



Thursday, October 23, 2025

3:30 PM

Virtual Access:

<https://us02web.zoom.us/j/81019471108?pwd=DZjXcmPHepKUvOvRgTaVnpglR8UUwA.1>

Meeting ID: 810 1947 1108

Passcode: 454638

Investment Oversight Committee Agenda

3:30 PM – 3:35 PM	Welcome	Ms. Magruder MCEC, Executive Director Chair Lierman Comptroller, Maryland
3:35 PM – 3:40 PM	Minutes Wednesday, August 20, 2025 (ATTACHMENT A)	Ms. Powers
3:40 PM – 3:45 PM	Financials C3 Fund Financial Statements Year-to-Date (ATTACHMENT B)	Ms. Magruder
3:45 PM – 4:00 PM	WSP Deliverables	Ms. Dixon
4:00 PM – 4:45 PM	Closed Session <i>Motion to close the meeting in accordance with Section 3-305(5), the Investment Fund Oversight Committee is closing the meeting to comply and consider the investment of public funds, and section 3-305 (b)(13) to comply with specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter.</i>	Chair Lierman
4:45 PM – 4:50 PM	Re-Open Meeting Closed Session Report	Chair Lierman Ms. Magruder
4:50 PM – 4:55 PM	New Business	Chair Lierman Ms. Magruder
4:55 PM - 5:00 PM	Closing Remarks Adjourn Meeting	Chair Lierman Ms. Magruder

NEXT MEETING: THURSDAY, DECEMBER 18, 2025, 3:30 PM – 5:00 PM

Investment Oversight Committee Meeting

Thursday, October 23, 2025

Katherine Magruder
Executive Director

Anmol Vanamali
Chief Investment Officer

Keith Wang
Finance Manager

Noah Wood
Senior Lending Analyst



Agenda



Agenda Item	IOC Action
1. Meeting Minutes – August 20, 2025	Requesting Approval
2. Financials	No action; update only
3. WSP Presentation	Requesting Approval
4. Pipeline Review	Requesting Approval
5. New Business and Closing Remarks	No action; update only

1. Meeting Minutes

Motion to approve the meeting minutes from Wednesday, August 20, 2025.



Wednesday, August 20, 2025

3:30 PM

Zoom Access: <https://us02web.zoom.us/j/86228636118?pwd=RmhKblhJUllrWE04LzZLcFBIM2VnQT09>

Meeting ID: 862 2863 6118

Passcode: 504361

Investment Oversight Committee Meeting Minutes

Present: Chair, Comptroller Brooke Lierman, Vice Chair, Mr. Jimmy Rhee, Mr. Elorm Addae-Nuku, Ms. Watchen Bruce, Ms. Pamela Kelly, Ms. Andrea Pelletier, Mr. Christopher Peoples, Ms. Martha Absher, Mr. Daniel Hazard, Ms. Kathy Magruder, Ms. Kim Pezza, Ms. Pamela Powers, Mr. Lawrence Twele, Mr. Anmol Vanamali, Mr. Keith Wang, Mr. Noah Wood, and Ms. Jen Dixon.

Excused: Ms. Yinka Bode-George, Mr. Al Delia, Mr. James McDonnell, and Ms. Marissa Ramirez.

Welcoming Remarks: Chair Lierman welcomed committee members to the meeting at 3:30 PM.

First Order of Business: The first order was to approve the C3 Fund Investment Oversight Committee Meeting Minutes for Wednesday, June 18, 2025.

Chair Lierman requested a motion to approve the C3 Fund Investment Oversight Committee meeting minutes for Wednesday, June 18, 2025, as presented. Mr. Rhee moved the motion. Ms. Bruce seconded the motion. The motion passed with no objections or abstentions.

Chair Lierman – AYE

Mr. Rhee - AYE

Mr. Addae-Nuku – AYE

Ms. Bode-George – EX

Ms. Bruce – AYE

Mr. Delia - EX

Ms. Kelly – AYE

Mr. McDonnell – EX

Ms. Pelletier - AYE

Mr. Peoples – AYE

Ms. Ramirez – EX

Financial Report: Ms. Magruder presented the year-to-date financial statements for the C3 Fund, noting that the Controller invoiced for the final allocation for the C3 Fund.

WSP Presentation: WSP representative, Ms. Dixon, presented strategy options for the C3 Fund. The presentation included the underwriting standards and manual.

Chair Lierman called for a motion to approve the C3 Fund underwriting standards and manual, including the impact metrics, pricing tool, and risk assessment and management framework as presented by WSP. Mr. Peoples moved the motion; Mr. Rhee seconded the motion. The motion passed unanimously with no objections or abstentions.

Chair Lierman – AYE

Mr. Rhee - AYE

Mr. Addae-Nuku – AYE

Ms. Bode-George – EX

Ms. Bruce – AYE

Mr. Delia - EX

Ms. Kelly – AYE

Mr. McDonnell – EX

Ms. Pelletier - AYE

Mr. Peoples – AYE

Ms. Ramirez – EX

Closed Session:

Pursuant to MD General Provisions Article, Section 3-305 (5), the Investment Fund Oversight Committee is closing the meeting to comply consider the investment of public funds, and section 3-305 (b)(13) comply with specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter.

Chair Lierman requested a motion to close the meeting in accordance with Section 3-305 (5,) the

Investment Oversight Committee Meeting Minutes

Investment Fund Oversight Committee is closing the meeting to comply consider the investment of public funds, and section 3-305 (b)(13) comply with specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter. Mr. Rhee moved the motion. Ms. Kelly seconded the motion. The motion passed with no objections or abstentions.

Chair Lierman – AYE

Mr. Rhee - AYE

Mr. Addae-Nuku – AYE

Ms. Bode-George – EX

Ms. Bruce – AYE

Mr. Delia - EX

Ms. Kelly – AYE

Mr. McDonnell – EX

Ms. Pelletier - AYE

Mr. Peoples – AYE

Ms. Ramirez – EX

Open Session:

Chair Lierman requested a motion to re-open the meeting to transact additional business and report on any action taken during the closed session. Ms. Pelletier moved the motion; Mr. Rhee seconded the motion. The motion passed with no objections or abstentions.

Chair Lierman – AYE

Mr. Rhee - AYE

Mr. Addae-Nuku – AYE

Ms. Bode-George – EX

Ms. Bruce – AYE

Mr. Delia - EX

Ms. Kelly – AYE

Mr. McDonnell – EX

Ms. Pelletier - AYE

Mr. Peoples – AYE

Ms. Ramirez – EX

Closed Session Report: Chair Lierman reported on actions taken during the closed session.

The actions taken during the closed session included the pipeline updates and approval of the Habitat for Humanity of the Chesapeake and Mt. Zion investments.

New Business: Ms. Magruder discussed the terms of service for the Investment Oversight Committee Members have expired, announcing that Ms. Bode-George and Mr. Delia will be exiting service. She announced that notice will go out this week and requested referrals from current members. Chair Lierman announced the next meeting as Thursday, October 23, 2025, at 3:30 PM.

Adjournment:

Chair Lierman requested a motion to adjourn. Mr. Rhee moved the motion. Ms. Pelletier seconded the motion. The meeting adjourned at 5:07 PM with consensus.

Meeting Recording: https://bit.ly/C3IOC_2025_08.20

2. Financials



C3 Fund

Income Statement
For period ending September 30, 2025

Prepared on
October 21, 2025

Program Reporting:C3 Fund Direct P&L

September 2023 - September 2025

	Sep 2023 - Jun 2024	Jul 2024 - Jun 2025	Jul - Sep, 2025	Total
INCOME				
4100 Grant Revenue				0.00
C3 Fund Administration Revenue	5,000,000.00	5,000,000.00	5,000,000.00	15,000,000.00
Total 4100 Grant Revenue	5,000,000.00	5,000,000.00	5,000,000.00	15,000,000.00
Total Income	5,000,000.00	5,000,000.00	5,000,000.00	15,000,000.00
GROSS PROFIT	5,000,000.00	5,000,000.00	5,000,000.00	15,000,000.00
EXPENSES				
6000 Program/Grant Support				0.00
C3 Fund Direct Support				0.00
Outside contractors	3,622.50	128,709.11		132,331.61
Professional services - accounting	5,000.00			5,000.00
Professional services - legal	3,450.50	5,900.00	10.00	9,360.50
Total C3 Fund Direct Support	12,073.00	134,609.11	10.00	146,692.11
Total 6000 Program/Grant Support	12,073.00	134,609.11	10.00	146,692.11
Total Expenses	12,073.00	134,609.11	10.00	146,692.11
NET OPERATING INCOME	4,987,927.00	4,865,390.89	4,999,990.00	14,853,307.89
OTHER INCOME				
4950 Restricted Interest Income	149,634.36	292,158.81	79,626.55	521,419.72
Total Other Income	149,634.36	292,158.81	79,626.55	521,419.72
NET OTHER INCOME	149,634.36	292,158.81	79,626.55	521,419.72
NET INCOME	\$5,137,561.36	\$5,157,549.70	\$5,079,616.55	\$15,374,727.61

Program Reporting:C3 Fund Admin P&L

September 2023 - September 2025

	Sep 2023 - Jun 2024	Jul 2024 - Jun 2025	Jul - Sep, 2025	Total
INCOME				
Total Income				0.00
GROSS PROFIT	0.00	0.00	0.00	0.00
EXPENSES				
5100 Salaries & Benefits				0.00
5121 Salaries - Administrative Staff	124,319.95			124,319.95
5181 Health Benefits	25,898.62			25,898.62
Total 5100 Salaries & Benefits	150,218.57			150,218.57
5800 Contractual Services				0.00
5806 Outside Contractor	1,750.00	671.21		2,421.21
Total 5800 Contractual Services	1,750.00	671.21		2,421.21
6000 Program/Grant Support				0.00
C3 Fund Administrative Support				0.00
Administrative Program Support		372,931.26	117,224.01	490,155.27
Total C3 Fund Administrative Support		372,931.26	117,224.01	490,155.27
C3 Fund Direct Support				0.00
Other expenses		576.19		576.19
Outside contractors		41,795.68	10,718.75	52,514.43
Professional services - legal		9,235.00		9,235.00
Total C3 Fund Direct Support		51,606.87	10,718.75	62,325.62
Total 6000 Program/Grant Support		424,538.13	127,942.76	552,480.89

	Sep 2023 - Jun 2024	Jul 2024 - Jun 2025	Jul - Sep, 2025	Total
Total Expenses	151,968.57	425,209.34	127,942.76	705,120.67
NET OPERATING INCOME	-151,968.57	-425,209.34	-127,942.76	-705,120.67
NET INCOME	\$ -151,968.57	\$ -425,209.34	\$ -127,942.76	\$ -705,120.67

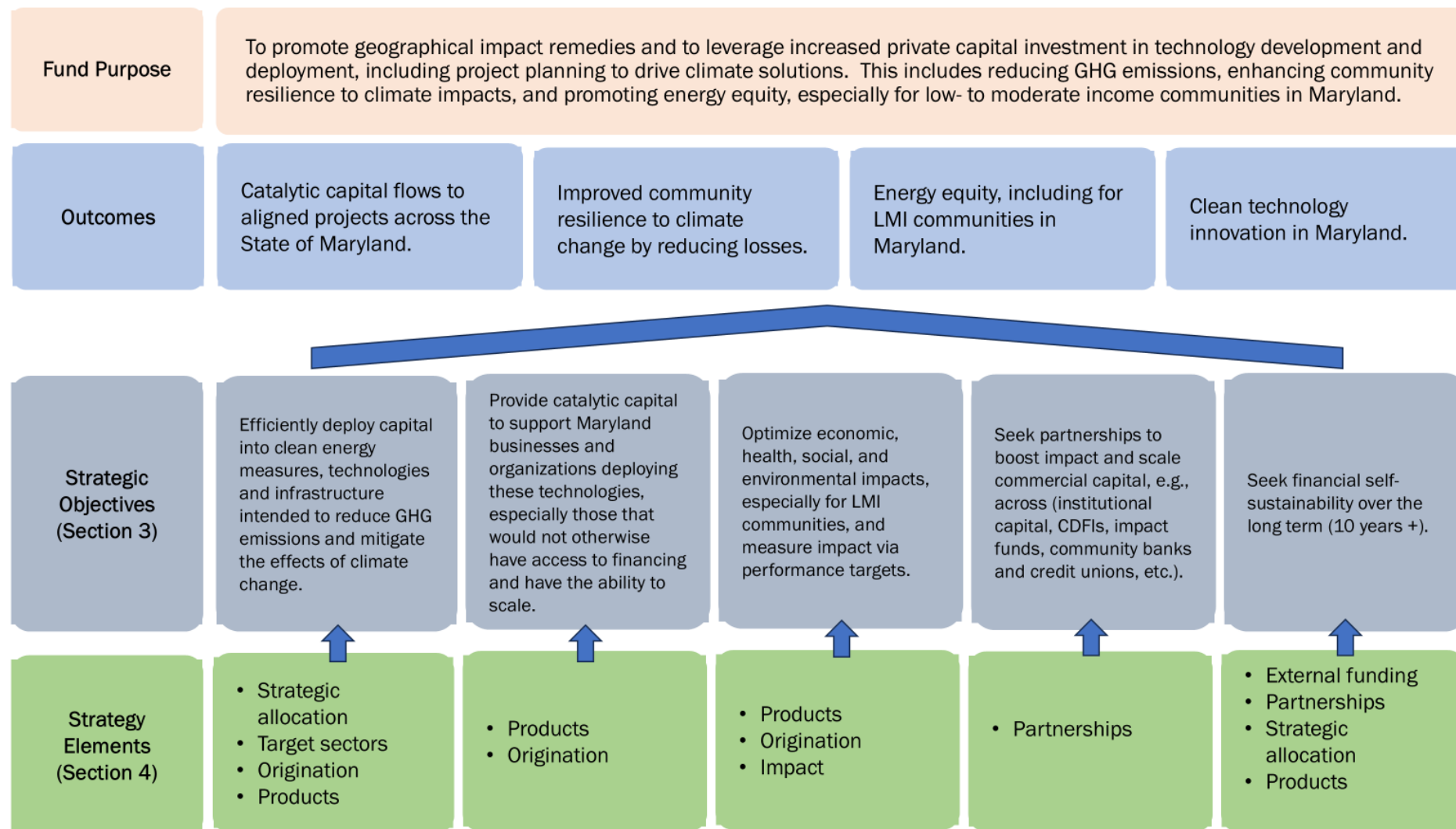
3. WSP Deliverables

3.1 C3 Fund Strategy

Version 1.0, October 2025

C3 Fund Strategy – Theory of Change

The C3 Fund Theory of Change outlines how the Fund is expected to achieve its intended outcomes by linking activities to long-term goals



C3 Fund Strategy – Strategy Elements

Strategy Element	Description	Implementation
1. Strategic Portfolio Allocation	Concessional debt (70%), credit enhancements (20%), and recoverable grants (10%).	• Approved this strategic allocation during its Committee Meeting dated 18, June 2025. • Current focus is on building a portfolio through origination. As the portfolio develops and matures, the focus can shift toward portfolio monitoring and management
2. Partnerships	Potential partners :community development financial institutions (CDFIs), impact funds, community banks, green banks, and credit unions.	• Ongoing relationship maintenance, and building. • Potential to conduct a formal landscaping and structured outreach and relationship management activities
3. External Funding Sources	Potential external funding sources include state budget appropriations, private contributions from philanthropic organizations, and federal grants or programs, as well as capital markets	• In the short- to medium-term the likely external funding source is state appropriations • In the medium -longer term additional pools of capital may be pursued

C3 Fund Strategy – Strategy Elements

Strategy Element	Description	Implementation
4. Focus Sectors	Set out in Investment Guidelines	- Indicative ranges to allow for portfolio management and concentration risk management - Flexibility to respond to market dynamics
5. Products	Specific products help investors and borrowers overcome the barriers to investing in priority sectors.	- Deploy debt, CE and recoverable grants to support investees and projects using the tools and processes - Only make pure grants in extraordinary circumstances - Programmatic lending may be developed over time
6. Origination	Efficient deal sourcing and pipeline management C3 Fund Investment Guidelines document outlines three origination channels - competitive, programmatic, and strategic,	- Open new application window using new tools; going to market will allow the Fund to get a sense of demand for Fund products - Consider targeted origination for portfolio building - Link to partnerships
7. Impact	Reduction of greenhouse gas emissions. Enabling the reduction of climate impacts. Leveraging additional capital. 40 % of the fund balance should be used for qualified projects in communities with LMI households.	Implement impact framework and metrics, screening tool, monitoring measurement and reporting processes

C3 Fund Strategy – Action Plan

The 12-month Action Plan lays out activities that operationalize the strategy, placing the Fund in a strong position to achieve its strategic objectives and purpose

January
2026

December
2026*



Months 1 & 2

Initial Activities including:

Roll out and operationalize tools, processes and standards

Open one call for proposals using new tools, guidelines, etc.



Months 3-6

Intermediate Activities including:

Portfolio Dashboard

Establish Administrative Budget



Months 7 -12

Advanced Activities including:

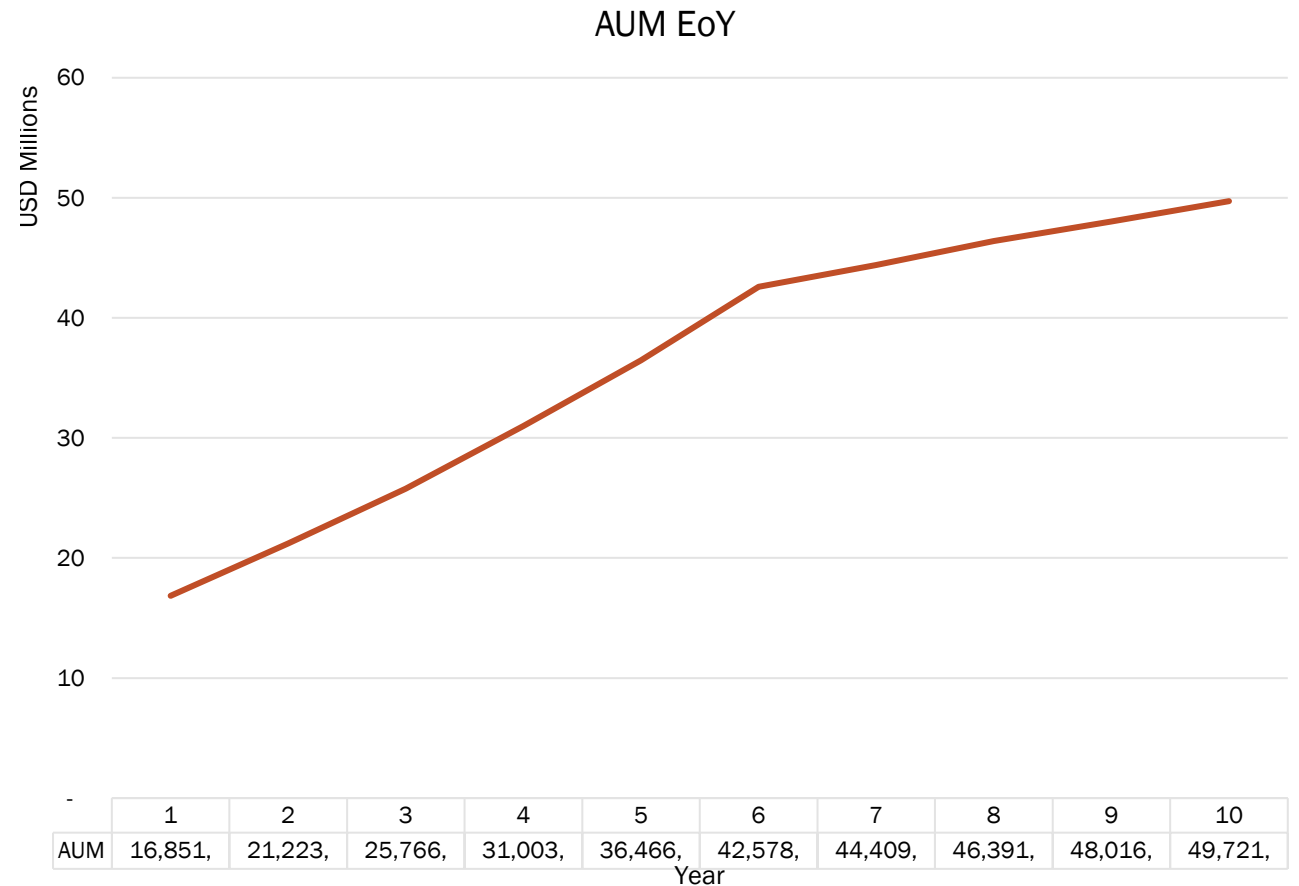
Process review and lessons learned

Develop partnerships element

Develop originations element

Fund Balance – Self-Sustainability & AUM

- Phase 1: Capital Preservation (Years 1–6)
- Phase 2: Financial Sustainability (Years 7–9)
- Phase 3: Financial Self-Sustainability (Years 10+)
- A general rule of thumb is that a US\$50 million fund achieves this critical mass for financial

