PENNSYLVANIA GREEN ENERGY LOAN FUND

Loan and Underwriting Policies

The Pennsylvania Green Energy Loan Fund has adopted the loan and underwriting policies of The Reinvestment Fund, Inc. The following sets forth those policies that the Pennsylvania Green Energy Loan Fund will adhere to.

I. Mission, Portfolio Objectives, Loan Policy

A. Mission: The Reinvestment Fund, Inc. ("**TRF**") builds wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development.

B. Portfolio Objectives: The board of directors has established three basic loan portfolio objectives:

1. deploy capital to further TRF's mission.

2. extend credit on a safe and sound basis.

3. meet the credit needs of current and prospective borrowers.

C. About This Loan Policy

1. The primary purpose of this loan policy is to provide senior management and lending staff with the framework and guidelines for the investment of TRF's assets in various types of loans that further TRF's mission.

2. These policies reflect our credit culture and portfolio objectives and our comfort level regarding concentrations of risk and quality of loan assets. Of course, policies are not intended to be a substitute for good judgment when assessing and extending credit. This policy is flexible and adaptable to changing internal and external conditions. Although risk will be undertaken, prudent judgment and internal controls will be utilized to manage that risk. Oversight by the board of directors through the senior management team, and its planning process, focuses on strategic risk and reputation risk. Risk management is at the core of what lenders do and is subject to ongoing evaluation.

3. The board of directors will review the policy annually, or as requested. The Manager of Credit Administration shall have responsibility for maintaining this Policy and ensuring that is kept up to date with all approved modifications and amendments as well as any new policies approved by the board of directors. All changes to this policy must be approved by the Board of Directors. The loan policy is reviewed periodically to ensure responsiveness to our markets and consistency with our business plan while continuing to identify and prudently manage loan credit risk.

4. It is the responsibility of senior management to interpret and apply this policy. If issues arise which cannot be resolved by these interpretations, the CEO will make the final determination.

II. Supervision of Lending

A. The board of directors will establish and approve broad lending policies of TRF. The board of directors will direct management to oversee and be responsible for the amplification, implementation and administration of this loan policy. Senior management will manage the loan portfolio in such a manner as to:

1. conform to approved credit policies;

2. provide an acceptable return to TRF;

3. make loans with primary emphasis on safety and liquidity;

4. meet the legitimate credit needs of the markets TRF serves;

5. ensure the establishment and maintenance of adequate loan loss reserves;

6. provide that senior management of the designated loan units is responsible for ensuring that approving, monitoring, reporting and documenting credit extensions are implemented and administered in compliance with the approved policy;

7. establish the duties and responsibilities of lending staff to include the following:

(a) ensure that all loan decisions, actions and recommendations comply with board-approved policies and guidelines, and are based on an accurate and thorough understanding of each borrower's financial needs and conditions;

(b) properly administer the credit-worthiness and documentation of all loans in TRF's portfolio;

(c) maintain sufficient information within TRF's files that clearly depict the underwriting analysis, the periodic decisions related to approvals or modifications to the credit terms, amounts and/or collateral of the credit;

(d) ensure that underwriting and policy exceptions are identified, documented and properly approved;

(e) communicate any critical changes in the borrower's condition that could affect the potential risks of the credit to senior management within TRF; and

(f) promote TRF's image and reputation.

III. Portfolio Segmentation & Risk Diversification

A. In General: Risk diversification is a basic tenet of portfolio management. Concentrations of credit risk occur within a portfolio when otherwise unrelated loans are linked by a common characteristic. If this common characteristic becomes a common source of weakness for the loans in concentration, the loans could pose a considerable risk to earnings and capital. Managing the portfolio includes managing any concentrations of risk. TRF will focus on the following parameters in considering portfolio segmentation and risk diversification: portfolio mix, risk grades, market area, minimum and maximum loan size and aggregate borrower exposure (see also individual lending group underwriting guidelines attached).

B. Risk Grades: TRF uses the following six -point credit risk grading system for loans:

1. above average (AA)
2. satisfactory (SAT)
3. below average (BA)
4. watch (WAT)
5. substandard (SUB)
6. doubtful (DOU)

The definitions of these risk grades are determined by each lending group. The risk grades for a construction loan of the Housing Finance Group, for one example, are attached to this policy as **Exhibit A**, but are not made a part of it. These definitions are subject to review and modification at the discretion of senior management.

C. Portfolio Mix: TRF has four primary areas of lending specialization:

1. Housing Finance Group
2. Community Facilities Lending Group
3. Commercial Lending Group
4. Energy Group.

Outlines showing the market and product specializations of each group's lending practices are attached to this policy as **Exhibit B**, but are not made a part of it. These exhibits are subject to review and modification at the discretion of senior management. The board of directors has not adopted formal targeted ranges relating to the desired mix of the portfolio among its various lines of business.

A report of portfolio segmentation and risk diversification will be submitted to the loan committees of each lending group and the Finance Committee of the Board of Directors on an annual basis.

D. Portfolio Review: TRF values asset quality. Accordingly, TRF will review all current TRF lending relationships annually.

1. During each calendar year, the President of Lending Operations and the managing directors will cause lending staff to undertake a written review of all TRF lending positions. Lending staff must review and analyze each borrower's current financial position and performance under the loan, concluding with a recommendation to lower, raise or retain the loan's current risk grade.

2. The President of Lending Operations and the managing directors will determine the nature and the content of each portfolio review. By way of example, but not limitation, this group may decide to segment the review process depending on then-current workflow and staffing (e.g., one quarter of the portfolio will be reviewed each calendar quarter), or to segment the process to highlight relationships sharing the same type of loan product or the same geographical location in response to changing economic conditions.

3. All written portfolio reviews will be presented to each lending group's loan committee upon completion for further discussion and risk rating recommendations, all such recommendations to be noted in the minutes of that committee meeting.

