



CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK



**Criteria, Priorities, and Guidelines for the
Selection of Projects**

For IBank Financing under the

**Climate Catalyst Revolving Loan Fund
Program**

Effective January ~~2022~~2025

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Note: Terms with their initial letter or letters capitalized shall have the same meaning set forth in the Bergeson-Peace Infrastructure and Economic Development Bank Act (hereinafter IBank Act, California Government Code Sections §§ 63000-63089.98 et seq.) unless otherwise defined herein.



CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

I. Introduction

As a program of the California Infrastructure and Economic Development Bank (“IBank”), the Climate Catalyst Revolving Loan Fund (“Program” (“Climate Catalyst Fund Program”)) supports California’s critical climate infrastructure: projects that advance the state’s climate goals, covering both climate mitigation (including the reduction of climate harms by addressing the root causes of climate change (climate mitigation) and climate resiliency (critical infrastructure investments that improve our ability to withstand and manage the effects of a changing climate) (climate adaptation).

~~Capital for Catalyst Fund may be general-purpose or sector-specific, depending on~~ II. IBank Background

~~Noting the source threat climate change poses to the health of funds. The following criteria communities, their economies, and processes are intended to be applicable their infrastructure, IBank supports Californians in the transition to net zero Greenhouse Gas (“GHG”) emissions and strengthening climate resilience across all investment circumstances, irrespective its programs. As of the source of funds.~~

~~Partnerships with aligned state agencies will drive 2024, IBank’s approach to project evaluation. For each sector that Catalyst Fund will provide financial assistance for, IBank will programs have a specified point of contact at the relevant aligned state agency that will provide guidance as to attributes of proposed financed more than \$3 billion in green projects that fit, including but not limited to green bonds to replenish the state’s policy priorities. This input will be solicited on at least an annual basis and memorialized as appropriate, state’s Clean Water and will inform the holistic analysis that IBank will perform.~~

~~1. IBank Background~~

~~In 1994, IBank was established pursuant to the IBank Act, with the mission to finance public infrastructure and private development that promote economic growth, protect and sustain the environment, support clean energy and efficiency, revitalize communities, and enhance the quality of life for the citizens of California. The IBank Act gave IBank broad statutory authority to issue bonds and incur other indebtedness, make financings, and to provide Drinking Water Fund, loan guarantees and other credit enhancements for a wide variety for climate entrepreneurs, financing of projects and borrowers to achieve its mission.~~

~~Since its inception, IBank has gained experience in turning high-hazard forest waste into marketable products, and municipal lending for climate-smart wastewater management infrastructure financing; has developed relationships with private investors; has supported private borrowers through its Small Business Finance Center, and has collaborated with the State Treasurer's Office (STO), state energy agencies, environmental advocates, and other stakeholders. IBank understands the tight operating budgets and constitutional and regulatory limits of financings that public and non-profit entities face. IBank is well-staffed and has established procedures to evaluate projects and borrowers. In sum,~~

IBank has established procedures to evaluate projects and borrowers, as directed by the applicable program's Criteria, Priorities and Guidelines. With this framework, IBank is well positioned to provide financial assistance to help the State meet its Greenhouse Gas Reduction Goals, as expressed in the Climate Change Scoping Plan, the 100% Clean Energy Act of 2018, and other core climate policy initiatives.

2. Authority

On June 29, 2020, Governor Gavin Newsom signed into law Assembly Bill 78, the Climate Catalyst Revolving Loan Fund Act. The bill, Climate Catalyst Program Background

A. Authority

Governor Gavin Newsom signed the Climate Catalyst Revolving Loan Fund Act of 2020 (Chapter 10, Statutes of 2020) ("Climate Catalyst Act") into law on June 29, 2020. The Climate Catalyst Act requires IBank to administer the Climate Catalyst Revolving Loan Fund and authorizes IBank, under the Climate Catalyst Revolving Loan Fund Program, to "provide financial assistance to any eligible sponsor or participating party for eligible climate ~~catalyst projects~~Catalyst Projects, either directly to the sponsor or participating party or to a lending or financial institution, as specified." -The ~~bill~~Climate Catalyst Act broadly defines Climate Catalyst Projects ("Catalyst Projects") as "any building, structure, equipment, infrastructure, or other improvement within California, or financing the general needs of any sponsor or participating party for operations or activities within California that are consistent with, and intended to, further, California's climate goals, activities that reduce climate risk, and the implementation of low-carbon technology and infrastructure". IBank's specific authority to operate the Climate Catalyst Program is set forth in Article 6.7. of the IBank Act (Government Code §§ 63048.91-63048.100).

B. Role of This Document

The ~~IBank Climate Catalyst Act provides~~requires that projects that receive financial assistance from IBank ~~for Catalyst Projects~~ must comply with ~~criteria, priorities and guidelines~~Criteria, Priorities, And Guidelines, including IBank's underwriting criteria, as set forth in this document (the "Catalyst Program Criteria"). The role of these Criteria is to provide specific direction and authority to IBank Staff relating to financing transactions and program operation, that are supplementary to and consistent with the authority and direction provided by the IBank Act. The Catalyst Program Criteria must be adopted by the IBank Board of Directors (the "Board"), in

accordance with ~~certain~~ statutory requirements. ~~Adoption of these criteria, priorities and guidelines, including IBank’s underwriting criteria in this document, as may be amended by the~~The Board from time to time (collectively the “Catalyst Fund Criteria”), provides authority for IBank to offer financing assistance to eligible projects under the Catalyst Fund. ~~has the statutory ability to amend the Catalyst Program Criteria, as needed. This document also contains, as Attachments, the specific Financing Plans associated with sector-specific financing activity, and any rules and processes directing IBank activity therein.~~

C. Catalyst Program Goals Financing Plans

The Climate Catalyst Act defines a Climate Catalyst Financing Plan (“Financing Plan”) as “the bank’s means of identifying potential categories and eligibility criteria of climate Catalyst Projects that may receive financial assistance under this article. The climate catalyst financing plan shall be based on the bank’s direct consultation with the consulting agencies.” This process is delineated in subdivisions (d)-(f) of Government Code § 63048.93. Each Financing Plan must be posted 30 days in advance of IBank Board approval. The intent of these Financing Plans is to ensure that IBank financings are consistent with state policy goals in the sectors of relevance, and for expert agencies to indicate areas of priority interest for program staff to pursue.