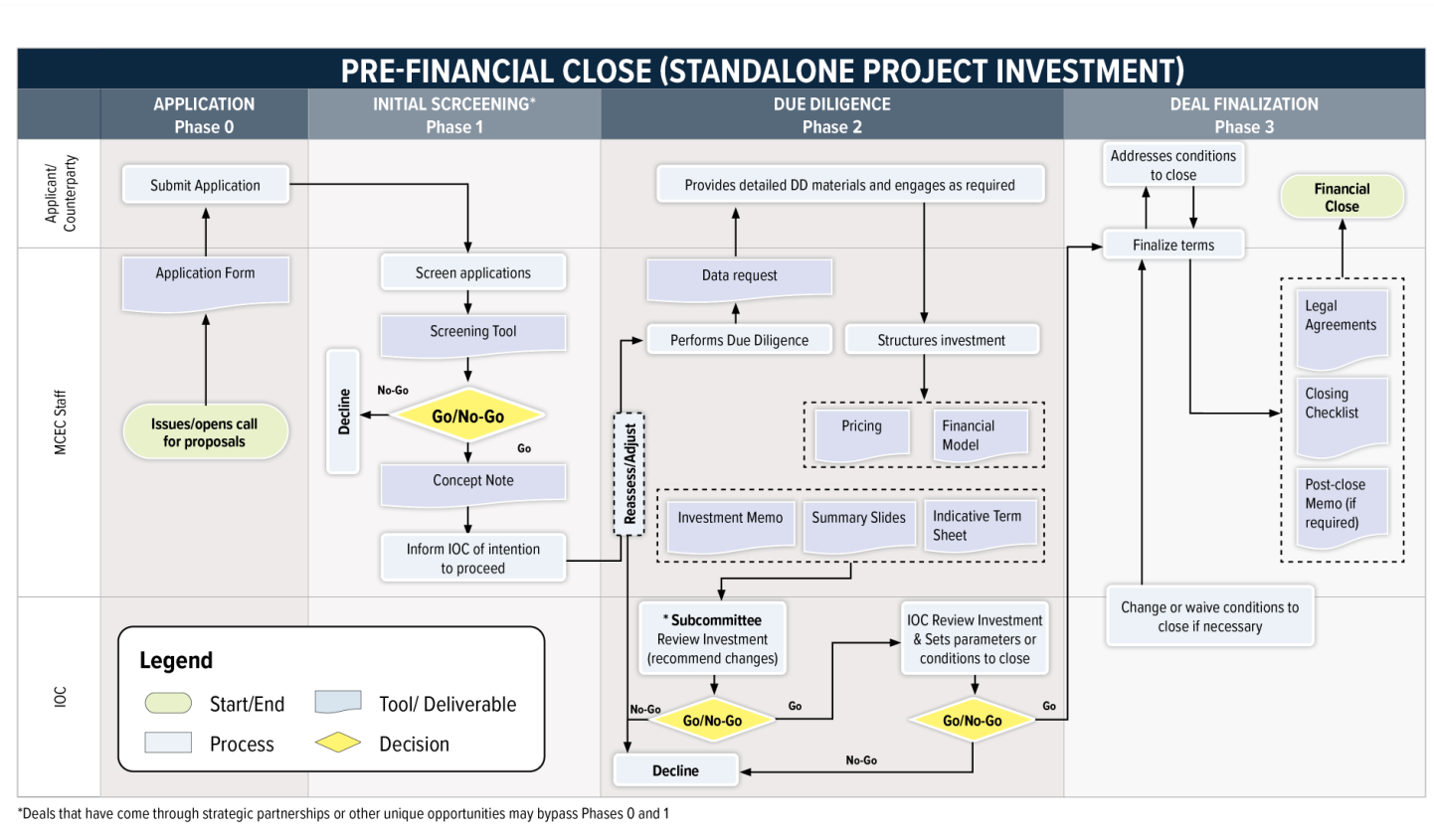


3.2 Fund Operations & Management Manual

Version 1.0, October 2025

C3 Fund Operations and Management Manual

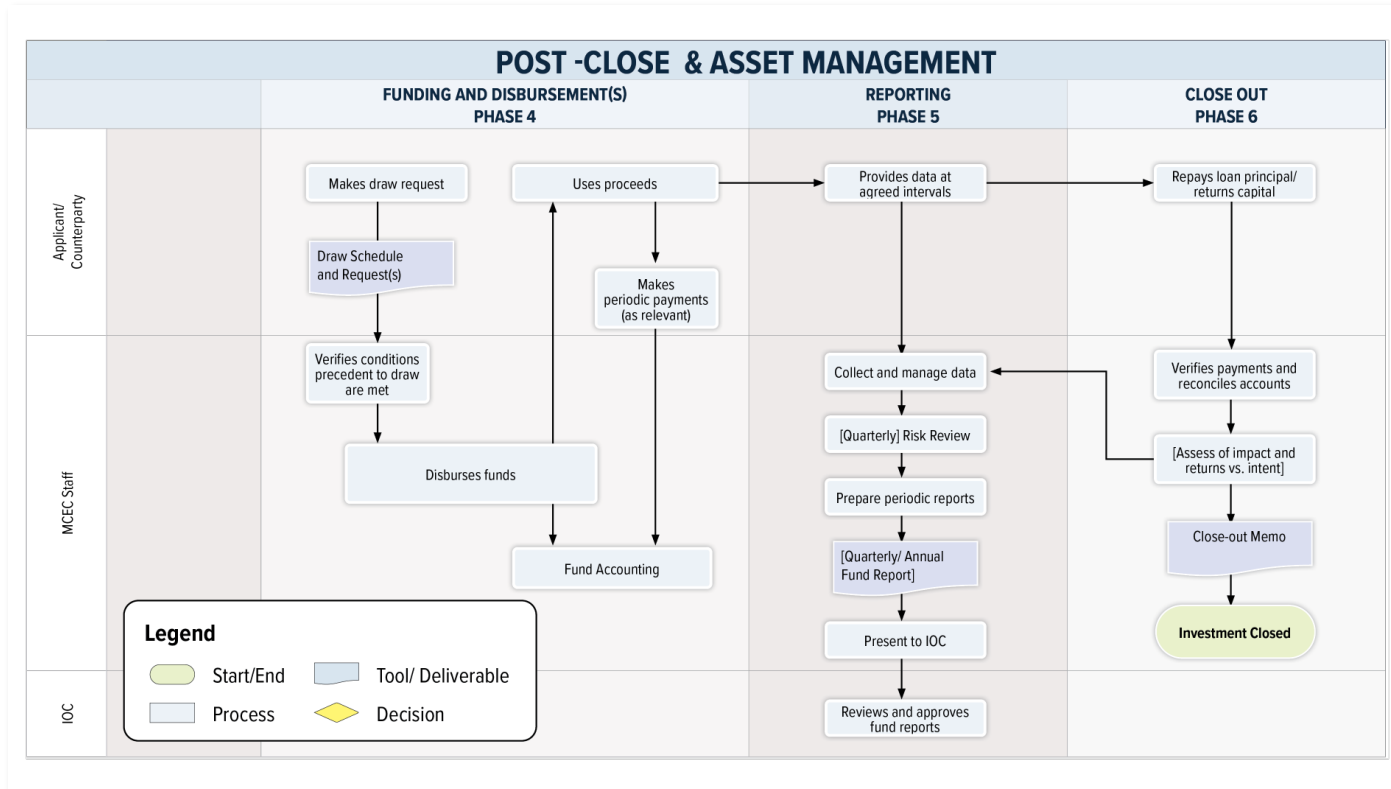
Investment Process, Phases 0-3



- Sets out the institutional, administrative and financial arrangements for the Fund
- The C3 Fund Investment Process is the procedure for bringing an investment from application to close-out
- The Investment Process is divided into Pre-and Post- Financial Close Activities and includes fund management and monitoring
- The Manual provides detailed guidance for all Process stages, apart from Phase 2 Due Diligence which is set out in the Underwriting Standards and Manual

C3 Fund Operations and Management Manual

Investment Process, Phases 4-6



- The Post-Close and Asset Management Investment Process provides guidance for loan servicing and fund accounting guidelines including specific GASB standards,
- It provides a framework for portfolio monitoring and management and detailed monitoring and reporting guidance for financial and impact outcomes, including an outline fund report

Motion for WSP Deliverables

Motion to approve the C3 Fund Strategy and Operations & Management Manual as presented by WSP.

4. Pipeline Review

CLOSE SESSION

Motion to close the meeting in accordance with Section 3-305(5), the Investment Fund Oversight Committee is closing the meeting to comply and consider the investment of public funds, and section 3-305 (b)(13) to comply with specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter.

Re-Open Meeting

OPEN SESSION

Motion to re-open the Meeting to transact additional business and report on any action taken during the closed session.

5. New Business and Closing Remarks

- Next IOC Meeting - Thursday, December 18th, 2025.
Any conflicts with the holiday season?



C3 Fund Strategy
October 2025



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Glossary of Frequently Used Terms

1. **Catalytic Capital:** Capital that is risk-tolerant, concessionary, and/or flexible, used to attract or facilitate commercial capital.
2. **Concessional Debt:** Debt provided on terms more favorable than market rates, often to lower-credit borrowers.
3. **Credit Enhancement:** Mechanisms like loan loss reserves that improve access to capital or reduce the cost of capital by mitigating risk for investors.
4. **First Loss Capital:** A form of catalytic capital that carries a higher risk profile than traditional debt and is designed to absorb initial losses. It is typically used to support early-stage investments and others that have not yet demonstrated commercial viability.
5. **Impact:** The measurable environmental, social, and economic outcomes generated by the C3 Fund's investments and activities.
6. **Maryland Climate Solutions Now Act (2022):** The legislative act that established the Climate Catalytic Capital Fund. The primary purpose of the act is to reduce greenhouse gas emissions and mitigate the effects of climate change through various measures.
7. **Recoverable Grant:** A form of catalytic capital that is paid back to the donor if specific pre-determined goals are met by the recipient.

List of Acronym Definitions

1. **C3 Fund:** Climate Catalytic Capital Fund
2. **C-PACE:** Commercial Property Assessed Clean Energy
3. **CDFI:** Community Development Finance Institution
4. **CSNA:** Maryland Climate Solutions Now Act of 2022
5. **CTGB:** Connecticut Green Bank
6. **DOE:** Department of Energy
7. **EoY:** End of year
8. **EPA:** Environmental Protection Agency
9. **GB:** Green Bank
10. **GHG:** Greenhouse gases
11. **IOC:** Investment Oversight Committee
12. **LIDAC:** Low-Income and Disadvantaged Communities
13. **LMI:** Low-to-Moderate Income households and communities
14. **MCGB:** Montgomery County Green Bank
15. **MDE:** Maryland Department of the Environment
16. **MEA:** Maryland Energy Administration
17. **MEIA:** Maryland Energy Innovation Accelerator
18. **MDOT:** Maryland Department of Transportation
19. **PPA:** Power Purchase Agreement
20. **SoY:** Start of year
21. **TEDCO:** Maryland Technology Development Corporation

1. Introduction

Contained herein is the strategy for Maryland Clean Energy Center's (MCEC) Climate Catalytic Capital (C3) Fund (the Fund). The strategy ensures that the Fund, including its target markets and products, are aligned to its priorities, while setting the foundation for efficient operations.

The enclosed strategy builds out from a strategy framework (Section 3). Establishing this framework is a key step towards embedding the strategy into Fund operations in the near term, and achieving the Fund's purpose over the short, medium and long term. It builds from the Fund's purpose, as set out in its founding act (the Climate Solutions Now Act 2022), and the Fund's investment objectives, as set out in the Fund Investment Guidelines and other foundational policies.

The strategy sets out the short-, medium- and long-term elements that will help the C3 Fund achieve its strategic objectives over time (section 4). Each strategy element represents a building block that may support, in some cases, multiple strategic objectives of the Fund. As the Fund's priorities and objectives may shift over time, these strategy elements may need to evolve or adapt accordingly. The strategy addresses fund-level elements (capital sources, financial sustainability, and portfolio allocation), along with product-level elements (products, markets, target returns, and desired impact). Priorities and decisions at the fund level will affect decisions at the product level, and vice versa. Thus, the strategy takes a systematic, yet flexible, approach to support designing, drafting, and finalizing its elements.

The strategy contains an Action Plan (Section 5) that includes a set of activities that kick off the strategy contained in the previous sections. The Action Plan also lays out activities that operationalize the strategy, placing the Fund in a strong position to achieve its strategic objectives and purpose. These activities are expected to occur over the next 12 months.

2. Background

The C3 Fund was established by Maryland's Climate Solutions Now Act of 2022 (the Act).^{1, 2} The Fund was officially launched in February 2024, and it is administered by MCEC per part V of the Climate Solutions Now Act (2022) (the Act). The Fund has several requirements set out by the Act. Its overall purpose is to increase implementation of clean energy measures and technologies intended to reduce GHG emissions and mitigate the effects of climate change.³ Additionally, it will promote "geographical impact remedies" and leverage increased private capital investment in technology development and deployment. The State of Maryland has committed \$15 million over three fiscal years to the Fund beginning in FY2024, and the final installment was received in FY2026.

Beyond the C3 Fund's overarching purpose, the Act imposes several requirements for the Fund. This includes a requirement that at least 40 percent of the Fund's investments are to be targeted to assist low-income households and communities throughout the state to access decarbonization solutions and strategies. Not more than 5 percent of the Fund balance may be used for administrative purposes. Additionally, the Fund may not be used to install new equipment that uses fossil fuels or improve the efficiency of existing equipment that uses fossil fuels.

The C3 Fund is one of multiple MCEC offerings focusing on providing commercial programs.⁴ MCEC also provides consumer and community programs, as well as procurement and technical assistance and climate tech innovation offerings. While the C3 Fund is intended to offer stand-alone solutions, it is also complementary to existing MCEC service offerings, including the Maryland Energy Innovation Accelerator (MEIA). MEIA is housed under the Climate Tech Innovation pillar and accelerates the adoption of advanced energy and climate tech created by Maryland businesses, universities, and labs. MEIA's Founders Fund provides capital for innovative startups, and it could serve as a source of investment pipeline for the C3 Fund.

The Fund is overseen by the Investment Oversight Committee (IOC). The IOC's responsibilities include evaluating and coordinating financing for eligible projects.⁵ Per Part V of the Climate Solutions Now Act (2022), MCEC's Board of

¹ [Climate Solutions Now Act \(2022\)](#)

² The Act requires the state to reduce greenhouse gas emissions through multiple measures, including establishing a statewide goal to reach net-zero emissions by 2045.

³ Part V of the Climate Solutions Now Act (2022) sets out the purpose of the C3 Fund.

⁴ <https://www.mdcleanenergy.org/programs/>

⁵ <https://www.mdcleanenergy.org/c3-fund-investment-oversight-committee/>

Directors is responsible for appointing members of the IOC. It meets bi-monthly, following Maryland Open Meetings Act regulations.⁶ Per the Fund's Investment Guidelines (2024),⁷ the IOC must consist of at least four (4) members, but not more than eleven (11) members. In addition, IOC members must have qualifications and experience in environmental finance and investment, and members are appointed with consideration of demographic diversity and statewide geographic coverage. The Fund shares staff resources, such as administrative and operational staff, with MCEC.

The Fund's Investment Guidelines list a set of investment objectives that support the Fund's purpose.⁸ Per the Guidelines, the function of the Fund is to fully achieve the objectives below:

- Reduce GHG emissions and enable the adoption of measures to combat climate impacts.
- Facilitate the electrification of the transportation sector and the use of sustainable alternative fuels in aviation.
- Enable improvements in energy management and efficiency to reduce GHG emissions from the building sector.
- Expand the deployment of clean energy generation and energy storage capacity.
- Target the implementation of energy and weatherization measures for Low-to moderate-income households.
- Optimize economic, health, social, and environmental value of community-scale infrastructure for resilience and energy equity.
- Allow for the deployment of advanced clean energy technology.
- Provide for the creation of a Maryland Green Bond program.

3. Strategy Framework

This section sets out the C3 Fund strategy framework. Establishing a strategy framework is a key step towards embedding the strategy into Fund operations in the near term, and achieving the Fund's purpose over the short, medium and long term. It builds from the Fund's purpose, as set out in the founding act, and the Fund's investment objectives, as set out in the Fund Investment Guidelines.

To date, the C3 Fund has measured success through four lenses. These lenses are: i) financial return to the fund contributing to financial sustainability; ii) environmental impact; iii) social impact and benefits for LMI communities; and iv) leveraging private capital. The theory of change and strategy framework contained herein incorporates these lenses in a structured and systematic manner.

3.1 Theory of Change

The C3 Fund will balance having impact with being catalytic. The Fund will mostly issue debt, maintaining an income focus. Implicit in its name, the Fund will also provide catalytic capital to pioneer new solutions and technology that has not yet demonstrated commercial viability. This includes, but is not limited to, new ventures and early technology that can be scaled.⁹ This capital will attract higher-risk capital,¹⁰ with greater ability to leverage private capital. The Fund will provide concessional debt, first loss capital (e.g., recoverable grants), and guarantees to LMI borrowers and investors, thus having impact across Maryland. It will support increased flow of capital to aligned projects across the state; improved community resilience to climate change by reducing climate-related vulnerability and losses; improved energy equity, especially for LMI communities; and increased clean technology innovation across the state. The C3 Fund Theory of Change is illustrated in Figure 1 below.

⁶ <https://www.marylandattorneygeneral.gov/Pages/OpenGov/OpenMeetings/default.aspx>

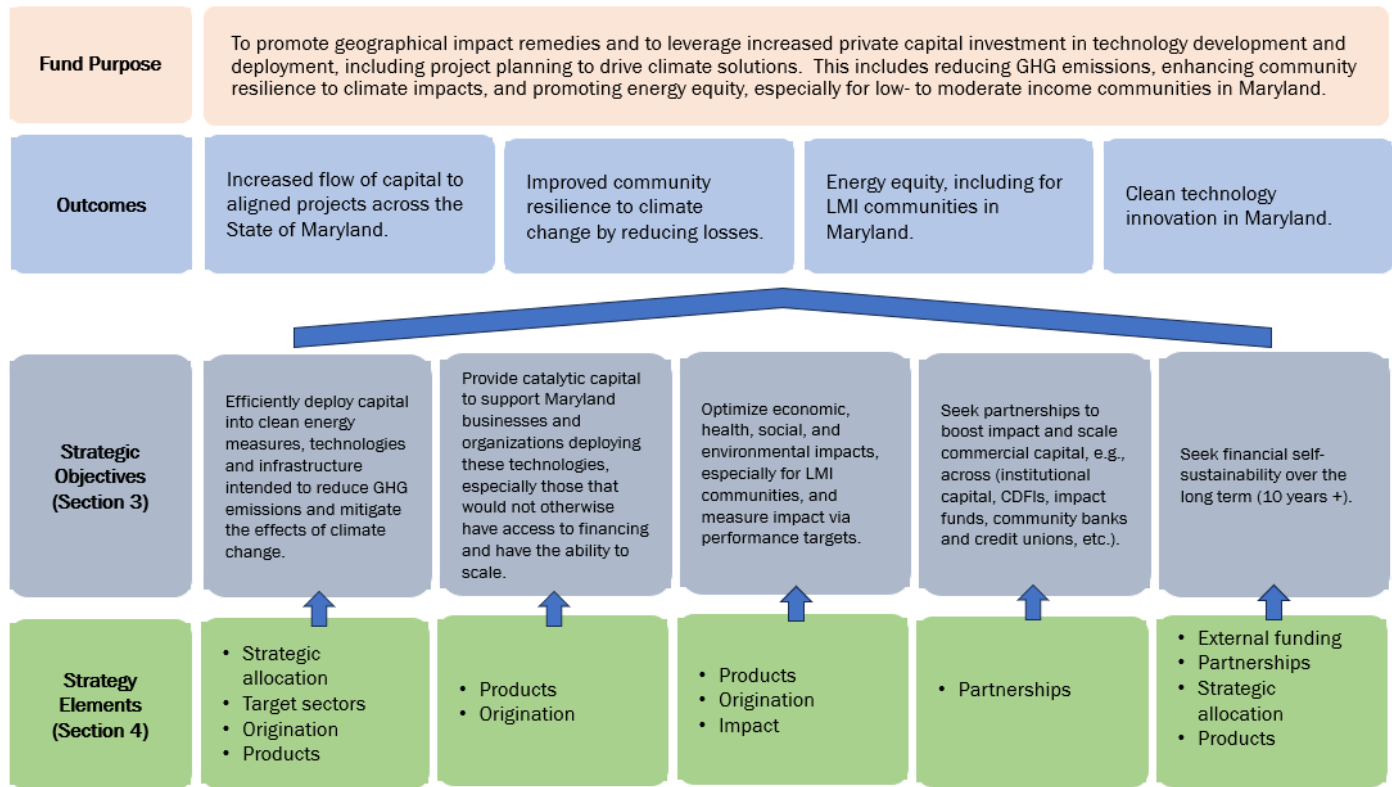
⁷ C3 Fund Investment Guidelines (January 2024).

