



Capital at the point of impact.

Sustainable Development Fund

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TRF Sustainable Development Fund Annual Program Plan January 1, 2009 – December 31, 2009

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 three primary market targets in 2009:

- 1) To finance the purchase and installation of energy conservation or energy efficiency technology, products or services by: commercial, institutional, nonprofit and industrial end users, and companies and organizations that serve residential customers within the PECO Energy service territory.
- 2) To finance the purchase and installation of renewable energy or advanced clean energy technology, products or services by commercial, institutional, nonprofit and industrial end users and by companies and organizations in the PECO Energy service territory that serve residential customers.
- 3) To finance the expansion of businesses within the PECO service territory and the relocation of business to the PECO 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;
 - (d) design, manufacture, install and/or service energy conservation or energy efficiency technologies; and,
 - (e) provide energy conservation or energy efficiency services.

Financial Tools

The financing provided by The Reinvestment Fund to projects in these three 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
- 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 and to suggest strategies to generate additional deal flow.

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.

SDF Grants

SDF's grantmaking activity will be much reduced in 2009. The SDF Core Grant program was suspended in July, 2008 and the FY2009 budget does not show it resuming before July 1, 2009. In June, 2009, the SDF board will consider and approve a new budget for FY2010 and the issue of resuming the Core Grants will be decided at that time.

The other major grant activity has been the PECO merger programs for wind, solar and public education. The budgets for these three programs have been fully committed (except for \$200,000 in the wind program that have been budgeted for one additional community wind project) and the 2009 activity will focus on closing out the remaining open projects and grants in these three programs.

The Greening of The Reinvestment Fund

In 2009, 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.

2009 Projections

SDF will actively seek financing opportunities in all three primary target markets. SDF anticipates approving and/or closing 49 loans and grants in 2009, as well as the close-out of related PV and Public Education program administration contracts, totaling \$5,255,000. The actual dollars loaned, 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 anticipates the completion and close-out of 8 existing Core Grants, 1 existing PA Wind grant, 30 Solar PV grants and 1 public education grants in 2009, as well as the close-out of related program administration contracts, totaling \$1,055,000. The only new grant activity expected in 2009 is the selection of one additional community wind project, totaling \$200,000.

SDF's projection of its financial assistance in 2009 is as follows:

	<u>Number</u>	<u>Avg \$ per Transaction</u>	<u>Total</u>
Core Funding			
Energy Efficiency / Conservation			
Loans / Leases	6	500,000	3,000,000
	<i>Sub-total</i>		<i>3,000,000</i>
Renewable / Clean Energy			
Loans / Leases	2	500,000	1,000,000
	<i>Sub-total</i>		<i>1,000,000</i>
Core Grants			
Close-out of open prior grants	8	20,000	160,000
	<i>Sub-total</i>		<i>160,000</i>

	<u>Number</u>	<u>Avg \$ per Transaction</u>	<u>Total</u>
Merger Programs			
PA Wind Development Program			
Close-out of Hazelton project	1	200,000	200,000
New community wind project (TBD)	1	200,000	200,000
<i>Sub-total</i>	2		400,000
Solar Photovoltaic Program			
Close-out of open prior PV grants	30	20,000	600,000
Close of program admin. contract	1	50,000	50,000
<i>Sub-total</i>	31		650,000
Renewable Energy Public Education			
Close-out of open prior grants	1	40,000	40,000
Close of program admin. contract	1	5,000	5,000
<i>Sub-total</i>	2		45,000
Grand Total	51		5,255,000

The projected numbers are a best estimate of financeable deal flow in 2009. These projected numbers should not constrain SDF's ability to exceed the 2009 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 16, 2008.