Each fiscal year following the adoption of the initial Financing Plan, and in each fiscal year thereafter, IBank is required to contact each consulting agency to discuss potential revisions to the Financing Plan last approved by the Board. If no changes are suggested, the Financing Plan may remain unchanged. A Financing Plan shall remain in effect until superseded by a revised Financing Plan.

Current Catalyst Financing Plans

Since the Climate Catalyst Program’s establishment in 2020, the Board has approved the following Financing Plans (the most recent Financing Plan, for the National Clean Investment Fund, was approved in September 2024):

Forest Resilience: Executed Resolution No 22-03 , approved in January 2022
Statutory reference: Government Code § 63049.93(f)(1)
Consulting Agency: Natural Resources Agency

Climate Smart Agriculture: Executed Resolution No 22-12, approved in July 2022
Statutory reference: Government Code§ 63049.93(f)(2)
Consulting Agency: Department of Food and Agriculture

Clean Energy Transmission: Executed Resolution No 23-23, approved in December 2022
Statutory reference: Government Code § 63049.93(f)(3)
Consulting Agencies: California Energy Commission and the California Public Utilities Commission

National Clean Investment Fund, including Distributed Generation and Storage, Zero-Emissions Transportation, and Net-Zero Emissions Buildings: Executed Resolution No 24-16, approved September 2024.
Statutory reference: Government Code § 63049.93(f)(5)
Consulting Agencies: Governor’s Office of Business and Economic Development, the State Treasurer’s Office, the California Public Utilities Commission, the Natural Resources Agency

(with oversight of Department of Conservation and California Energy Commission); and California Environmental Protection Agency (with oversight of the State Air Resources Board and the Department of Resources Recycling and Recovery)

IV. Catalyst Program Eligibility

A. Applicants

~~A. Key Strategies—Alignment with State Climate Policy Goals~~

~~Climate Catalyst Fund will be active with either sector-specific or economy-wide investment capital. The sectors in which Catalyst Fund will be active and categories of eligible projects within those sectors will be defined in the companion document—the Catalyst Fund Financing Plan, which will be publicly available on the IBank website.~~

~~B. Project/Deal Flow Identification and Intake~~

~~Catalyst Fund has developed a market-facing web presence and a rolling application model with which to solicit and manage investment opportunities. Depending on the type of capital available at a given moment (general purpose or sector-specific), the web presence will indicate Catalyst Fund’s interest in specific deal types. The rolling application model is intended to help maintain a steady pace of financial assistance prospects, as well as up-to-date intelligence regarding the state of the markets that Catalyst Fund will serve. This process for managing inbound expressions of interest will be coupled with a market outreach strategy utilizing industry partnerships, earned media, and IBank’s social media presence.~~

~~If at any time, capital is no longer available for a specific sector, the web presence will so indicate, along with information regarding the period of next funding availability, if known.~~

~~C. Ongoing Engagement with Aligned State Agencies~~

~~For purposes of both sourcing and underwriting deal opportunities, IBank has developed, and will continue to develop, collaborative relationships with the lead agencies responsible for policy and grantmaking in the sectors of interest to Catalyst Fund. These lead agency relationships will be defined in the Catalyst Fund Financing Plan.~~

~~D. Catalyst Project Assessment Framework~~

~~Within the categories of project eligibility defined either in legislation or via guidance from lead state agencies, IBank will evaluate proposed financings using standard financial underwriting techniques. Catalyst Fund will consider financing proposals as they are presented, on a “rolling” basis.~~

~~Quantitative and qualitative assessment of projects will be used to determine whether a project advances in diligence. IBank will retain sole decision-making authority for each financing and will not defer to other state agencies for project selection. IBank will strive to maximize private leverage where appropriate, and to support state economic development goals in its investments via Catalyst Fund.~~

~~3. Catalyst Program Requirements~~

~~Catalyst Fund will utilize existing IBank investment tools and practices to deploy capital for climate infrastructure, applied on a case-by-case basis. This means that:~~

- ~~i. Catalyst Fund will deploy capital via loan guarantees, direct lending and loan participations, conduit financing, and in conjunction with other intermediaries (i.e. other lenders, funds or SPVs); and~~
- ~~ii. Catalyst Fund will utilize existing IBank procedures for deploying capital in these ways, modified to fit the market, technology and counterparty conditions that are specific to both public and private party investing in climate infrastructure in California; and~~
- ~~iii. IBank will provide senior or subordinate loans, participations, and guarantees, on terms appropriate as determined by IBank's underwriting, subject to Board approval, on financings provided from Catalyst Fund. Subject to the availability of funds, IBank will consider various transaction sizes (as defined in section 7.A below), participation levels and concentration limits under Catalyst Fund. For smaller transactions, IBank will emphasize loan participation and guarantee structures.~~

~~4. Application Process~~

~~Eligible applicants under the Catalyst FundProgram include private corporations_; nonprofits_; and local, state or tribal governmentgovernments within the state, including any subdivision, including but not limited to departments, agencies, commissions, cities, counties, nonprofit corporations formed on behalf of an applicanta public agency, enhanced infrastructure financing districts, special districts, assessment districts, joint powers authorities within the state, or any combination of these subdivisions; as well as schools and hospitals. Applicants that applyare not public entities do not need to IBank for financial assistancebe headquartered in connection with aCalifornia; however, all project-level assets supported by Catalyst Project-Fund capital must be deployed entirely within the state. The applicant, and Individual members of the application team, must be in good standing with the State of California.~~

~~Applicants under a Catalyst Fund proposal may apply on a standalone basis or as the lead applicant as part of a proposal team. Applicants are required to identify all parties of the project~~