⁸ Section 2.1 of the C3 Fund Investment Guidelines (January 2024).

⁹ No single definition for "catalytic" capital exists. A composite definition is determined from the definitions for "catalytic" capital provided by Convergence, CrossBoundary Group, the Catalytic Capital Consortium, and Prime Coalition.

¹⁰ The Fund's catalytic carveout will provide first loss capital (e.g., equity / quasi equity, recoverable grants), which carries a higher risk profile than traditional debt.

Figure 1: Theory of Change



3.2 Strategic Objectives

The C3 Fund will institute a set of strategic objectives that are consistent with its purpose and investment objectives. The strategic objectives allow for clear tracking metrics that can be developed to support the overarching strategy purpose. They may change over time as Fund priorities, funding sources, and partners evolve. This means that periodic updates to the strategic objectives are appropriate. Further, strategic objectives may conflict with one another. For instance, being catalytic means more risk, which can threaten longer term financial self-sustainability. Thus, the Fund will optimize the strategic objectives within this context. The Fund’s strategic objectives are elaborated below.

Strategic objective 1: Efficiently deploy capital into clean energy measures, technologies and infrastructure intended to reduce GHG emissions and mitigate the effects of climate change. This includes developing investment strategies to support pipeline development and fill gaps constraining impactful development. This strategic objective is aligned with the objectives set out in the Fund’s Investment Guidelines.

Strategic objective 2: Provide catalytic capital to support Maryland businesses and organizations deploying GHG mitigation technologies. This strategic objective especially relates to those that would not otherwise have access to financing or the ability to scale. The Fund will provide various types of catalytic capital that will encourage private capital leverage across all instruments. Catalytic capital will pioneer new solutions that have not yet demonstrated commercial viability, scale and expand impact enterprises.

Strategic objective 3: Optimize economic, health, social, and environmental impacts across Maryland, especially for LMI communities. This strategic objective will support community-scale infrastructure for resilience and energy equity. The Fund will support the implementation of energy and weatherization measures for LMI households. The Fund will measure its achievement towards this strategic objective via performance targets.

Strategic objective 4: Seek partnerships to boost impact and scale commercial capital. Rather than shouldering every identified gap in the market in-house, the Fund will leverage external partners and service providers to build a strong ecosystem of aligned stakeholders. The Fund will partner with other providers in Maryland’s catalytic capital ecosystem to scale its impact. Concessional capital is scarce; providers and products should be complementary and collaborative rather than competitive.

Strategic objective 5: The C3 Fund will seek to be financially self-sustainable over the long term (10+ years). Financial self-sustainability will occur when the Fund achieves an average portfolio return that consistently exceeds its operational costs plus a margin, ensuring that the fund grows over time. The average portfolio return will reflect the Fund's objective of being interest-generating, while being catalytic (offering concessional debt and first loss capital).

3.3 Pathway to Financial Self-Sustainability

The C3 Fund will take a phased approach towards financial self-sustainability over the short, medium, and long term. Financial self-sustainability will not occur immediately, and a phased approach is recommended to set the Fund up for success. This will ensure that interim targets are set, and performance against interim targets can be measured so that the Fund can recalibrate its approach as needed. The Fund's phased approach to financial self-sustainability may be as follows (see Table 1 for a summary and Annex 1 for detailed analysis):

- **Phase 1: Capital Preservation (Years 1–6)** – The Fund is focused on deploying the current capital (\$15 million) efficiently, signaling the Fund's effectiveness to the state legislature. The interim goal is to work towards operational efficiency, where OpEx is less than or equal to revenue. Further capital injections are assumed to stabilize the fund, as a fund corpus of \$15 million will not achieve this.
- **Phase 2: Financial Sustainability (Years 7–9)** – During this phase, the Fund shifts toward financial sustainability, demonstrated by growing AUM and improved operational efficiency. External capital continues to help expand the Fund, and the Fund will seek deepening partnerships and fundraising.
- **Phase 3: Financial Self-Sustainability (Years 10+)** – The Fund reaches critical mass and achieves self-sustainability.¹¹ During this phase, the Fund is operationally efficient, and strategic actions include successful securitization or refinancing. This means that it can grow without relying on external capital injections, though this support may still be received. By this phase, the Fund would target an average-portfolio return where revenue exceeds OpEx.

Table 1: Pathway to Financial Self Sustainability

Phase	Description	Time period	Target AUM (US\$)
Capital preservation	• Characterized by stable, AUM • Aiming to be operationally sustainable, opex < / = revenue • May receive capital injections from external sources that grow / stabilize the fund balance (assumed ~\$2 million p.a.)	Short-to medium term Year 1 (FY26) to EoY 6	\$15 million in FY26
Financial sustainability	• Characterized by growing, AUM • Operationally sustainable and efficient, opex < revenue • Capital injections from external sources grow the fund balance (assumed ~\$2 million p.a.)	Medium-term SoY 7 to EoY 9	~\$42 million By SoY 7
Financial self-sustainability	• Characterized by growing, AUM • Operationally efficient, opex < revenue • Fund balance is sufficient to grow without capital injections • Though, capital injections may still be received / sought	Long-term SoY 10+	~\$50 million By EoY 10

¹¹ A general rule of thumb is that a US\$50 million fund achieves this critical mass.

4. Strategy Elements

This section sets out the short-, medium-, and long-term strategy elements that will help the C3 Fund achieve its strategic objectives over time. Each strategy element represents a building block that may support, in some cases, multiple strategic objectives of the Fund. As the Fund's priorities and objectives may shift over time, these strategy elements may need to evolve or adapt accordingly.

4.1 Strategic Portfolio Allocation

The C3 Fund's strategic portfolio allocation supports the Fund's objectives of being catalytic and achieving impact. This is the Fund's target allocation across the financial instruments that it provides to borrowers and investors. To support these objectives, the Fund's strategic portfolio allocation consists of concessional debt, credit enhancements, and recoverable grants.¹² The Fund will be catalytic across all instruments that it provides to borrowers and investors. The Fund's strategic portfolio allocation across debt, credit enhancements, and recoverable grants is set out in Table 2.

Table 2: Strategic Portfolio Allocation

Instruments	Description	Strategic Allocation ¹³	Indicative Return ¹⁴
Debt	Debt provided on concessional terms, often extended to lower-credit borrowers, designed to fill financing gaps—such as by offering higher loan-to-value (LTV) ratios—and structured with greater flexibility in terms of seniority and security compared to conventional lenders.	70%	Price floor equal to the US Treasury rate of the relevant tenor plus a loan servicing element.
Credit enhancement	Mechanisms such as loan loss reserves (LLRs) that improve access to capital or reduce the cost of capital by mitigating risk for private investors.	20%	Credit enhancement fee charged on the credit enhancement facility
Recoverable grant	A form of catalytic capital that can be structured as equity, first-loss capital, or, in some cases, as a substitute for debt—typically deployed in a manner like a zero-coupon loan.	10%	Recoverable grant principal paid at the end of the term (not return seeking).
Total		100%	

The Fund's strategic portfolio allocation is consistent with its objective of financial self-sustainability. A financial model for the Fund (contained in Annex 1) projects the Fund balance using the strategic portfolio allocation target. The financial model estimates a “bathtub” Fund capital profile if there are no external capital injections (i.e., some capital depletion over 10 years). However, with external capital injections, the Fund may achieve critical mass sufficient to achieve financial self-sustainability.

The C3 Fund's Underwriting Standards and other frameworks and processes support the strategic portfolio allocation. The Standards embed impact and return considerations at key stages of the investment process. At this early stage, the Fund's focus is on building a portfolio using the targets approved by the IOC as the Fund's strategic asset allocation. As the portfolio develops and matures, the focus can shift toward portfolio monitoring and management. To achieve and maintain the strategic portfolio allocation, the Fund can:

- Engage in targeted originations, for debt, for credit enhancement, etc. as it seeks to build its portfolio.
- Embed portfolio impact considerations in the due diligence phase and the post-investment monitoring phase.¹⁵
- Engage in active portfolio monitoring and management as the portfolio evolves.

¹² Equity is excluded due to valuation and management challenges. Pure grants are excluded due to the dilutive impact on the fund.

¹³ The IOC approved this strategic allocation during its Committee Meeting dated 18, June 2025.

¹⁴ These returns are indicative only; Section 4.5 contains more detailed guidelines on product level pricing, fees, and charges.

¹⁵ Currently, portfolio concentration is considered a risk factor contributing to the credit risk premium. New investments should be considered on their own merits and in the context of the portfolio.

4.2 Partnerships

The C3 Fund should identify and work with partners that will help it achieve its strategic objectives. The Fund should focus on creating synergies around social impact goals and working with partners to serve similar communities, optimize social impacts and climate finance deployment, and support Maryland and national knowledge and stakeholder networks. Examples of potential partners include entities operating in Maryland's catalytic capital ecosystem, such as community development financial institutions (CDFIs), impact funds, community banks, green banks, and credit unions. Establishing mutually beneficial partnerships will help the Fund:

- Build capital.
- Grow its pipeline.
- Create ecosystem synergies and avoid redoubling efforts.
- Promote knowledge sharing, networking, and convening to support Maryland's cleantech ecosystem.

For instance, partnering with CDFIs presents an opportunity to create synergies around social impact goals and working together to serve similar communities. Alternatively, technical assistance providers may be a source of future Fund project pipeline. Table 3 contains a non-exhaustive list of partners, and their strategic alignment to the Fund, and issues to consider for collaboration.

The C3 Fund may conduct a landscape study to identify potential partners. This study would assess the alignment between the Fund's purpose and strategic objectives and those of prospective partners. Based on the findings, the Fund may update this Fund Strategy with potential partner outreach, goals, and timelines.

Table 3: Potential C3 Fund Partners

Partner Type	Examples	Strategic Alignment to C3 Fund
Federal agencies	EPA, DOE	Given the Fund's public-private nature, this is a potential long-term partner. Focus on aligning climate goals between Maryland and Federal level, accessing Federal funding, creating national knowledge and stakeholder networks.
State agencies	MEA, MDOT, MDE, TEDCO	Given the Fund's public-private nature, this is a key long-term partner. Focus on implementing Maryland climate goals, implementing Maryland climate funding, developing Maryland knowledge and shareholder networks.
Green banks	MCGB, Climate Access Fund	The Fund's closest peers. Focus on creating synergies around social impact goals and working together to serve similar communities, working together to optimize social impacts and climate finance deployment, supporting Maryland and national knowledge and stakeholder networks.
CDFIs	FSC First, Lendistry	Focus on creating synergies around social impact goals and working together to serve similar communities, supporting Maryland and national knowledge and stakeholder networks.
Technical assistance providers	Maryland Energy Innovation Accelerator	Focus on creating synergies within Maryland's innovation and climate tech ecosystems, creating networks of entrepreneurs. Opportunity to use existing technical assistance (TA) providers as source of project pipeline.
Philanthropies	Osprey Foundation	Focus on creating synergies within Maryland's ecosystem for support of marginalized firms and households, opportunity to work together to source pipeline for the Fund or support its investees.
Community Engagement	Non-profits and community organizations	Focus on creating synergies within Maryland's system for support of marginalized firms and households, opportunity to work together to source pipeline for the Fund or support its investees.
Research/academia	University of Maryland Chesapeake Bay Seed Capital Fund	Focus on creating knowledge networks and convening opportunities to build Maryland's climate finance ecosystem.
Private Sector	Sandy Spring Climate Capital	Early-stage investment groups run by private angel groups, etc.

4.3 External Funding Sources

The C3 Fund will aim to secure external funding in the short- to medium-term, to become financially self-sustaining in the long term. Potential external funding sources include state budget appropriations, private contributions from

philanthropic organizations, and federal grants or programs.¹⁶ The Fund can also develop and issue green bonds, which would help attract institutional and private investment to the Fund.¹⁷ As outlined in Section 3, capital injections can support Fund growth, helping it reach a critical mass. It is likely to take between 7 to 10 years to build a Fund corpus that will allow it to become financially self-sustaining.¹⁸ Annex 1 sets out the underlying financial modelling of the Fund, and the associated assumptions.

To attract external funding, the C3 Fund must demonstrate successful fund and investment management in the short-to medium term. The ability to consistently deploy capital in an efficient manner into transactions aligned to the Fund mandate is fundamental to demonstrating success. In the short term, the Fund must operationalize its policies, processes and procedures. This is a first step towards successful fund and investment management, helping to ensure that capital is deployed efficiently and in line with its objectives. Table 4 sets out specific examples of potential funding sources and their strategic alignment to the Fund’s goals.

Table 4: Examples of External Funding Sources

Funding Source	Strategic Alignment
State Appropriated Funds	• Maryland State legislature could provide additional recurring funding or periodic funding. • Once-off or periodic payments would help to boost the fund’s capital base but may not lead to financial sustainability on its own.
Federal Funds	• Potential for useful non-financial support, including training, technical assistance, and regulatory guidance. • May be larger than other funding amounts. • Offers grant funding opportunities.
Philanthropic Funds	• Natural partners due to mission alignment. • Often more flexible than government or other private capital – allows for innovation. • Grants can support non-lending activities like research, conceptualization support, community outreach, and technical assistance.
Green Bond Issuances	• Will allow access to institutional investors and capital markets. • Generally reliable funding source if set up well. • Enhance the Fund’s credibility/visibility, potentially attracting other funding.

¹⁶ The Climate Solutions Now Act (2022) sets out the sources from which the C3 Fund may receive funds.

¹⁷ [Climate Solutions Now Act \(2022\)](#)

¹⁸ As outlined in Section 3.2, critical mass is estimated to be ~US\$50 million.

4.4 Focus Sectors

The C3 Fund supports investment in clean energy, technologies and infrastructure intended to reduce GHG emissions and mitigate the effects of climate change. It should maintain flexibility to respond to market signals and dynamics, the competitive environment, and its investment objectives, as well as any capital restrictions which might come into play. The Fund targets several sectors for its investing activities, including: ¹⁹

- Renewable energy generation, transmission, and distribution.
- Building electrification / green buildings.
- Clean transportation, including use of alternative fuel types.
- Biomass energy and waste-to-value applications that achieve GHG reduction.
- Delivery of carbon capture technologies and solutions.
- Energy equity providing economic, health, social, and environmental benefits for LMI communities.
- Commercialization and deployment of new advanced clean energy technologies.

Table 5 presents indicative allocation ranges, reflecting the fluidity of the clean energy investment landscape. The indicative ranges are designed to provide guidance while allowing the investment team the flexibility to adapt to market dynamics. New sources of capital may also be subject to use restrictions, which could influence final allocation decisions.

Table 5: Indicative Sector Allocation

Sector	Description / Examples	Indicative Allocation Range
Renewable energy generation, transmission, and distribution	Producing, converting, and delivering energy to end users.	30% – 70%
	Technologies and systems that store energy for later use, helping to balance supply and demand, enhance grid reliability, and support the integration of renewables.	
	Technologies and systems that reduce the amount of energy required to provide the same level of service or output. It is important for lowering energy costs and reducing GHG emissions.	
Building electrification / green buildings	Focuses on designing, constructing, and operating buildings to reduce environmental impact and improve energy and resource efficiency.	20% – 50%
Clean transportation	Systems, infrastructure, and technologies that enable the movement of people and goods. Plays a central role in economic activity, urban development, and sustainability.	10% – 30%
Biomass and waste	Involves the collection, treatment, recycling, and disposal of waste materials generated by households, businesses, and industries.	5% – 20%
Other	Delivery of carbon capture technologies and solutions	10% – 30%
	Energy equity outcomes, specifically economic, health, social, and environmental benefits for low-income households and communities.	
	Commercialization and deployment of new advanced clean energy technologies.	

4.5 Products

The C3 Fund's products help investors and borrowers overcome the barriers to investing in priority sectors. Barriers to investment may include lack of liquidity to meet short-term obligations, such as loan payments; a weak balance sheet or high existing debt burden; no collateral, or limited collateral; no track record of running a similar investment or business; and new or unproven technology.

The Fund primarily offers debt instruments, which are critical for project finance, businesses and borrowers with difficulties accessing credit. Debt instruments can be deployed across a variety of structures and time horizons to support borrower and project needs. The instruments offered by the Fund will be made on concessional terms based

¹⁹ Contained in the C3 Fund Eligibility and Investment Criteria document.

on rate, tenor, seniority, security etc. or simply by being a lender of 'last resort' and extending credit to borrowers who may not be able to access it otherwise. The Fund also supports investees in mitigating risk and achieving a lower cost of capital through credit enhancements like guarantees, loan loss reserves etc. The Fund also provides investees with first loss capital or support early-stage ventures or technologies through the deployment of recoverable grants.

The C3 Fund may also develop programmatic lending, or other products with defined parameters and terms. These will be focused on a specific market, barrier, or sectors etc. They will generate efficiencies in analysis, capital deployment and portfolio management. They may also facilitate future capital raising and securitization.

The C3 Fund will only offer pure (non-recoverable) grants in extraordinary circumstances. To support capital preservation, pure (non-recoverable) grants should not be made other than in extraordinary circumstances with specific and detailed rationale documented and subject to Chief Investment Officer and IOC approval. An overview of the products offered by the Fund is set out in Table 6.

Table 6: Products Offered by the C3 Fund

Instrument	Characteristics	Use Cases (non-exhaustive)	Barriers Addressed
Debt	Concessional terms, lending to lower credit borrowers, filling financing gaps (e.g., lending at higher LTVs), more flexible as to seniority and security than other lenders.	- Working capital line of credit - Construction Loan - Pre-development Loan - Bridge loan - Equipment Loan - Term loan	- Lack of liquidity - Weak balance sheet - High existing debt burden. - No collateral, or limited collateral. - No track record of running a similar investment or business. - A new or unproven technology.
Credit enhancement	Pool of capital made available to draw on if required or to back other financing. Facilitates access to capital or lower costs of capital	- Loan Loss Reserve - Guarantee - Interest rate buy down	
Recoverable grant	Deployed like a zero-coupon loan ~ 2-5 years outstanding	- Equity/first loss capital - In lieu of debt in certain cases	

The C3 Fund's approach to product pricing and fees is an important tool in balancing its impact mandate with other strategic imperatives such as the pursuit of financial self-sustainability. The Product Pricing contained herein relates to the debt instruments that the Fund offers. The Fees and Charges contained herein relate to the credit enhancement and recoverable grant products that the Fund offers.

Product Pricing

Loans issued by the C3 Fund will be catalytic, attracting below market rates. Loans form the majority (70 percent) of the Fund's strategic portfolio allocation, and the Fund will issue them on a concessional basis. The Fund may also offer more flexible terms than those offered by commercial lenders, or to borrowers or projects which would not be considered by commercial lenders. However, to help achieve financial self-sustainability, interest rates on loans offered by the Fund should exceed the opportunity cost of using the funds elsewhere plus a provision for loan servicing costs.

The C3 Fund utilizes a cost build-up approach for its loan pricing.²⁰ This approach disaggregates the loan price into key elements and enables the Fund to identify the relative contribution of key variables, capturing the interactions between risk, return, cost of capital, and impact. The loan price is broken into i) cost of capital, ii) servicing costs, iii) credit risk premium, and iv) discretionary impact premium (treated as a deduction). See

²⁰ The C3 Fund Underwriting Standards, which incorporate a Pricing Approach, Risk Assessment and Management Framework and Impact Framework, set out and formalize the pricing approach. The associated Project Assessment and Pricing Tool, the output of which will be a key input into the C3 Financial Model, facilitates implementation.

[Table 7](#) for a summary. The Fund Underwriting Standards contain a more detailed explanation of the methodology.