4. A monthly portfolio review meeting will be held by a review team including each of the managing directors for the respective lending areas, the President of Lending, the Controller, the CFO and the Manager of the Credit Administration/Servicing area. The criterion for identifying the population of loans included in the review is very expansive and as such, a large percentage of the active loan portfolio is reviewed in each of the sessions. The review of each loan and relationship includes a discussion about what is happening with loan (borrower's financial condition, market conditions, etc.) and how that loan's relationship may affect other business/loans with TRF. Additionally, if the loan is impaired, a discussion is had to review the current reserves held and if adjustments are necessary to the respective amount. This modification to the policy is practiced currently and has been since March 2009, but has not yet been presented to the Board for approval. Below is a list of the criteria used for selecting the portfolio report used for the review:

Criteria for inclusion on the report:

1. Impaired Loan
2. Over 60 days delinquent
3. Matured
4. Non-accrual loan
5. Restructured
6. Forbearance Agreement
7. Extensions in the past 18 months
8. Capitalized Interest for the past 18 months
9. Lien Position other than First
10. All loans associated with a borrower whose loan is identified in any of the conditions listed above.

IV. Conflicts of Interest & Lender Liability

A. Conflicts of Interest: TRF employees should avoid any situation which could give the appearance of a conflict of interest. Employees should never be involved in the underwriting or servicing of loans to family members or to businesses in which the employee or a member of the employee's family has an interest. In addition, at or prior to each Committee meeting, each staff member and member of the committee will disclose the nature of any potential conflict of interest that would be created by their participation in the discussion of a particular loan under consideration. The members of the Committee in attendance may elect to ask the member or staff to leave the meeting due to the specifics of the situation and potential conflict. At that discussion, the Committee Member will abstain from the vote unless the other Committee Members in attendance decide that the specifics of the situation do not preclude the member from participating or voting. Any such abstention by a Committee Member from a loan approval will be duly noted in the minutes of that meeting. In addition, each TRF employee signs a disclosure form to identify any potential conflicts of interest. These disclosures are submitted to the TRF's Human Resources Department.

B. Lender Liability: The subject of lender liability, where certain actions by lenders may make them liable for the damages that result to borrowers and to third parties, represents an area of risk for all lending organizations. Three basic legal theories are commonly encountered in lender liability cases: good faith and fair dealing, control and interference, and fraud and misrepresentation.

1. Good Faith and Fair Dealing

(a) This doctrine states that there is an implied covenant of good faith and fair dealing in all contracts. Lenders have an obligation to treat borrowers fairly and reasonably.

(b) Any decision to call a loan or terminate a line of credit is to be made only with the approval of the applicable Managing Director (or his/her designee). Advice of counsel should be obtained prior to any loan acceleration.

(c) Lenders must act in a professional manner at all times. Should a personality conflict with a borrower develop, another lender should be assigned to handle the relationship.

(d) Any deadline for action must be carefully documented with reasonable advance notice of such deadline given to the borrower.

(e) Lenders should establish a consistent course of dealing with a borrower which may not be changed without adequate notice to the borrower in writing.

(f) Oral agreements should be avoided. If an oral agreement is made with the borrower, it should immediately be documented with a copy maintained in the credit file.

(g) If there are guarantors on a loan, Lender should attempt to provide to guarantor the same written notification as the borrower regarding any deadlines, actions contemplated or agreement modifications.

2. Control and Interference

(a) Direct participation in or excessive control by a lender of a borrower's management or interference in the borrower's day-to-day operations may make the lender liable for resulting damages.

(b) If possible, avoid becoming involved in management changes of the borrower. Management change clauses are appropriate where management is central to the credit evaluation, but the lender must not select management or interfere unreasonably in the selection process.

(c) It may be appropriate for a lender to hire consultants to meet with management and monitor the borrower's activities. However, it is imperative that they do not become involved with the borrower's day-today activities or participate in management. Whenever possible, the borrower should engage the consultant.

(d) Do not participate in the management of the borrower at any level. If a loan agreement gives the lender the right to veto changes in the composition of the board of directors, such veto power must not be used to put a person on the board who is there to serve the lender's interest. Loan agreements giving a lender a right to a seat on the board should be avoided at all times.

(e) The lender must never use economic coercion to effect management changes, or control a borrower's operations. Never threaten to call a loan unless the formal decision to take such action has been made. Also, threats may not be made to force a borrower to take action, which is not required under the loan agreement.

(f) Control over cash must be carefully exercised. The lender must never be in the position of approving cash disbursements or controlling the payments to other creditors.

(g) Exercising a stock pledge and having voting power of a borrower's stock constitutes control of the borrower. Any such action by a lender is strictly prohibited except on advice from counsel.

3. Fraud/Misrepresentation

(a) Misstatements or failure by a lender to make disclosure can result in liability for damages incurred.

(b) Always determine the purpose of a credit inquiry. Provide no credit information about a borrower during the first call. Verify the source of the inquiry by calling back.

(c) When responding to a credit inquiry, make sure the information you provide is objective and factual.

(d) Avoid making subjective statements about a borrower's character and competence. Do not make predictions about the future.

(e) Make credit inquiry responses in writing. If responding by phone, write a memo to the credit file.

(f) Other general guidelines which you should follow to avoid the risk of potential lender liability are:

(i) Proper credit file maintenance. Credit files are subject to review by external parties and, as such, should contain complete factual information. Opinions regarding individuals have no place in file memos.

(ii) Clarify and simplify loan agreements. Make sure the borrower understands the covenants and provisions in the loan agreement. Avoid irrelevant "boilerplate" covenants.

V. Environmental Assessment

A. TRF requires environmental assessment of all real property the fee interest of which is primary collateral for a loan. This allows lending staff and senior management to weigh the effects of contamination, whether existing or potential, on the value of the property and on the borrower's ability to continue to operate in the event the borrower faces a required cleanup of the site. TRF recognizes, however, that not every project requires the same level of environmental due diligence. The following, therefore, are *minimum* requirements for environmental due diligence.

1. Loan size $0 to $500M: Environmental Questionnaire - to be completed and signed by borrower and reviewed by the approving authorities;

2. Loan size $501M to $1MM: Transaction Screen to be performed by independent environmental firm satisfactory to TRF, which requirement may be waived and replaced with an environmental questionnaire upon agreement of the approving authorities;

3. Loan Size $1MM+: Phase I to be performed by an independent environmental firm satisfactory to TRF, which requirement may be waived and replaced with a transaction screen upon agreement of the approving authorities.

