CLIMATE INNOVATION
FINANCE AUTHORITY

Minnesota Climate Innovation Finance Authority

Lending Policies and Procedures

Approved, February 28, 2025

CLIMATE INNOVATION FINANCE AUTHORITY

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MnCIFA works to remove financial barriers to, and creates financial tools for, the adoption of qualified clean energy and greenhouse gas emissions reduction projects. MnCIFA centers equity. MnCIFA creates and fosters communication between potential investing entities and qualified projects.

It is the policy of MnCIFA to evaluate all loan applications on a non-discriminatory basis as provided by state and federal law. Pursuant to this policy no application will be rejected, disapproved or discouraged on the basis of sex, race, color, religion, national origin, familial status, handicap, location of collateral used as security, or applicant's good faith exercise of rights under the Consumer Protection Act, Fair Housing Act, Equal Credit Opportunity Act and Fair Lending Reporting Act.

It is the policy of MnCIFA to comply with all federal and state laws and regulations to the extent applicable, including but not limited to the Civil Rights Act of 1998, the Real Estate Settlement and Procedures Act, the Fair Debt Collection Practices Act, the Equal Credit Opportunity Act, the Right to Financial Privacy Act, the Truth in Lending Act, the Service Member Civil Relief Act, the Fair Credit Reporting Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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1 Introduction & Objective

This document (the "Lending Policies and Procedures") describes the policies and procedures for the Minnesota Climate Innovation Finance Authority ("MnCIFA") Lending program ("Lending"). MnCIFA works to remove financial barriers to, and creates financial tools for, the adoption of qualified clean energy and greenhouse gas emissions reduction projects. MnCIFA creates and fosters communication between potential investing entities and qualified projects while being sensitive to issues of equity.

MnCIFA was created via Minnesota Laws 2023 Article 21, Section 2, Chapter 53, to stimulate the development of clean energy and greenhouse gas emissions reduction projects by using innovative financing tools to leverage private and public capital to overcome the market barriers that inhibit the financing of these projects. MnCIFA was funded by an initial state appropriation of $45 million, and received additional funds from a subgrant from the Coalition for Green Capital ("CGC") under its National Clean Investment Fund ("NCIF") award as well as other sources.

MnCIFA will use public dollars to leverage private investment by reducing the perceived risk, pooling projects to create investable opportunities, and demonstrating the performance of clean energy projects in our market. MnCIFA will partner with Minnesota's strong ecosystem of clean energy service providers, using additional investment to increase the adoption of existing products and reduce barriers for underserved and low-income populations.

MnCIFA will support robust consumer protections and support further development of Minnesota's clean energy workforce by requiring that major projects are subject to prevailing wage requirements and that MnCIFA prioritizes activities supporting creation of high-quality employment and apprenticeship opportunities for local workers.

In February 2024, MnCIFA issued a Request for Information (RFI) from clean energy project developers, asset owners, financial institutions and other relevant parties. These policies and procedures are intended to complement and shall be subject to the following policies and procedures of MnCIFA:

- Investment Strategy for MnCIFA
- MnCIFA Strategic Plan

Any update to policy, procedure, employee agreement, or other governing document of MnCIFA is also hereby incorporated. Unless otherwise stated, any conflicts between this Lending Policies and Procedures and one of the above shall be resolved in favor of the above listed documents.

1.1 Interpretative Matters

Any term used in the Lending Policies and Procedures and not defined herein shall have the meaning provided in the Investment Strategy for MnCIFA to the extent such terms are defined therein. Defined terms shall apply equally to both the singular and plural forms of the terms defined.

Whenever the context may require, any pronoun shall include the corresponding masculine, feminine, and neuter forms. The words "include," "includes," and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall"; the word "shall" is mandatory; the word "may" is permissive; the word "or" is not exclusive; and the words "asset" and "property" shall be construed as having the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts, and contract rights.

2 Lending Investment Policies

Board approvals are required for exceptions to any of the policies below.

2.1 Governance

2.1.1 MnCIFA Board of Directors

The MnCIFA Board of Directors (the "Board") oversees the activities and outcomes of MnCIFA including Lending. Each member of the MnCIFA Board and the Credit Committee has the right to request, receive, and review reports, plans, and other materials relating to Lending, as needed. At the direction of the Executive Director, the Chief Investment Officer or designee provides periodic updates to the MnCIFA Board upon its request.

2.1.2 Credit Committee

The Credit Committee is a board-level committee chaired by the appointed member of the Board as defined by the MnCIFA bylaws. The Credit Committee's responsibilities include establishing reasonable objectives, policies, and guidelines that direct the investment of MnCIFA assets, and making lending and investment recommendations to the Board. All Lending investments require approval of the Credit Committee and final approval of the Board. The Credit Committee authorizes any charge-offs and submits reports to the Board.

2.1.3 MnCIFA Staff Investment Team

The MnCIFA staff Investment Team ("SIT") is a staff-level committee and is responsible for day-to-day Lending activities, including evaluations of Lending applications and making recommendations to the Credit Committee under the guidelines provided herein. The SIT shall follow all applicable policies of MnCIFA, including those concerning risk governance, approval, and signing policies. The SIT or Executive Director shall review and approve Lending investment-related decisions and key documents, including Technical Assistance Proposals ("TA"), Credit Presentations ("CP"), and subsequent developments of those decisions all subject to final approval of the Credit Committee and the Board. The SIT shall uphold high standards that support a culture in which risks are proactively identified and transparently and appropriately mitigated. The SIT shall hold regular meetings ("Standing Lending Meeting").

2.1.4 SIT Members

The members of the SIT shall be determined by the Executive Director. A member may be removed by an action of the Credit Committee or the Board of Directors.

2.1.5 SIT Responsibilities

Unless otherwise delegated by the Executive Director, responsibilities of the SIT include the following:

- Review of TA proposals to present for approval to pursue a TA engagement. See Section 3.1.3 Technical Assistance Process; more detail will be added in the future when TA products are added;
- Review of active TA projects as summarized in periodic TA Reviews;
- Review of CPs to present for approval to conduct detailed due diligence and proceed to issue non-binding or legally binding documents, including term sheets, commitment letters or financing agreements. See Section 3.1.4 Lending Transaction Approval for detail;
- Review of Final CPs to present for approval to enter into binding investment agreements to finance transactions on the approved terms. See Section 3.1.5 Documentation, Section 3.1.6 Pre-Closing Items, and Section 3.1.7 Closing and Post-Closing for detail;
- Review and approval of all major developments after transaction closing including Material Modifications including amendments/waivers and disposition of investments; and
- Review of portfolio transaction performance as summarized in Quarterly Portfolio Reviews ("QPRs").

2.1.6 SIT Approval Process

The SIT will review and discuss each investment as described throughout Section 3 Lending Investment Evaluation and Approval Procedures. Following each discussion, the SIT will vote on whether to proceed through each gate in a simple majority vote. No member of the SIT will maintain veto or other ultimate decisioning rights. The SIT shall present its list of pipeline investments to the Credit Committee for review, and shall present final investment proposals to the Credit Committee and the Board for final approval.

2.1.7 Conflicts of Interest

In carrying out Lending responsibilities, the Credit Committee, Lending Committee, and staff and management of MnCIFA Lending are responsible for avoiding conflicts of interest in accordance with the 18 U.S.C. § 208 with implementing regulations at 5 C.F.R. § 2635.402. In case of a conflict between the CFR and MnCIFA Conflict of Interest guidelines, the more restrictive of the two shall govern. Any voting member with a real or perceived conflict of interest shall abstain from voting and may delegate their vote to an alternate party if approved by the ED, Credit Committee or Board. MnCIFA shall require recusal of any staff or member of the Board with a personal or organizational conflict of interest in the decision making and management related to Lending financial transactions.