Table 7: Loan Price Cost Build Up

Element	Recommendation
Cost of Funds (<i>cf</i>)	• Use the US Treasury Rate of suitable tenor • Agree pricing date with borrower and document in Loan Documents
Loan Servicing Rate (<i>ls</i>)	• A small percentage to cover the costs of servicing the loan • Standard rate of 0.25% • A custom rate can be used if agreed with the borrower and documented
Risk Premium (<i>rp</i>)	• A spread reflecting the ‘cost’ of assessing and accepting the credit or repayment risk associated with the borrower and the loan • Calculated based on the C3 Fund Risk Assessment and Management Framework contained in the Underwriting Standards
Discretionary impact premium (<i>ip</i>)	• Calculate an impact premium and subtract from risk-based pricing on a discretionary based • Implement a price floor, where $ip = rp$.

This approach attributes “value” to impact, promoting the catalytic characteristics of the C3 Fund’s debt instruments. The discretionary impact deduction is based on an assessment of the ex-ante impact estimates provided by applicants based on the guidance in the Impact Framework contained in the Underwriting Standards. While deductions for impact would de facto erode the risk premium, this reflects the idea that the Fund is willing to take on additional risk (inherent in the nature of the borrowers and projects) without seeking additional returns to compensate.

Fees and Charges

The C3 Fund may consider introducing fees in the future, consistent with common market practice. While the Fund currently has an administrative allocation and will not levy fees during the initial phase, this approach may evolve over time. Any future fee structures would be informed by legal guidance and aligned with the Fund’s operational needs. Generally, fees help offset the costs associated with managing and deploying capital, particularly for products that do not generate interest income. These may include charges related to loan servicing or other financial instruments, which are commonly used to support the administration and oversight of funds. Market practice often includes origination fees (1-2 percent of loan amount) to cover underwriting, legal, and other transaction-related expenses, though the Fund retains flexibility in how such mechanisms are applied. The loan pricing sample includes a loan servicing fee embedded in the price of each loan, per the standard cost build up approach. This fee is directly related to managing loans such as separate accounts (escrow, interest reserves etc.), collecting payments etc.²¹

Fees and charges cover the explicit and implicit costs associated with lending or setting aside capital. In the future, levying fees on products will support returns and capital preservation, especially for products which don’t generate interest income. The costs associated with the disbursement and management of monies are typically covered or recouped by charging fees such as the loan servicing fee and other proposed financial instrument fees, which directly relate to the disbursement and management of monies.

Returns on certain products offered by the C3 Fund are fee dependent rather than rate dependent. While fees might be desirable for a standard term loan, under, for example, a Working Capital Line of Credit, where draws are only outstanding for 30-60 days at a time, interest income is extremely low, thus fees such as availability fees may be the only source of return to the Fund. Similarly, for Credit Enhancements, where Fund capital is tied up and costs of implementation, monitoring etc. are relatively high, fees and charges will recoup money management costs, as well as part of the opportunity costs of setting aside capital.²² Table 8 sets out example fees and charges.

Table 8: Sample Fee Schedule

Type of Fee/Charge	Product/Instrument	Example Fee Amount	Implementation
Servicing	All Debt	0.25%	Embedded in debt pricing
Origination Fee	All	1%	One off at origination; recouped from proceeds

²¹ Note that a number of institutions provide loan servicing and treasury management services for institutions such as Green Banks and CDFIs for a fee, which may be more cost-effective and efficient than managing loans, and other instruments, accounts in house.

²² Depending on the structure of the credit enhancement.

Type of Fee/Charge	Product/Instrument	Example Fee Amount	Implementation
Facility Availability Fee	Line of Credit	0.5% of the undrawn portion of the credit line	Charged periodically (e.g. monthly, quarterly)
Maintenance/ Administration Fee	LLR or Guarantee	1-3% of the capital set aside	Charged periodically (e.g. monthly, quarterly)

4.6 Origination

A key early indicator of C3 Fund success will be its ability to efficiently originate eligible transactions and demonstrate deal flow. Having established a Fund strategic asset allocation, underwriting standards, and tools going to market will allow the Fund to get a real sense of demand for Fund products. This will inform product development, allow the Fund to be responsive to these signals, inform partnership strategy to fill gaps etc.

The C3 Fund Investment Guidelines document outlines three origination channels - competitive, programmatic, and strategic, which form the basis of a Fund Origination Strategy. The Fund's approach to origination and pipeline building will follow the origination channels outlined below. Competitive and Programmatic approaches are outbound deal sourcing approaches and will follow a more formalized procedure for RfP issuance, application and processing. The Strategic channel anticipates inbound deals coming to the Fund on a more ad hoc basis, for example repeat business or through partnerships. These deals should also be screened to confirm alignment with mandate.

Competitive origination: This approach is primarily related to standalone project applications and is anticipated to be the primary deal sourcing tool used by the Fund in the short term. It involves issuing an open call for proposals using the Application Form which collects information on applicant background, needs and proposed impact areas, aligned with the Impact Framework. The updated Application Form should support the Fund in sourcing deals of a higher 'quality' or more aligned to the Fund's strategic objectives and financing on offer. Targeted competitive selections (based on product) could be held to streamline the origination process.

Programmatic origination: This approach anticipates applications for standardized products for which clear parameters and eligibility have been set. Development of standardized products with specific terms, conditions and requirements would streamline the origination, investment and deployment process but will only become feasible when the Fund balance has grown to a sufficient level.

Strategic origination: This approach is less formalized and contemplates identifying and sourcing deals that 'best serve the purposes of the fund.' Deal flow may originate with Fund partnerships, intermediaries or existing clients, and which may take the form of participations, follow-on financing, etc.

The C3 Fund may update this Fund strategy with any updates to its origination approach. Origination should be structured around the three origination channels and the strategic portfolio allocation, focusing on marketing and outreach for deal flow. This may include a) participation in industry conferences; b) social media outreach for demand to grow, and c) proactive outreach to targeted segments or trade associations to market the Fund.

4.7 Impact

Impacts are the measurable environmental, social, and economic outcomes generated by the C3 Fund's investments and activities. A key Fund objective is to optimize economic, health, social, and environmental impacts across Maryland, including for low- and middle-income (LMI) communities. The Climate Solutions Now Act (2022) makes explicit reference to the following impact areas which the Fund is mandated to address:

- Reduction of greenhouse gas emissions.
- Enabling the reduction of climate impacts.
- Leveraging additional capital.
- 40 percent of the fund balance should be used for qualified projects in communities with LMI households.

Additionally, the Fund's Investment Guidelines state that technological characteristics of the projects, including scale up potential; and jobs and improved workforce environment should be considered in making investments:

The C3 Fund will use its Impact Framework to assess the impact each project will have.²³ This Framework embeds impact measurement, evaluation and monitoring throughout the investment process, ensuring alignment and accurate tracking.²⁴ The Fund's Impact Framework is organized around three impact areas: environmental, socio-economic, and catalytic/leverage. Investments are scored for impact using a qualitative approach for each impact area. A project's overall score reflects the number of impact areas met. This scoring must be supported with a quantified estimate or observable data point, assumptions and other supporting data. Assessing impact during due diligence can be challenging and imprecise, as it will be based on ex-ante estimates from information received from applicants. Table 9 sets out the Fund's impact areas and summarizes the associated metrics contained in the Impact Framework.

Table 9: Impact Areas and Associated Metrics

Impact Areas	Associated Metrics
Environmental	Climate mitigation (GHG reduction, energy savings in M/KWh & \$); adaptation & resilience (number of beneficiaries of resilience measures); other environmental benefits.
Social	Benefits to LMI households; underserved, overburdened communities (affordable housing upgraded, benefits accruing to LMI households, etc.)
Economic	Jobs created; LMI & underserved/disadvantaged communities (# of FTE jobs created, # of FTE jobs for disadvantaged workers and LMI households, etc.)
Catalytic/Leverage	Private capital mobilization (leverage ratio – min. target could be 10:1 for the Fund); new technology (new climate tech scaled)

²³ Contained in the Underwriting Standards and Credit Manual.

²⁴ The Fund's Investment Screening Tool also provides an initial screen for impact-alignment.

5. Action Plan

This Action Plan includes a set of activities that initiate the strategy contained in the previous sections. Beyond this, the Action Plan lays out activities that operationalize the strategy, placing the Fund in a strong position to achieve its strategic objectives and purpose. These activities are expected to occur over next 12 months, commencing in January 2026.

Table 10: 12-Month Action Plan

Timing	Activity	Achieved?
First 2 months	• Finalize and approve this strategy.	Y/N
	• Roll out and operationalize the Pricing Approach and Guidelines.	Y/N
	• Roll out and operationalize the Fund Underwriting Standards.	Y/N
	• Roll out and operationalize the Project Assessment Tool and Screening Tool	Y/N
	• Open one call for proposals using new tools, guidelines, etc.	Y/N
Month 3 to 6	• Establish a portfolio management dashboard to collect, analyze, and report on impact and other data.	Y/N
	• Identify potential partners. Continuously develop relationships with new partners.	Y/N
	• Establish an administrative budget. <i>Estimate LOE associated with processing a transaction on a dollar basis. Determine whether the Fund will levy fees to cover costs of capital deployment.</i>	Y/N
	• Issue RFP for targeted originations (e.g., for debt/market or sector/targeted LMI etc.).	Y/N
Months 7 to 12	• At the end of the first 6 months, review processes etc. and develop additional policies that might be needed. For example, consider establishing Loan Default and Delinquency Guidelines.	Y/N
	• Review and revise the Fund partnership strategy: <i>Review successful/unsuccessful Fund partnership practices and relationships. Identify new key partners or relationships that need to change, based on evolution of the Fund or landscape identity/need. Revise as needed.</i>	Y/N
	• Review service charge of 0.25%, to consider if loan servicing costs are adequately recovered, as well as principle of charging fees.	Y/N
	• Consider implementation of fees and charges; decide on fee schedule.	
	• Use the RFP experience and data to refine the approach to origination. <i>This may include a) participation in industry conferences; b) social media outreach, and c) proactive outreach to targeted segments or trade associations to market the Fund.</i>	Y/N
	• Review funding strategy and revise as needed.	Y/N
	• Conduct a strategy update to involve partnerships and capital raising.	Y/N

Annex 1: C3 Fund Financial Model

This financial model of the C3 Fund illustrates the Fund at a high level to allow stakeholders to visualize the life of the Fund over 10 years. It is based on high-level assumptions and inputs and should not be used for predictive purposes.

The model projects Fund assets under management (AUM) over 10 years. In each year, the AUM is taken from the previous year (or the starting cash balance per the assumptions), and after the operations under each instrument tranche are considered, the end-year cash balance is calculated, which becomes the starting cash balance in the next year. The starting balance is \$15 million. The Fund also assumes an annual cash injection of \$2.25 million starting in Year 1 through Year 6 (accrues at EoY). The management budget is assumed to be 0.5% per annum (inclusive of any capital injections), based on the total management fee cap 5 percent of the Fund balance²⁵. This results in a starting cash allocation of \$14.914 million.

Returns on unallocated funds and various interest rates are calculated based on the risk-free rate of 4.25%.

Assumption	Description	Value
Total Cash	Starting Fund cash allocation	\$14,925,000
Capital Injection	Annually in Years 1 through 6 (inclusive)	\$2,250,000 p.a.
Management fee cap	Amount of C3 Fund allocation allowed to be spent on admin costs	5% total (0.5% p.a.)
Risk free rate	Return on an investment with 0 risk, based on LT 10-year TBill rate in September 2025	4.25%

The Fund is divided into three instrument tranches: loans (70 percent), credit enhancement (20 percent), and recoverable grants (10 percent). Each year, the model calculates the per-tranche allocation based on the starting cash balance of that year and the allocation assumptions. At the end of each year, the principal drawdown and return, loss, and income for each tranche are calculated and added up into the end of year cash balance. Therefore, the Fund balance “recycles” fully each year, save for the principal drawdowns that are outstanding/in use by clients.

Assumption	Description	Value
Cash to Loans	% of total Fund cash allocated to loans	70%
Cash to Credit Enhancement	% of Fund cash allocated to credit enhancement	20%
Cash to Recoverable Grant	% of total Fund cash allocated to recoverable grants	10%

Loan Tranche Assumptions

The loan tranche receives 70 percent of the capital allocation. The model assumes three loan tranches with different terms and interest rates. Loan Tranche 1 is a 2-year term loan at 10 percent blended, envisioned as a short-term working capital loan. Loan Tranche 2 is a 5-year term loan at a 7 percent blended rate, envisioned as a medium-term construction or development loan. Loan Tranche 3 is a 10-year loan at a 5 percent interest rate. Interest rates are constructed as the risk-free rate plus a margin, are blended (reflect a mean rate of return on the portfolio in each given tranche), and are intended to be concessional. Each tranche is also affected by an annual loan loss percentage (5 percent) and an annual drawdown rate (20 percent), which are the same across tranches.

Assumption	Description	Value
Loan Tranche 1	% of loan cash allocated to loan tranche 1	34%
Loan Term	Loan term	2 years
Interest	Blended interest rate	10%
Loan Tranche 2	% of loan cash allocated to loan tranche 2	33%
Loan Term	Loan term	5 years
Interest	Blended interest rate	7%
Loan Tranche 3	% of loan cash allocated to loan tranche 3	33%

²⁵ A simplifying assumption that the total administration cap of 5 percent of Fund balance is applied across the 10-year projection horizon, resulting in administration fee of 0.5 percent per annum.

Assumption	Description	Value
Loan Term	Loan term	8 years
Interest	Blended interest rate	5%
<i>General Loan Tranche Assumptions</i>		
Loan Loss	% loan principal lost per drawdown	5%
Drawdown Rate	% cash drawn down pa	20%

Credit Enhancement Tranche Assumptions

The credit enhancement tranche receives 20 percent of the capital allocation. Credit enhancement is modeled as fully allocated from Year 1. Each year, some amount of it is paid out to cover eligible losses (CE Payout Rate pa). Credit enhancement funds held in escrow are invested annually at the risk-free rate and receive a 2 percent combined administration/operations fee (combined for simplicity).

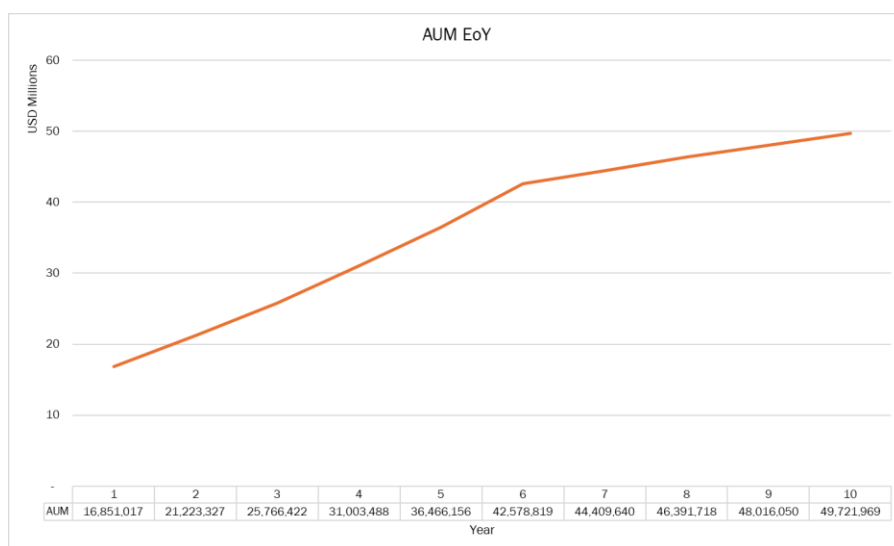
Assumption	Description	Value
CE Payout Rate pa	Annual % of CE paid out	10%
CE Fee	Cost charged to client for CE facility	2%

Recoverable Grants Tranche Assumptions

Recoverable grants receive 10 percent of the capital allocation. A recoverable grant is cash that the client holds interest-free over a given term, but then must repay at the end of that term. In the model, the recoverable grant cash is drawn down over the first 3 years of the life of the Fund; then each annual drawdown is collected back after 5 years (Recoverable Grant Term). Grants are recovered at a multiple of 0.9, which represents that some grants are expected to be lost (not recovered or not recovered fully). To show grants being recovered fully, the Multiple assumption can be adjusted to equal 1. Recovered grant cash is recycled back into the main fund at the end of the year. The model does not provide for the grant tranche to be disbursed a second time over the 10-year model time horizon.

Assumption	Description	Value
Recoverable Grant Multiple	Principle recovered (less than no return)	0.9
Recoverable Grant Term	Grant term	5 years

Model Projections



Based on the above assumptions, the model returns a Fund cash profile that is moving towards fiscal sustainability over the 10-year horizon of the model. The Fund AUM opens at \$16.8 and rises to \$49.7 million by the end of the model period. This return profile reflects the effect of the \$2.25 million-per-year capital injection over years 1-6.

The reliance of this Fund model on capital injections means that the performance of the Fund in the early years will also depend heavily on its fundraising efforts.

Financial Forecast

Year	1	2	3	4	5	6	7	8	9	10
Operating Revenues										
Loan Interest	144,998	310,452	461,701	633,307	829,788	1,003,154	1,201,742	1,425,412	1,604,220	1,795,101
<i>Tranche 1</i>	33,721	72,198	81,494	91,873	104,554	118,033	133,631	151,402	168,931	186,816
<i>Tranche 2</i>	45,820	98,105	156,556	222,943	298,626	337,509	382,102	432,501	486,811	544,281
<i>Tranche 3</i>	65,458	140,149	223,652	318,490	426,609	547,613	686,009	841,510	948,477	1,064,004
Credit Enhancement Fees	59,656	68,072	76,101	86,433	98,535	110,279	126,130	141,718	157,143	173,359
Invested Capital Interest	469,045	535,215	598,346	679,582	774,735	867,071	991,701	1,114,261	1,235,536	1,363,036
Loan/Grant Principal Returned	-	-	674,411	769,552	860,325	2,079,454	2,308,612	2,529,480	3,028,870	3,430,225
Total Operating Revenues	673,700	913,739	1,810,560	2,168,874	2,563,384	4,059,959	4,628,185	5,210,871	6,025,769	6,761,721
Operating Expenses										
Loans Made	2,087,960	2,382,514	2,663,545	3,025,167	3,448,742	3,859,777	4,414,567	4,960,142	5,500,002	6,067,569
CE Paid Out	298,280	340,359	380,506	432,167	492,677	551,397	630,652	708,592	785,715	866,796
Grants Made	497,500	497,500	497,500	-	-	-	-	-	-	-
Total Operating Expenses	(2,883,740)	(3,220,374)	(3,541,552)	(3,457,333)	(3,941,420)	(4,411,174)	(5,045,220)	(5,668,734)	(6,285,716)	(6,934,364)
Profit (Loss)	(2,210,040)	(2,306,635)	(1,730,992)	(1,288,459)	(1,378,036)	(351,215)	(417,034)	(457,864)	(259,947)	(172,643)

Fund Cash Balance & AUM

Year	1	2	3	4	5	6	7	8	9	10
AUM SoY	15,000,000	16,851,017	21,223,327	25,766,422	31,003,488	36,466,156	42,578,819	44,409,640	46,391,718	48,016,050
Management Budget	(86,000)	(86,000)	(86,000)	(86,000)	(86,000)	(86,000)	(86,000)	(86,000)	(86,000)	(86,000)
Starting Cash Balance	14,913,750	17,117,488	19,213,173	21,875,315	24,977,017	27,986,561	29,782,028	29,521,337	29,685,895	30,323,418
Profit (Loss)	(2,210,040)	(2,306,635)	(1,730,992)	(1,288,459)	(1,378,036)	(351,215)	(417,034)	(457,864)	(259,947)	(172,643)
Net Sources (Uses) of Capital Funds	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000				
Ending Cash Balance	14,953,738	17,049,423	19,711,565	22,813,267	25,822,811	29,857,028	29,596,337	29,760,895	30,398,418	31,253,806
Debt Outstanding	1,983,562	4,246,951	6,102,908	8,207,264	10,623,244	12,658,328	14,991,305	17,621,711	19,817,842	22,151,807
AUM EoY	16,851,017	21,223,327	25,766,422	31,003,488	36,466,156	42,578,819	44,409,640	46,391,718	48,016,050	49,721,969

Annex 2: Peer Benchmarking

This Annex sets out peers with similar mandates and priorities (e.g., green banks and impact funds). The analysis is organized across Sources of capital, partnerships, financial sustainability, portfolio allocations, sectors, and products, target returns, and impacts.