B. Lending staff and senior management are encouraged to require higher levels of environmental due diligence where contamination is more likely. For instance, where the subject property is located at or near any of the following:

gas station
auto repair shop
on-site dry cleaning shop
any kind of refining or manufacturing operation
junk yards or landfills
metal fabrication businesses
paint or printing shops
former nursery or farming sites

C. Leasehold mortgage liens based on land leases (i.e., where an entire site, land plus improvements (if existing), are leased to a tenant, usually for a long enough period of time to be tantamount to a fee interest) are subject to the same minimum assessment requirements above for a mortgage lien on a fee interest. Leasehold mortgage liens based on standard commercial occupancy leases (e.g., one "unit" in a larger building, usually for a term of 1 to 10 years) only require environmental assessment at the discretion of the approving authorities.

D. TRF may accept environmental assessments of a subject property performed up to 2 years prior to the time of the borrower's application for a loan, at the discretion of the approving authorities.

VI. Real Estate Appraisals

A. An appraisal meeting policy minimum requirements must be obtained in any transaction where real property is primary collateral for the loan.

B. An appraisal is not required where:

1. The loan transaction is $500M or lower and comparable sales data or the most recent fiscal year operating results of the property for capitalization are satisfactory to the approving authorities;

2. TRF is refinancing or renewing a TRF-originated loan facility and

(a) no new funds are being committed;

(b) no known degradation of value has occurred, or

(c) where an increase in committed funds is well supported by a prior appraisal.

C. All required appraisals must be received, reviewed and made part of the credit analysis prior to any disbursement of loan proceeds.

D. For projects involving the development and sale of single family residential dwellings, lending staff may rely on a FNMA single family appraisal form to corroborate the projected sales price of sample unit types.

E. Lending staff may use appraisals prepared for other parties so long as:

1. the appraisal is not more than one year old, and

2. the appraiser was engaged directly by the other financial services institution.

Lending staff must use best efforts to obtain a reliance letter from the appraiser who conducted the valuation on behalf of the other organization.

F. All required appraisals must be performed by a state-licensed or state-certified appraiser. Lending staff currently maintains a list of satisfactory appraisers, which is attached to this policy as **Exhibit C**, but is not made a part of it. These exhibits are subject to review and modification at the discretion of senior management.

VII. Loan Approvals

A. Limitations on Loan Size:

1. For any one borrower: maximum aggregate exposure (the "**Maximum Aggregate Exposure**") cannot exceed 25% of TRF's "**Adjusted Net Assets**"*, which means the sum of TRF's unrestricted assets plus permanently restricted assets;

2. For any single loan of one borrower: 50% of that borrower's Maximum Aggregate Exposure (the "**Maximum Allowable Loan Amount**");

3. For any prime borrower: Maximum Aggregate Exposure cannot exceed 50% of TRF's Adjusted Net Assets (the "**Maximum Allowable Prime Borrower Exposure Amount**").

4. For any single loan of a prime borrower: 50% of that prime borrower's Maximum Aggregate Exposure (the "**Maximum Allowable Prime Borrower Loan Amount**").

However, at no time can TRF's exposure to all prime borrowers as a group exceed 150% of TRF's Adjusted Net Assets. Any exceptions to this section VII(A)(1-4) must be approved by the board of directors.

**Note: the finance committee of the board of directors may at its discretion define Adjusted Net Assets to include assets of TRF which are temporarily restricted for specific lending programs.*

B. Grants of Loan Authority.

1. The board of directors approves individual, joint and committee lending authorities. Individual and joint authorities are delegated based upon the experience and expertise of those individual and are not based on the positions those individuals hold at TRF. These authorities are as follows:

(a) any one managing director can approve any credit facility which does not exceed the product of the Maximum Allowable Loan Amount at the time of approval multiplied by .125 (i.e., 12.5%). However, where a managing director is herself the lender, that managing director must obtain the additional approval of either another managing director or the President of Lending Operations;

(b) any one managing director plus the President of Lending Operations can approve any credit facility which does not exceed the product of the Maximum Allowable Loan Amount at the time of approval multiplied by .25 (i.e., 25%);

(c) any one managing director plus the President of Lending Operations and the chair of the applicable loan committee can approve any credit facility which does not exceed the product of the Maximum Allowable Loan Amount at the time of approval multiplied by .50 (i.e., 50%);

(d) any credit facility extension which exceeds the limit set forth at VII.B.1(c) above must be approved by the applicable loan committee.

2. Increases or Extensions Which Do Not Require Additional Approval:

(a) the amount of any previously-approved credit facility may be increased upon agreement by the original approving authorities so long as the increase would not cause that facility to exceed the then-current approval limits of the original approving authorities;

(b) any managing director can grant up to two 3-month extensions to the maturity date of a facility rated BA or higher without the need to seek additional approval;

3. Term of Commitment Letters: a commitment letter may remain open for a period not exceeding 60 days from the date of the letter. The required date by which the facility must close may not exceed 180 days from the date that the borrower executes and delivers the commitment to TRF. All fees and expenses associated with the credit facility must due and payable in full no later than the date of the loan closing.

C. Guidelines for Aggregation:

1. Loans are attributed to a person (hereinafter "**person**" refers to an individual or legal entity) when loan proceeds are to be used for the direct benefit of that person or when a "common enterprise" exists between that person and the borrower or the commitments are guaranteed by the same person.

(a) a common enterprise is deemed to exist when:

(i) the source of repayment for separate loans is the same (these loans will be attributed to that source);

(ii) the persons are related through common control and they are financially interdependent;

(iii) the proceeds of loans to separate entities are used to acquire a business or project where those individuals will own more than 50% of the voting rights.

(b) common control exists when one or more persons or enterprises acting together, whether directly or indirectly:

(i) own, control or have the power to vote 25% or more of voting securities;

(ii) control the election of a majority of the directors, trustees, or persons of similar capacity, or

(iii) can in any other manner control or influence the management or policies of another.