2.2 Lending Investments

This section sets out procedures generally applicable to Lending investments and describes the following:

- Investment Criteria;
- Risk Management Principles;
- Origination process and responsibilities;
- SIT approval process and execution; and
- Financial Products.

2.2.1 Lending Investment Criteria

In addition to those criteria set in the Investment Strategy, Lending investments shall only be approved for projects that meet the criteria set in this paragraph 2.2.1 ("Lending Investment Criteria"):

- The project meets the statutory definition of "Qualified Projects" under Section(c)(3) of the Clean Air Act if utilizing federal funds, and other minimum requirements outlined in Appendix II;
- The project's initial scoring is consistent with Scoring Methodology as defined in Appendix II;
- Interest rates are determined at the discretion of the SIT and will reflect the overall risk of the transaction balanced with mission goals, and are consistent with the value-based and long-term investment strategy of MnCIFA; and
- Consistent with Risk Management Principles as discussed below.

The SIT shall revise Lending Investment Criteria when necessary and review them with the Credit Committee and Board for approval. Lending staff shall conduct annual reviews of each loan.

2.2.2 Lending Risk Management Principles

Lending staff will evaluate each investment request and apply an internal risk rating, as outlined in Appendix III, consistent with Lending policy guidelines. Ratings are generally expected to be 1 or 2, with a 25 percent maximum total portfolio exposure to debt internally risk rated 3 to 5. The weighted average rating of the portfolio is expected to be 2.0 or better. Individual investments shall not constitute a concentration exceeding 10 percent of the Current Portfolio of all active loans and investments ("Current Portfolio"), unless granted approval from the Board. Requirements from other capital sources may vary, and will be followed as appropriate,

The portfolio is expected to have no more than 20 percent maximum total portfolio maturities in excess of 10 years, unless requirements from other capital sources vary. Lending staff shall

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[1] Per Office of Management and Budget Guidance for Grants and Agreements: "The Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy." 200.112 https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-B/section-200.112

monitor the portfolio to ensure that loans do not exceed prudent levels in regards to borrowers and their affiliates, project type, geography, unproven technology, etc.

Loan structures that isolate assets from sponsor risk should be considered, and the impact of such structures will be reflected in the internal risk rating. Exposure limits are set based on mitigation of sponsor risk, and certain exposure levels will require additional approval:

- Preference for senior debt (over subordinated or mezzanine) in sponsor-risk mitigated structures where all assets are "ring-fenced" into the borrower entity (and any cash distributions to sponsor satisfy debt payments, or if necessary, Operations & Maintenance ("O&M") or Engineering, Procurement & Construction ("EPC") of the financed project; distributions are not to be used for sponsor equity or profit extraction without prior written approval of Lender). Lender may consider other uses of funds eligible for Financial Assistance[2];
- Preference for collateral packages which include hard assets, interest, tax credits, or other cash reserves;
- Investment agreements which enable MnCIFA to change EPC, O&M, and other service providers in the event of a default.

2.2.3 Risk Rating

A crucial component of the underwriting process is an assignment of MnCIFA's internal risk rating. The detailed policies and procedures for this process can be found in Appendix III.

2.2.4 Financial Products

In accordance with program guidelines and subject to approval through the Credit Committee and Board process, MnCIFA may offer a variety of financing structures, including any of the following:

- Senior and subordinated loans, including bridge loans, construction loans, PACE assessments, term loans, and working capital loans;
- Loan loss reserves and other credit enhancements;
- Participation in other lenders' loans (pari passu or other);
- Bonds or notes, including financing in conformance with revised Minnesota statutes;
- Lease agreements or installment purchase agreements including agreements authorized under Sec. 16A.81 MN Statutes;
- Other forms of financial assistance as recognized by the Grant Agreement between the U.S. Environmental Protection Agency ("EPA") and the Coalition for Green Capital ("CGC") dated August 13, 2024 under the Greenhouse Gas Reduction Fund ("GGRF") NCIF program (the "EPA Award") and applicable to MnCIFA under the EPA Terms and Conditions.

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2 For definitions of Financial Assistance, see: a) 2 CFR 200.1 "Federal financial assistance" (available at: https://www.ecfr.gov/current/title-2/part-200/section-200.1#p-200.1(Federal%20financial%20assistance); and b) CGC NCIF Work Plan: "privately held equity in companies, equity equivalent investments in companies and/or qualified projects, junior debt investments, senior debt investments, and investments in other financial vehicles (e.g., credit enhancements and other insurance-like financial products, pooled equity and debt vehicles)"

MnCIFA's financing offerings should address gaps in the market, with societal benefits. For loans of $250,000 and under, MnCIFA shall partner with a lender to make the financing more accessible and affordable.

2.2.5 Charge-Offs / Write-Downs

MnCIFA charges off or partially writes down loans deemed to have a high probability of loss, including:

- Loans where the borrower or guarantor has declared bankruptcy following loan closing; loans in bankruptcy may be written down to the value of the collateral, less the cost to liquidate the collateral;
- Loans deemed to be fraudulent;
- Loans over 6 months past due where the borrower is unresponsive to collection efforts;
- Loans where no viable forbearance solution can be found due to the borrower's financial circumstances or cooperation level.

The chief investment officer may identify loans eligible for charge-off and make recommendations to the SIT and ED, as applicable. The Credit Committee must authorize any charge-off and report to the Board.

3 Lending Investment Evaluation and Approval Procedures

3.1 Origination

Lending Applications may be originated by Lending or through referral from other lending partners or sources. New investment opportunities are received by MnCIFA, either through an RFI or applications accepted on a rolling basis.

An appropriate technology platform shall be used to track and organize origination, servicing, reporting, and compliance activities. Potential transactions that have not yet submitted a full investment application will be recorded as such.

3.1.1 Initial Application: Screening & Advancing Early-Stage Transactions

The Lending staff shall screen and score new applications. Staff shall review each application it receives in a two-phase process: (i) qualification screening, and (ii) scoring, all subject to the criteria defined in Appendix II: Initial Screening and Investment Scoring. The screening exercise shall check the investment opportunity for qualification against required investment criteria. Upon passing this initial screening, each investment shall be evaluated using a standardized scorecard based on the investment scoring criteria, as provided in Appendix II. The SIT determines whether to recommend the opportunity for investment due diligence ("Lead Qualification").

The MnCIFA Lending staff shall review complete applications promptly and present a scorecard and its recommendation to the SIT following receipt of the complete application, as determined by MnCIFA in its sole discretion. All scorecards shall be provided to the SIT for review.

Upon its review, the SIT may decide to:

- Concur with the recommendation, or rescore the application;
- Concur with the recommendation to proceed with investment evaluation; or
- Reject the application

Please see Appendix II for policy related to rescoring an application.