Strategy Element	DC Green Bank	Montgomery County Green Bank	Inclusive Prosperity Capital	Connecticut Green Bank
Sources of capital	Current capitalization: ~\$40M State Funding: \$34M \$7 million pa for 5 years (FY2018 – FY2023) from DC's Renewable Energy Development Fund (REDF).²⁶ \$15m in FYs 2020-21 and \$10m for FYs 2022-25 from DC's Sustainable Energy Trust Fund (SETF).²⁷ \$11.7m in 2024²⁸ from SETF, budget appropriation, EERLF Federal Funding: \$5M \$4.6m from US DOE (for Energy Efficiency Revolving Loan Fund)	Local (County) Funding: ²⁹\$14m, \$18-20m annually - Initial capitalization \$14 million - Gets 10% of the county's fuel-energy tax revenue (\$18-20 million annually) Private Funding ³⁰ - Town Creek Foundation grants (2017, 2018, 2019) - The JPB Foundation grant (2019) - General Motors Climate Equity Fund grant (2022)	Public Funding Partners - Connecticut Dept of Energy & Environmental Protection - Connecticut Green Bank - NY Green Bank (\$25m credit facility for clean energy investment) Private Funding: \$40m - Kresge Foundation, \$10m guarantee (2019) \$15m+ in investments from MacArthur, McKnight, Kresge, Sierra Club, and Tides Foundation (2021-2023) - Amalgamated Bank, \$15m credit (2022)	State Funding: \$100m+ - Regional Greenhouse Gas Initiative (RGGI) Connecticut funding \$100 million authorization for green bond issuance from Special Capital Reserve Fund (SCRF) Federal Funding: \$20m - The American Recovery and Reinvestment Act (ARRA) of 2009, \$20 million. Other: - Private funding (not specified)
Partnerships	Public: - Other GBs - MCEC, MCGB, InClima (Clean Energy Advantage Program) - Public Sector - DC Housing, DC Water, WMATA Private: - Private FI - Amalgamated Bank, Community Development Financial Institutions (CDFIs), Commercial PACE Lenders - Nonprofit - City First Enterprises - Large Institutional Capital - Not-for-Profit Investment Funds	Public: - Other GBs - collab w/ IPC on Seneca Village solar project Private: - Foundations - Town Creek, JPB - Companies - General Motors - Commercial/community banks - Sandy Spring Bank, Climate First Bank - Solar companies - Mountain View Solar, Ipsun Solar	Public: - NY Green Bank Private: - Foundations - Kresge, McKnight, MacArthur, Sierra Club - Commercial banks - Amalgamated Bank	Private: - FIs - M&T Bank, Skyview Ventures - Utilities - Exelon, Dominion Energy - Conservation orgs - TNC, Conservation Council - EV charging companies
Financial sustainability	- Financial (self) sustainability by FY 2026 (~6 years from establishment). - Targeting total loan portfolio of \$120 million	- No explicit goal of financial sustainability - Receives annual county allocation: The Montgomery County Green Buildings Now Act mandates 10% of	CTGB's 2023-25 Comprehensive Fiscal Plan indicates that IPC is intended to become self-sustaining - "CTGB has engaged IPC since FY19, and expects the	The 2023-25 Comprehensive Fiscal Plan has a goal to "ensure the financial sustainability of the Green Bank."³¹

²⁶ [DCGB Financial Statements 2021-2023](#)

²⁷ Clean Energy DC Omnibus Amendment Act (2018)

²⁸ [DCGB Financial Statements Year-End 2024](#)

²⁹ [Montgomery County Green Bank – Coalition for Green Capital](#)

³⁰ [MCGB: About Us](#)

³¹ https://www.ctgreenbank.com/wp-content/uploads/2024/07/Comprehensive-Plan_FY-2025_071924.pdf

Strategy Element	DC Green Bank	Montgomery County Green Bank	Inclusive Prosperity Capital	Connecticut Green Bank
	with average interest rate of 4.75% Longevity: DC Green Finance Authority Establishment Act of 2018 doesn't explicitly mention perpetuity, but establishes the DCGB as an ongoing entity of the DC government and intends for it to become self-sustaining.	the fuel-energy tax revenue be allocated to MCGB every year, with no end date.	final PSA to be in FY26 as IPC becomes self-sustainable."	CT Public Act 16-212 gives CTGB the power "to have perpetual succession as a body corporate and to adopt bylaws, policies and procedures for the regulation of its affairs and the conduct of its business"
Portfolio allocation	Target sectors:³² - Solar energy (45%) - Green buildings (specifically green affordable housing) (40%) - Stormwater (7.5%) - Transport (7.5%) Target instruments:³³ - Pre-construction loan (1yr): 15% - Construction loan (1-2 yrs): 30% - Perm (10 yr+): 50% - Credit enhancement / LLR: 5%	Target communities:³⁴ - LIDACs – over 60% of portfolio investment - Residential - Commercial - Nonprofit & public sector	Portfolio:³⁵ - Incentive bridge loan: 23.8% - Third-party owned solar term financing: 22.1% - Solar PPAs: 22.1% - Tax equity bridge loan: 16.1% - Small infrastructure project finance: 9.7% - Multifamily & nonprofit term financing: 2.9% - EnergizeCT Health: 2.2% - Interconnection bridge loan: 0.67% - Elevate line of credit: 0.08%	Sectors: Clean energy: Solar, thermal, fuel cells, hydropower, biomass Environmental infrastructure: energy efficiency, heat & power systems, water, waste and recycling, adaptation & resilience, agriculture & land conservation, parks and rec, environmental markets
Markets	- Residential - Commercial - Public/institutional	- Residential - Commercial/Industrial - Institutional	- Single & multifamily residential - Nonprofit - Commercial - Municipal - Institutional - Small infrastructure	- Residential - Commercial/Industrial - Institutional - Infrastructure
Products	Products: - DC-PACE - Navigator Loans: pre-dev and LLR products - CLEER: Commercial Loan for Energy Efficiency and Renewables Program. - Financing facilities for large projects (\$250,000+) - Energy Efficiency Revolving Loan Fund: financing at below-market rates for building energy efficiency.	Residential Products:³⁶ - Energy Efficiency Financing (Offered in Partnership with MCEC) - Renewable Energy Financing - Access Solar Financing Commercial Products: - C-PACE - Solar PPAs - Small Business Energy Savings Solutions - Technical Assistance - Affordable Multi-Family Housing - Electric Vehicle Charging	Products: - Solar PPA - Catalyst Construction to Term Loan - Navigator Pre-Development Loan - Smart-E Loan Program - Solar PPA & Solar Lease - Community Solar	Products:³⁷ Residential - Smart-E Loans - Energy storage solutions - Residential solar Building - C-PACE - GreenGain - Solar PPA - Solar roof lease - Multifamily financing - Energy storage - Energy Program Facilitation (EPF) services Investment Solutions: - Green Liberty Notes & Bonds

³² [DCGB FY2024 Annual Report](#)

³³ [DCGB FY2024 Annual Report](#)

³⁴ [MCGB 2024 Annual Report](#)

³⁵ [Inclusive Prosperity Capital 2023 Impact Report](#)

³⁶ [MCGB 2024 Annual Report](#)

³⁷ <https://www.ctgreenbank.com/strategy-impact/investment-strategy>

Strategy Element	DC Green Bank	Montgomery County Green Bank	Inclusive Prosperity Capital	Connecticut Green Bank
		Infrastructure Program (EV-CIP)		- Electric school bus financing - EV charging carbon credits - Green Bank capital solutions
Market Barriers Addressed	Barriers: - High interest rates – DCGB offers below-market rates & terms to address this. - High upfront costs – DC-PACE & pre-development loans address this.	Barriers: - High upfront costs – programs to spread costs over time - Borrower barriers – credit constraints and lack of collateral. - Lack of liquidity/upfront capital. - Lack of information – MCGB operates education & outreach programs for property owners & businesses.	Barriers: - Limited access to financing - Lack of developer capacity - Lacking community engagement - Perceived risks/liabilities - Lack of flexible financing	Barriers - More flexible approach to risk allows to invest in innovative projects - Help to demonstrate emerging technologies and develop the market to a point where private capital is willing to invest.
Target returns	Leverage ratio: - Year-to-year leverage ratios (total capital invested to DCGB capital invested): - FY24: 14.1x - FY23: 8.6x - FY22: 8.0x Cost of capital: - Assumes 4% Returns: - Fees: 1% origination fee on all instrument types. - Target returns: interest rates in business plan (2022) range from 5.25-7%	Leverage ratio: - Leverage ratio target: 5:1 leverage of MCGB capital - Leverage ratio also depends on product. It is ~20:1 for CLEER, and 4:1 for C-PACE.	Leverage ratio - Total leverage since 2018: - IPC investment: \$33,812,555 - Total impact investment: \$74,351,335 2023 leverage: - IPC investment: \$14,754,550 - Total impact investment: \$33,371,415	Leverage ratio: \$2.88 billion in private investment using \$409.4 million in CTGB dollars - Leverage ratio of 7:1 Cost of capital: - CTGB green bond trades at ~4.5%
Impact, Objectives & Targets	Environmental: GHG emissions reductions – 12,353 tons Water conservation – 428,913 gal water retention pa Solar production – 16m+ kWh pa Social: Job creation – 3,160 total Affordable housing upgrades & LMI communities – most projects are in DC’s lowest-income wards	Impact Areas & Achievements (2024): Environmental: - GHG emissions reductions - 14,083 metric tons in annual GHG reductions - Revenues for self-sustainability - \$422.4M in closed clean energy project value Social: - LMI households & affordable housing – \$63m was in LIDACs in 2024. 2,249 LMI households benefited. - Job creation (939 jobs in 2024) - Private sector mobilization (4.3x in 2024)	Impact: Environmental: 1,796,231 tons of projected lifetime CO2 avoided 1,257,685,469 kWh projected lifetime generation Social: - Approximately 60% of IPC investments are directly in LMI communities. 2,550+ multifamily housing units served \$74,351,335 total impact investing	Impact: Environmental: - Accelerated growth of renewable energy to over 707.2 MW and lifetime savings of over 89.3m MMBTUs through energy efficiency projects. - Eliminated 7m lbs of SOx and 8.7m lbs of NOx. Social: - Creation of over 29,248 direct, indirect and induced job-years. - Generated \$148m in state tax revenues. 8,125+ businesses served 63,300 families served \$218.9-494.9m in lifetime public health value created. 40% invested in areas disprop. harmed by climate change.

Strategy Element	DC Green Bank	Montgomery County Green Bank	Inclusive Prosperity Capital	Connecticut Green Bank
Strategic objectives	• Deploy capital efficiently across targeted sectors • Mobilize private capital sources through strategic partnerships, secure additional federal and foundation funding • Establish sector-specific investment programs, especially in low-moderate income and disadvantaged communities • Maximize environmental and economic impact while measuring progress on performance targets	• To help county achieve its climate goals by leveraging capital and innovative partnerships. • Increase investment in energy efficiency and renewable energy technologies • Mobilize private capital through de-risking strategies, outreach, and technical assistance.	• Align investment capital and financing programs to benefit traditionally underserved markets. • Deliver energy savings and reduced energy burdens. • Scale up clean energy deployment • Balance market accessibility with risk-adjusted return hurdles.	• Develop programs to finance and otherwise support clean energy and environmental infrastructure investment • Support investment in clean energy sources and environmental infrastructure • To stimulate demand for clean energy and the deployment of clean energy sources and investment in environmental infrastructure
Legislative Basis	• Established by the District of Columbia Green Finance Authority Establishment Act of 2018 (D.C. Law 22-155) as an instrumentality of the DC gov't.	• Established under Chapter 18A of the Montgomery County Code. • Tax-exempt, nonprofit, nonstock corporation.	• In FY19, CTGB created IPC in partnership with CT Dept of Energy & Environmental Protection and the Kresge Foundation.	• Established by Public Act 11-80 (2011) as a quasi-public agency to support clean energy projects in the state.
Governance	11-member Board of Directors Committees: • Special Committee on Sustainable Program Cooperation ensures that projects align with other DC agencies; must include 1+ voting member of the Board; Director, DOEE, Managing Director, DCSEU. • Board of Directors may create additional advisory groups.	14-member Board of Directors.	Board of Directors includes representatives from Kresge Foundation, CTGB, Natural Resource Defense Council Committees: • Investment Committee includes members from the Kresge Foundation, CTGB	Board of directors Committees: • Audit, Compliance and Governance • Budget, Operations and Compensation • Deployment Committee • Joint Committee of the CT EE Board and CTGB Board of Directors

Annex 3: Maryland's Green and Catalytic Finance Landscape

This Annex gives an overview of providers and potential partners of impact orientated and catalytic capital in Maryland. Concessional capital is scarce, providers and products should be complementary and collaborative rather than competitive.

	Montgomery County Green Bank ³⁸	City First Enterprises ³⁹	FSC First ⁴⁰	Climate Access Fund ⁴¹	MD Energy Innovation Accelerator ⁴²
Financing Provided	• Energy efficiency financing (Partnership with MCEC) • Renewable energy financing • C-PACE • Solar PPAs • Small business energy savings solutions • Technical assistance • EV-CIP Program	• Affordable housing loans • Commercial real estate loans • Clean energy loans • Term loans, lines of credit, technical assistance for small business & nonprofits • Grants for housing & small businesses	• SBA 504 Commercial Real Estate Loan • Loan funds • Green energy loan program • C-PACE • Technical assistance • Grants	• Loans for clean energy projects • Originates, develops, and finances commercial scale and community solar projects	• 3-phase program for climate tech startups, including technical assistance and financial support
Market Barriers Addressed	• High upfront costs • Lack of access to capital • Lack of liquidity/upfront capital • Lack of information • Demographic disparities	• Lack of access to capital • High interest rates • High costs • Lack of information • Demographic disparities	• Lack of access to capital • High interest rates • Cash flow constraints • Demographic disparities	• Demographic disparities • Lack of access to capital • High costs & interest rates	• Limited time to focus on building startup • Finding the right advisors and partners • Limited access to industry connections and capital sources
Sectors Addressed	• Buildings (residential/affordable housing, commercial, industrial) • Transportation • Energy efficiency • Clean energy	• Affordable housing • Small business • Education • Nonprofits • Community facilities • Clean energy	• Retail & service industry • Manufacturing & industrial • Small & medium-sized local business • Healthcare • Clean energy	• Clean energy	• Climate & clean energy technology

³⁸ <https://mcgreenbank.org/>

³⁹ <https://www.cfenterprises.org/>

⁴⁰ <https://fscfirst.com/>

⁴¹ <https://www.climateaccessfund.org/>

⁴² <https://mdeia.org/>

	Lendistry ⁴³	Tedco ⁴⁴	Video Lottery Terminal Fund (VLT) ⁴⁵	Casino Local Impact Fund (CLIF) ⁴⁶	Chesapeake Bay Seed Capital Fund (CBSCF) ⁴⁷	MD Momentum Fund ⁴⁸
Financing Provided	• Business & SBA loans • Small business loan fund • Commercial real estate loans	• Social impact funds • Seed funds • Venture funding • Laboratory & science funding	• Small business loans • Revolving loan funds	• Grants	• Preferred Equity • Convertible Debt • SAFE Notes • Profit-share agreements	• Equity purchases or notes that are convertible into equity
Market Barriers Addressed	• High interest rates • Lack of access to capital	• Lack of access to capital • Lack of access to industry connections/ other resources	• Barriers faced by women, minorities & veterans	• Economic/ demographic disparities • Lack of access to education • Health gaps • Lack of access to affordable & quality housing	• Lack of access to capital, industry connections & other resources	• Lack of access to capital, industry connections & other resources
Sectors Addressed	• Small business • Commercial real estate	• Science & technology • Entrepreneurship	• Small & local business	• Infrastructure • Public safety • Sanitation • Environmental initiatives • Economic & community development • Housing • Education • Healthcare • Transportation	• Climate adaptation & resilience • Climate mitigation • Other environmental initiatives	• Science & technology • Entrepreneurship

⁴³ <https://lendistry.com/maryland/>

⁴⁴ <https://www.tedcomd.com/>

⁴⁵ <https://commerce.maryland.gov/fund/programs-for-businesses/vlt>

⁴⁶ <https://planning.baltimorecity.gov/casino-local-development-fundslocal-development-council>

⁴⁷ <https://cbscf.umd.edu/#funding>

⁴⁸ <https://momentum.usmd.edu/>



Fund Operations Manual
Version 2, October 2025

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Glossary of Frequently Used Terms

Application Form: the standardized data collection form through which potential investees apply for C3 Fund financing

C3 Fund Strategy: The C3 Fund strategy document, including strategic objectives, asset allocation and action plan

Concept Note: the document which presents an overview of an investment that the C3 Fund intends to bring forward to Phase 2 of the investment process.

Fiscal Year: July 1 to June 30 of the following year

Founding Legislation: The Climate Solutions Now Act (2022)

Fund Balance: available financial resources of the fund; analogous to Assets Under Management (AUM)

Investment Team: MCEC staff members who work on C3 Fund investments and operations

Project Assessment and Pricing Tool: the bespoke Excel tool used by the Investment Team to collate information, perform risk assessment, impact assessment and loan pricing in Phase 2 of the investment process.

Reporting Period: as for the Fiscal Year

Screening Tool: the bespoke Excel tool used by the Investment Team to assess and score alignment with the C3 Fund mandate in Phase 1 of the investment process

Underwriting Standards: The C3 Fund Underwriting Standards and Manual

Investment Memorandum: the document which details the investment case of an investment for the IOC

List of Acronym Definitions

CSNA: Climate Solutions Now Act

GAAP: Generally Accepting Accounting Principles

GASB: Government Accounting Standards Board

GHG: Greenhouse gases

IOC: Investment Oversight Committee

IRA: Interest Reserve Account

MCEC: Maryland Clean Energy Center

MD Code: The Maryland Code and Court Rules

MGA: Maryland General Assembly

LMI: Low-to-Moderate Income households and communities

LLR: Loan Loss Reserve

PPA: Power Purchase Agreement

REC: Renewable Energy Certificate

1. Introduction

Objective of this document is to provide a guide for fund operations and investment activities. It will guide and support staff in management, administration and investment processes for Fund operation. It provides an overview and specific considerations for each phase of the C3 Fund Investment Process, including pre- and post- financial close activities. It will also support Fund staff to activate the strategic objectives set out in the Fund Strategy and implement the Action Plan recommendations.

This document draws on the following documents.

1. The Climate Solutions Now Act (2022) (CSNA)
2. The C3 Fund Investment Guidelines
3. The C3 Fund Eligibility and Investment Criteria
4. The C3 Fund Underwriting Standards, incorporating the C3 Fund Risk Assessment and Management Framework, the C3 Fund Impact Framework etc.
5. The Draft C3 Fund Strategy, as of September 2025.

A full index of documents reviewed and incorporated is included at Annex 1.

The Founding Legislation sets the overall purpose and high-level objectives of the fund. The overall purpose of increasing implementation of clean energy measures and technologies intended to reduce GHG emissions and mitigate the effects of climate change, promote “geographical impact remedies” and leverage increased private capital investment in technology development and deployment.¹ Ultimately, the Fund will support an increased flow of capital to aligned projects across the state, improved community resilience to climate change by reducing climate-related vulnerability and losses, improved energy equity, including for LMI communities and increased clean technology innovation across the state.

The C3 Fund Strategy sets out five strategic objectives to support achievement of the Fund purpose and facilitate implementation.

Strategic objective 1: Efficiently deploy investments into clean energy measures, technologies and infrastructure intended to reduce GHG emissions and mitigate the effects of climate change.

Strategic objective 2: Provide catalytic capital to support Maryland businesses and organizations deploying GHG mitigation technologies.

Strategic objective 3: Optimize economic, health, social, and environmental impacts across Maryland, including for LMI communities.

Strategic objective 4: Seek strategic partnerships to boost impact and scale commercial capital.

Strategic objective 5: The C3 Fund will seek to be financially self-sustainable over the long term (7 years +).

The C3 Fund Strategy also contains a Short-Term Action Plan. The Action Plan consists of key actions recommended for the Fund over the next 12 months to continue to build the foundations to achieve the strategic objectives. This manual is a living document and should be updated to reflect changes to practices, processes etc. in line with the Action Plan implementation and Fund requirements.

¹ Part V of the Climate Solutions Now Act (2022) sets out the purpose of the C3 Fund.

2. Institutional Arrangements

This section provides an overview of roles and responsibilities of the various entities involved in the C3 Fund's founding management, implementation, or oversight—and of the relationship between these entities.

The Fund was established and capitalized by an Act of the Maryland General Assembly (MGA). The Climate Solutions Now Act (2022) established and capitalizes the C3 Fund with \$15 million. The Founding Legislation sets out the objectives and intended uses of the Fund (summarized above), as well as restrictions and limitations on its use.

As instrumentalities of the state, MCEC and the Fund are subject to the oversight of the MGA. Under the Founding Legislation, the Fund must report on uses of the fund and outcomes to the Governor and MGA annually.