2. Corporations, Subsidiaries and Affiliated Entities.

(a) When a commitment is extended to a corporation or an LLC, all commitments to subsidiaries or affiliated entities of that corporation or an LLC must be aggregated for credit approval and vice versa. For the purposes of this policy, a corporation or an LLC is a subsidiary of any person who owns more than 50% of the voting stock or interest of the subsidiary corporation.

3. Loans to General Partnerships or Other Joint Ventures

(a) When a commitment is extended to a partner of a general partnership, to the general partner of a limited partnership or to an individual in some other form of joint venture, all commitments to that partner and the related partnership or joint venture are to be aggregated for credit approval and vice versa.

VIII. <u>Prohibited Credits</u>:

A. TRF does not finance any of the following types of businesses:

1. places for worship or for other religious purposes or religious programs (although credit facilities made to religious organizations to fund clean energy and energy efficiency programs are acceptable). Religious organizations may be tenants in privately owned real estate that TRF is financing;

2. gambling;

3. dealers of guns or other weaponry;

4. drugs: any business involving the manufacture or distribution of alcohol or drug paraphernalia. However, borrowers or tenants engaged in the retail sale of alcohol (on-site or take-out) may be permissible provided that impact on the surrounding community is not likely to be harmful;

5. businesses such as mining, chemical manufacturing or others which are likely to have a detrimental effect on the surrounding community;

6. adult entertainment;

7. political organizations, including PACs, campaign organizations, political parties, and elected officials currently in office or currently running for elective office;

8. check cashing operations or other consumer lending operations;

9. seasonal businesses;

10. software developers and other businesses where collateral is intangible intellectual property, or

11. borrowers organized outside the United States, or non-citizen borrowers who are non-resident in the United States.

Any exception to this section VIII(A)(1-11) must be approved by the President of Lending Operations.

IX. Undesirable Loan Structures:

A. The following loan types and loan features are not permitted:

1. "evergreen loans" with no repayment plan or strategy, and lacking significant principal repayment for a multi-year period.

2. loans where the primary source of repayment depends upon the occurrence of future highly-contingent or speculative events. Exceptions would include the following: grant funded loans, recoverable grants, predevelopment loans or New Markets Tax Credit transactions designed with equity-like features.

3. loans secured by collateral or repayment source located outside the United States;

4. loans secured by real or personal property wholly- or partly-owned by any local, state or federal government entities (or their offices, departments or agencies). However, TRF may directly finance publicly chartered entities like local authorities, service agencies, and charter schools.

B. Any exception to this section IX(A)(1-4) must be approved by the President of Lending Operations.

X. Loan Participations:

A. TRF may from time to time sell participation interests in a loan it has originated because it has reached its comfort level with a particular borrower or because the proposed credit facility will cause a breach of TRF's lending limits as set forth in this policy.

B. TRF may from time to time purchase participation interests in loans originated by other lenders which comply with the requirements of this policy and meet TRF's underwriting standards.

C. The decision to buy or sell a participation in a loan will be made in accordance with the credit approval requirements and authorities set forth in this policy.

XI. Troubled Loans

A. Loans 15 to 90 Days Delinquent in Payment:

(1) Senior management must report all loans 15 to 90 days delinquent in payment to the applicable loan committee on a monthly basis.

(2) During this period, the originating loan officer remains the primary relationship manager.

B. Loans More Than 90 Days Delinquent in Payment:

(1) Any loan more than 90 days delinquent in payment or which has been made to a borrower who has subsequently declared bankruptcy (whether voluntarily or involuntarily) is to be categorized as "non-accrual" on TRF's books. Any loan deemed non-accrual may be returned to accrual status upon the borrower's resumption of required loan payments for a period of no less than six months.

(2) At the same time, senior management must quantify what portion of the non-accrual loan, if any, is to be charged off as uncollectible. The decision to charge off any part, or all, of the loan must be approved by the President of Lending Operations.

(3) Senior management will then become the primary relationship managers, together with the assistance of the officer who originated the loan and lending staff, so long as a loan is on non-accrual status.

(4) Senior management must engage independent bankruptcy/workout counsel to assist in any workout effort for a loan $500,000 or higher.

(5) Senior management may at its discretion contract with a non-attorney third party to manage the workout of any non-accrual loan below $500,000.

(6) Senior management must report the status of all non-accrual loans to the applicable loan committee on a monthly basis.

XII. Allowance for Possible Loan Losses

A. TRF loan loss reserve methodology has been developed in consideration of several factors as further discussed below. The methodology will continue to evolve as TRF further stratifies its assets into different risk classes, enters new markets, offers new products and as the portfolio continues to season.

1. Historical loss performance – Historical loss performance for TRF's loan production including seasoned products such as affordable housing as well as newer products such as charter school facilities financing has been stellar. While historical performance is one indicator of

portfolio risk, other factors such as asset types, credit ratings and concentration risks need to be considered. This is especially relevant given the growth nature of our portfolio.

2. Asset Class and Credit Ratings – We have stratified assets into risk classes based on product type and further assigned credit ratings to each loan based on loan type. Each loan type is assigned a credit rating when the loan is initially underwritten in accordance with underwriting parameters for the particular loan type. Credit ratings are formally reviewed and adjusted or reaffirmed at least annually by the appropriate loan committee (affordable housing, small business, community services, commercial real estate).

3. To aid in our loan decision making and analysis, we have further stratified our portfolio based on the nature of the collateral (e.g., real estate secured versus non-real estate secured).

4. Concentration Risks

(a) Geographic concentration – Our current loan portfolio is heavily concentrated in the Philadelphia region. As such, the ability of the TRF borrowers to honor their contracts is dependent upon the viability of the region.

(b) Industry concentration – Our portfolio has concentration in the affordable housing and charter school industries. We continually evaluate industry concentration issues against our mission and financial health of the organization.

(c) Loan size - loan size in our housing and community facilities continues to increase. We manage loan size based on our board approved lending policies and aggregate exposure policies. Exceptions to policy are made based on the nature of the borrower, mission impact and additional risk to the organization. Procedurally, all loan policy exceptions are vetted by senior staff, approved by the appropriate loan committee and the Executive Committee or full Board of Directors.