~~team, including capital providers, lead providers, developers, energy service companies, owner operators, and similar participants. Applicants must provide whatever information IBank reasonably determines necessary for underwriting.~~

~~If the cumulative financing needs of Catalyst Projects otherwise eligible for IBank financing exceed the then current availability of funds for the applicable Catalyst Fund, IBank may give priority to projects located in disadvantaged communities or projects with the potential to deliver disproportionate environmental benefits. On a case-by-case basis, IBank will consider the advice of aligned state agency partners in evaluating the potential for technology demonstration present in specific project opportunities.~~

Climate Loan Guarantee and Climate Loan Participation applicants must apply in conjunction with an eligible lender, as outlined in VI. Financing Terms, Fees, and Limitations and IX. Attachments. Eligible lenders include the following: federal or state-chartered banks, savings associations, certified Community Development Financial Institutions (CDFIs), credit unions, and Farm Credit System Insurance Corporations (FCSIC). Other financial institutions may be considered by IBank on an exception basis.

B. Project Costs

Catalyst ~~Fund project~~Project costs eligible for financing may include one or more of the following:

- All or any part of the cost of construction, renovation, and acquisition of all lands, structures, real or personal property;;
- Rights, rights of way, franchises, licenses, easements, and interests acquired or used for a project;;
- The cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which the buildings or structures may be moved;;
- The cost of all machinery, equipment, and financing charges;;
- Interest expense prior to, during, and for a period after, completion of construction, renovation, or acquisition, as determined by IBank;;
- Provisions for working capital under certain circumstances;;
- Reserves for principal and interest and for extensions, enlargements, additions, replacement, renovations, and improvements;;
- The cost of architectural, engineering, financial, and legal services, plans, specifications, estimates, permits, and administrative expenses;;
- Operations, maintenance, and monitoring costs;;
- Energy audits performed by licensed professionals acceptable to IBank to establish a baseline efor performance;;
- Other expenses necessary or incidental to determining the feasibility of any project or incidental to the construction, acquisition, or financing of any project;ef.
- Other costs considered by IBank on a case-by-case basis.

Initial Inquiry/Pre-V. Application Process

A. Initial Inquiry and Eligibility Evaluation

The Climate Catalyst Program has developed a market-facing web presence and a rolling application model with which to solicit and manage investment opportunities. The web presence will be kept up to date to indicate the type of capital available through the Program. The rolling application model is intended to help maintain a steady pace of financial assistance prospects, as well as up-to-date intelligence regarding the state of the markets the Climate Catalyst Program will serve.

If, at any time, capital is no longer available for a specific sector, the web presence will so indicate, along with information regarding the period of next funding availability, if known.

Potential applicants are encouraged to submit information regarding an eligible project through the Program's Intake Form, and will be evaluated on a "first come, first served" basis. Proponents should make best efforts to secure written expressions of interest from other financing parties and include these statements with initial submission. The Intake Form will be utilized by Program staff to assess the project's eligibility and, if eligible, program staff will determine whether to invite a complete application. Depending upon the nature of the financing request, the application process may be coordinated with third-party/originating lenders or underwriting consultants, or will be handled by IBank staff directly.

B. Application

Applicants may apply on a standalone basis or as the lead applicant as part of a proposal team. Applicants are required to identify all parties of the project team, including capital providers, developers, energy service companies, owner operators, and similar participants. Applicants must provide whatever information IBank reasonably determines necessary for underwriting.

Climate Catalyst FundProgram applicants will be asked to submit certain initial information which, among other things, will be used to determine project eligibility under Climate Catalyst FundProgram rules as documented in the relevant Catalyst Financing Plan. ~~Prospective applicants may be encouraged to contact~~ IBank Staff may seek to schedule a ~~preapplicationpre-application~~ meeting with prospective applicants to discuss the Catalyst FundProgram Criteria and the Catalyst FundProgram's financing options.

The following information will ~~Information to~~ be collected in ~~the pre-application~~ this process may include, but not be limited to:

- Borrower information, including operational history, key members of the ~~team~~ management and project teams, and demonstration of authority to receive IBank financing;
- Business/operating plan, including an assessment of product or service markets and anchor customers/contracts; and their financial statements.
- Historical financial statements and tax returns; including any corporate guarantors (when applicable).

- Representation A personal financial statement and credit report for any individual guarantors (when applicable).
- Documentation of all current capital commitments and anticipated future participation funding needed for the venture to be viable.
- A capital development budget showing the anticipated costs of the development and the source of funds that will pay for these costs.
- Descriptions of any proposed collateral.
- For real estate financings, description of the environmental condition of the site to be developed.
- An operating pro forma showing income and expense for a term consistent with the life of the financing; and.
- A description of projected labor expenses, positions hired, salary, and benefit costs associated with each position.

A. ~~Readiness and Feasibility~~

- Intellectual Property, required permits, authorizations, and approvals.
- Material corporate documents, including formation and capital structure documents.
- Existing project financing agreements, including loans, leases, and other financial obligations.
- Material third party agreements, arrangements, and partnerships.
- Any other information that IBank Staff may reasonably request to complete its assessment of project eligibility and viability.

Climate Catalyst Program Key Considerations

The Climate Catalyst Program requires applicants demonstrate the following: (1) Eligibility under relevant Financing Plan guidelines, (2) Project Readiness and Feasibility, (3) Availability of Sufficient Resources to Complete the Project, (4) Compliance with all Regulations and Permits, and (5) Source of Financing Repayment and Security. The considerations following eligibility are described in further detail below.

Project Readiness and Feasibility

Applicants must demonstrate project readiness and feasibility to initiate and complete construction within a reasonable time after IBank's financing approval; no greater than 3 years. In this context, complete construction means that the portion of the Catalyst Project financed by IBank ~~meets~~ must meet construction contract specifications for completeness and/or ability to operate.- This will typically mean the project developer will obtain a Notice of Completion followed by a Certificate of Occupancy from the relevant local jurisdiction.