3.1.2 Lead Qualification

When an applicant's potential transaction moves to Lead Qualification status, it shall go through the following due diligence steps. At the outset of Lead Qualification, Lending staff shall obtain a signed application for financing from an authorized signatory of the Applicant, complete with supporting documents to conduct a Know Your Customer ("KYC") review. MnCIFA requires identification verification for any legal entity or individual Borrower and/or Guarantor. Identity verification includes documentation and confirmation of the following: name, street address, Taxpayer Identification Number (TIN) or Social Security Number (SSN) (as applicable), date of birth or organization formation date and State. The following documents can be used for KYC Verification: public records searches, bank or utility statements, current driver licenses, certified articles of incorporation or member control agreements, current government issued business licenses, or unexpired passports. In addition, Lending staff shall facilitate the execution of a non-disclosure agreement if relevant.

Staff must also search the borrower, guarantor and business entities against the federal debarment list at SAM.gov, and a search on the federal terrorism and other sanctioned groups, at https://sanctionssearch.ofac.treas.gov/.

Preliminary discussion of structure and terms may proceed with the client, but no commitments shall be made during Lead Qualification phase. Additionally, draft term sheets ("Indicative Term Sheets") and letters of interest ("LOI") shall require review by the Chief Investment Officer, or alternatively, the Executive Director or their appointee, in lieu of the CIO, (each of the Chief Investment Officer, Executive Director, or its appointee, an "Authorized Investment Officer"). Only an Authorized Investment Officer may approve the indicative terms or other preliminary/nonbinding documents with proposed investment terms, including any Material Modifications thereto, before they are shared with counterparties to maintain consistency with the business objectives of Lending.

No external third-party transaction-related expense greater than $10,000 may be incurred during Lead Qualification without approval by the ED or Chief Investment Officer or designee. Later, if a project moves to Detailed Due Diligence phase, a deposit for transaction expenses may be required prior to engaging third party consultants.

The Chief Investment Officer or designee or ED shall determine if it is appropriate to move the application to the Transaction Approval stage.

3.1.3 Technical Assistance

Further details regarding Technical Assistance shall be developed in the future by the Credit Committee.

3.1.4 Lending Transaction Approval

Transaction Approval is a two-stage process conducted by the SIT as described below.

3.1.4.1 Initial Due Diligence & Initial Investment Memo

Lending staff shall conduct an initial due diligence review and prepare a CP for presentation to the SIT focusing on the items detailed below. Lending staff shall manage ongoing engagement including additional data gathering and communications with the Applicant throughout this phase. Upon finalization of the CP, Lending staff shall present the CP to the SIT during the Standing SIT Meeting.

The SIT shall review each CP and evaluate key aspects of the proposed transaction. The CP discussion promotes internal awareness and consensus of the transaction; steers investment of resources including staff time; provides a preliminary assessment of the transaction's ability to achieve business objectives; and provides a preliminary assessment of acceptable technical, market, or business risks. Such discussions should ensure transactions satisfy the Lending Investment Criteria and fit well in Lending's investment portfolio.

The CP is a summary description of the transaction opportunity including, as appropriate and without limitation:

- Transaction description and rationale;
- Structure and key terms;
- Description of the Sponsor and other parties involved;
- Sector or industry overview and rationale;
- Early red flag review, including KYC;
- Proposed pricing, expected internal risk rating, and market comps;
- Fit with portfolio;
- Transaction risks and mitigants, including proposed guarantees;
- Key issues to review in detailed due diligence and recommended budget for detailed due diligence;
- Approach to gain the investee's (e.g., borrower or sponsor) commitment including through binding term sheet, letter of commitment, exclusivity agreement, or right of first refusal; and

Once approved by the Chief Investment Officer or designee, the CP is submitted to the SIT for review and approval pursuant to this Section. The SIT will vote on whether to provide approval to proceed ("Greenlight"), refer the investment to the TA, or reject the investment.

Upon CP approval and in consultation with the Legal department, the Chief Investment Officer or other Lending authorized signatories ("Authorized Signatories") may direct the preparation of further indicative or binding documentation such as, but not limited to, the following:

- Conditional Term Sheets;
- Letter(s) of Commitment;
- Exclusivity Agreement.

Third-party advisors such as attorneys, engineers, and consultants may be engaged only after CP approval. Commercially reasonable efforts should be made to transfer to the investee/borrower the obligation to pay such third-party advisors or reimburse such expense to Lending. A deposit for transaction expenses may be required prior to engaging third parties. All such arrangements for expense reimbursement and/or related deposits, as the case may be, shall be documented and signed by the investee/borrower.

3.1.4.2 Detailed Due Diligence & Final Credit Presentation

MnCIFA Lending staff shall conduct detailed due diligence and prepare a Final CP ("FCP") for presentation to the SIT focusing on the items detailed below. Lending staff shall also manage ongoing engagement with the Applicant to execute contracts determined by the SIT during the Greenlight decision and execute detailed due diligence. In addition, Lending staff may engage outside parties (e.g., technical, legal) to support detailed due diligence. Upon completion of FCP, Lending staff shall present the FCP to the SIT at the next Standing SIT Meeting.

The SIT shall review each FCP and raise any questions, concerns, or points for discussion about the transaction, including to ensure continued fit with the Investment Criteria and the Risk Management Principles. The FCP is a detailed analysis of the transaction opportunity including, as appropriate and without limitation:

- Transaction Summary Fact Sheet: Tabular summary including description, borrower/sponsor, size, pricing, internal risk rating, key Lending risks, etc.
- Executive Summary, Transaction Diagram
- Business Description / Market Overview
- Sources & Uses / Cap Table
- Sponsor, Counterparties, Roles & Material Agreements
- Reputational Risk (i.e., any issues from KYC findings, environmental liabilities, other potential issues including adverse impacts to communities such as concerns raised in community outreach, negative press regarding proposed or similar projects)
- Summary of proposed terms
- Investment Merits
- Key Lending Risks & Mitigants
- Internal Risk Rating / Comparable Transaction Pricing Analysis
- Historical Financials, if applicable

- Performance vs Budget (if available)

- Financial Model with assumptions, Base Case / Stress Case / Downside Case model outputs
- Status of Due Diligence
  - Financial
    - Accounting, tax considerations
    - Description of all federal, state, local and utility rebates/incentives to be used
    - Hedging, if needed
  - Legal, Technical
  - Management team and its qualifications, KYC
  - Explanation/confirmation that open issues identified at CP have been resolved
  - Expected losses and loan loss reserve amounts for the transaction considering the internal risk rating and position in capital structure (secured, unsecured, senior, subordinated, etc.)
  - Regulatory issues and considerations
- Valuation
  - Appraisal or Discounted Cash Flow which results in a Loan-to-Value assessment
  - Summary of material collateral
  - "Ways out" analysis or Exit Strategy; sources of repayment (primary and secondary)
- Monitoring Plans & Milestones
  - Discussion of financial operations, monitoring and exit requirements (including control accounts to be used, ongoing funding mechanics, payments, required reports)
  - Key Performance Indicators and related reporting requirements to be tracked and analyzed on an ongoing basis post-close including those to measure and monitor (used for Quarterly Portfolio Reviews)
  - Transaction Financial Performance Metrics
    - Debt Service Coverage Ratio
    - Revenues, Generation
    - Current Ratio, Leverage: Debt-to-Equity
  - Reporting & Compliance
    - Summary of environmental and community benefits and issues
    - Discussion of information to be required of borrower and monitored in support of MnCIFA's impact and EPA compliance reporting
- Any open issues to be resolved prior to close (or "Conditions Precedent").

Legal and the Chief Investment Officer or designee should be given the opportunity to review a final draft FCP and consult with outside counsel as needed to ensure the FCP accurately describes the transaction. Once approved by the Chief Investment Officer or designee, the FCP is submitted to the Credit Committee and Board for review and approval pursuant to Section 2.1.6: *SIT Approval Process*.

