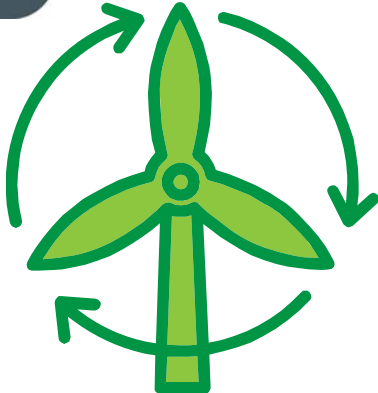




TheProvidentBank.com

Providing Bank Financing for a “Green” Loan

When... *green*



Needs... \$\$ **Green** \$\$

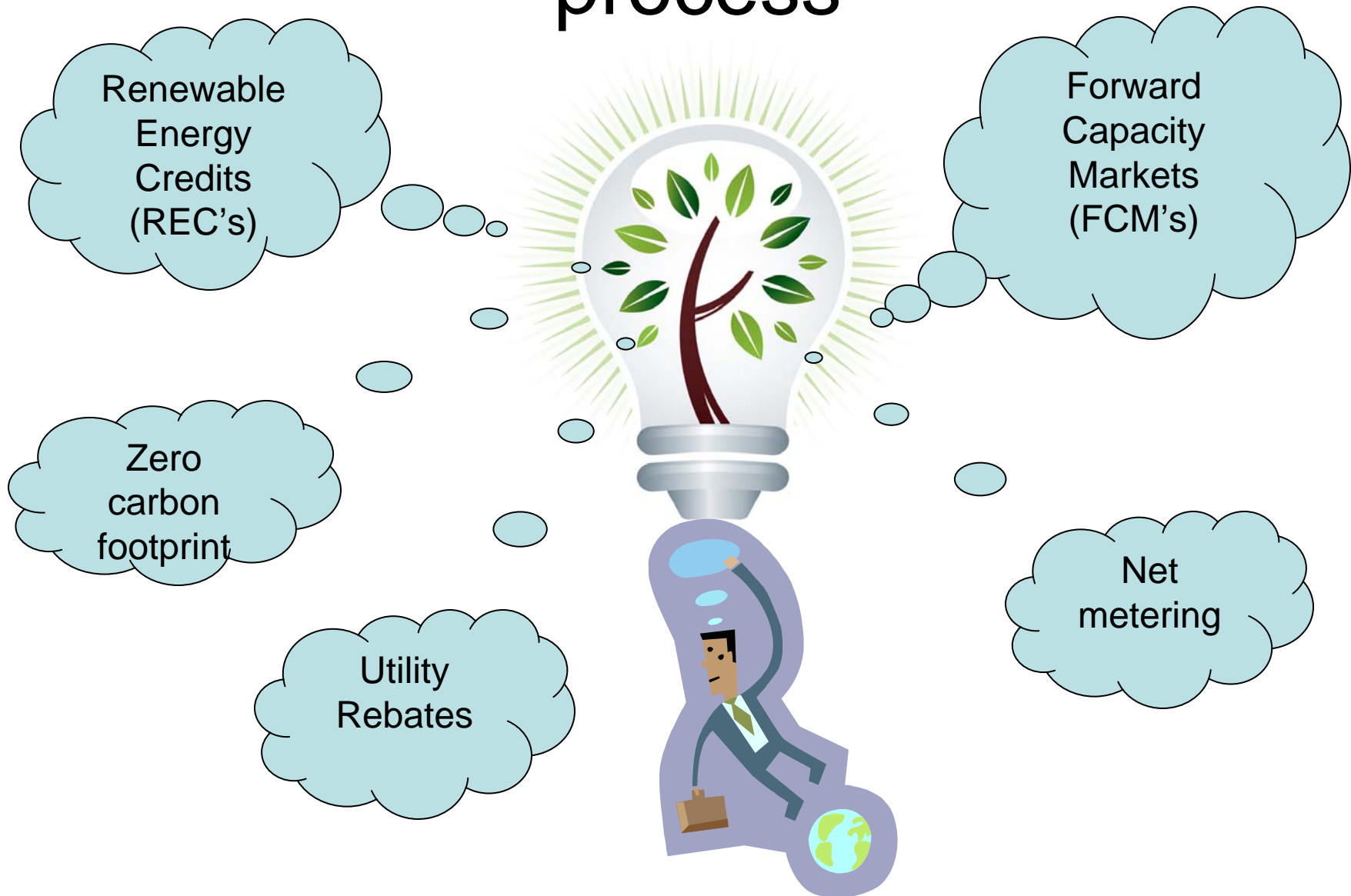




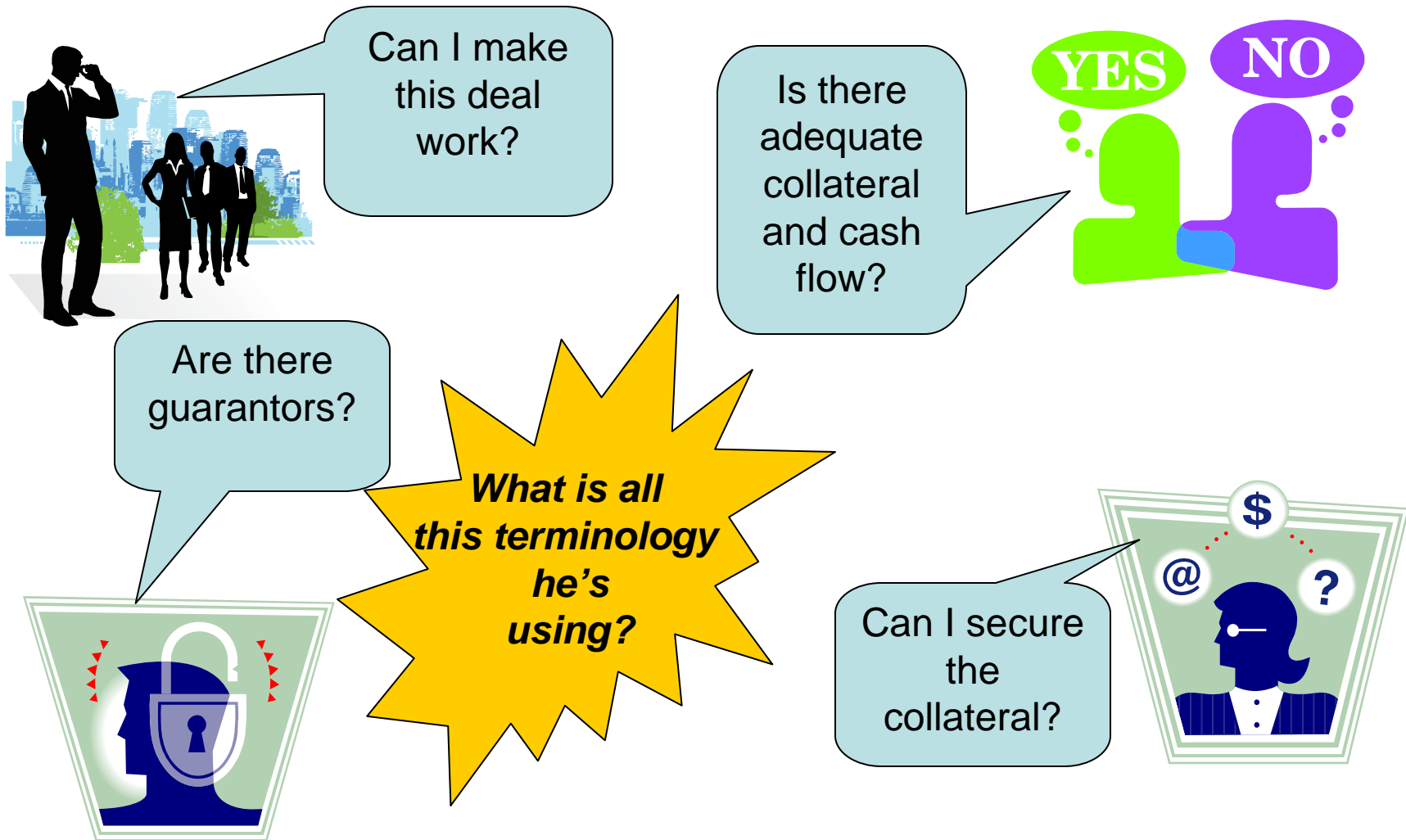
Who are we?

- A mutually owned, locally managed community bank
- Founded in Amesbury, MA in 1828
- Assets of just over \$500 million
- Full service locations in Amesbury, Newburyport, MA and Seabrook, Hampton, Exeter and Portsmouth, NH

The “Green Energy” thought process



The banker's thought process



A Fundamental Gap

- Lag time in comfort levels
 - with new industries
 - new revenue streams
 - new concepts and debt structures
 - changing political trends, gov't funding
- New revenue sources
 - not well understood
 - not time tested in many places.