B. ~~Available~~ Availability of Sufficient Resources to Complete the Project

Applicants must demonstrate that the requested financing combined with committed amounts available from other sources; will be sufficient to complete the Catalyst Project. If not yet fully committed, IBank will require all other Catalyst Project funding sources; ~~in addition to IBank's financing;~~ to be reasonably certain, subject to IBank's discretion, prior to submission of the proposed IBank financing to the Board for its consideration. -In most cases, IBank will anticipate ~~disperse~~ disbursement of funds to be ~~complete~~ completed within two years. ~~In specific~~

circumstances, IBank may consider recommending to the Board the provision of a conditional commitment letter expressing its intent to provide financing once further financing is secured.

C. Compliance with Regulations and Permits

An applicant must provide evidence that it complies with, or is in the process of complying with, all relevant regulations, and has applied for and/or received all permits or approvals, ~~if appropriate for the type of financing being~~ considered, necessary for the construction of the Catalyst Project. On a case-by-case basis, IBank may require that all permits be in place as a pre-closing condition. In general, the Climate Catalyst Fund Program will not provide disbursement for real estate acquisition, construction, or related costs until all relevant permits are in place.

D. Source of Financing Repayment and Security

Eligible sources of financing repayment and security include, without limitation, the following:

For private borrowers, repayment sources and security ~~including:~~ may include:

- Projected net revenues, including via contracts and grants in arrears;
 - i. ~~Leases;~~
 - Committed takeout financing.
 - Net rental payments from long-term leases.
 - Other sources of repayment, including grant award disbursements, incentive and rebate payments, tax credit monetizations, or elective payments (“direct pay”) for tax credits may be considered by IBank at its discretion.
 - Secondary repayment sources and credit enhancements may include:
 - Guarantees;
 - Letters of ~~Credit;~~ credit.
 - Real and personal property security, ~~including~~ included but not limited to intellectual property; ~~and~~
 - ii. ~~Committed takeout financing.~~

For public borrowers: repayment sources and security include:

- Water or Sewer Enterprise/Special Fund. Catalyst Projects that will be part of a revenue-producing water or sewer enterprise system may be financed with a under which the financing ~~that is payable~~ may be repaid with net revenues from the water or sewer enterprise/special fund;
- Other Enterprise/Special Fund. Other revenue-producing enterprise systems such as ports, airports, solid waste systems, bridges, and parking facilities may be eligible if the proposed project and repayment stream are acceptable to IBank;

- General Fund Lease. Financings secured by capital leases of Borrower assets;
- Land Secured. Financings repaid with property taxes or property-related assessments;
- Voter-~~approved~~Approved General Fund Debt or ~~other voter-approved debt~~Other Voter-Approved Debt secured by full faith and credit (general obligation);and;
- Other sources of repayment or credit enhancement, including debt service reserves, and/or alternative financing structures, may be considered by IBank at its discretion.

Financing Approval

~~The Board is authorized to make financing and other decisions on any catalyst projects at any of its meetings, in accordance with and pursuant to the IBank Act and as otherwise provided by law.~~

5. Financing Terms, Fees and Limitations

~~Catalyst Projects may receive support via direct lending, loan participations, or loan guarantees. For loan guarantees up to \$5 million, the process will follow procedures governing the IBank Small Business Finance Center's Small Business Loan Guarantee Program, as documented on the IBank website.~~

A. Amount

~~Subject to the availability of funds, and other factors including collateral, applicant credit quality, and overall risks to the Climate Catalyst Fund portfolio, IBank will consider various transaction sizes, participation levels and concentration limits under Catalyst Fund. Catalyst Projects may receive direct financings in amounts of \$1 million and above, subject to evaluation on a case-by-case basis. For smaller transactions, IBank will refer opportunities to the Small Business Finance Center, and in general will emphasize loan participation and guarantee structures.~~

Term

~~The financing term will not exceed the lesser of the Catalyst Project's useful life or 30 years. However, applicants may choose shorter maturities. Interest repayment of a direct financing will be targeted to begin as late as completion of construction, and in certain circumstances interest may be capitalized with the loan. As required, interest payments can be made from capitalized interest included in the financing amount or other sources identified by the applicant as documented in the applicable financing agreements. Direct financings will generally be amortized on a level repayment basis, but other amortization structures may be required or approved by IBank, as appropriate in a given case.~~

B. Interest Rate Setting Methodology

~~IBank will seek to lend using Catalyst Fund capital at the optimum interest rate balancing a number of factors, including IBank's cost of capital, operating expenses, expected losses, the length of the loan term, and the then-prevailing market conditions available to the project or similar projects. Proposed interest rates for each Catalyst Fund financing will be presented to the Board for its approval.~~

C. Fees

~~i. Direct Loan Origination Fee:~~

- ~~a. A one-time origination fee equal to 1.0% of the financing amount will be charged for all Catalyst Program financings.~~
- ~~b. The minimum origination fee is \$10,000.~~
- ~~c. External fees will be borne by the borrower.~~
- ~~d. The origination fee must be included in the total project budget.~~
- ~~e. The origination fee may be included in the financing amount or paid by the applicant.~~
- ~~f. Payment of the origination fee will be a condition of closing.~~

~~ii. Loan Participation Fee:~~

- ~~a. To be determined in negotiation with the lead lender~~

~~iii. Guarantee Fee:~~

- ~~a. To be determined following the procedures of the IBank Small Business Finance Center~~

C. Prioritizing Projects

If the cumulative financing needs of Catalyst Projects otherwise eligible for IBank financing exceed the then-current availability of funds for the applicable Financing Plan, IBank may give priority to projects located in low-income and disadvantaged communities ("underserved communities") or projects with the potential to deliver disproportionate climate and/or environmental benefits. On a case-by-case basis, and if consistent with strictures imposed by sources of available capital, IBank will consider the advice of aligned State agency partners in evaluating the potential for technology demonstration present in specific project opportunities.