The Investment Oversight Committee (IOC) is responsible for Fund management, governance and oversight. The IOC, whose members are appointed by the MCEC Board of Directors, is responsible for 'managing' the Fund, including making investment decisions; any expenditures from the Fund, including administrative costs and investments, must be approved by the committee.

IOC constitution, governance, meetings, quorum etc. are detailed in Articles III and IV of the Investment Guidelines. The IOC must consist of at least four (4) members, but not more than eleven (11) members. In addition, IOC members must have qualifications and experience in environmental finance and investment, and members are appointed with consideration of demographic diversity and statewide geographic coverage. It meets bi-monthly, following Maryland Open Meetings Act regulations,² to approve transactions, expenditures and other Fund business, as required. As part of the transaction approval process, a four-person sub-committee of IOC members is constituted to review the transaction materials and request any changes or clarification in advance of the IOC meeting.

The Maryland Clean Energy Center (MCEC) administers the Fund. The C3 Fund currently shares staff resources, such as administrative and operational staff, with MCEC, with overall management and oversight conducted by the IOC. MCEC staff supporting the C3 Fund include MCEC's Chief Investment Officer and investment team, plus ancillary support (legal, accounting, etc.). In the future, MCEC may employ dedicated staff to administer the C3 Fund.³ In 2024, MCEC received a \$3.75 million grant from the state to establish and administer the C3 Fund. [Initially, costs associated with C3 Fund administration such as legal, administration and other overhead will be recouped from this grant.] Per the Strategy Action Plan MCEC should estimate costs associated with running the C3 Fund and establish an administrative budget for the Fund to be approved by the IOC. The founding legislation limits administrative costs to no more than five (5) percent of the Fund Balance.

Commented [NW1]: Brackets, is this intended to be left in?

² <https://www.marylandattorneygeneral.gov/Pages/OpenGov/OpenMeetings/default.aspx>

³ WSP USA's proposal for Technical and Commercial Due Diligence service for larger investments (>\$4m) was accepted by MCEC in September 2024, these services have yet to be contracted.

3. Financing Arrangements

This section provides an overview of C3 Fund's current capitalization, funding, eligible sources of capital and the pathway to financial self-sustainability set out in the C3 Fund Strategy, including operational actions the Fund may need to take to achieve this goal.

Under the founding legislation, the State of Maryland committed \$15 million over three fiscal years to the Fund beginning in FY2024. The Fund Balance is currently approximately ~\$15 million, which is comprised of \$5 million received from the State of Maryland over three fiscal years, with the final installment received in FY26. Over the period since the establishment of the Fund, the Fund Balance has earned interest.

The Founding Legislation is broad in its language around sources of capital for the Fund. Permitted sources of capital for the Fund are:

1. Money appropriated in the State budget (in addition to initial capitalization);
2. Money from private contributions and federal grants or programs; and
3. Any other money from any other source
4. This is in addition to anticipated returns on financing, sales of assets acquired by the fund, sales of collateral, etc.

In the future, the Fund may also levy fees and charges on certain products, which could constitute an additional source of revenue for the Fund, allowing it to support administration costs and preserve capital.

4. C3 Fund Operations

This section provides an overview of how the C3 Fund deploys and manages capital to achieve its strategic objectives, including restrictions on its use, set out in the Fund Strategy.

The Founding Legislation, the Investment Guidelines and Investment and Eligibility Criteria impose several specific targets, restrictions and limitations on C3 Fund operations.

1. The projects or impact must be felt in Maryland and applicants must be in good standing with Maryland Department of Assessments & Taxation.
2. At least 40 percent of the Fund's investments are to be targeted to assist low-income households and communities throughout the state.
3. Finally, the fund may not be used to install new equipment that uses fossil fuels or improve the efficiency of existing equipment that uses fossil fuels.

The Founding Legislation gives broad discretion as to the instruments and approaches through which C3 Fund can achieve its objectives. The Fund Strategy sets out the strategic portfolio allocation to each instrument type, determined through a consultative process with the IOC and MCEC staff. It was decided that the Fund would offer debt, credit enhancement and recoverable grants. At this early stage, the Fund's focus is on building a portfolio using the targets approved by the IOC as the Fund's strategic asset allocation. As the portfolio develops and matures, the focus can shift toward portfolio monitoring and management.

The Fund will primarily offer debt instruments. Debt is critical for project finance, businesses and borrowers with difficulties accessing credit. Debt instruments can be deployed across a variety of structures and time horizons to support borrower and project needs. The debt instruments offered by the Fund will be made on concessional terms based on rate, tenor, seniority, security etc. or simply by being a lender of 'last resort' and extending credit to borrowers who may not be able to access it otherwise.

Additionally, the Fund will offer Credit Enhancements and Recoverable Grants to address various barriers to investment. The Fund will support investees in mitigating risk and achieving a lower cost of capital through credit enhancements like guarantees, loan loss reserves etc. The Fund can provide investees with first loss capital or support early-stage ventures or technologies through the deployment of recoverable grants, where other financial instruments are not feasible; deployed like a like a zero-coupon loan.

The C3 Fund’s Underwriting Standards and other frameworks and processes support the strategic portfolio allocation, mandate achievement, and capital preservation. The Standards embed impact and return considerations at key stages of the investment process.

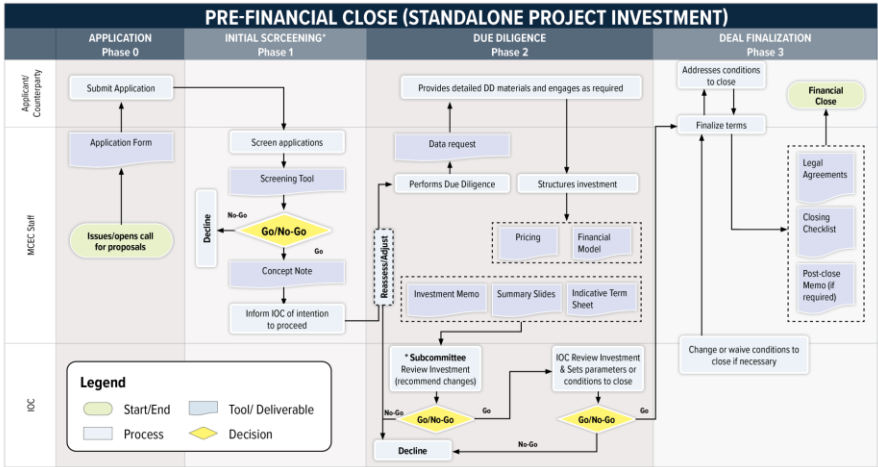
5. Investment Process

This section guides the implementation of the C3 Fund Investment Process from application to close-out. The investment process developed for the C3 Fund is based on the anticipated origination and processing of standalone project investments. The Fund processes, tools and standards activate the strategic objectives of the Fund, limitations on its use, the catalytic nature of the instruments and the Strategy targets. It is divided into two sections - actions to be taken pre- and post-financial close. A streamlined process anticipating future standardized products or programmatic lending is included at Annex 2.

5.1. Pre Financial Close Activities

Figure 1 outlines the investment process flow for actions pre-financial close including key decision points, tools and stages involved in the intake, analysis and approval of projects.

Figure 1. Pre-Financial Close Investment Process, Phases 0-3



*Deals that have come through strategic partnerships or other unique opportunities may bypass Phases 0 and 1

5.2. Phase 1: Application

5.2.1. The application phase generates the pipeline of financing opportunities for the C3 Fund. The application procedures outlined below relate to the competitive selection process for standalone projects or deals.

5.2.2. Soliciting Applications

- 5.2.2.1. Applications can be solicited through state industry and business associations, partners, advertising etc.
- 5.2.2.2. An open request for proposals can be issued through the C3 Fund tab on the MCEC website, with the Application Form, including guidance, made available for completion.
- 5.2.2.2.1. The applications portal can be kept open with applications accepted on a rolling basis.
- 5.2.2.2.2. Defined application windows may also be used, including for targeted originations as decided by the Fund.

5.2.3. Managing Applications

- 5.2.3.1. All applications received in a particular solicitation should be labelled, documented and saved in a dedicated folder.
- 5.2.3.2. As applications are received, each should be assigned to a member of the investment team who is responsible for screening the application in Phase 1.
- 5.2.3.3. Data on applicant type, sector, and financing request should be documented and analyzed to support pipeline and market demand analysis.

Table 2. Application Overview

Objective(s)	· Source and build a pipeline of financing opportunities from applicants in need of catalytic finance
MCEC Team Tasks	· Issue public call for proposals using a variety of channels for promotion · Open and manage application portal · Process applications and file forms and data as applications are submitted
Tools	· Application Form
Deliverables	· Completed Application Form
Stage Gate	· Completed Application Form received
Timeframe(s)	· Rolling applications or defined application windows
Decision Maker	· N/A
Authorization Sought	· N/A
Decision Criteria	· N/A

5.3. Phase 1: Screening

- 5.3.1. The screening phase serves to confirm eligibility and alignment with the Fund mandate and select deals to move forward to detailed Due Diligence.
- 5.3.2. The Fund Screening Tool assesses alignment with fund restrictions and mandate and is divided into two parts:
 - 5.3.2.1. The Project Screening Sheet is an assessment of basic (dis)qualifying characteristics of C3 Fund project support. Projects that do not meet basic qualifying criteria are screened out, those that do proceed to scoring.
 - 5.3.2.2. The Project Scoring sheet estimates the degree of alignment of the proposed project with the C3 Fund mandate and strategy across financial, environmental, socio-economic, catalytic/leverage and project readiness criteria.
- 5.3.3. Projects are rated Low - Very High on their degree of alignment with the C3 Fund Mandate. This rating is based on the project's overall percentage score, as follows:

Table 3. Screening Tool Thresholds and Actions

Scoring Threshold	Degree of Alignment	Suggested Action
>75%	Very High	Proceed to Phase 2

50-75%	High	Proceed to Phase 2 unless significant reservations around impact or business case
25-50%	Moderate	Only proceed to Phase 2 if compelling impact or business case
<25%	Low	Decline application

5.3.4. Currently, the project criteria are **not** weighted to reflect relative importance to the investment case.

5.3.5. When screening applications for a blend of instruments, apply the screening to the largest portion to assess broad suitability and then consider the impact of the minority portion.

5.3.6. Currently, the portfolio impact section is for context only (and does not generate a score). It is to support the assessor understand how the proposed investment might affect the portfolio; it should be estimated based on knowledge of the portfolio at the time and an estimate of how the investment in question would alter the asset allocation.

5.3.7. The Screening Process

5.3.7.1. The investment team responsible for the application should open a project folder. The Application Form and Screening Tool should be saved to the folder, which, if necessary, should then be maintained throughout the investment process.

5.3.7.2. The screening will be based only on information provided by the applicant in the Application Form. At this stage in the process, full information and detailed assumptions are unlikely to be available, so the assessor should use judgement in completing the screening tool.

5.3.7.2.1. Periodic Investment Team review meetings should be held to review, discuss and calibrate screening outputs; consider how the timing of these meetings will impact the timelines.

5.3.7.3. Applications should be screened and a decision reached on whether to move to Phase 2 within approximately 2 weeks of application receipt. Timelines may vary depending on the type of application process, and number of applications received.

5.3.7.4. Applicants should be informed of the decision on whether to move forward to the next phase of the investment process or if the Fund is declining to proceed within five (5) business days of the decision.

5.3.7.5. Screening Tool outputs include a chart which depicts the contribution of each project scoring category to the overall score should be used in the Concept Note and associated slides.

5.3.7.6. The scoring output is an input for deciding whether to move the project to Phase 2 in the investment process and invest time and resources in performing detailed due diligence. If a project moves forward due to a compelling impact or business case despite having a low alignment score, this should be clearly documented.

Table 4. Screening Overview

Objective(s)	- Assess eligibility of applicants - Screen against Fund restrictions - Assess alignment with Fund mandate
MCEC Team Tasks	- Review Application - Use screening tool to assess eligibility and degree of alignment - Open project folder
Tools	C3 Fund Screening Tool

	· Concept Note/Slides Template
Deliverables	· Completed Screening Tool and Score · Concept Note and/or slides
Stage Gate	· Application aligns with fund objectives, priorities and targets
Timeframe(s)	· ~2 -4 weeks following receipt of application
Decision Maker	· MCEC Investment Team
Authorization Sought	· Move to Phase 2 of Investment Process and perform detailed Due Diligence
Decision Criteria	· Project/deal assessed as [highly aligned/aligned] or there is additional [solid] rationale to pursue the transaction

5.4. Phase 2: Due Diligence

5.4.1. This phase encompasses counterparty and project due diligence, as well as investment structuring.

5.4.2. The process and standards for this phase of the investment process are described in detail in the Underwriting Standards.

5.4.2.1. In general, the Investment Team member who conducted the screening should lead Phase 2 and be the first point of contact with the client. The project folder opened during the screening phase should be used to collate due diligence information and analysis.

5.4.2.2. Applicants should be informed of the approval status and any conditions to close imposed by the IOC within five (5) business days of the decision.

Table 5. Due Diligence Overview

Objective(s)	· Diligence borrower and verify project details · Assess risks and impacts · Structure and right-size investment based on repayment capacity · Devise investment case
MCEC Team Tasks	· Data Collection · Verification of Basic · Risk Assessment · Impact Assessment · Structuring, Pricing and Negotiation · Financial Model · Finalize Terms · Draft Investment Memo and Summary Slides · Present to IOC Subcommittee · Present to IOC
Tools	· Due Diligence Data Request Form · Project Assessment and Pricing Tool Template · Financial Model Template · Investment Memo Template · Summary Slides Template
Deliverables	· Completed Project Assessment and Pricing Tool⁴ · Finalized Financial Model · Indicative Term Sheet · Completed Investment Memo and Summary Slides
Stage Gate	· DD verifies proposed investment meets risk/return/ impact requirements
Timeframe(s)	· In total, ~6 weeks from Screening Result · The IOC Subcommittee meeting should be scheduled ~1 week in advance of the Investment Memo submission deadline (see below). The Draft Investment Memorandum should be circulated to the IOC Subcommittee no later than 2 days in advance of the subcommittee meeting · Investment Memorandum and Summary Slides must be completed and circulated to IOC 1 week in advance of the IOC the meeting date

⁴ A Project Assessment should be completed for all transactions, even those that do not require loan pricing.

Decision Maker	· Investment Oversight Committee – having been screened by the IOC Subcommittee
Authorization Sought	· To execute LOI and to commit funds, subject to any conditions considered appropriate by the IOC
Decision Criteria	· Investment Case is sound and financial structure is appropriate · Risk can be mitigated, managed or is accepted in the context of the fund mandate. · Impact estimates have been evaluated and assessed as reasonable and in pursuance of the fund mandate. · Overall, the investment aligns with the fund strategic objectives (impact and financial) · Each investment should be judged on its own merits and in the context of the portfolio

5.5. Phase 3: Deal Finalization

5.5.1. Having received IOC approval to commit funds, this phase focuses on negotiations with the counterparty on final terms of the investment and ensuring that conditions to close set by the IOC at the conclusion of Phase 2 are met or waived.

5.5.2. Deal Finalization Activities

5.5.2.1. This phase of the investment process requires the close support and supervision of the Fund's legal resources.

5.5.2.2. If conditions to close cannot be met, are unacceptable or unachievable for the counterparty, the IOC can be asked to change or waive certain conditions provided there is suitable rationale.

5.5.2.2.1. Legal opinion should be sought on whether this approval requires a special meeting of the IOC or may be obtained by other means.

5.5.2.3. Timelines for this phase are variable and driven by several dependencies including counterparty engagement, ability to meet conditions to close and legal requirements.

5.5.2.3.1. C3 Fund should aim to achieve financial close within one (1) month of IOC approval.

5.5.2.4. Legal documentation, draft, red-lined and final, should be saved in the project folder.

5.5.2.5. The Fund should maintain a folder of example or template legal agreements, and other documents e.g. closing checklists, as deals are closed, in order to streamline closing for future deals.

5.5.2.6. The sensitivity analysis embedded in the C3 Fund financial models can be used to inform discussions and understand the impact of changes to key instrument variables or terms over the course of final negotiations and structuring.

5.5.2.6.1. If the final terms of the investment are materially different from those set out in the Investment Memorandum, these should be documented in the post-close memo.

Table 6. Deal Finalization Overview

Objective(s)	· Bring the approved transaction to financial close
MCEC Team Tasks	· Negotiates final terms and conditions · Ensure conditions to close met · Execute legal agreements
Tools	· <i>Template legal agreements</i> · <i>Template post-close memo⁵ (if required)</i>

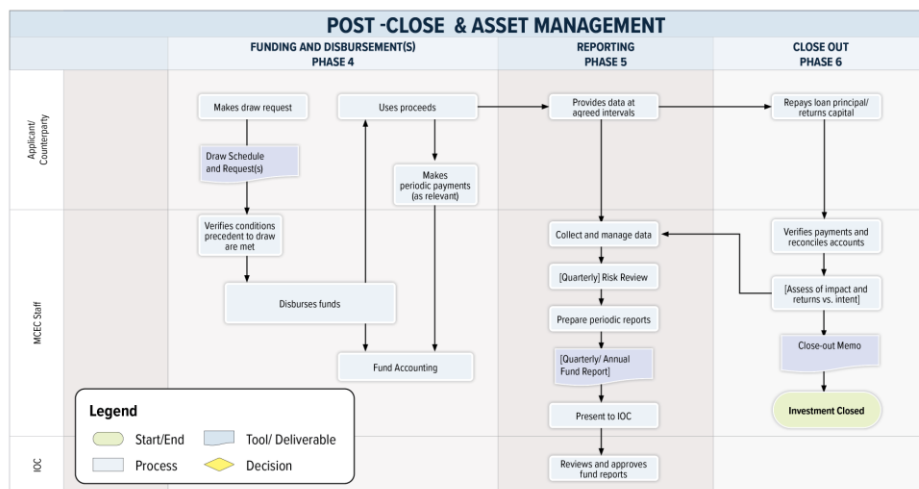
⁵ All memos build on each other are nested in the overarching Investment Memo Template

Deliverables ⁶	- Final Term Sheet (Optional) - Draft and Final Legal Documents - Closing checklist
Stage Gate	- Investment terms agreed capital allocation - Legal documents signed and closing checklist complete
Timeframe(s)	Dependent on conditions, terms and legal processes
Decision Maker	- MCEC Investment and Legal Teams, counterparty and counterparty legal teams - Investment Oversight Committee where conditions to close are requested to be waived/changed
Authorization Sought	Reach financial close on execution of legal agreements
Decision Criteria	- Terms are acceptable to both parties - Conditions to close have been met - Legal Agreements Executed

5.6. Post-Financial Close

Figure 2 outlines the investment process flow including key decision points, tools and stages for activities occurring post-financial close, in the asset management phase. The activities in these phases will primarily be the responsibility of staff members involved in loan servicing, accounting, and reporting activities. The Investment Team, the Chief Investment Officer and MCEC management will have responsibility for overall portfolio monitoring, allocation and management.

Figure 2. Post-Financial Close Process, Phases 4-6



5.7. Phase 4: Funding and Disbursement

5.7.1. This phase deals with making disbursements from the fund, receipt and management of income and portfolio monitoring and management.

⁶ All legal documents

5.7.2. As an instrumentality of the State of Maryland, MCEC and the Fund are subject to general direction related to management of public funds.

5.7.2.1.1. MCEC and the Fund can create and administer any accounts that it requires but must deposit its money “into a State or national bank or a federally insured savings and loan association that has a total paid-in capital of at least \$1,000,000.”⁷

5.7.2.1.2. [Fund capital is currently held on account with a regional bank, where it earns interest. The MD Code also allows that money be invested in US, State or other government bonds.]

5.7.2.1.3. The Fund will require additional accounts for managing loans, credit enhancement⁸, reserve accounts and managing operating income.

5.7.3. Loan Servicing

5.7.3.1. Loan servicing can be performed in-house or may be outsourced, in whole or in part, for a fee as the needs of the Fund and the portfolio evolve.

5.7.3.2. Managing and administering investments will vary in complexity, and effort required is highly dependent on the type of loan or instrument being deployed. For example, some loans have multiple draws and conditions precedent to draw that must be verified, as compared to loans that are drawn all at once.

5.7.3.3. The loan management and servicing process starts as soon as financial close is reached.

5.7.3.4. The responsible staff member should collate and verify legal documentation. Key information should be tracked and managed as a definitive source key dates, terms and conditions and other items.

5.7.3.4.1. Key information should also be copied to the portfolio dashboard to ensure accuracy and alignment.

5.7.3.5. Certain instruments or asset types may also involve the opening and maintenance of segregated accounts and escrow etc.