Upon FCP approval, the transaction moves into the documentation and execution stage. After satisfying documentation and execution requirements in the next section, the FCP approval allows

Authorized Signatories to sign binding documents such as Commitment Letters or Transaction Documents.

3.1.5 Documentation

Lending staff work with relevant MnCIFA stakeholders to ensure documents reflect SIT approval. Lending staff liaises with internal and external counsel and internal stakeholders to prepare final loan documents and ensure all internal reviews are performed prior to execution and related Pre-Closing Items as defined in Section 3.1.6 Pre-Closing Items.

Final Documentation should include all relevant material terms, including but not limited to the borrower, project, committed amount, interest rate, payment dates, maturity date, security, lien priority, conditions precedent to disbursement, representations and warranties, covenants (including affirmative covenants, reporting obligations), events of default and remedies, notification information and governing law. Final Documents shall be governed by and construed in accordance with the laws of the State of Minnesota, and any legal actions concerning the Final Documentation shall be brought in the Ramsey County, Minnesota courts.

3.1.6 Pre-Closing Items

3.1.6.1 Closing Objectives

There are four objectives when closing a loan:

- Complete all documents as required by state and federal laws and regulations;
- Comply with this Lending Policy;
- Ensure that the borrower understands the loan requirements;
- Maintain a positive image for MnCIFA.

Lending will follow MnCIFA procedures, including all relevant wire processes, to authorize transaction disbursements, providing for a system of checks and balances.

3.1.6.2 Flow of Funds

Initial fundings with a single wire that do not net any payments may be approved without a Flow of Funds by MnCIFA. Fundings with multiple wires and/or that net fees or other payments require a Flow of Funds that includes the following, without limitation:

- Reference to GoverningAgreement;
- Date of the funding; and
- For each wire:
  - the bank releasing and the bank receiving;
  - the account to be debited and credited;
  - the ABA number, as applicable;
  - instructions of “for further credit” (FFC), if applicable;

- the amount; and
- a memo (note) that references the purpose of the wire

It is required that the Flow of Funds to be signed by Borrowers. It is the Lending staff's responsibility to provide a Flow of Funds to the Authorized Signer for confirmation of accuracy against a Governing Agreement or other relevant documentation (e.g., Notice of Borrowing).

3.1.6.3 Pre-Closing Legal Review

Prior to Closing, Lending's legal advisor(s) shall meet with the Authorized Signers, either in person, videoconference, or telephone to review the final legal structure of the transaction and its salient features. After the meeting, the legal advisor shall provide a written letter confirming that the transaction as currently structured is within the bounds of the FCP approval to which it relates. Note: this meeting may occur prior to receiving an authorized signature, provided that the legal documentation has been materially finalized.

3.1.6.4 Pre-Closing Financial Model Review

Prior to Closing, Lending staff shall arrange to present the financial model in the FCP (or as updated thereafter) to the Chief Investment Officer or designee and explain how it was/will be utilized to monitor repayment schedules against base case, model sensitivities and monitor the transaction performance post-close.

The financial model shall include a template developed by Lending staff showing future expected repayment schedules, interest payments, and other fees under the base case. This template shall be maintained by the Transaction Lead to accommodate changes to the business.

3.1.7 Closing and Post-Closing

Once an Authorized Signatory has executed the transaction documents, internal or external counsel may hold the executed signature pages in escrow, to be released when the appropriate conditions precedent to close have been verified/brought down during the closing process. All relevant staff monitoring the transaction are notified immediately by counsel when closing occurs including to evidence such in writing (i.e., sends an electronic confirmation; email is acceptable).

Counsel shall record or file all appropriate documents to perfect collateral positions, and provide a copy of all documents and an original signed Promissory Note to MnCIFA staff. Original Notes must be securely stored (vault, locked fireproof cabinet).

A loan summary memorandum shall be prepared for the loan file. This memo shall be discussed and shared with the Borrower within four weeks of Closing to ensure that Borrower understands their payment, reporting and compliance obligations, and who to contact.

3.2 Fundings And Control Account Disbursements

For each transaction, the chief investment officer or Lending staff shall develop a funding or control account disbursement checklist as appropriate ("Funding Checklists") designed to evidence that each condition precedent set forth in the transaction documents has been satisfied or waived (after appropriate review), together with any internal processes or checks devised to monitor and protect Lending's investment including operational items such as to verify new destination accounts or to ensure adequate liquidity among other checks.

The completed Funding Checklist shall then be approved as follows:

1. Sign-off by relevant MnCIFA staff as required by each Funding Checklist that all conditions precedent to funding have been met;
2. Acknowledgement of the funding by the Controller; and
3. Sign-off by the Executive Director (or designee) that procedures were followed and authorizing the movement of funds.

In the absence of one of the regular signatories, another can sign in their stead, provided that the business head of a control function (Legal or Finance) signs off on each funding. If the Authorized Signer is unavailable to review and sign off on a given funding prior to the funding event, he or she will be required to sign the Funding Checklist afterwards to acknowledge awareness of the funding.

The completed Funding Checklist, together with the Funding Request and supporting documents will be properly filed by Lending staff and provided alongside wire requests to the Chief Financial Officer or Controller.

Upon receiving all funding approvals, authorized Finance personnel shall follow MnCIFA protocols to request a wire transfer from the applicable Lending bank account or submit transfer instructions to applicable control account banks in accordance with their protocols.

If the loan or investment involves construction over an extended period, then Lending staff shall review periodic construction loan draw requests for relevant documentation of satisfactory advancement of progress, collection of all mechanics' lien waivers for payments to date, updated budget indicating adequate funds remaining to complete the project, and other information necessary to confirm the project remains on target. Upon satisfactory review of documentation, Lending staff will work with the Finance area, or title company if relevant, to authorize the funding request from loan proceeds, or consent to draws from other sources involved in the project.

3.3 Ongoing Review

Lending staff shall prepare a Quarterly Performance Report that includes the status of every investment individually and of the portfolio as a whole, to be reviewed by the SIT during the Quarterly Performance Review. Lending staff shall follow best practices for monthly portfolio evaluation and reporting, including standardized updates and flagging unusual items. The SIT shall present outcomes of its reviews to the Credit Committee.

In addition, Lending staff shall perform an annual review of each borrower, including an updated risk assessment. For loans rated 3 (Watch List) or below, additional analysis may be required to determine any necessary steps to protect MnCIFA's investment.

3.3.1 Past Due Payments

MnCIFA shall follow best practices, including monitoring payments and required reporting and conducting outreach prior to the end of any grace periods and before notice of default is issued.

As referenced in Section 2.2.5 above, MnCIFA may charge-off loans deemed to have a high probability of loss, upon approval by the Credit Committee and Board of Directors.

3.3.2 Loan Reserves

MnCIFA shall record reserves for potential future losses from loans in accordance with the risk ratings documented for each loan, as well as in consideration of economic and other relevant factors. The company's process for determining an appropriate level for the reserves is based on a comprehensive, well-documented, and consistently applied analysis of its loan portfolio. The analysis should consider all significant factors that affect the collectability of the portfolio and should support the credit losses estimated by this process. This analysis will be reviewed and updated periodically, with proposed adjustments to be approved by the Credit Committee and Board of Directors.