D. Credit Underwriting Guidelines and Procedures

The aim of the Climate Catalyst Fund Program is to be flexible in support of nascent markets while ~~still~~ adhering to sound lending principles.- The factors listed below will be considered individually and in aggregate, subject to case-by-case ~~considerations, consideration~~ and informed by the evaluations of lead and co-lenders IBank may participate with.

- **CreditworthinessCapacity:** After review of the historical financial statements and reasonable projections of future income, does the applicant demonstrate the ability to repay the loan subject to appropriate covenants? When the debt service coverage ratio is applicable, all borrowers should meet a minimum DSCR of 1.2x.
- **Collateral:** Is there sufficient collateral available to ~~cover~~provide adequate security for the Climate Catalyst FundProgram financing and any other loans to the project? If not, is additional collateral available which may be put toward the project?
 - i. **Character:** Has the applicant demonstrated a reasonable approach to business? AreWhat feedback do personal and professional references available?
- **Capacity:**provide about the borrower and (when applicable) guarantors? What is the track record of the business, or of the ~~individuals~~individual pursuing a new opportunity? Does management demonstrate sufficient skill and relevant knowledge to deliver a successful outcome?
- **Contributions—:** This factor addresses the question of “skin in the game”. What is the contribution of management to the capitalization of the project? What personal or corporate guarantees ~~are~~ being offered, or other commitments made that demonstrate management commitment to the project? Do all relevant parties have risk exposure to the transaction to ensure aligned incentives?
- **Conditions:** Do micro- and macroeconomic conditions, as well as factors related to the specific industry and market in which the borrower operates, support the financing request?

Program staff will evaluate financing proposals and prepare a credit memorandum addressing the above criteria and any other factors of merit. This memorandum will form the basis for a financing recommendation to IBank’s Credit Risk Committee, who deliberate and determine whether to recommend a financing transaction to the IBank Board of Directors at a scheduled public meeting.

E. Financing Approval

The Board is solely authorized to make financing and other decisions on any Catalyst Projects at any of its meetings, in accordance with and pursuant to the IBank Act and as otherwise provided by law.

VI. Financial Products, Financing Terms, Fees, and Limitations

Financial assistance to Catalyst Projects includes, but is not limited to, loan participations, loan guarantees, and direct loans.

As of January 2025, the financial products offered through the Climate Catalyst Program are the following:

- Climate Loan Guarantee
- Climate Loan Participation
- Climate Incentives Bridge Loan

While the Program prioritizes loan guarantees and participations for the sake of encouraging the involvement of private capital in climate finance, direct loans will be considered on a case-by-case basis for eligible, creditworthy projects.

Section IX Attachments outline indicative terms of financial products identified for use under this program. Other products may be added, and terms may be modified by Board approval.

A. Amount

Catalyst Financings will be available in amounts up to \$100,000,000 (depending on the funding source), with transactions typically ranging from \$1,000,000 to \$40,000,000 per applicant. Larger or smaller Catalyst Financings may be approved by the IBank subject to lending capacity, availability of funds, product type, and other factors including credit quality, collateral and and concentration limits.

B. Term

The financing term will not exceed the lesser of the Catalyst Project's useful life or 30 years.

In certain circumstances, interest may be capitalized with the loan during the pre-construction and construction phase, prior to an agreed-upon project stabilization phase. As required, prior to stabilization interest payments can be made from a capitalized interest reserve included in the financing amount, or other sources identified by the applicant as documented in the applicable financing agreements. Cash payments of interest and principal of a direct financing will be targeted to begin upon project stabilization, which could be as soon as completion of construction. Direct financings will generally be amortized on a level repayment basis, but other repayment structures may be considered by IBank as appropriate.

C. Interest Rate

IBank will seek to lend Climate Catalyst Program capital at the optimum interest rate balancing a number of factors, including IBank's cost of capital, operating expenses, expected losses, credit risk of the transaction, the length of the loan term, and the then-prevailing market terms and conditions available to the project or similar projects. Interest rate structures, including potential rate lock periods, will be negotiated on a case-specific basis. Proposed interest rates for each Climate Catalyst Program direct financing will be subject to Board approval.

D. Fees

Financings are subject to fees that vary based on the product type. As of January 2025, fees for each product are the following:

- Climate Loan Guarantee Fee:
 - An origination fee that covers operational and transactional costs, anticipated to be 1.0-2.5% of the amount guaranteed.
 - An annual servicing fee to support program solvency.
 - An annual risk-based charge may be assessed pending IBank review.
- Climate Loan Participation Fee:
 - The Lead Lender will apply all eligible fees and charges according to its loan policies, including application fees, commitment and closing fees, annual fees, servicing fees, and penalties, with an appropriate *pro rata* share accruing to IBank.
- Climate Incentives Bridge Loan Fee:
 - A one-time origination fee equals 1.0% of the financing amount, paid one time at loan closing. The origination fee would also apply for other direct loans.

VII. Project & Portfolio Requirements

As mentioned in III.(C) Financing Plans, the availability of IBank financial products and requirements associated with such products differ due to varying sources of capital, federal or state law requirements, and applicable program priorities, across the Climate Catalyst Program. See accompanying Attachments for currently applicable portfolio requirements within the Climate Catalyst Program, and the Financial Products currently being utilized.

VIII. Conclusion

The Climate Catalyst FundProgram supports the state'sState's critical climate infrastructure goals, for both climate mitigation and resiliency, across a range of sectors.- Those goals, and the financial support required to achieve them, consistently evolve as the policy agenda for sustainability and climate stabilization is advanced. -As such, IBank will periodically review and update these program guidelines to maintain consistency with our stateState partners and relevancy within the California marketplace.

IX. Attachments

Attachment A: NCIF Portfolio Requirements

The Program's National Clean Investment Fund (NCIF) Financing Plan is capitalized via a subaward of the United States Environmental Protection Agency (US EPA) Greenhouse Gas Reduction Fund's National Clean Investment Fund. The following federal requirements apply to projects financed under the NCIF Financing Plan:

- (1) Justice40 Initiative,
- (2) Build America, Buy America provisions,
- (3) Davis-Bacon and Related Acts,
- (4) Uniform Relocation Assistance and Real Property Acquisitions Act,
- (5) the National Historic Preservation Act and Archeological and Historic Preservation Act,
- (6) the Endangered Species Act,
- (7) the Farmland Protection Policy Act, and
- (8) the Coastal Zone Management Act.