(d) Creditor Requirements – Although not part of a GAAP analysis, TRF has debt agreements that contain financial covenants with various TRF creditors requiring TRF to maintain a minimum Loan Loss Allowance of 5.0%

(e) Reserves – our reserves are broken out between allocated and non-allocated reserves. All loans that are impaired are assessed in detail as to required loan level reserves based on the ultimate collectibility of the loan based on such factors as repayment source, nature and extent of collateral, third party guarantees, etc. Additionally, certain loan types such as small business loans are reviewed on a loan by loan basis as to their collectibility and any specific reserve requirements. The remaining portfolio is reserved based on the asset class and credit rating as noted in item 2. above. Reserve percentages are assigned based on the nature of the asset and the underlying collateral as well as historical experience if applicable.

EXHIBIT A

LOAN RATINGS – HFG – CONSTRUCTION/REHAB

Construction – or Rehab	Above Average	Satisfactory	Below Average	Watch	Substandard	Doubtful
Contractor (GC vs subs, bonding, prior experience, project complexity,	• Credit, bonded third party GC • project is common in size and type for GC • strong project manager • contract includes completion date and penalties • contract is GMP	• mid size third party GC, may not be bonded here, but bondable • owner as GC with strong prime contractors	• owner as GC managing subs • weak credit GC • GC has lack of experience with scale or type of project • GC not bondable • Contract price subject to material costs / or is on a estimated or unit basis	• threats of contractor/supplier liens • project management staff changes impacting oversight • poor invoice documentation • sub-contractor turnover impacting quality/delivery	• GC dismissed, or walks • Contractor or supplier liens on job • Municipal or other Gov't inspector stops work • Substantial code violations	
Development Team	• architect, engineers, owner's rep, project manager, owner's staff have both been a team before & successfully completed similar work	• architect, engineers, owner's rep, project manager, owner's staff have either been a team before or successfully completed similar work on other teams	• architect, engineers, owner's rep, project manager, owner's staff have NOT been a team before and may or may not have successfully completed similar work	• Some part of team has been replaced during project • architect, engineers, owner's rep, project manager, owner's staff have NOT successfully completed similar work in either scale or type	• a project funder or inspection official has stopped work on the project, and/or dismissed a part of the development team	

Construction – or Rehab (con't)	Above Average	Satisfactory	Below Average	Watch	Substandard	Doubtful
Underwriting (LTVR, Equity, retainage, contingency)	• loan is 80% or less than repayment sources • repayment sources are committed with few unmet terms for closing • end-loan repayment source is easily replaceable • TRF funds last • Budgeted contingencies for hard and soft costs as well as conservative cost estimates (or GMP contract) • 10% retainage held until completion • project is owner-occupied with long term funding committed	• loan is 81-95% of repayment sources • repayment sources are committed with few unmet terms for closing • TRF funds pro-rata, but after a significant equity or sub. sources • Budgeted contingencies for hard and soft costs, but subject to increased material costs • 5-10% retainage released as completed • project is owner occupied with at least annual funding or not contingent on new revenues	• loan is 96-100% of repayment sources • repayment sources are committed with significant unmet terms for closing • TRF funds first • Thin contingencies for hard costs, perhaps none for soft costs • Less than 5% retainage for new constr. Or less than 10% for rehab. • Project is owner occupied and carrying cost is contingent on new revenues not committed	• loan is greater than 100% of committed repayment sources • some repayment sources are speculative or highly contingent • little or no contingencies (either from start, or due to change orders) • significant portion of retainage has been used to cover poor workmanship etc.	• a significant repayment source is no longer available • borrower has not met a repayment source's requirements • change orders and cost increases exceed contingencies	

Construction – or Rehab (con't)	Above Average	Satisfactory	Below Average	Watch	Substandard	Doubtful
Market / Sales (pre-sales, affordability window, end-financing, sales staff, aneminies, competition, sales demand)	• project is fully pre-leased or pre-sold • strong market demand for product • projected sales or rental rates are supported by comparable transactions in the area (or are significantly below market) • sales or rental rates have a wide affordability window for target market • project greatly exceeds quality of competition • project is owner-occupied but not special purpose space, with likely market demand for re-use	• project is partially pre-leased or pre-sold with demonstration of market demand • projected sales or rental rates push the market rates only incrementally • sales or rental rates have a normal affordability window for target market • project meets or exceeds quality of competition • project is owner-occupied, requiring moderate adaptation for re-use	• project is not pre-leased or pre-sold, merely has demonstrated interest • sales or rental rates are not easily supported by comps. • Sales or rental rates have a tight affordability window for target market • Project has close competition • Project is owner-occupied for highly special purpose (no likely re-use as configured)	• project has lost pre-sales or pre-leasing • project's market demand is speculative • project lowers sales or rental rates from original projection • project has superior competition		

EXHIBIT B

Types of Lending Specialization

A. **The Housing Finance Group (HFG)** [1]

General Policies:

1. **Mission:** Provide financing for low and moderate income housing developments, mixed use projects that have a combination of retail and commercial use and market rate housing developments located in areas where development of such markets will have a positive impact on the community.
2. **Market Area:** Southeastern Pennsylvania, New Jersey, Delaware, the metro area of the City of Baltimore, Maryland and the Washington D.C. metro area.
3. **Eligible Borrowers:** For profit and not for profit developers of residential housing.
4. **Minimum Loan Size:** HFG - None and CLI - $250,000
5. **Maximum Loan Size:** As defined in TRF lending policies.
6. **Maximum Aggregate Borrower Exposure:** As defined in TRF lending policies.
7. **Maximum Loan Tenor:** Real Estate Term Loans or Permanent Loans – 15 years with a 30 year amortization (shorter periods with balloon payments are permitted) subject to available funding.
8. **Main Collateral:** Mortgage Lien

Specific Policies by Loan Type:

- **Collaborative Lending Initiative: Syndicated facility administered by JPM Chase.**

- **Acquisition Loans:** All acquisition loans must adhere to General Policies for this Group unless noted below:
  1) Maximum Loan Tenor: 24 Months
  2) Loan to Value or Loan to Cost: Not to exceed 100% plus settlement costs
  3) Appraisal: See TRF lending policy.
  4) Environmental Due Diligence: See TRF lending policy.
  5) Main Collateral: Senior or subordinated mortgage on acquisition property

- **Construction Loans:** All construction loans, either new construction or rehabilitation, must adhere to General Policies for this Group unless noted below:
  1) Maximum Loan Tenor: 24 Months
  2) Loan to Value or Loan to Cost: Not to exceed the lesser of 100% of cost or appraised value.