Bank issues

- Current regulatory environment
- Tightened credit standards
- Lower risk tolerances
- Loan guarantee programs are cumbersome and/or limited in availability

Revolution Energy Loan Request

- Fund the purchase, installation and maintenance costs of “green” energy systems in the Exeter NH School system buildings.
- Project consisted of the installation of a microturbine, high efficiency gas boilers, and the largest solar array in the State of NH.

Structure of contract

- Revolution Energy would enter into a 10-year contract with SAU16 to install, monitor and maintain the equipment.
- SAU 16 pays an annual service contract fee.
- The cost of the service contract is less than the realized utility expense savings, thereby netting the SAU savings.

Structure (continued)

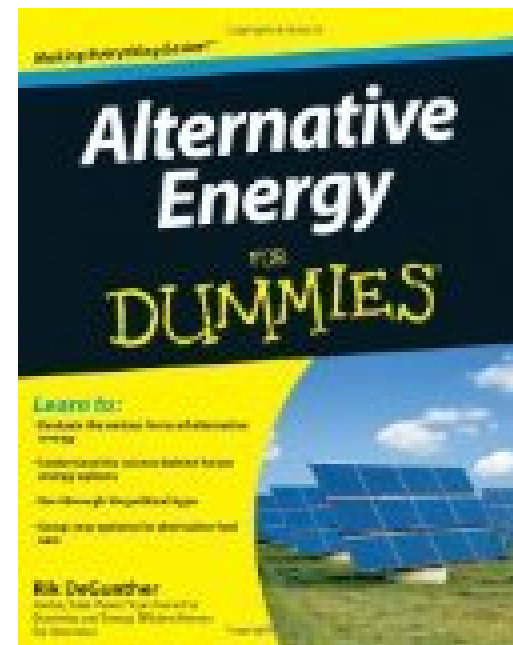
- Revolution Energy benefits by funds received from contract
- As owners of the equipment, they receive
 - Renewable Energy Credits
 - Forward Capacity Market Credits
 - Unutil grant
 - Federal grant
- Government entities are not eligible to receive these monies
- School District has no initial expense for equipment

Financing Challenges

- Collateral –
 - The equipment would be owned by our borrower, but housed on premises owned by the School District
 - The discounted (salvage) value of the used equipment was insufficient collateral coverage for the loan amount
 - There were no other “hard” assets to secure

Challenges (continued)

- The revenue streams for income to the company consist of “non-traditional” types of income, in that they are emerging with the “green” movement.



Challenges (continued)

- Municipalities cannot commit tax payer dollars beyond the current budget year (non-appropriations clause)
- How could the bank guarantee that Revolution Energy would be paid each year?

Mitigants

- The contract language was well thought out and covered all contingencies.
- The School District was willing to assign the contract to the bank as additional collateral
- The cost for the service contract was construed to be part of normal utility expenses for the school buildings – just like paying the electric bill!



Success!

- In the end, we were able to successfully structure a loan that met our underwriting criteria and allowed the project to proceed!



Opportunities for Municipalities and banks to “partner”

- Direct financing to municipality from bank
 - will rely upon municipal bond rating
 - the structure of a particular request relative to required tax-payer budget approvals
 - Is the equipment owned or leased
 - If leased, what are the terms of the lease?

Opportunities for Municipalities and banks to “partner”

- Financing to private company for benefit of municipality (like Revolution Energy loan)
 - Depend upon strength of company
 - The ability to collateralize the loan
 - The municipalities willingness to guarantee or offer the contract as collateral
 - Cash flow stream must be apparent
 - SBA guarantees/gov’t loan enhancements are not available when municipality is beneficiary

Opportunities for Municipalities and banks to “partner”

- Municipality receives some funds, wants to offer them to companies/individuals for energy loans, but doesn't want to act as a “bank”
 - Involve local bank to underwrite, approve and administer loans for a fee
 - Municipality must guarantee loans or offered preferred lien position to bank



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Presenter contact information:

Allison M. Field

Regional Vice President

Commercial Lending

120 Water Street

Exeter, NH 03833

Ph: 603-760-1515

Fax: 978-378-1218

email: afield@theprovidentbank.com

www.theprovidentbank.com

The Provident Bank is a mutually owned, locally managed community bank, established in 1828 in Amesbury, MA with branch locations in Amesbury and Newburyport, MA and Seabrook, Hampton, Exeter and Portsmouth, NH.



All deposits above the FDIC limits are insured in full by the Depositors Insurance Fund (DIF).