Additionally, all projects using NCIF funds must comply with requirements imposed upon IBank as a condition of subaward under the NCIF program.

Prior to submitting an application to the Climate Catalyst Program for projects eligible under the NCIF Financing Plan, IBank encourages all applicants to review the requirements and their statutory language and build adequate considerations for compliance with these requirements into the project's design, scope of work, budget, and all other relevant components. Costs associated with compliance to these requirements may be considered an eligible use of proceeds. Applicants are encouraged to consult with their legal counsel, as IBank is unable to provide an assessment of compliance until after the complete application for financing is submitted.

More information on each of the requirements is provided below.

Justice40 Initiative

The NCIF is a covered program under the Justice40 Initiative, which sets the goal that at least 40% of the overall benefits from investments in climate, clean energy, and other areas flow to disadvantaged communities, and, thus, requires that 40% of financing provided is in low-income and disadvantaged communities. An investment qualifies for the Justice40 Initiative, and, therefore, the Climate Catalyst Program's Underserved Communities criteria, if it is made to a business or project in:

- *CEJST-Identified Disadvantaged Communities:* All communities identified as disadvantaged through version 1.0 of the Climate and Economic Justice Screening Tool (CEJST), released on November 22, 2022, which includes census tracts that meet the thresholds for at least one of the tool's categories of burden, and land within the boundaries of Federally Recognized Tribes.
- *EJScreen-Identified Disadvantaged Communities:* All communities within version 2.2 of EJScreen that fall within either (a) the limited supplemental set of census block groups that are at or above the 90th percentile for any of EJScreen's supplemental indexes when compared to the nation or state or (b) geographic areas within Tribal lands as included in EJScreen, which includes the following Tribal lands: Alaska Native Allotments, Alaska Native Villages, American Indian Reservations, American Indian Off-reservation Trust Lands, and Oklahoma Tribal Statistical Areas.
- *Geographically Dispersed Low-Income Households:* Low-income individuals and households living in Metropolitan Areas with incomes not more than 80% Area Median Income (AMI) or 200% Federal Poverty Level (FPL) (whichever is higher), and low-income individuals and households living in Non-Metropolitan Areas with incomes not more than 80% AMI, 200% FPL, or 80% Statewide Non-Metropolitan Area AMI (whichever is highest). Federal Poverty Level is defined using the latest publicly available figures from the U.S. Department of Health and Human Services. Area Median Income is defined using the latest publicly available figures from the U.S. Department of Housing and Urban Development (HUD). Metropolitan Area and Non-Metropolitan Area are defined using the latest publicly available figures for county-level designations from the Office of Management and Budget. Statewide Non-Metropolitan Area AMI is defined using the latest publicly available figures from the U.S. Department of the Treasury's CDFI Fund, with an adjustment for household size using HUD's Family Size Adjustment factor.
- *Properties Providing Affordable Housing:* Properties providing affordable housing that fall within either of the following two categories: (a) multifamily housing with rents not exceeding a range of 30% of 80% AMI for at least half of residential units and with an active affordability covenant from one of the following housing assistance programs: (1) Low-Income Housing Tax Credit; (2) a housing assistance program administered by HUD, including Public Housing, Section 8 Project-Based Rental Assistance, Section 202 Housing for the Elderly, Section 811 Housing for Disabled, Housing Trust Fund, Home Investment Partnership Program Affordable Rental and Homeowner Units, Permanent Supportive Housing, and other programs focused on ending homelessness that are funded under HUD's Continuum of Care Program; (3) a housing assistance program administered by USDA under Title V of the Housing Act of 1949, including under Sections 514 and 515; (4) a housing assistance program administered by a tribally designated housing entity, as defined in Section 4(22) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 USC § 4103(22)); or (5) a housing

assistance program administered by the Department of Hawaiian Homelands as defined in Title VIII of the Native American Housing Assistance and Self-Determination Act of 1996 (24 CFR 1006.10) or (b) naturally-occurring (unsubsidized) affordable housing with rents not exceeding a range of 30% of 80% AMI for at least half of residential units.

- Federally Recognized Tribal Entities: All Federally Recognized Tribal entities, which are considered disadvantaged regardless of whether a Federally Recognized Tribe has land, consistent with M-23-09 and CEJST.

Build America, Buy America (BABA)

IBank is required to ensure that none of the financings made under the NCIF Financing Plan for infrastructure may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States, as outlined in the federal Build America, Buy America Act – Public Law 117-58 (P.L. 117-58, Secs §§ 70911 – 70917).

Davis-Bacon and Related Acts (DBRA)

Catalyst Projects financed under the NCIF Financing Plan may be subject to labor standards outlined in Section 314 of the Clean Air Act (42 USC § 7614) if IBank’s financing will be utilized for construction activities. Consistent with the definitions at 29 CFR § 5.2, the term “construction” refers to all types of work done on a particular building or work at the site of the work by laborers and mechanics employed by a contractor or subcontractor. Additional guidance is available in the definition of the term “building or work” in 29 CFR § 5.2.

These labor standards, collectively known as the Davis-Bacon and Related Acts (DBRA) are a collection of labor standards provisions administered by the Department of Labor, that are applicable to grants involving construction. These labor standards include the:

- Federal Davis-Bacon Act (40 USC §§ 3141-3144), which requires payment of prevailing wage rates for laborers and mechanics on construction contracts of \$2,000 or more.
- Federal Copeland “Anti-Kickback” Act (45 CFR § 2543.82), which prohibits a contractor or subcontractor from inducing an employee into giving up any part of the compensation to which he or she is entitled.