[1] Includes the Collaborative Lending Initiative, Inc. (CLI) and the utilization of the Predevelopment Loan and Acquisition for Nonprofits Fund (NJPLAN and other similar funds)

3) Appraisal: See TRF lending policy. "as completed" appraisal required to verify loan to value
4) Environmental Due Diligence: See Environmental Policy.
5) Main Collateral: Senior or subordinated mortgage on subject real estate. For CLI loans, if a subordinate lien, the senior lender must either be a CLI investor bank or a government entity that will not allow a senior lien.

❖ **Bridge Loans:** May be extended to finance acquisitions, new construction or rehabilitation of affordable housing. All bridge loans must adhere to General Policies for this Group unless noted below:
1) Maximum Loan Tenor: 24 Months
2) Loan to Value or Loan to Cost: Not to exceed the lesser of 100% of cost or appraised value.
3) Appraisal: See TRF lending policy. TRF requires an "as completed" appraisal required to verify loan to value unless the "take-out" is a Pubic Source, e.g. Redevelopment Authority Grant
4) Environmental Due Diligence: See Environmental Policy.
5) Main Collateral: Either a senior or subordinate lien on real estate or a first priority security interest in the proceeds of a loan or grant receivable or other payment associated with the development of the project

❖ **Predevelopment Loans (Early Stage Loans):** Grouped into two categories – Level I and Level II: Level I Loans are characterized by lack of site control, project funding not yet committed and other aspects of the project are uncertain; Level II Loans are characterized by most project funding committed, some site control established, construction costs defined and environmental issues identified and quantified. All predevelopment loans must adhere to General Policies for this Group unless noted below:

Level I. Loans:
1) Maximum Loan Amount: $50,000. No more than 15% of total loan pool for NJPLAN loans.
2) Maximum Loan Tenor: 24 months
3) Collateral: May be unsecured
4) Eligible Borrower: Must be a 501(c) (3) non-profit corporation

Level II. Loans:
1) Maximum Loan Amount: $150,000 for general projects and $250,000 for NJ Plan – No more than 25% of total loan pool for NJ Plan loans.
2) Maximum Loan Tenor: 9 months
3) Environmental Due Diligence: Not required
4) Collateral: May be unsecured
5) Eligible Borrower: Must be a 501(c) (3) non-profit corporation

B. The Community Facilities Lending Group (CFG)

General Policies:

1. **Mission:** Finance Organizations focused on social services or educational services.
2. **Market Area:** Pennsylvania, New Jersey, Delaware, Maryland and Washington D.C.
3. **Eligible Borrowers:** Predominately Non-Profit Organizations
4. **Minimum Loan Size:** None
5. **Maximum Loan Size:** See TRF lending policies
6. **Maximum Aggregate Borrower Exposure:** See TRF lending policies.
7. **Maximum Loan Tenor:** Real Estate Permanent or Mini-Permanent Loans – 15 years full amortization (with rate re-sets to be considered for terms above 10 years) or 5 years with a 25 year amortization (balloon payments are permitted)
8. **Main Collateral:** First or second liens on real estate (junior liens accepted depending on the value of the collateral); lien on leasehold improvements: and/or blanket lien on all of borrower's assets. When available, the assignment of Borrower's per pupil payments.
9. **Loan to Value:** Not to exceed 90% of value for owned properties and 90% of cost for leasehold improvements.

<u>**Specific Policies by Loan Type**</u>**:**

- **Real Estate Acquisition Loans:** All acquisition loans must adhere to General Policies for this Group unless noted below:
  1) Maximum Loan Tenor: 12 Months
  2) Loan to Value or Loan to Cost: Not to exceed 100% plus settlement costs
  3) Appraisal: See Appraisal Policy.
  4) Environmental Due Diligence: See Environmental Policy
  5) Main Collateral: Senior or subordinated mortgage on acquisition property

- **Construction Loans:** All construction loans, either new construction or rehabilitation, must adhere to General Policies for this Group unless noted below. (Construction Loans are approved subject to permanent financing provided by TRF or another lender):
  1) Maximum Loan Tenor: 24 Months.
  2) Loan to Value: Not to exceed 90% of value.
  3) Appraisal: See TRF loan policies.
  4) Environmental Due Diligence: See TRF loan policies.
  5) Main Collateral: Senior or subordinated mortgage on subject real estate,

- **Tenant Fit-Out/Leasehold Improvement Construction Loans:**
  1) Maximum Loan Tenor: 12 Months.
  2) Loan to Cost: Not to exceed 90% of cost.
  3) Collateral: Leasehold Mortgage and assignment of sub-lease, if possible. Otherwise, TRF will require a blanket lien on business assets.

- **Bridge Loans:** May be extended to finance acquisitions, new construction or rehabilitation of Community Facilities. Bridge loans are typically provided to providing project funding pending the receipt of a specific grant or contract payment:

1) Maximum Loan Tenor: Lesser of 12 Months or upon receipt of grant or contract receivable (may be renewed annually).
2) Loan to Value or Loan to Cost: Not to exceed 90% of grant or contract amount.
3) Main Collateral: First priority security interest in the proceeds of a loan or grant receivable or an other payment receivable or receivable associated with the development of the project

❖ **Predevelopment Loans (Early Stage Loans):** Grouped in to two categories – Level I and Level II: Level I Loans are characterized by lack of site control, project funding not yet committed and other aspects of the project are uncertain; Level II Loans are characterized by most project funding committed, some site control established, construction costs defined and environmental issues identified and quantified. All predevelopment loans must adhere to General Policies for this Group unless noted below:

Level I. Loans:

1) Maximum Loan Amount: $50,000
2) Maximum Loan Tenor: 12 months
3) Main Collateral: May be unsecured

Level II. Loans:

1) Maximum Loan Amount: $150,000
2) Maximum Loan Tenor: 9 months
3) Collateral: Secured with acceptable collateral

C. The Commercial Lending Group (CLG) [2]

<u>**General Policies**</u>:

1. Mission: Finance supermarkets or grocery stores in an underserved area where conventional financial institutions either do not offer financing or the terms are a detriment to the feasibility of the operation.