4 Definitions

"Authorized Signatory" means individuals authorized to sign Non-binding Term Sheets, Commitment Letters, Engagement Letters. Authorized Signatories include the Executive Director, Chief Investment Officer, and Board Chair.

"**Chief Investment Officer**" means a senior-level staff within the Lending team at MnCIFA responsible for the oversight and monitoring of MnCIFA's lending and investment portfolio and presenting portfolio reports to management and the board of directors.

"CP" means credit presentation.

"Current Portfolio" means the sum of all active investments. Its value is the sum of all current outstanding balances and committed but undrawn amounts on a dollar basis.

"Environmental Justice Community" means a community in Minnesota that:

(1) is defined as a disadvantaged community by the federal source of funding accessed by the authority under this section; or

(2) based on the most recent data published by the United States Census Bureau, meets one or more of the following criteria:

(i) 40 percent or more of the community's total population is nonwhite;

(ii) 35 percent or more of households in the community have an income that is at or below 200 percent of the federal poverty level;

(iii) 40 percent or more of the community's residents over the age of five have limited English proficiency; or

(iv) the community is located within Indian country, as defined in United States Code, title 18, section 1151.

"EPC" means Engineering, Procurement & Construction.

"FCP" means Final Credit Presentation.

"Funding Checklist(s)" has the meaning given to it in Section 3.2: Fundings And Control Account Disbursements.

"Greenlight" means approval provided by the SIT following initial due diligence.

"Governing Agreement" means the executed loan or other financing agreement between MnCIFA and the borrower.

"Investment Criteria" has the meaning given to that term in Section 2.2.1 Investment Criteria.

"KYC" means Know Your Customer, which provides guidelines and regulations used to verify customer identities and prevent fraud and other illicit activities.

"Lending" means the MnCIFA Lending business unit of MnCIFA.

"Lending Senior Team" means the Executive Director, Chief Investment Officer or designee, MnCIFA Lending Finance, and any senior attorney assigned to Lending.

"LIDAC" means Low Income and Disadvantaged Communities.

"MnCIFA" means Minnesota Climate Innovation Finance Authority.

"MnCIFA Finance" means the financial accounting team responsible for disbursing loan payments and servicing of loans.

"Material Modification(s)" refers to Modifications to the key terms or any condition of an investment that negatively impacts the risk/return profile or anticipated community benefit(s) of an investment, including to issue a Notice of Default.

"**QPR**" means Quarterly Portfolio Review.

"**SIT**" means the Staff level Investment function of Lending, as described in Section 2.1.3 MnCIFA Staff Investment Team.

"**Standing SIT Meeting**" refers to the regularly scheduled meetings of the SIT, which occur bi-weekly.

Appendix I. Credit Presentation Form

Corporation

LENDER'S
ANALYSIS

Applicant:
Phone Number:
Address:
Borrower Since:
Risk Rating:

Ownership:
Business Started:
Industry:
Employees:

Current Request:
Purpose:
Prepared By:
Loan Officer:

CREDIT SUMMARY

Note Number	Original Date	Original Amount	Balance or LOC Max	Proposed Change +	Proposed Loans	Part. Sold	Net Exposure	Rate	Payment	Collateral
				0	0	0	0			
			0	0	0	0	0			
			0	0	0	0	0			
Total Borrower			0	0	0	0	0			
Related:										
			0	0	0	0	0			
			0	0	0	0	0			
		0	0	0	0		0			
Total Related			0	0	0	0	0			
Total Borrower & Related			0	0	0	0	0			

Note Summary including Current Request

Business Description

FINANCIAL ANALYSIS including Cash Flow, Income Statement and Balance Sheet

Traditional Cash Flow	Date	Date	Date
	2011	**2012**	**2013**
Net Income	0.0	0.0	
Add: Depreciation & Amort.	0.0	0.0	
Interest Expense	0.0	0.0	
Total Cash Available	0.0	0.0	0.0
CMLTD prior year	0.0		
Interest Expense	0.0	0.0	0.0
Distributions to owners	0.0	0.0	
Cash Required	0.0	0.0	0.0
Excess Cash Flow	0.0	0.0	0.0
Debt Service Coverage	#DIV/0!	#DIV/0!	#DIV/0!
Modified Cash Flow			
Total Cash Available	0.0	0.0	0.0
Net Increase/Decrease AR & AP	0.0		
Net Increase/Decrease Inventory	0.0		
Net Incr./Decr. Draws, Fam. Liv., Loans	0.0		
Adjusted Cash Available	0.0	0.0	0.0
Cash Required	0.0	0.0	0.0
Modified Excess Cash Flow	0.0	0.0	0.0
Modified Debt Serv. Cov.	#DIV/0!	#DIV/0!	#DIV/0!

Cash Flow Comments

Income Statement Comments

Balance Sheet Comments

COLLATERAL

	Source & Date	Gross Value	Advance %	Adjusted Value	Prior Liens	Net CV	Bank Debt	Excess (Deficit)	%=debt/ (GV-PL)	%=debt/ Net CV
Inventory		0	50%	0		0	0	0	#DIV/0!	#DIV/0!
Accounts Receivable		0	75%	0		0	0	0	0%	0%
Equipment		0	10%	0		0	0	0	#DIV/0!	#DIV/0!
CRE		0	75%	0		0	0	0	#DIV/0!	#DIV/0!
Grand Total		0		0		0	0	0	#DIV/0!	#DIV/0!

Collateral Description and Comments

GUARANTOR ANALYSIS - Balance Sheet

Name:					
Assets	**Date**		**Liabilities**	**Date**	
Cash, Savings, Bonds	0		Credit Cards	0	
AR & NR	0		Personal Loans	0	
Retirement Investments	0		Homestead REM	0	
Vehicles	0		Other Liabilities	0	
Homestead	0			0	
Other RE	0			0	
Personal Property	0			0	
Equity in closely held companies	0			0	
			Total Liabilities	0	
Total Assets	0		Net Worth	0	

Balance Sheet Comments

Personal Cash Flow:	**2010**	**2011**	**2012**	**2013**
djusted Gross Income	0	0	0	0
Add: Sch. C depreciation, amortization	0	0	0	0
Add: Sch. C interest	0	0	0	0
Add: Sch. E depreciation, amortization	0	0	0	0
Add: Sch. E. interest	0	0	0	0
Deduct: Capital Gains (if not re-occuring)		0		
Deduct: k-1 income; Add: K-1 loss	0	0	0	0
Add: k-1 distributions	0	0	0	0
Deduct: k-1 contributions	0	0	0	0
Cash available for debt service & family living	0	0	0	0
Debt service (P & I)	0	0	0	0
Debt service (P & I)	0	0	0	0
Debt service (P & I)	0	0	0	0
Debt Service (P & I)	0	0	0	0
Debt Service Credit Cards (actual or 1.50%/mo.)	0	0	0	0
Other Obligations	0	0	0	0
Cash Required	0	0	0	0
Excess Cash Avail. for living exp. & other	0	0	0	0
Debt Service Coverage Ratio	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Debt-to-income Ratio	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Guarantor Analysis – Credit Report (Date, Score, Comments)

Guarantor Analysis – Cash Flow

Risk Rating, Summary and Recommendation

Officer Signature Date

Approved Authorization Date

Appendix II. Project Qualification Screening and Investment Scoring

MnCIFA has a two-phase process for initial investment screening and scoring, prior to qualifying leads for negotiation and due diligence as part of the origination process. As described below, the first phase reviews the investment opportunity for qualification against required investment criteria. Upon passing this initial screening, each investment is evaluated using a standardized scorecard based on the investment scoring criteria.