Federal Contract Work Hours and Safety Standards Act (40 USC § 3701), which requires overtime wages to be paid for over 40 hours of work per week, under contracts in excess of \$100,000. Accordingly, all laborers and mechanics employed by contractors or subcontractors shall be paid wages at rates not less than those prevailing for the same type of work on similar construction in the locality as determined by the federal Secretary of Labor in accordance with 40 USC Subtitle II, Part A, Chapter 31, Subchapter IV (Wage Rate Requirements). The relevant construction type and prevailing wage classifications would be “Building” and “Residential.” The Secretary of Labor’s wage determinations are available at <https://sam.gov/content/wage-determinations>.

EPA has specified in the GGRF terms and conditions that DBRA requirements do not apply to any form of Financial Assistance which meets any of the following criteria:

- Financial Assistance which exclusively funds pre-construction (e.g. permitting or design work) or post-construction activities (e.g. Acquiring Intangible Property related to a previously completed construction project or re-financing activity related to a previously completed construction project).

- Financial Assistance which serves end-users who are individual homeowners or tenants of single-family homes or multifamily buildings when these individual end-users ultimately select the contractor(s) and execute the contract(s) for the construction work, as opposed to the Recipient, Subrecipient, or a contractor hired by the Recipient or Subrecipient.
- Financial Assistance which serves end-users who meet the definition of Federally Recognized Tribal Entities, as defined under this Assistance Agreement, when these Federally Recognized Tribal Entities ultimately select the contractor(s) and execute the contract(s) for the construction work, as opposed to the Recipient, Subrecipient, or a contractor hired by the Recipient or Subrecipient.
- Financial Assistance which serves any end-user when such Financial Assistance is less than \$250,000 for a project and the end-user ultimately selects the contractor(s) and executes the contract(s) for the construction work, as opposed to the Recipient, Subrecipient, or a contractor hired by the Recipient or Subrecipient

Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA)

The federal Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) (49 CFR Part 24) applies to acquisitions of property and displacements of individuals and businesses that result from federally assisted programs. The URA and Federal Highway Administration's implementing regulations at 49 CFR Part 24 require projects utilizing capital from the NCIF to follow certain procedures for acquiring property for purposes under the federal award, such as notice, negotiation, and appraisal requirements. The statute and regulations also contain requirements for carrying out relocations of displaced persons and businesses, such as reimbursement requirements for moving expenses and standards for replacement housing.

Catalyst Projects financed under NCIF Financing Plan that include the acquisition of property must comply with the URA (49 CFR Part 24) if the acquisition of the property results in permanent displacement of individuals or businesses.

National Historic Preservation Act (NHPA) and Archeological and Historic Preservation Act (AHPA)

Section 106 of the National Historic Preservation Act (NHPA) (16 USC § 470 *et seq.*) requires all federal agencies to consider the effects of their undertakings, including the act of awarding a grant or cooperative agreement, on historic properties, and to provide the Advisory Council on Historic Preservation (ACHP) a reasonable opportunity to comment on such undertakings. As the NCIF Financing Plan is capitalized by a federal grant subaward, all projects financed under the Financing Plan involving historical properties may be subject to NHPA.

Historic properties can include: (a) land or buildings listed in or eligible for listing on the National Register of Historic Places; (b) archaeologically sensitive areas or in an area where traditional cultural properties are located; and (c) properties that are associated with significant historic events, are associated with significant people, embody distinctive characteristics, and contain important precontact information.

The Archeological and Historic Preservation Act (AHPA) (54 U.S.C. §§ 312501-312508) requires federal agencies to identify relics, specimens, and other forms of scientific, prehistorical, historical, or archaeological data that may be lost during the construction of federally-sponsored projects to ensure that these resources are not inadvertently transferred, sold, demolished or substantially altered, or allowed to deteriorate significantly. If archeologically significant artifacts

or similar items are discovered after a project financed under the NCIF Financing Plan has begun and AHPA is triggered, the project will need to work with IBank to notify the US EPA and ensure compliance.

Endangered Species Act

Catalyst Projects financed under the NCIF Financing Plan must identify any impact or activities that may involve a threatened or endangered species, as specified in 50 CFR Part 402. Federal agencies have the responsibility to ensure that no adverse effects to a protected species or habitat occur from actions under Federal assistance awards and conduct the reviews required under the Endangered Species Act, as applicable.

Farmland Protection Policy Act (FPPA)

Projects are subject to Farmland Protection Policy Act (FPPA) (7 CFR Part 658) requirements if they may irreversibly convert farmland (directly or indirectly) to nonagricultural use. If Catalyst Projects financed under the NCIF Financing Plan have effects on farmland and its conversion to nonagricultural uses, projects must identify their effects on farmland and its conversion, mitigate these effects, and ensure that projects are carried out in a manner that is compatible with the farmland preservation policies of state and local governments, and private organizations.

If applicable, the project will need to work with IBank to notify EPA or the US Natural Resource Conservation Service, as appropriate, to ensure compliance.

Coastal Zone Management Act

Catalyst Projects financed NCIF Financing Plan must be consistent with a coastal State's approved management program for the coastal zone, pursuant to the federal Coastal Zone Management Act (P.L. 92-583).

Attachment B: Climate Loan Guarantee

IBank's Climate Guarantee program supports loans made to qualifying businesses and projects to help finance the buildout of climate infrastructure. Lenders are provided coverage on guaranteed loan defaults. Loans can be term loans or lines of credit, short-term or long-term, have fixed or variable rates, be secured or unsecured (subject to adequate credit quality), and bear any type of amortization schedule. The loan must be for an eligible business purpose.

The Climate Loan Guarantee builds upon IBank's successful Small Business Loan Guarantee program and the Climate Tech Finance partnership with the Bay Area Air Quality Management District, with additional program components to encourage investment in climate technology by securing more favorable financing terms for climate projects and encouraging private investment.

Please note: additional information on the terms and application process for this product will be uploaded on the Climate Financing website: <https://www.ibank.ca.gov/climate-financing/>.