2. Market Area: Commonwealth of Pennsylvania.

3. Eligible Borrowers: FFFI **-** Minimum of five years operating or manager experience

4. Minimum Loan Size: CLG - $150,000; FFFI - $200,000

5. Maximum Loan Size: CLG / FFFI – See TRF lending policies.

6. Maximum Aggregate Borrower Exposure: REG / FFFI – See TRF lending policies.

7. Maximum Loan Tenor: CLG - 5 years with maximum of 20 year amortization; FFFI Real Estate Loans – amortizing15 years and Operating term loans – amortizing 7 years.

[2] Includes
the Fresh Food Financing Initiative (FFFI)

8. Main Collateral: CLG – First lien on Real Estate; FFFI - First lien on all business assets including inventory (or inter-creditor agreement with primary suppliers), equipment, furniture, fixtures and real estate.

9. Inventory Financing: FFFI - Term loans will not be made solely for the purchase of inventory nor will they used as lines of credit to purchase inventory. Term loans will use no more than 50% of proceeds to finance initial inventory purchases for new stores of expansion of existing stores.

10. Minimum Cash Equity: FFFI - 10% required for non-real estate transactions or real estate transactions.

11. Personal Guarantees: FFFI - All owners, with at least 20% ownership, must guarantee all loans.

12. Life Insurance: FFFI – Wherever possible, principal owner must assign life insurance for the total amount of the loans.

13. Debt Service Coverage: Minimum DSC 1.2X based on accrual based financial statements or 1.1X based on cash based tax returns for the primary obligor. If multiple obligors, combined minimum DSC 1.2X based on actual sales and 1.2X based on tax returns.

Specific Policies by Loan Type:

- **Acquisition Loans:** All acquisition loans must adhere to General Policies for this Group unless noted below:
  1) Maximum Loan Tenor: 12 Months
  2) Loan to Value or Loan to Cost: Not to exceed 100% plus settlement costs
  3) Appraisal: See Appraisal Policy.
  4) Environmental Due Diligence: See Environmental Policy.
  5) Main Collateral: Senior or subordinated mortgage on acquisition property (all liens > $200,000 must have satisfactory title insurance)

- **Construction Loans:** All construction loans, either new construction or rehabilitation, must adhere to General Policies for this Group unless noted below:
  1) Maximum Loan Tenor: 12 Months
  2) Loan to Value or Loan to Cost: Not to exceed 100% of cost
  3) Appraisal: See Appraisal Policy.
  4) Environmental Due Diligence: See Environmental Policy.
  5) Main Collateral: Senior or subordinated mortgage on subject real estate

- **Bridge Loans:** May be extended to finance acquisitions, new construction or rehabilitation. All bridge loans must adhere to General Policies for this Group unless noted below:
  1) Maximum Loan Tenor: 24 Months
  2) Loan to Value or Loan to Cost: Not to exceed 100% of cost
  3) Appraisal: See Appraisal Policy.
  4) Environmental Due Diligence: See Environmental Policy.

5) Main Collateral: First priority security interest in the proceeds of a loan or grant receivable or an other payment contract associated with the development of the project

❖ **Predevelopment Loans (Early Stage Loans):** Grouped in to two categories

Level I and Level II: Level I Loans are characterized by lack of site control, project funding not yet committed and other aspects of the project are uncertain; Level II Loans are characterized by most project funding committed, some site control established, construction costs defined and environmental issues identified and quantified. All predevelopment loans must adhere to General Policies for this Group unless noted below:

Level I. Loans:
1) Maximum Loan Amount: $50,000 - No more than 15% of total loan pool
2) Maximum Loan Tenor: 15 months
3) Collateral: May be unsecured
4) Eligible Borrower: For profit or not for profit borrowers.

Level II. Loans:
1) Maximum Loan Amount: $150,000 – No more than 25% of total loan pool
2) Maximum Loan Tenor: 9 months
3) Environmental Due Diligence: See Environmental Policy.
4) Collateral: May be unsecured
5) Eligible Borrower: For profit or not for profit borrowers.

D. The Energy Group (EG) including the Sustainable Development Fund (SDF) and Near Equity Investments (NEI)

General Policies:

1. **Mission:** Finance projects that promote and/or advance renewable energy technologies, clean energy technologies, energy conservation and energy efficiency technologies.
2. **Market Area:** Pennsylvania, New Jersey, Delaware and the Baltimore/Washington DC metro areas.
3. M**inimum Loan Size:** $25,000
4. **Maximum Loan Size:** See TRF lending policies.
5. **Maximum Aggregate Borrower Exposure:**– TRF Defined Maximum Dollar Limit; Wind development - $4,000,000
6. **Maximum Loan Tenor:** Real Estate Loans or Permanent Loans – 15 years amortizing; working capital term loans – 7 years; machinery and equipment loans – 15 years.

7. **Main Collateral: Blanket lien on available business assets, including accounts receivable, m**achinery and equipment, intellectual property, intangibles, leasehold improvements, and real estate.