5.7.3.6. Certain disbursements may be subject to conditions precedent to draw (e.g. milestones reached), and these should be verified in conjunction with the counterparty before payments are made.

5.7.3.7. This stage also involved ongoing monitoring of the loan for compliance with financial covenants, management of interest and fee income over the life of the loan and active engagement with the counterparty.

5.7.3.8. Other activities may include making loan modifications, deferrals, and releases, following agreements made with the counterparty.

5.7.3.9. See Phase 6: Close-out for additional activities.

5.7.4. Administering other instruments deployed by the C3 Fund

5.7.4.1. Managing credit enhancements such as Loan Loss Reserves or Guarantees have unique considerations such as off-balance sheet risk exposures, understanding and disclosing risks associated with underlying credit exposures and logistical considerations such as segregated accounts and additional monitoring.

Commented [AV2]: Can we un-bracket this after confirming details (if needed) w/ DK?

Commented [NW3R2]: I'm thinking we remove the specifics since bank and account type could change. Also, it will be Atlantic Union Bank by the time this is adopted

⁷ MD Code, Economic Development, § 10-817

⁸ How funds are to be segregated and held for loans, guarantees and LLRs should be specifically agreed and documented in legal documentation.

5.7.4.2. Recoverable Grants can be administered in the same manner as a loan, without the anticipation of receiving interest income.

5.7.4.2.1. Recoverable Grants may be drawn down at once or over multiple draws.

5.7.4.2.2. The full amount of the Recoverable Grant should be repaid on the maturity date.

5.7.5. Fund accounting Overview

5.7.5.1. Table 5 provides a number of considerations related to managing and accounting for the specific instruments offered by the Fund.

5.7.5.2. Maryland law requires state and local government accounting to follow Generally Accepted Accounting Principles (GAAP) for governmental entities, as established by the Governmental Accounting Standards Board (GASB), with specific provisions for different funds and entities outlined in COMAR (Code of Maryland Regulations).

5.7.5.3. The objectives, activities and operations of the C3 Fund Transactions fall under 'commercial types of activities' operated by the State and so should be accounted for in the proprietary or enterprise funds.⁹

5.7.5.4. These differ from other governmental fund types in that the focus is on the flow of economic resources which, together with the maintenance of equity, is an important financial indicator. As such, commercial accounting practices should be used.

5.7.5.5. A key implication of this is the use of a full accrual basis of accounting. In general, revenues are recognized when earned, and expenses are recognized when incurred. This, and the economic resources measurement focus aims to measure the overall financial position and comprehensive results of operations, similar to private sector businesses.

5.7.5.6. As a loan-making institution, the Fund should consider that under GASB it would not be required to estimate and immediately recognize allowances for their credit losses over the life of the financial instrument, e.g. Current Expected Credit Losses model to which commercial entities are subject. Rather, GASB retains a more traditional approach, generally recognizing credit losses only when they are incurred or probable, depending on the type of financial asset. GASB standards require certain disclosures about risks, including credit risk associated with investments and deposits related to concentration and constraints (see e.g. GASBS 102).

5.7.5.7. Refer to GASBS 20, 34, 40, 62 and 102 for full details on accounting treatments and risk disclosures.

5.7.5.8. Table 7 below sets out key considerations and standards related to accounting for Fund assets, liabilities and cashflows, and for the specific instruments offered by the Fund.

Table 7. Key Accounting Considerations for C3 Fund

General	Fund financials should follow this structure: 1. The Statement of Net Position: presents information on the Fund's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating. Includes all cash and portfolio investments a. Restricted and unrestricted assets should be differentiated and reported separately.
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⁹ Note that peer institutions such as DC Green Bank are also accounted for as Enterprise Funds

	b. Certain capital, depending on the source, may have use restrictions. This may become a consideration in the future. Currently the Fund Balance is unrestricted insofar as it can be used for [approved] Fund expenditures. c. Amounts expected or due from e.g. Government of Maryland in the reporting period should be accounted for as assets - receivables. These transfers should be recorded in non-operating income, when committed rather than when received. d. Loans made by the fund should be accounted for as assets - loan receivables (see below for details). 2. Statement of Revenue, Expenses, and Change in Net Position: operating and non-operating revenues and expenses for the fiscal year/reporting period. a. The gains or losses in revenue and transfers from the State of Maryland are presented as the change in net position for the fiscal year. b. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses that are reported for some items will result in cash flows in future fiscal periods. c. Operating income relates to interest on loans or product fees. d. Investment income includes interest on the money market or other deposit accounts and is recorded on an accrual basis. 3. Statement of Cash Flows: presents information showing how the Fund's cash and cash equivalents changed during the fiscal year/reporting period. It classifies cash receipts and cash payments resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. a. The net result of those activities is reconciled to the cash and cash equivalents balances reported as of the end of the fiscal year. b. The statement should be prepared using the direct method, which allows the reader to easily understand the amount of cash received, and how much cash was disbursed. c. The statement also reconciles the change in operating net position to the net cash used in operating activities. 4. Notes to the Financial Statements: provide additional information that is essential for a complete understanding of the data provided in the basic financial statements.
Loan	1. The loan portfolio should be accounted for as an asset- loan receivable 2. Loans are classified as 'held for investment', ¹⁰ and should be reported on balance sheet/statement of net position on an amortized cost basis¹¹. 3. They are reported on a net basis less provisions made for loan losses.¹² a. Loan loss provisions in accordance with US GAAP requirements reflect an estimated percentage of the total loan portfolio potentially uncollectible in the future. b. As the loan portfolio grows, the loan loss provision correspondingly increases and reduces as loans mature or are repaid. c. Loan loss provisions are recorded non-cash Operating Expenses 4. Not all funds approved as loans are disbursed immediately, many will be delayed draw by design, with draws timed or related to milestones. The receivable/asset is reported as the drawn amount, the unfunded portion of the loan remains an off-balance sheet credit exposure which reduces as drawn. a. Disbursements are a cash outflow from operating activities 5. For lines of credit, facilities, and other committed but undrawn capital should be disclosed in the financial statements but is off balance sheet until drawn upon. 6. Product fees for availability etc. would be reported as operating revenue. 7. The establishment of an Interest Reserve Account (IRA) may be required as a risk mitigation measure for certain loans. The IRA would generally be fully or partially unfunded from loan proceeds at closing. a. The Fund would hold these funds in a segregated account and move the relevant amount to the Operating Account when an interest payment becomes due. 8. For construction loans in the portfolio, retainage may be withheld to mitigate risk; the amount to be released to the borrower at the completion of the project.

¹⁰ As the Fund intended to hold the loans to maturity or similar

¹¹ adjusted for applicable accrued interest, accretion, or amortization of premium, discount, and net deferred fees or costs, collection of cash, write-offs, foreign exchange, and fair value hedge accounting adjustments

¹²

	a. Construction loan retainage is classified as a liability on the balance sheet and the entire loan amount disbursed in the balance of the loan, with the understanding that retainage will be released upon completion of the project. 9. Interest and fee income associated with loans made by the Fund should be accounted for as Operating Income and cash inflow from investing and operating activities, respectively. 10. Non-operating income includes appropriations received or other inflows of capital.
Credit Enhancements	1. Details on the nature and amount of these guarantees or other credit enhancements must be disclosed, including the underlying portfolio loans (in the case of an LLR) or the beneficiary of the guarantee and the finance facilitated. 2. GASB 70 only requires a liability to be recorded if payment on a guarantee or other instrument is deemed to be more likely than not to be required, considering qualitative factors, such as whether the loan's issuer is in financial distress. 3. Once called or drawn on a liability should be record and an operating expense and cash outflow should be reflected. 4. Fee income shows in operating revenue and cash flow from operating activities.
Recoverable Loan	1. If a recoverable grant includes a promissory note, it should be treated as a loan with a forgiveness clause and accounted for using the same conventions outlined for loans above, without any fee or interest income.

5.7.6. Portfolio monitoring and management

5.7.6.1.1. Portfolio management and monitoring informs a structured approach to making decisions, monitoring investments or projects and proactively managing the portfolio.

5.7.6.2. It includes tracking key dates (payment due dates, maturity dates etc.) and reporting requirements, preparing periodic servicing reports for internal stakeholders and external funders or regulators and monitoring performance to aid identifying and escalating delinquent accounts as soon as possible.

5.7.6.2.1. Portfolio monitoring and management is discussed in detail in section 7 below in the context of achieving strategic objectives and allocation

Table 8. Funding and Disbursement Overview

Objective(s)	• To disburse funds following financial close • To manage and account for disbursements and balances, fund income, fees and charges etc.
MCEC Team Tasks	• Verify loan/other documentation and compliance • Verify conditions precedent to draw met • Disburse funds as requested/per agreed schedule • Record Keeping • Fund accounting
Tools	• Project budget and schedule; Draw schedule (provided by borrower and agreed at closing) • Loan servicing systems, software, etc. • Fund Accounting processes, tools and software
Deliverables	• Disbursement made and accounted for appropriately • Payment received and accounted for appropriately
Stage Gate	• Draw request (or equivalent) received • Conditions precedent met
Timeframe(s)	• Ongoing
Decision Maker	• MCEC loan servicing and fund accounting staff
Authorization Sought	• To disburse funds pursuant to draw request
Decision Criteria	• Conditions precedent to draw are met

5.8. Phase 5: Reporting

5.8.1. This phase of the investment process deals with collection, analysis and dissemination of key financial and impact data. Data collection, analysis and internal and external reporting

are key activities for C3 Fund, providing transparency on the use of public funds. Collection, collation, monitoring and analysis of information and data occur throughout the investment process from the point of application. Maintaining well-organized project folders containing all information received is vital.

5.8.2. Fund Reporting Requirements

- 5.8.2.1. MCEC is required to report to the Governor and the General Assembly on the **use** of the C3 Fund and **outcomes** of investments made from the C3 Fund on or before October 1 of each year.
- 5.8.2.2. The Fund should report on the usage of funds, i.e. capital deployed, and investments made over the Reporting Period, and since inception.
 - 5.8.2.2.1. The Fund should also report on impact achieved and facilitated over the Reporting Period and since inception, based on impact metrics set out in the Impact Framework.
 - 5.8.2.2.2. The data points to collate and report on are discussed below.
 - 5.8.2.2.3. Annex 4. Includes a proposed Annual C3 Fund Report Template outline
- 5.8.2.3. Should C3 Fund receive contributions to the Fund Balance from other sources, such as Federal grant funds, it will also be subject to general and specific reporting requirements related to those funds.
 - 5.8.2.3.1. While currently not applicable, this manual should be updated when or if other external funds are received.
 - 5.8.2.3.2. A guide to general considerations related to federal grant compliance and management is included at Annex 3.

5.8.3. Annual Reporting

- 5.8.3.1. MCEC, for which C3 Fund is tracked as a cost center, produces Annual Reports and Accounts each Fiscal Year. Fund financials, portfolio valuation and impact achieved will be an input to this report, as such, financial accounting and other reporting policies and procedures should be consistent and aligned.¹³
- 5.8.3.2. MCEC follows the Governmental Accounting Standards Board (GASB) standards, which are generally accepted accounting principles (GAAP) and financial reporting standards for state and local governments in the U.S.
 - 5.8.3.2.1. See section 5.7.5 above for an overview of Fund accounting considerations.

5.8.4. Data Points and Metrics for C3 Fund Reporting

- 5.8.4.1. The Investment Guidelines require that the following project specific data be requested from the investee and reported for each project/investment (where relevant or applicable):
 - 5.8.4.1.1. Construction status;
 - 5.8.4.1.2. A financial statement specifying the amount of C3 Funds spent on the Qualified Program or Project in the preceding Fiscal Year.
 - 5.8.4.1.3. A summary of the operations and activities related to the Qualified Program or Project during the preceding Fiscal Year; and
 - 5.8.4.1.4. "Any such other information as may be reasonably requested by the Committee;" such data points might include (see also paragraph 6.4.4.1.1):

¹³ Accounting and Finance support are shared across MCEC and C3 Fund so it is assumed that this will happen.

- 5.8.4.1.4.1. Amount drawn to date/amount committed
- 5.8.4.1.4.2. Amount outstanding/Fund Balance
- 5.8.4.1.4.3. Principal received in the Fiscal year (for e.g. amortizing loans)
- 5.8.4.1.4.4. Interest Income received in the Fiscal Year
- 5.8.4.2. Data points related to impact outcomes for each portfolio holding should also be provided based on the impact data categories, metrics and types of information to collect are set out in detail in the Underwriting Standards.
 - 5.8.4.2.1. Impact data should be gathered through the application, due diligence information requests and periodically over the life of the investment.
 - 5.8.4.2.2. The provision of ex-post impact data over the life of the investment is crucial to tracking impact achieved against ex-ante estimates of impact provided at application.
- 5.8.5. Data provision and reporting commitments should be included in Term Sheets and/or Legal Agreements to enable C3 Fund to comply with its reporting requirements under the founding legislation and/or other commitments in the future,
 - 5.8.5.1. **Audit**
 - 5.8.5.1.1. Under the Founding Legislation, the C3 Fund is subject to an independent audit. This requirement is understood to apply to Fund financial information only.
 - 5.8.5.1.2. Once prepared, the Fund's financials should be audited annually on a standalone basis from MCEC.
 - 5.8.5.2. An audit firm (different from that used by MCEC) should be appointed subject to MCEC Procurement Guidelines.

Table 9. Reporting Overview

Objective(s)	- To collect, collate and analyze investment financial and impact data - To understand and manage portfolio risks - To report annually to Maryland legislature on the results achieved by the fund - To provide input into MCEC Annual Reports
MCEC Team Tasks	- Collect and analyze data on returns and impact achieved - Annual Risk Review - Prepare Annual Fund Report - Appoint auditor and submit financials - Report to IOC (annually) - Submit Report to MGA and Governor's Office
Tools	- Portfolio Dashboard¹⁴ - Impact Framework reporting guidance - Project Assessment Tool and Risk Framework - Annual Fund Report Template
Deliverables	- Annual Fund Report (subject to audit) - MCEC Annual Report (subject to audit) - Annual risk rating for each portfolio holding
Stage Gate	N/A
Timeframe(s)	Annual
Decision Maker	Investment Oversight Committee
Authorization Sought	To approve annual report
Decision Criteria	Fund reporting requirements are met

5.9. Phase 6: Close-out

- 5.9.1. The final phase of the investment process involves the closing out or exit of the investment.

¹⁴ recommended

- 5.9.2. Maturity and other key dates are monitored and tracked throughout the asset management process through the portfolio dashboard.
- 5.9.3. Loan servicing and/or accounting staff should verify all payments have been received and principal recouped in compliance with the loan documentation and/or any revisions thereto.
- 5.9.4. The Investment Team may wish to review closed out investments to extract lessons learned, compare ex-ante estimates of impact metrics with ex-post data, etc. and prepare a short close out memorandum documenting these findings.
- 5.9.5. Records and documentation, digital records such as portfolio dashboard, data etc., should be maintained for a minimum of three (3) years (following close out);¹⁵

Table 10. Close-Out Overview

Objective(s)	• Successfully exit investment • Achieve full repayment of capital and income
MCEC Team Tasks	• Execute exit/repayment strategy • Assess overall impact • Extract lessons learned • Appropriate record keeping and documentation
Tools	• Template Close Out Memo¹⁶
Deliverables	• Close Out Memo • Documentation and record keeping related to investment close
Stage Gate	• Maturity/repayment of investment
Timeframe(s)	• Dependent on investment maturity/tenor
Decision Maker	• Loan Servicing team • Accounting Team
Authorization Sought	• To close out investment
Decision Criteria	• Maturity has been reached • All income has been received • Capital has been returned

6. Portfolio Management and Monitoring

The C3 Fund strategy sets out a target strategic portfolio allocation across financial instruments, as well as sector allocations. To support the Fund's strategic objectives, the strategic portfolio allocation consists of concessional debt, credit enhancements, and recoverable grants, and is also consistent with its objective of financial self-sustainability, as follows:

Table 11. C3 Fund Strategic Portfolio Allocation

Instruments	Description	Strategic Allocation¹⁷	Return¹⁸
Debt	Debt provided on concessional terms, often extended to lower-credit borrowers, designed to fill financing gaps—such as by offering higher loan-to-value (LTV) ratios—and structured with greater flexibility in terms of seniority and security compared to conventional lenders.	70%	Debt price floor equal to the US Treasury rate of the relevant tenor plus a loan servicing element.
Credit enhancement	Mechanisms such as loan loss reserves (LLRs) that improve access to capital or reduce the cost of capital by mitigating risk for private investors.	20%	Credit enhancement fee charged on the credit enhancement facility

¹⁵ Broadly aligning with basic Federal grant and Maryland state documentation guidelines

¹⁶ As above

¹⁷ The IOC approved this strategic allocation during its Committee Meeting dated 18 June 2025

¹⁸ These returns are indicative only; Section 4.5 contains more detailed guidelines on product level pricing, fees, and charges.

Recoverable grant	A form of catalytic capital that can be structured as equity, first-loss capital, or, in some cases, as a substitute for debt—typically deployed in a manner like a zero-coupon loan.	10%	Recoverable grant principal paid at the end of the term (not return seeking).
Total		100%	

6.1. Strategic Portfolio Allocation

- 6.1.1. Over the initial fund ramp up period the focus will be on building a portfolio of debt, and credit enhancements and recoverable grants across sectors.
- 6.1.2. The strategic allocations should be used as targets and will inform origination approach, structuring and underwriting.
- 6.1.3. As the portfolio develops and matures, the focus can shift toward portfolio monitoring and management to maintain broad asset allocation.
- 6.1.4. The founding legislation requires that 40% of the Fund Balance should be used for qualified projects in 'communities with low- and middle-income households.
 - 6.1.4.1. The legislative requirement is aimed at driving investment in LMI communities and ensuring that these communities see the benefit of climate aligned investment supported by the Fund. This means that the Fund must actively prioritize and pursue these projects and actively monitor this allocation.
 - 6.1.4.2. Meeting the LMI portfolio target is embedded in Phases 1 and 2 of the investment process:
 - 6.1.4.2.1. The Screening Tool scoring scheme positively rewards eligible LMI projects until the 40% target is achieved.
 - 6.1.4.2.2. The Impact Framework and impact premium calculation values and incentivizes projects in LMI areas, and benefits generated for LMI beneficiaries.

6.2. Sector

- 6.2.1.1. The Fund target sector allocation ranges are set out in Table 12. The aim of sector allocation is to manage portfolio concentrations and risk exposures. The ranges are broad, to allow for flexibility based on market conditions and demand.
- 6.2.1.2. Certain asset classes are more likely to have a concentration in different sectors or industry types e.g. mature markets are likely to be in need of or able to support debt
 - 6.2.1.2.1. Portfolio monitoring should account for these interactions between sectoral exposure and asset type exposures.

Table 12. Target Sector Allocation

Sector	Description / Examples	Target Range	Allocation
	Producing, converting, and delivering energy to end users.	30% - 70%	

Renewable energy generation, transmission, and distribution	Technologies and systems that store energy for later use, helping to balance supply and demand, enhance grid reliability, and support the integration of renewables.	
	Technologies and systems that reduce the amount of energy required to provide the same level of service or output. Important for lowering energy costs and reducing GHG emissions.	
Building electrification / green buildings	Focuses on designing, constructing, and operating buildings to reduce environmental impact and improve energy and resource efficiency.	20% – 50%
Clean transportation	Systems, infrastructure, and technologies that enable the movement of people and goods. Plays a central role in economic activity, urban development, and sustainability.	10% – 30%
Biomass and waste	Involves the collection, treatment, recycling, and disposal of waste materials generated by households, businesses, and industries.	5% – 20%
Other	Delivery of carbon capture technologies and solutions	10% – 30%
	Energy equity outcomes, specifically economic, health, social, and environmental benefits for low-income households and communities	
	Commercialization and deployment of new advanced clean energy technologies	

6.3. Portfolio Monitoring and Management

- 6.3.1. Proactive portfolio monitoring and management is required for achievement of strategic objectives and for risk management.
- 6.3.2. The Investment Team should hold a periodic portfolio review to assess progress towards building the portfolio and targets (in the ramp up period) and subsequently review portfolio concentrations, divergences from strategic asset allocation or other targets, concentrations and risk exposures and decide on any actions that need to be taken.
- 6.3.3. During the due diligence process, each investment will have been subject to risk assessment and rating. This process should be repeated annually for portfolio holdings and changes in the risk rating of risk elements flagged and investigated.
- 6.3.3.1. Risk re-rating enables the investment team to have an overview of risk flags at a high level.
- 6.3.3.2. Risk elements rated as '5' or high risk should be subject to additional monitoring.
- 6.3.4. The Fund (Investment Team and Servicing staff) should engage actively with borrowers and investees through the asset management period, to understand project status, potential delays, repayment risks etc. as they arise and to minimize non-performing assets.
- 6.3.4.1. Proactive portfolio monitoring and management requires accurate record-keeping. Record keeping and data tracking in a portfolio dashboard will support portfolio management, as well as efficient and accurate reporting.
- 6.3.4.1.1. The information groupings and data points (in addition to basic project and counterparty information) below should be used as a starting point in setting up the portfolio dashboard to monitor the portfolio.

