



Capital at the point of impact.

Sustainable Development Fund

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TRF Sustainable Development Fund

Annual Program Plan

January 1, 2008 – December 31, 2008

Overview

The Reinvestment Fund will manage the Sustainable Development Fund (SDF) in a business-like and entrepreneurial manner. Flexibility and responsiveness to market opportunities will be essential qualities of SDF's operation. The financial assistance offered by the Sustainable Development Fund in 2008 will continue to be customer driven, meaning the exact nature of the projects financed and the total amount of financing will be determined in response to SDF's customer needs.

Primary Markets

The SDF will have the following seven primary market targets in 2008:

- 1) To finance the start-up, expansion and attraction of businesses within the PECO Energy service territory that:
 - (a) produce electricity from renewable energy sources
 - (b) design, manufacture, install and/or service renewable energy or advanced clean energy technologies
 - (c) provide renewable energy or advanced clean energy services.
- 2) To finance the purchase and installation of renewable energy or advanced clean energy technology, products or services by commercial, institutional, industrial end users and by companies and organizations in the PECO Energy service territory that serve residential customers.

- 3) To finance the start-up, expansion and attraction of businesses within the PECO Energy service territory that:
 - (a) design, manufacture, install and/or service energy conservation or energy efficiency technologies
 - (b) provide energy conservation or energy efficiency services.
- 4) To finance the purchase and installation of energy conservation or energy efficiency technology, products or services by:
 - (a) commercial, institutional and industrial end users, or
 - (b) companies and organizations that serve residential customers within the PECO Energy service territory.
- 5) To promote the development of new wind powered generation projects in Pennsylvania.
- 6) To purchase, install, finance and/or write down the cost of photovoltaic systems.
- 7) To provide consumer education about electricity from renewable sources, including environmental, financial and technical considerations.

In the marketing of SDF, special effort will be made to identify and encourage renewable energy opportunities and to help build a renewable energy infrastructure in southeastern Pennsylvania.

Financial Tools

The financing provided by The Reinvestment Fund to projects in these seven primary markets may be:

- predevelopment loans;
- construction financing (for both new construction and rehab);
- permanent and term loans;
- equipment loans and leases;
- energy conservation lease financing and energy performance contract financing; and
- subordinated debt.

The specific financial tool and the specific terms of the financial assistance shall be determined by the customer and The Reinvestment Fund.

Reviewing Mission Fit

The Reinvestment Fund will seek guidance from the Board from time to time to ensure that requests for financial assistance meet the mission and purpose of SDF. The Board will meet

quarterly to discuss the extent to which the requests are consistent with the mission of SDF and suggest strategies to generate additional deal flow.

Core Grants

SDF may make a limited number of grants benefiting companies and organizations to further promote renewable energy, clean energy technologies and energy efficiency in the PECO Energy service territory. Grants will be awarded on a competitive basis by the board. The grant policy approved by the board currently provides for grants for business planning and new technology/product deployment; and other special opportunities to promote renewable energy and energy conservation.

The budget total for these grants in 2008 is \$200,000.

Operating Principles

Over the years, The Reinvestment Fund has developed operating principles based on its experience in integrating social and environmental goals with commercially viable financing programs. These principles are:

- As a mission-driven financial institution, SDF will work with its customers and will be flexible in its underwriting of projects.
- When considering loan and investment proposals, these proposals should be commercially viable and generate at least a modest return.
- The quality of a company's management team and its market opportunities are the first considerations in evaluating an investment opportunity.
- Financing decisions are based on agreed upon underwriting and investment criteria, not on political or other special considerations.
- The capital base is leveraged where possible by attracting mainstream investors and lenders to companies or projects in which risk has been reduced by The Reinvestment Fund's participation.
- Investments and loans are diversified where possible among several industry sectors and types of projects to reduce risk.

The Greening of The Reinvestment Fund

In 2008, SDF will work with the other business lines of The Reinvestment Fund (TRF) with the goal of making sustainability an explicit element in all programs of TRF. Co-financing opportunities with TRF will be actively sought to further leverage SDF's limited funds.

2008 Projections

SDF will actively seek financing opportunities in all seven primary target markets. SDF anticipates managing 123 new and existing loans, investments and grants in 2008, totaling \$5,450,000. The actual dollars loaned, invested and granted, as well as the actual distribution of financial assistance

among SDF's target markets, will depend on the available financial opportunities and the deal flow that SDF is able to develop.

SDF's projection of its financial assistance in 2008 is as follows:

	<u>Number</u>	<u>Avg \$ per Transaction</u>	<u>Total</u>
Core Funding			
Renewable / Clean Energy			
Loans / Leases	2	500,000	1,000,000
	<i>Sub-total</i>		<i>1,000,000</i>
Energy Efficiency / Conservation			
Loans / Leases	4	500,000	2,000,000
	<i>Sub-total</i>		<i>2,000,000</i>
Core Grants Program			
Core Grants	8	25,000	200,000
	<i>Sub-total</i>		<i>200,000</i>
Merger Programs			
PA Wind Development Program			
Bear Creek	1	500,000	500,000
Casselman	1	500,000	500,000
Hazelton Community Wind	1	25,000	25,000
New community wind (TBD)	1	25,000	25,000
	<i>Sub-total</i>		<i>1,050,000</i>
Solar Photovoltaic Program			
Residential/Commercial Installations	100	10,000	1,000,000
	<i>Sub-total</i>		<i>1,000,000</i>
Renewable Energy Public Education			
PA Clean Energy Communities	1	100,000	100,000
New public education (TBD)	4	25,000	100,000
	<i>Sub-total</i>		<i>200,000</i>
Grand Total	123		5,450,000

The projected numbers are a best estimate of financeable deal flow in 2008. These projected numbers should not constrain SDF's ability to exceed the 2008 projections or use the other SDF financial products described above if there are quality financing opportunities that fit SDF's mission.

Approved by the Sustainable Development Fund Board of Directors on December 18, 2007.