<u>**Specific Policies by Loan Type**</u>**:**

- ❖ **The Energy Group supports the other TRF specialized lending areas whenever possible. In cases where EG provides funding in support of such projects, the policies of that area will govern underwriting of the transaction.**

- ❖ **Construction Loans:** All construction loans, either new construction or rehabilitation, must adhere to General Policies for this Group unless noted below:
  1) Maximum Loan Tenor: 24 Months
  2) Loan to Value or Loan to Cost: Not to exceed 100% of value
  3) Appraisal: see TRF appraisal policy
  4) Environmental Due Diligence: see TRF environmental policy.
  5) Main Collateral: Senior or subordinated mortgage on subject real estate

❖ **Bridge Loans:** May be extended to finance acquisitions, new construction or rehabilitation of affordable housing and to "bridge" a borrower's receipt of additional permanent project funding, equity capital, contract receivables or other new debt. All bridge loans must adhere to General Policies for this Group unless noted below:
1) Maximum Loan Tenor: 24 Months
2) Loan to Value or Loan to Cost: Not to exceed 100% of cost
3) Appraisal: see TRF appraisal policy.
4) Environmental Due Diligence: see TRF environmental policy.
5) Main Collateral: First priority security interest in the proceeds of a loan or grant receivable or an other payment contract associated with the development of the project

❖ **Predevelopment Loans (Early Stage Loans):** Grouped in to two categories – Level I and Level II: Level I Loans are characterized by lack of site control, project funding not yet committed and other aspects of the project are uncertain; Level II Loans are characterized by most project funding committed, some site control established, construction costs defined and environmental issues identified and quantified. All predevelopment loans must adhere to General Policies for this Group unless noted below:

Level I. Loans:
1) Maximum Loan Amount: $50,000 – No more than 15% of total loan pool
2) Maximum Loan Tenor: 15 months
3) Main Collateral: May be unsecured
4) Eligible Borrower: For profit or not for profit borrowers.

Level II. Loans:
1) Maximum Loan Amount: $150,000 – No more than 25% of total loan pool
2) Maximum Loan Tenor: 9 months

3) Environmental Due Diligence: See Environmental Policy
4) Collateral: May be unsecured.
5) Eligible Borrower: For profit or not for profit borrowers.

❖ **Near Equity Investments:** Financing in the energy market place for businesses that are unlikely to qualify for either standard loans or venture capital investments. Prospective clients may exhibit the following characteristics:

1) Strong business model
2) Cash flow from current operations may be inadequate to service the level of debt needed to grow the business (requires flexible structuring)
3) Assets available for collateral, if any, may be too heavily encumbered to provide adequate security
4) Business may not generate sufficient returns to satisfy venture capital investors.

Probable NEI structure may be **Debt / Equity Hybrid**. This structure matches a borrower's desire for "equity-like" capital with an investor's need for principal repayment. Payment streams combine principal payment (loan structure), interest (loan structure) and/or royalties on sales, success fees, stock warrants, etc. (return on capital invested). A hybrid product may be justified in situations where borrower's cash flow is strong, but potential collateral is insufficient to fully secure the loan. Borrower may have reached lending limits with other potential lenders. Royalty payments are normally based on some percent of projected sales. Royalty payments may be deferred for an agreed upon period in order for the cash flow to be dedicated to further expansion of the business model.

Another possible structure is a **Subordinated Loan**. The borrower may have sufficient collateral to support a junior security lien (e.g. real estate or personal property). Repayment terms may vary depending on cash flows. Interest only payments may be structured of a specified period. Return on investment may include success fees, royalties and stock warrants.

Funding of **Energy Related Third Party Leases**. TRF provides non-recourse term loans to third party leasing entities to end-users wishing to implement energy efficiency and clean energy measures.

1) Maximum Loan Tenor: 10 years, plus an option to extend for up to an additional 24 months.

2) Loan to Value or Loan to Cost: Not to exceed lesser of 100% of cost.

3) Main Collateral: Assignment of 1st lien on equipment and fixtures financed and payments made under the lease agreement. TRF will have full recourse to the lessee.

EXHIBIT C

TRF Recommended Appraisers

Philadelphia: Residential and Small Commercial:	Philadelphia: Large Commercial
Eugene Davey 1919 Chestnut Street Suite 918 Philadelphia, PA 19103 (215) 523-9105 Fax: (215) 523-9105 Email: EPDavey@aol.com	Barry S. Ludwig, MAI, SRA Ludwig Corporation 925 Fayette St. Conshohocken, PA 19428 (610) 828-9000 Fax: (610) 828-9440 Email: bsl@e-ludwig.com
Richard M. Lam & Assoc., Ltd. 615 Harts Ridge Road Conshohocken, PA 19428 (610) 941-0404 Fax: same as phone Email: richardlam@comcast.net	Maureen Mastroieni Mastroieni & Assoc., Inc. 1000 Germantown Pike, Unit C-6 Plymouth Greene Office Campus Plymouth Meeting, PA 19462 (610) 275-5221 Fax: (610) 275-5639 Net: www.mai-appraisals-consulting.com
	Robert D. Wright or August Semple 11 South Brookside Road Springfield, PA 19064 (610) 543-0303 Fax: (610) 543-5978 rdw@robertwright.com Net: www.robertwright.com *Also services NJ, MD, DE and DC
	Patricia A. Quigley Quigley Appraisal Company 7201 Cresheim Road Philadelphia, PA 19119 (215) 247-4425 Fax: (215) 247-6669 Mobile: (215) 421-8237 paquigley@aol.com
	Gerald B. McNamara Cushman & Wakefield of PA, Inc. 1717 Arch Street Philadelphia, PA 19103
	Reaves C. Lukens Company 1626 Spruce Street Philadelphia, PA 19106 (215) 545-1900 Fax: (215) 545-8548

New Jersey: Residential	New Jersey: Commercial
Stephen Herold Herold Appraisal Group 480 Passaic Street Hackensack, NJ 07601 (201) 487-1000 Fax: (201) 488-7158	Robert Gagliano Gagliano Appraisal, LLC 1129 Broad Street Shrewsbury, NJ 07702 rgagliano@gaglianoappraisal.com *Also does residential.
Joseph Perna 868 Van Emburgh Avenue Washington Twp., NJ 07676 (201) 722-0363 Net: www.jjperna.com/home	Robert Bovasso, Jr. Cooney Bovasso Realty Advisors 100 Plaza Center Secaucus, NJ 07094 (201) 867-2558 Fax: (201) 867-4181 robert.bovasso@verizon.net
Carduner Valuation Services, Inc. 8 Princeton-Hightstown Road East Windsor, NJ 08520 (609) 448-8210 Fax: (609) 448-8205 Scott.carduner@cvsi.info *Also Eastern PA and possibly DE and Maryland	George Denman Oxford Group 1055 Parsippany Blvd Suite 204 Parsippany NJ 07054 (973) 316-8111 Fax: (973) 316-8889 George.Denman@atlantic-oxford.net