Table 13. Portfolio Data Monitoring Framework (excl. impact data)

	Individual investment-level	Portfolio-level
Financial/investment	- Size (\$) - Tenor/Maturity (months) - Maturity dates - Asset Type	- Investment/Fund Balance - Total Asset type/Fund Balance - Average maturity by asset type

	○ If Loan, amortization status • Additional data such as that set out at paragraph 5.8.6	
Concentration/Exposure	• Sector • Counted toward LMI target (Y/N)¹⁹ • Counterparty²⁰ • Offtaker²¹	• Sector allocation/Fund Balance ○ Sector allocation/asset allocation • Total counterparty exposure/Fund Balance • Exposure to offtaker/Fund Balance
Risk	• Overall risk score • Risk Element scores <i>As at due diligence; re-rated and scores recorded annually</i>	• Average portfolio risk scores by element

6.4. Impact Data and Monitoring

6.4.1. The Fund needs to track and analyze both absolute and relative (per dollar invested) measures of impact. As well as outcomes on a cumulative, and periodic basis.

6.4.2. Like-for-like comparison will be difficult across the portfolio given the variety of projects and types of instruments. However, monitoring and reporting metrics, per dollar on an investment weighted basis, allows for a more reasonable comparison of impact across different investments, regardless of the investment size. Over time it will also enable C3 Fund to evaluate the effectiveness of their capital allocation decisions in generating the desired social or environmental outcomes.

6.4.3. All quantifiable metrics should be recorded on an absolute basis and on a per-dollar investment weighted basis, i.e.

$$\begin{aligned}
 & \text{(Impact Metric on Absolute Basis} \div \text{Amount of C3 Fund Investment)} \\
 & \times \% \text{ of project funded by C3 Fund}
 \end{aligned}$$

6.4.4. For each investment all relevant impact metrics should be recorded and reported following the framework set out below.

Table 14. Portfolio Impact Data Monitoring Framework

	Investment/Project Level	Portfolio Level
Year 1 of new investment	• Impact Score • Ex Ante (year 1) estimate for impacts achieved • Ex Ante estimate for total impact facilitated by new investment²²	• New project incremental impact on the portfolio impact achieved, or • New project incremental impact on the portfolio impact facilitated²³
Reporting Period (annually)	• Ex Ante (year n) estimate	• Average impact score

¹⁹ See Table 14 for detailed tracking methodology.

²⁰ In the event of follow on business with the same counterparty

²¹ For example, PPA counterparties, REC aggregators etc.

²² For investments and impact areas for which impacts will not be generated during the investment period e.g. pre-development loans, construction loans etc.

²³ As above

	Ex Post (year n-1) data	Total impact generated in the period by portfolio investments, based on ex-ante and ex post data
Cumulative (since inception)	Calculated based on Ex Post data since origination	- Calculated based on Ex Post data since fund inception - Sum of project level ex post impacts from inception to year of reporting
Year-on-Year Comparisons	Ex Ante Estimate v. Ex Post data for the same period (one year lag)	Y-o-Y increase on cumulative impact achieved
LMI tracking in reporting period	- Investment value committed to project located in community with LMI households (\$) in the period % of investment benefits accruing to LMI households	- Cumulative investment value of LMI located investments (\$)/current committed capital (\$) - C3 investment value (\$) * % of benefits generated for LMI households
LMI tracking since inception	N/A	- Total cumulative value of LMI located investments (\$) since inception - Average of annual % allocation

7. Updates and Revisions

Version 1.0 of the Fund Operations Manual should be reviewed after six (6) months and updates driven by actions taken or other Fund requirements should be documented in Version 2.0 which should be approved by the IOC. Revisions to the Fund Manual should be documented in the table below and a new version of the document saved and clearly numbered.

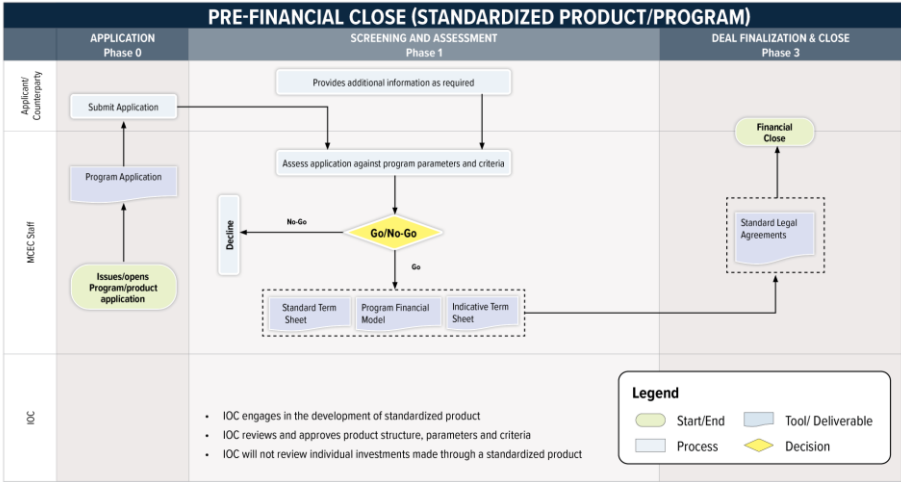
Date	Version	Revisions/Additions Made	IOC approval Date
		<i>Describe revisions/additions made, including reference to numbered sections and subsections</i>	

Annex 1. Fund Documentation Index

No.	Document Name	Document Type	Date	Description
1	<i>Climate Solutions Now Act</i>	Founding Legislation	April 2022	- Founding Legislation; pgs. 7-9 enumerate the intended functions of the Fund. - Purpose: promote “geographical impact remedies”, “leverage increased private capital investment in technology development and deployment, including project planning”. Specifically: GHG emissions reduction, adoption of measures to combat climate impacts; transport electrification and sustainable aviation fuel; energy efficiency in buildings; clean energy generation and storage; energy and weatherization; community infrastructure for resilience and “energy equity”; create Maryland Green Bond program. - Fund may be used for qualified projects: finance and carry out related activities; facilitate “efficient tax equity markets”; secure private investment capital for financing; make grants to green banks in the state; administer the fund - Limitations: max 5% of cap may be used for admin, cannot be used for projects installing fossil fuels, expenditures have to approved by Fund Oversight Committee, annually 40% of fund balance has to go to “communities with low- to-moderate income households” – in years where there aren't sufficient applications, the funding can be authorized for other projects. - Reporting: Oct 1 annually, use of Fund and investment outcomes - Appropriations: FY24, 25, 26, \$5M each
Pre-existing documents				
2	C3 Fund Investment Guidelines	Internally developed	January, 2024	- High-level guidelines for the operation of C3 Fund adopted by the Board of MCEC. - Outlines the purpose of the C3 Fund - Provides for the establishment, membership, role and functioning of the IOC - Permitted investment types, - High-level Application Procedures and Reporting Requirements
3	C3 Fund Eligibility and Investment Criteria	Internally developed	January, 2024	Outlines basic requirements for: - eligibility, - state climate policy fit (technology/sub-sectors), - funding program fit (instruments) - Technology and Financial performance of C3 Fund investments - Investment Outcomes - Considerations related to investment readiness, time to completion - Location of benefits - Reporting outcomes of each investment (investee to propose strategy)
4	MCEC Financial Management and Procurement Policy	Internally developed	April 24, 2024	- Policy for procurement of goods and services, payment and management of related conflicts of interest. - Presented at January IOC meeting.
5	C3 Fund Application Overview	Internally developed; may be superseded in whole or in part	March 7, 2024	Presentation giving an overview of the C3 Fund's purpose, the Eligibility and Investment Criteria (above), funding cycles and details to apply for funding
6	Application Process and Timeline	Internally developed; may be superseded in whole or in part	N/A	- Proposed by C3 staff - Application window open in perpetuity - Monthly submissions (using application form below) by the 15th of each month; award decisions to be announced approximately 60 days later.
7	Preliminary Application Form	Internally developed; superseded by no.16 below	N/A	- Initial Application Form for C3 Funding/Finance. - Collects information on/relating to: - Applicant - Amount requested - Assessment of Fit under State Climate Policy and Plan

				- Details on project/program incl. size, anticipated environmental and social impact - Projected financial performance (ROR, ROCE) - Intended private sector \$ catalyzed - Any innovative technology details. - Applicant to propose a reporting plan - Requested loan terms - Applicant to provide a financial model, business plan and bios of key personnel
8	C3 Fund Preliminary Data Request	Internally developed; superseded by no. 18 below	N/A	List of DD documentation requirements.
9	C3 Fund example Letter of Intent	Internally developed; may be superseded in whole or in part	N/A	Informs applicant of C3 Fund intention to move forward with DD.
New Documents				
10	C3 Fund Strategy	Developed in collaboration with consultants	September 2025	- Strategy for the C3 Fund. - Ensures that the Fund, including its target markets and products, are aligned to the Fund's priorities, while setting the foundation for efficient operations. - Contains short term Action Plan to activate strategic objectives
11	Investment Process Flow	Developed in collaboration with consultants	March 2025	Process flow of activities and decision points involved in the C3 Fund investment process.
12	C3 Fund Underwriting Standards	Developed in collaboration with consultants	August 2025	- Outlines the process and guidelines to assess transactions, including borrower creditworthiness, risk and impact. - Ensures effective underwriting, loan pricing and approval process.
13	Risk Management and Assessment Framework	Developed in collaboration with consultants	June 2025	- Provides a framework for assessing and managing risk for C3 Fund investments. - Framework is central to underwriting and due diligence in Phase 2 of the Investment Process.
14	Impact Framework	Developed in collaboration with consultants	July 2025	Outlines proposed framework for impact areas, metrics, measurement, assessment and monitoring.
15	Pricing Approach and Guidance	Developed in collaboration with consultants	May 2025	- Sets out the approach to pricing C3 Fund loans. WSP recommends a cost build up model for loan pricing. - This approach disaggregates the loan price into key elements and enables C3 Fund to identify the relative contribution of key variables to the loan price and adjust for C3 Fund mandate.
16	Application Form and Guidance	Developed in collaboration with consultants	August 2025	Application form that applicants for C3 Fund funding must complete.
17	Screening Tool and Guidance	Developed in collaboration with consultants	September 2025	Tool used during Phase 1 of the investment process for screening applications for competitive selection only.
18	Due Diligence Data Request and Guidance	Developed in collaboration with consultants	March 2025	List of information to request from C3 Fund applicants for DD.
19	Project Assessment and Pricing Tool and Guidance	Developed in collaboration with consultants	August 2025	To be completed and maintained for each transaction that proceeds to Phase 2 (DD) of the investment process.
20	Investment Memorandum Template	Developed in collaboration with consultants	August 2025	Template for memo to IOC for investment DD and final funding approval.

Annex 2. Investment Process for Standardized Products/
Programmatic Lending



Annex 3. Federal Grant Compliance Guidance Overview

This Annex provides an overview of basic Federal Grant compliance and requirements. While the Fund is not currently in receipt of any Federal funds, the Fund may lay the foundations for basic compliance. Specific grants or programs will have specific use, reporting and other requirements.

The U.S. Office of Management and Budget's (OMB) Uniform Guidance is codified within the Code of Federal Regulations (CFR) as 2 CFR part 200. It standardizes rules for federal financial assistance (e.g., grants) made to non-federal entities with respect to the administration, management, and audit of federal funds. The General Services Administration (GSA) provides detailed descriptions, known as Assistance Listings, of current federal funding programs at [SAM.gov](https://www.sam.gov). Agencies solicit applications for specific opportunities for federal financial assistance via Notices of Funding Opportunities (NOFO) at OMB's [Grants.gov](https://www.grants.gov).

Internal controls are essential for ensuring the proper use of federal funds. Federal grantees should establish and maintain written procedures for determining, validating, and managing compliance with the current terms and conditions of 1) OMB's uniform guidelines, and 2) guidelines specific to any federal awards. Non-compliance may result in withholding payments, disallowing costs, suspending or terminating awards, and limitations on future funding opportunities.

These processes should apply across the organization, where possible. For example, the same organizational cost policies should apply to grant-related costs as for other funding sources. Before receiving grant funds, the grantee must pass a risk assessment conducted by the awarding agency. Grantees must demonstrate a record of effectively managing financial risks, assets, and resources; maintaining quality management systems and standards; and completing required reports and audits.

Relevant Guidelines from OMB's Uniform Guidance:

- a) Administration (Subparts B, C, and D)
 - 1.1 Federal Assistance Agreements
 - 1.1.1 Grants and cooperative agreements are legal instruments for financial assistance governed by an agreement that provides terms and conditions
 - 1.1.1.1 Cooperative agreements involve substantial federal agency involvement in carrying out the activity advanced by the federal award
 - 1.1.2 Other agreements – like loans, loan guarantees, and direct cash assistance – have their own considerations and may have continuing compliance requirements.
 - 1.1.2.1 The awarding agency may require additional bonding, insurance, and fidelity bond coverage
 - 1.1.3 Grantees must disclose in writing any potential conflict of interest to the awarding Federal agency in accordance with the agency's specific policies
 - 1.2 Performance Monitoring
 - 1.2.1 Grantee must report on its achievement of program goals and objectives
 - 1.2.2 Agreements detail the awarding agency's required reporting frequency and content (e.g., how it measures achievements – indicators, targets, data, outputs, etc.)
 - 1.2.3 Final reports are due 120 days after the performance period ends.
 - 1.2.4 Grantee must report deviations from the approved budget, scope, and objectives
 - 1.2.5 Grantee may request approval for a budget revision or an extension to the award's period of performance
 - 1.3 Subrecipient Monitoring
 - 1.3.1 Grantees are responsible for subrecipients' performance, compliance with federal regulations, and appropriate management of funds
 - 1.3.2 Sub-awards must identify process for subrecipient monitoring and evaluation
 - 1.4 Record keeping ²³
 - 1.4.1 Grantee must retain financial and statistical records with source documents that provide current and complete disclosure of the financial results of each federal award

- 1.4.2 Documentation must identify all federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income, and interest
- 1.4.3 Grantee must compare actual expenditures with the budgeted amounts for each Federal award and report on revisions to budget and program plans
- 1.4.4 Grantee must retain all Federal award records for three years from the date of submission of their final financial report.

2. Financial Management (Subparts E and E)

2.1 Budget Considerations

- 2.1.1 An agreement's period of performance may include multiple budget periods
- 2.1.2 Funding from subsequent budget periods is subject to the availability of funds, program authority, and satisfactory grantee performance
- 2.1.3 Expenses generally may only be charged to the award budget after its start date
 - 2.1.3.1 "Pre-award costs" require negotiations with the awarding agency for approval and must be necessary for efficient and timely performance of the scope of work
- 2.1.4 Grant disbursements are often reimbursements rather than advance payments
- 2.1.5 Grant programs often require cost sharing where the grantee or a related non-federal party must cover a certain percentage of the grant-funded project's total costs
 - 2.1.5.1 The cost sharing pledged in the budget becomes a binding award requirement
- 2.1.6 Grantee must return any unspent funds after award close-out and financial obligations must be liquidated within specified timeframes
- 2.1.7 Grantee must justify and include contingency provisions in budget estimates for potential future costs

2.2 Costs

- 2.2.1 Costs must be directly assignable or benefit grant-funded work to be allocable
 - 2.2.1.1 Costs must be allocated to projects based on their proportional benefit
 - 2.2.1.2 Costs allocable to a federal award may generally not be charged to other federal awards
 - 2.2.1.3 If the reasonableness and allocability of certain costs is difficult to determine, grantee is encouraged to seek the prior written approval of the awarding agency
- 2.2.2 Modified Total Direct Costs (MTDC) include direct salaries, materials, and services but exclude certain costs like equipment.
 - 2.2.2.1 Costs that otherwise would be indirect may also be considered direct costs if they are directly related to a specific award (e.g., extraordinary utility consumption)
- 2.2.3 Indirect costs benefit multiple cost objectives and are not easily assignable
 - 2.2.3.1 All activities that benefit from indirect costs – including unallowable activities – must receive an appropriate allocation of indirect costs
- 2.2.4 Grantee must ensure costs are necessary and reasonable and maintain written procedures for determining the allowability of costs
 - 2.2.4.1 For these purposes, 'Allowable' costs are delineated as follows:
 - 2.2.4.1.1 Capital assets must support federal awards and be acquired at fair market value
 - 2.2.4.1.2 Financing costs for capital assets are allowable under specific conditions
 - 2.2.4.1.3 Interest costs must be limited to the least expensive financing alternative
 - 2.2.4.1.4 Earnings from investments of borrowed funds must offset allowable interest costs

- 2.2.4.1.5 Interest on borrowed capital and temporary use of funds is unallowable

2.3 Accounting and Audits

- 2.3.1 Grantee and sub-recipient records must be available for review or audit by the awarding agency and the Government Accountability Office (GAO)
 - 2.3.1.1 Grantee must prepare financial statements, including a schedule of expenditures for the program, that describe the significant accounting policies applied
 - 2.3.1.1.1 Grantees must prepare financial statements in accordance with GAAP
 - 2.3.1.1.2 Financial reports must include certifications from authorized officials regarding the accuracy of information
 - 2.3.1.2 Grantee must provide access to personnel, accounts, books, records, and supporting documentation
 - 2.3.1.3 Grantee must arrange for the applicable audit and ensure it is properly performed and submitted
- 2.3.2 Generally Accepted Government Auditing Standards (GAGAS) apply to audits
- 2.3.3 Grantees that expend \$1 million or more in Federal awards during their fiscal year must have a single audit conducted
- 2.3.4 If a grantee expends federal awards from only one agency, it may qualify for a program-specific audit
- 2.3.5 A program-specific audit guide may be available with specific guidance for internal controls, compliance requirements, and audit procedures

2.4 Procurement

- 2.4.1 Grantee must maintain and use documented procedures for procurement transactions completed under a federal award
 - 2.4.1.1 Must cover conflicts of interest and govern the actions of employees engaged in the selection, award, and administration of contracts
- 2.4.2 Informal procurement can be used for transactions below the simplified acquisition value (currently \$250,000)
- 2.4.3 Formal methods are required for greater transaction values
 - 2.4.3.1 These must generally provide for full and open competition (e.g., sealed bids and proposals)
 - 2.4.3.1.1 Noncompetitive procurements are only allowed under specific circumstances, such as emergencies or single-source availability
- 2.4.4 Grantee must perform a cost or price analysis for every procurement transaction, including contract modifications, in excess of the simplified acquisition threshold
- 2.4.5 Recipients must avoid unnecessary or duplicative items in procurement
- 2.4.6 The federal government encourages the use of strategic sourcing, shared services, and other similar procurement arrangements

Annex 4. Proposed Fund Report Outline

- **About C3 Fund**
 - Foundation
 - Institutional Arrangements
 - Financing Arrangements
- **Reporting Period Activity Summary**
 - Summary of transactions closed and funds committed over the period
 - In addition to, any impairments or write offs over the period
 - Summary of impact achieved or facilitated over the period
 - Summary of acquisitions, hires etc.
 - Other notable activities e.g. capital received, partnerships made etc.
- **Strategic Objective Progress**
 - Summary of activities over the period related to achievement of the strategic objectives
- **Fund Balance Overview**
 - Drawn
 - Undrawn
- **Portfolio Overview and Allocation**
 - Breakdown by Asset class
 - Breakdown by Sector
 - Breakdown by Type of loan: Lines of Credit, Construction, Pre-development, Term etc.
 - Average maturity across the portfolio and instrument types
- **Portfolio Holdings (each)**
 - Overview
 - Financial and Project Information (see table 13)
 - Impact overview (see table 14)
 - Contribution to impact areas
 - Ex-ante estimates should be provided for the reporting period
 - Ex-post should be provided for the preceding period and should be compared with ex-ante estimates for the same period
- **Portfolio Impact Overview**
 - By impact area: achieved to date, achieved in the reporting period, facilitated by C3 Fund
 - Per dollar investment weighted basis
- **Financials²⁴**
 - Statement of net position
 - Statement of income
 - Statement of cashflows

²⁴ Management Discussion and Analysis to appear in fund financials