Phase 1: Project Qualification Screening

The following are minimum requirements for a qualifying project using funding from the Greenhouse Gas Reduction Fund. These requirements are subject to change based on grant requirements applicable to MnCIFA. Conformance with these requirements does not guarantee financing will be made available.

1. Investments must be for projects located in Minnesota and Tribal lands within the boundaries of the state.
2. Projects funded with CGC GGRF must meet the statutory definition of "Qualified Projects" as defined by the Inflation Reduction Act of 2022 and conform to the GGRF's National Clean Investment Fund (NCIF) criteria. Examples of projects include renewable energy (behind and front of meter), energy efficiency, net zero buildings, thermal energy networks, energy storage, and building and transportation electrification. See NCIF Terms and Conditions for additional details.
3. Eligible borrowers are Local or Tribal governments, nonprofit organizations, educational institutions, financial institutions, and for-profit entities. MnCIFA will not lend directly to residential borrowers but could be a capital provider for residential projects through a financial intermediary, such as on-bill financing with a partnering utility in conformance with Minnesota regulations for rate-regulated utilities or for municipal utilities.
4. Recipients must demonstrate the ability and commitment to comply with GGRF requirements including Davis Bacon and Related Acts and Build America Buy America, as applicable.
5. Amounts financed by MnCIFA must be at least $250,000. For smaller investments that serve low-income and disadvantaged communities (LIDAC) or rural or federally recognized Tribal areas, MnCIFA can lend to an intermediary to provide that financing. (See NCIF Terms and Conditions for definitions of LIDAC, rural, and Tribal areas.)
6. Additional MnCIFA requirements: substantially reduce greenhouse gas emissions.

Applications that meet the requirements above will proceed to the second phase, Investment Scoring, below. If an application does not meet the requirements above, MnCIFA may contact the applicant and provide feedback as to why its application was not eligible. Proposers may be encouraged to incorporate feedback and re-submit.

Phase 2: Investment Scoring

At this phase, applications are scored using the scoring framework below. The criteria in this framework align with the public-facing application to which each respondent applies for MnCIFA financing.

The Chief Investment Officer or Lending staff applies the scoring framework and presents a recommended scorecard to the SIT. The highest possible score is 100 with the maximum points available for each category as outlined below. If the SIT rejects the recommended scorecard provided by the Chief Investment Officer or Lending staff, the SIT may rescore the opportunity whereupon each member submits individual scorecards, sums the totals of each, and evaluates the average of the combined scores.

Applications are ranked by percentage of total possible points, and pipeline opportunities are managed accordingly. There are no minimum points to be approved for Lead Qualification. However, MnCIFA will prioritize applications with higher scores as part of the Lead Qualification process if there are staffing or funding constraints.

Applications approved for Lead Qualification will continue in the origination process with focus on impact and credit analysis, compliance, and progress towards an agreement-in-principle, along with conditions precedent. See the Scoring Framework on the following page.

SCORING FRAMEWORK

SCORING FRAMEWORK				MnCIFA	
All projects must meet basic screening criteria to be considering for financing					
Category	Subcategory	Criteria	SCORE	Max Scor	
Applicant Eligibility			MUST BE Y		Notes
	Essential Criteria	Located in Minnesota		Y/N	
		Meets statutory definition of Qualified Project in MN 216C.441		Y/N	
		Ability and commitment to comply with BABAA & DBRA		Y/N	
		Substantial reduction in Greenhouse Gas (GHG) Emissions		Y/N	
		At least $250k		Y/N	
		Is project in an EJ Community based on MPCA map? (40% portfolio req)		Y/N	
					The sum of individual sub-section scores awarded will not exceed the section score.
Financial Viability		Section Score:	0	35	
	Financial Status	appropriate creditworthiness		*up to 15*	Project application includes details regarding financial status, including audited financials* and key financial ratios (D/E and/or DSC), along with evidence of ability to provide collateral and/or other guarantees 0 points: not addressed in project application 1 - 5 points: does not have/include audited financials and/or key ratios outside of range (see risk rating matrix) and/or no evidence of ability to provide collaterals/guarantees 6 - 10 points: includes at least one year of audited financials, key ratios (in range), evidence of ability to provide collaterals/guarantees 11 - 15 points: includes multiple years of audited financials showing strong financial standing, key ratios (in range), and evidence of ability to provide collaterals/guarantees *Accountant-reviewed/prepared financials may substitute for audited financials, especially for small or new entities, at MnCIFA's discretion
		collateral / guarantees			
		D/E and/or DSC ratio			
		audited financials			
	Legal Standing	confirmation of ability to receive funds		*up to 5*	Project application addresses ability to receive funds and legal standing 0 points: not addressed in project application 1 - 2 points: ability to receive funds and/or legal standing addressed but unclear 3 - 4 points: ability to receive funds and/or legal standing clear but potential for legal and/or regulatory conflicts to impact project 5 points: ability to receive funds and/or legal standing clear and no foreseen conflict
		free of legal / regulatory conflicts with potential to jeopardize project			
	Experience & Expertise	ability of entity to execute on project		*up to 10*	Project application addresses experience and expertise of entity, including leadership, and project team 0 points: not addressed in project application 1 - 3 points: first-time execution by entity of product/tech, service and/or measure; involved vendors and partners are new and/or unproven 4 - 7 points: early stage execution of product/tech, service and/or measure; involved vendors and partners have some experience implementing product/tech, service and/or measure 8 - 10 points: entity has experience executing similar product/tech, service and/or measure; involved vendors and partners have deep experience
		team qualifications and leadership capacity			
	Financing risk	% of cap stack requested from MnCIFA; firmness of cap stack		*up to 8*	Project application addresses capital stack and related details 0 points: not addressed in project application 1 - 2 points: < 20% of overall cap stack; no details of cap stack firmness 3 - 4 points: < 15% of overall cap stack; details of cap stack firmness 5 - 8 points: < 10% of overall cap stack; details of and evidence supporting cap stack firmness

