**: 0.90
- **Project Score**: 61

Term Sheet Summary

- **Sponsor**: Enterprise Solar LLC
- **Borrower**: EESolar33 LLC
- **Total Project Cost**: $16,220,634
- **Equity Investment**: $4,940,634
- **Total Loan Amount Including Minnwest**: $11,280,00
- **MnCIFA Loan Amount**: $5,000,000
- **Estimated Tax Equity Value**: $6,615,664
- **Tenor**: 2 years
- **Interest Rate**: 2 Year Treasury Rate Week before closing + 2%

- **Interest Payments**: Received quarterly during construction and operation
- **Reserve Accounts**: Reserve account on projects to be funded via tax credit sales with deadline as agreed to with Borrower.
- **Principal Amortization**: Loan fully paid the earlier of (i) receipt of tax credit monetized or (ii) tenor of the loan.
- **Collateral**: MnCIFA will be in first position for the tax credit proceeds for Buscho and pari passu for the rest of the collateral on the project, including:
    - 100% Membership interest in the EESolar 33, LLC Project Holding Company solar gardens within the collateral pool
    - Pledge Agreement w/ 1st UCC on collateral granted by the pledge agreement of any Pledgor
    - Legal Counsel will ensure proper collateralization and documentation.
- **Conditions Precedent to First Advance**: Confirmation that the borrower has entered into a sale agreement to monetize the tax credits.
- **Guarantors**:
    - Enterprise Energy LLC (unlimited)
    - TBD Holding Company (unlimited)
    - Eric Pasi (unlimited)
    - Evan Carlson (unlimited)

MAJOR COMMERICAL CONTRACTS & COUNTERPARTIES

EPC Agreement:
Cedar Creek Energy Corporation will serve as both the Engineering, Procurement, and Construction (EPC) contractor and the preferred equity partner, ensuring alignment from procurement through construction and credit monetization. Cedar Creek Energy Corporation is a Minnesota solar energy company that designs, installs, and maintains sun-powered solar systems that give commercial and residential property owners optimal payback, energy security, and clean energy.

Other Equity:
- Sponsor Equity - Enterprise Energy LLC will act as project sponsor and coordinating developer with developer fee funded via proposed loan proceeds.

Subscriber Management: Enterprise will engage a third-party subscription manager to acquire subscribers and to backfill any customers who terminate their offtake agreements. While a manager has not yet been selected, Enterprise is in advanced discussions with three qualified firms and expects to finalize an agreement in the near term.

The Subscriber Manager will be responsible for securing executed contracts from residential customers to allocate a share of power generated by the community solar project. By subscribing, customers receive bill credits from their utility tied to their share of

the system's output. Enterprise's subscription agreement will guarantee subscribers a fixed discount on their energy bills: 8% for non-LMI residential customers, and 15% for low-and-moderate income residential customers. Agreements are structured to allow termination by the customer at any time, though a standard early termination fee of approximately $250 per customer (or more) typically applies.

When outsourcing subscriber acquisition and management, project owners typically pay an upfront fee to achieve full subscription of the project, along with an ongoing fee to ensure the project remains fully subscribed over time.

Subscriber Agreements: The Subscriber Manager will be responsible for securing executed contracts from residential customers to allocate a share of power generated by the community solar project. By subscribing, customers receive bill credits from their utility tied to their share of the system's output. Enterprise's subscription agreement will guarantee subscribers a fixed discount on their energy bills: 8% for non-LMI and moderate-income customers, and 15% for low-income customers. Agreements are structured to allow termination by the customer at any time, though a standard early termination fee of approximately $250 per customer (or more) typically applies.

RISKS

- Paydown of MnCIFA loan will be dependent on monetization of tax credits. If construction is delayed and tax credits are not received as anticipated, funds may not be available to repay debt within the 2-year tenor. Given that Minnwest has a stake in four other projects, they have an interest in ensuring success with Enterprise overall and willing to work with MnCIFA in case of extraordinary circumstances.
- The Borrower expects to monetize the tax credits through the transferability method. If the value of tax credits decrease and the seller will have to pay a larger discount than expected, it could impact the loan-to-value, and the timing of full repayment.
- Borrower's upfront equity being sourced from developer and EPC fees paid via proposed loan proceeds.
- Enterprise does not currently hold any solar projects long term as prior projects were developed and sold. The company has matured and is in a position to hold projects long term given the experience of the core management team.
- Construction Risk which is mitigated by Cedar Creek Energy serving as both the Engineering, Procurement, and Construction (EPC) contractor and the tax equity step-up partner, ensuring alignment from procurement through construction and credit monetization.
- Operation Risk (equipment malfunction) – the project will have a 5-year contract with Cedar Creek Energy which will be extendable by mutual consent. Additionally, there are many operation & maintenance companies Enterprise can engage as necessary.

- Subscriber sign-up risk – Borrower will need to acquire households to subscribe to the energy projects. Enterprise will use a third-party subscription manager and is evaluating several options. According to the Borrower, they feel they need roughly 3,000 subscribers for the 17.0 MW projects (total of the 4 projects). The new MN Community Solar Program allows developers to source subscribers from across Xcel Energy's service territory rather than adjacent counties which opens the entire metro to sourcing subscribers. They have not heard of any issues in attracting subscribers to date from the various aggregators that operate in MN.

WORKFORCE

- **Prevailing Wage**: Projects require prevailing wage and apprenticeship programs (PWA) in order to qualify for the investment tax credit (ITC). EE and its project partners (specifically EPC) will adhere to the guidelines set forth by the federal government.
- **FTE Construction Jobs**: According to the Solar Foundation's National Solar Jobs Census 2020, commercial solar produces 19.1 jobs per megawatt of AC capacity. Therefore, 3.8MWac = approximately 72 FTE construction jobs.
- **FTE Permanent Jobs**: EE anticipates approximately 1 FTE will be created on behalf of these projects.

ENERGY SAVINGS

- How many BTUs (kWh) of energy will be saved annually? **Approximately 9,223,848 kWh.**
- How much will this save in energy costs for the applicant/consumers? Please provide annual savings. **8-15% discount on each energy bill.**
- How much CO2 will be avoided during construction phase? **N/A.**
- How much CO2 will be avoided annually over the life of the project? **Approximately 7,914 metric tons of CO2 equivalent.**