Project Alignment / Community Impact		Section Score: 0	20	
Project Diversity	adds to diversity of MnCIFA project portfolio		*up to 5*	Project application addresses the following dimensions of MnCIFA project portfolio diversity: demographics of impacted community/communities, lending tool type requested (e.g., tax credit bridge lending, pooled lending, debt financing, loan loss reserves, other), geographic area impacted, timing of need, type of product/technology/service/measure, type of benefits (as established in MN 216C.441 Subdivision 2 item (n), e.g., GHG emission reduction, reduction in energy use, etc.); diversity will be reviewed in the context of MnCIFA's current portfolio 0 points: not addressed in project application 1 - 2 points: one dimension of diversity (i.e., one dimension unique to current portfolio) 3 - 4 points: multiple dimensions of diversity (i.e., multiple dimensions unique to current portfolio) 5 points: dimension/s of diversity not otherwise present in current portfolio or project queue
Job Creation & Retention	promotes job creation, retention and/or training		*up to 10*	Project application addresses the extent to which the project will create and/or retain jobs, and/or provide job training, and/or the ability to enroll in registered apprenticeships, for local workers, consistent with the public interest, especially workers from environmental justice communities, labor organizations, and Minnesota communities hosting retired or retiring electric generation facilities; job creation and retention will be considered in proportion to the size of the funding request; both temporary and permanent job creation will be considered; preference will be given to projects with direct job creation over indirect/imputed job creation 0 points: not addressed or does not promote job creation, retention and/or training 1 - 3 points: creates or retains small number of jobs (relative to size of funding request) from one or more groups listed above, with limited emphasis on training and/or skills development 4 - 7 points: generates or retains moderate number of jobs (relative to the size of the funding request), from one or more groups listed above, with some focus on skills development, training and/or registered apprenticeships 8 - 10 points: maximizes job creation and retention (relative to the size of the funding request), from multiple groups listed above, with focus on skills development, training and/or registered apprenticeships as well as retention of and/or creation of job opportunities for the affected existing workforce. The project has a community workforce agreement/Project Labor Agreement (PLA) covering working conditions of the construction workers.
	fulfills one or more of the preference categories cited in MN 216C.441 Subdivision 6. Authority lending practices, labor and consumer protection standards.			
Environment Impact	fulfills one or more of the project impacts associated with a "Qualified Project", as described in MN 216C.441 Subdivision 2 item (n)		*up to 10*	Project application addresses the extent to which the project will reduce emissions, energy and/or consumption, and/or promote electrification, fuel switching, demand response and clean water preservation, and/or develop and deploy EV infrastructure, including EV fleets 0 points: not addressed 1 - 3 points: addresses benefits type/s, quantifies potential impacts, provides supporting evidence of minimal impact (as measured with reference to MnCIFA project portfolio and project queue) 4 - 7 points: addresses benefits type/s, quantifies potential impacts, provides supporting evidence of moderate impact (as measured with reference to MnCIFA project portfolio and project queue) 8 - 10 points: addresses benefits type/s, quantifies potential impacts, provides supporting evidence of significant impact (as measured with reference to MnCIFA project portfolio and project queue)

Social and Economic Benefits	Section Score:	0	20	
Community Engagement	can show community support for project		*up to 10*	Project application includes documented support from local community, local governing entities (e.g., City Council, neighborhood groups), local businesses, not-for-profit organizations supporting the community, labor organizations and/or related individuals and/or groups. 0 points: no documented support 1 - 3 points: limited support (single supporting entity) 4 - 6 points: moderate support (multiple entities, representing small portion of community) 7 - 10 points: widespread support (multiple entities, representing large portion of community, including elected leaders, local organizations and labor unions)
Community Benefits	includes community benefits as referenced in MN 216C.441 Subdivision 2 item (n) Qualified Project and discussed in MnCIFA's Investment Strategy		*up to 15*	Per MnCIFA's Investment Strategy, priority consideration will be given to projects that will have demonstrable impact for the communities served by the project, particularly environmental justice and/or retiring plant host communities and their residents. Example of impact may include, but are not limited to: addressing energy burden, keeping project benefits in the community (consistent with MnCIFA Strategic Plan), providing a community education component or resource, and/or not increasing residents energy bills. 0 points: uncertain or no community benefits 1 - 5 points: limited community benefits (small portion of population; small impact) 6 - 10 points: moderate community benefits (larger portion of population; moderate impact) 11 - 15 points: widespread community benefits and impact
Innovation and Scalability	Section Score:	0	10	
Innovation	promotes viable innovative tech, process, product, measure and/or service		*up to 10*	Application addresses extent to which the project introduces viable and novel: products, technologies, processes, measures and/or services 0 points: not addressed or no innovation; applies standard products, technologies, processes, measures and/or services 1 - 2 points: project includes incremental enhancements to products, technologies, processes, measures and/or services 3 - 4 points: project includes new approaches and/or novel elements 5 points: project will demonstrate and/or test significant advancements
Scalability	could serve as a blueprint for future similar project implementations		*up to 10*	Application addresses the project's potential to be replicated or expanded as a model for future implementations 0 points: not addressed and/or highly-customized, one-off solution 1 - 2 points: could be adapted in specific circumstances 3 - 4 points: could be adapted and expanded with modifications; evidence of applicability 5 points: easily replicable, designed for expansion with minimal changes

Technology / Product Feasibility		Section Score:	0	5	
Tech / product / project risk	tech / product maturity			*up to 5*	Application describes technology and/or product maturity. 0 points: No working prototype or minimum viable product (working product but limited validation) 1 - 2 points: Fully functional technology or product with successful pilot tests or early adopters 3 - 4 points: Established technology or product with proven market demand and customer adoption 5 points: Fully commercialized and mature technology or product; significant market presence
Regulatory & Permitting as relevant		Section Score:	0	10	*Projects may not require local, state and/or federal permitting or approvals, Environmental Impact Assessments or Statements, and/or interconnection rights. If not required/relevant, this section will be omitted from scoring. The remaining section scores will be totaled. The resultant overall score will be converted to a score out of 100.*
Permitting & Easements	has obtained, is likely to obtain any required local, state and/or federal permits and related approvals; for new construction, this includes historic preservation reviews (state, SHPO, and tribal, THPO)			*up to 5*	Application includes documentation of permitting required, pending and/or completed N/A: application specifies that no permitting or related approvals are required 1 point: application specifies permitting or related approvals; applicant has not initiated permitting and/or approval process 2 - 3 points: application specifies permitting or related approvals; applicant has initiated permitting or related approvals process, and includes projected timeline for completion 4 - 5 points: application specifies permitting or related approvals; applicant has received permitting or related approvals, and provides documentation
EIA/EIS	has performed any required EIA/EIS, or has plans to perform			*up to 5*	
Interconnection & Utility requirements	has obtained, or is likely to obtain interconnection rights (e.g., from MISO and/or local utility) (third-party retail sales of energy and retail choice are not allowed in MN)			*up to 5*	
		OVERALL SCORE	**0**	100	

MN 216C.441 Subdivision 2 item (n)

(n) "Qualified project" means a project, technology, product, service, or measure promoting energy efficiency, clean energy, electrification, or water conservation and quality that:

(1) substantially reduces greenhouse gas emissions;

(2) reduces energy use without diminishing the level of service;

(3) increases the deployment of renewable energy projects, energy storage systems, district heating, smart grid technologies, or microgrid systems;

(4) replaces existing fossil-fuel-based technology with an end-use electric technology;

(5) supports the development and deployment of electric vehicle charging stations and associated infrastructure, electric buses, and electric fleet vehicles;

(6) reduces water use or protects, restores, or preserves the quality of surface waters; or

(7) incentivizes customers to shift demand in response to changes in the price of electricity or when system reliability is not jeopardized.

MN 216C.441 Subdivision 6 Authority lending practices; labor and consumer protection standards.

(a) In determining the projects in which the authority will participate, the authority must give preference to projects that:

(1) maximize the creation of high-quality employment and apprenticeship opportunities for local workers, consistent with the public interest, especially workers from environmental justice communities, labor organizations, and Minnesota communities hosting retired or retiring electric generation facilities, including workers previously employed at retiring facilities;

(2) utilize energy technologies produced domestically that received an advanced manufacturing tax credit under section 45X of the Internal Revenue Code, as allowed under the federal Inflation Reduction Act of 2022, Public Law 117-169;

(3) certify, for all contractors and subcontractors, that the rights of workers to organize and unionize are recognized; and

(4) agree to implement a project labor agreement.

Appendix III. Internal Risk Rating Policy and Procedure

COMMERCIAL LOAN RISK RATING						
	Borrower Name					Date Scored
		1 Excellent	2 Good	3 Watch List	4 Below Average	5 Doubtful / Loss
0	**Firm/Industry**	Industry Leader	Favorable	Projections, fairly new	Uncertain Future	Tenuous
0	**Management Ability**	Very Capable	Capable/Cooperative	Some Weaknesses	Questionable	Poor
0	**Financial Information**	Audited Statements	Satisfactory/Informativ e	may be Acceptable	Poor/Late	Late/None
0	**Financial Strength**	3 Yrs Positive Cash Flow	Profitable/Upward Trend	Average with some weakness	Losses/Leveraged	Negative Cash Flow
0	**Collateral**	Highly Liquid	Good Collateral Margin	Dependent on Guarantees	Marginal	Insufficient
0	**Debt to Worth**	Less than 1 to 1	up to 1.25 to 1	2-3 to 1	Less than 4 to 1	Greater than 4 to 1
0	**Current Ratio** **Debt Service Coverage**	2.00 to 1.00 at least 1.20 : 1.00	1.25 to 2.00 at least 1.00 : 1.00	1.00 to 1.25 less than 1.00 : 1.00	0.50 to 1.00 less than 1.00 1-2 years	Less than 0.50 less than 0.80 ongoing
0	**Susceptibility to Recession**	Recession Proof	Minimal Impact	Some Difficulty	Difficult to Overcome	Very Difficult to Overcome
0	**Attention by Officer**	Little	Less than Average	Normal to slightly above	Close Attention	Substantial Attention
0	**Most Likely Sources of Repayment**	Bank Takeout Financing	Proven Cash Flow	Asset Conversion Flow	Anticipated Cash	Sale of Crucial Assets
		Proven Cash Flow	Bank Take Out Financing	Anticipated Cash Flow	Asset Conversion	Payment by Guarantors
		Sale of Discretionary Assets	Sale of Discretionary Assets	Bank Takeout Financing	Finance Company Refinancing	Recapitalization by Principals
			Federal Tax Credits	Finance Company Refinancing	Recapitalization by Principals	Anticipated Cash Flow
0	**Risk Score (Average of Above):**	**Based on Financial Statements Dated:**		**Loan Officer:**		

Assigning a Risk Rating to a borrower is the account officer's responsibility. The account officer is in the best position to know the borrower, management and key personnel. Defining Risk Rating criteria is the responsibility of staff and management.

Trends are the most significant indicator. Problems will occur. How management deals with the problem(s) is significant. Are the problems a temporary setback or the beginning of a more serious concern? It may be appropriate to downgrade the risk rating until the concern is resolved. Extending new credit to a borrower risk rated watch list (or worse) should be an exception, not routine. Mitigating circumstances may warrant extending new credit, however the reasons and conditions should be explained clearly.

RR 1 (Excellent credit)

1. Cash Flow: Debt Service Coverage Ratio (DSCR): Minimum 1.50:1.00 at FYE for prior 3 years.
2. Liquidity: Positive working capital and current ratio at or above 2.00:1.00 for prior years.
3. Collateral: Advance rates (loan-to-value) do not exceed the following: RE 50%; Equipment 50%; Inventory 50%; Accounts Receivable 50%.
4. Management: Responsive, easy to work with and has considerable experience in the industry.
5. Financial Statements: Generally, audited or accountant prepared and timely (received within 4 months of FYE). Company prepared interim FS's are consistent, include necessary details and received within 2 months of the period end.
6. Balance Sheet: Strong and consistent with positive trends. Consider fluctuations in Inventory, Accounts Receivable, Accounts Payable and Line of Credit (disciplined use regarding advances and reductions). Minimal intangible assets.
7. Debt-to-Worth Ratio: Maximum 1.00:1.00.
8. Reputation: Customer's position in their market is respected, well established, minimal supplier or customer concentration, and strong competitive advantage.
9. Guarantor: Personal Financial Statement is accurate and timely (received within 4 months of FYE).

RR 2 (Good / Satisfactory credit)

1. Cash Flow: Debt Service Coverage Ratio (DSCR): Minimum 1.10:1.00 at FYE for prior 3 years.
2. Liquidity: Positive working capital and current ratio at or above 1.20:1.00 for prior 2 years.
3. Collateral: Advance rates (loan-to-value) do not exceed the following: RE 80%; Equipment 75%; Inventory 50%; Accounts Receivable 50%.
4. Management: Responsive, easy to work with and has some experience in the industry.
5. Financial Statements: Adequate considering the complexity of the relationship. Perhaps require more interaction with management regarding details of the FS. Look for consistency, necessary details, and notes. Timely (FYE within 4 months, interims within 60 days).
6. Balance Sheet: Adequate, trends are generally positive and consistent. Consider fluctuations in Inventory, Accounts Receivable, Accounts Payable and Line of Credit (disciplined use regarding advances and reductions). Minimal intangible assets.
7. Debt-to-Worth Ratio: Maximum 1.25:1.00
8. Reputation: Customer's position in their market is established, supplier or customer concentration is mitigated, and likely to remain competitive.
9. Guarantor: Personal Financial Statement is accurate and timely (received within 4 months of FYE).

RR 3 Watch List (less than satisfactory)

1. A Watch List credit is a credit that is experiencing a challenge, or challenges (examples: management issues,

supplier or production issues, revenue or expense issues) that are expected to be resolved but the timeframe is uncertain. The credit warrants close monitoring to determine if the situation improves or deteriorates.
2. Watch List rating represents the beginning of a potential problem.
3. Watch List rating can be assigned based on interim FS's, a noteworthy event, or at FYE.
4. A Watch List rating may be upgraded or downgraded within 6 to 12 months, however it is recognized that some credits may be classified as a watch list credit for an extended period of time due to no significant improvement or deterioration of the credit occurring since the prior review.

RR 4 (Below Average / Substandard)

1. Cash Flow: Debt Service Coverage Ratio (DSCR): Less than 1.00:1.00 at FYE for prior 2 years.
2. Liquidity: Negative working capital and current ratio less than 1.00:1.00 and increasing reliance on secondary sources of repayment (collateral or guarantor).
3. Collateral: Advance rates (loan-to-value) exceed the following: RE 80%; Equipment 75%; Inventory 50%; Accounts Receivable 50%.
4. Management: Management can be unresponsive and challenging.
5. Financial Statements: May be adequate but inconsistent and disclosing erratic swings in account balances. Financial reporting is delinquent (FYE 6+ months delinquent; interim FS's 3+ months delinquent). Requires more interaction with management regarding details of the FS.
6. Balance Sheet: Deteriorating, perhaps inconsistent, negative trends, inventory, accounts receivable, accounts payable, line of credit fully advanced and total liabilities increasing.
7. Debt-to-Worth Ratio: Up to 4.00:1.00
8. Reputation: The customer's position in their market is deteriorating. Future is uncertain.
9. Guarantor: Personal Financial Statement may not be timely or offer adequate support for capital injection or as a source of repayment.
10. Weaknesses: Defined weaknesses in financial trends, overdrafts, delinquencies and collateral.

RR 5 Doubtful / Loss

1. Multiple concerns wherein continuation of the business "as is" is unlikely without significant changes and a capital injection; no longer a bankable asset.
2. Cash flow, liquidity, and collateral are inadequate, meaning the bank will likely incur a loss of principal. Liquidation likely.
3. Resolution is likely to charge off loan and closely monitor to maximize recovery of principal.
4. Engage legal counsel if appropriate.

CLIMATE INNOVATION FINANCE AUTHORITY

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https://mn.gov/commerce/energy/consumer/energy-programs/climate-innovation.jsp g