Guarantee Structure

Guarantee Size: \$1M-\$30M preliminary target, with a maximum of \$100M for particularly high-impact, creditworthy opportunities

For Guarantees of \$5M or less, a Guarantee must be deemed ineligible for the existing Small Business Loan Guarantee Program to be considered for a Climate Loan Guarantee.

Guarantee Coverage: The Guarantee covers 70% of a loan's value for a standard loan, increasing to 80% for loans qualifying as an Underserved Community investment. All lenders seeking to enroll a loan must evaluate whether their loan meets the Underserved Community criteria, as outlined in VII.(B) Portfolio Requirements, and provide supporting documentation to IBank to receive Guarantee approval.

Fees and Charges: The Guarantee has the following fees:

- An origination fee that covers operational and transactional costs, approximately 1-2.5% of the amount guaranteed, depending on the amount.
- An annual servicing fee to support the program.
- An annual risk fee may be assessed pending IBank review.

Note: Fees may be revised to reflect program costs and program sustainability.

Eligible Loan Types: Term loan for purposes including but not limited to: bridge financing, acquisition, predevelopment, construction, working capital, and permanent financing.

Eligible Lenders: The following lenders are eligible to enroll loans in the Guarantee program:

- Federal or State-chartered Bank.
- Savings Association.
- Certified Community Development Financial Institution (CDFI).
- Credit Union.
- Farm Credit System Insurance Corporation (FCSIC).
- Other financial institutions with an IBank Exception.

To learn how a financial institution may register and enroll loans in the Climate Guarantee Program, please see the Application Process web link above.

Loan Requirements

Seniority: Loans receiving a Guarantee must be senior loans and may not be subordinate to other financing, including subsequent financing.

Interest Rates: Interest rate determined by the lender. The rate should reflect the impact of the guarantee, and is expected to be within a reasonable range, as determined by IBank.

Tenor:

- Working Capital Loans – up to five years.
- Term and Project Loans – For the life of the loan, not to exceed the lesser of the useful life of the asset or 30 years.

Other Government Programs: A Guarantee may not support a loan that is already receiving a different publicly-funded credit enhancement or loan guarantee. A borrower receiving a Guarantee may receive support from governmental incentives, including grants and tax credits.

Secondary Market Restrictions: Originators seeking to sell a portion of a Guaranteed loan must retain at least 20% (subject to change) of the loan and continue to service the loan for the life of the guarantee. This ensures that IBank has a consistent point of contact in the event of a default.

Use of Funds: Eligible uses of funds include, but are not limited to: predevelopment, land acquisition, construction, working capital, equipment, materials, facilities, startup costs, and inventory. Conformity with Prohibited Uses to be stipulated.

Collateral, Security and Claims Process: Any notification of delinquency must be provided by the lender to IBank at the same time of notification to the delinquent borrower. Lenders should apply the same standard of care for collateral and a security interest as they do in the ordinary course of business when dealing with an unguaranteed loan.

In the event of a default, a lender seeking the guarantee will first need to make a good faith effort to make itself whole through its customary workout process. These processes will be outlined and agreed to during the Guarantee underwriting process. IBank, upon confirming that the lender has complied with all terms of the guarantee, will pay the lender's claim for the guaranteed portion of the outstanding loan balance.

Attachment C. Climate Loan Participation

In the Climate Loan Participation (“Participation”), lenders (“Lead Lenders”) submit loans to IBank for the purchase of a participation. The Participation serves as a shared risk and benefits model to increase the willingness of community lenders, credit unions, and other private investors to fund climate projects.

Participations constitute a proportionate share of the loan and associated fees, but are not considered an extension of credit to the Lead Lender. The Lead Lender conducts origination, underwriting, closing, and servicing of the loan. IBank implements its own due diligence review of the Lead Lender’s underwriting prior to purchasing a portion of the loan.

Please note: additional information on the terms and application process for this product will be uploaded on the Climate Financing website: <https://www.ibank.ca.gov/climate-financing/>.

Participation Structure

Participation Size: Preliminary range: \$1M-\$40M, with a maximum of \$100M for particularly high-impact, creditworthy opportunities.

Participation Share: Following IBank’s review of the Lead Lender’s underwriting and programmatic approval, IBank may purchase up to 50% of an eligible loan. (For example, a 50% participation on an \$80M loan would equal a \$40M participation from IBank.)

- Underserved Community Share: IBank may increase its participation up to 60% of an eligible loan if it qualifies as an investment in an underserved community, as outlined in VII(B). Portfolio Requirements.

Eligible Loan Types: Term loan for purposes including but not limited to: bridge financing, acquisition, predevelopment, construction, working capital, and permanent financing.

Fees and Charges: The Lead Lender will implement all eligible fees and charges according to its loan policies, including application fees, commitment and closing fees, annual fees, servicing fees, and penalties, with an appropriate *pro rata* share accruing to IBank.

Eligible Lenders: The following types of lenders are eligible to become approved lenders under the Participation program:

- Federal or State-chartered Bank.
- Savings Association.
- Certified Community Development Financial Institutions (CDFI).
- Credit Union
- Farm Credit System Insurance Corporation (FCSIC).
- Other Financial Institutions, with an IBank Exception.

Loan Requirements

Seniority: IBank will participate *pari passu* with the Lead Lender on terms and economics. Loans may be senior or subordinate to other debt, provided that iBank’s position remains *pari passu* within the loan. If subsequent financing is to be more senior than the Participation Loan, IBank requires consent rights and/or right of first refusal.

If IBank increases its participation above 50% in support of investments in underserved communities, both parties will remain *pari passu* with respect to any other loan terms.

Interest Rates: The Lead Lender will determine the interest rate for the loan. IBank will receive its *pro rata* share of interest payments based on the Lead Lender's rate. For loans that qualify as investments in underserved communities, IBank may offer a reduced interest rate on its share of the loan to be passed on as a lower blended rate to the borrower. IBank's offer of a reduced interest rate will not change the *pari passu* nature of the participation with respect to any other loan terms. The rate received by the Lead Lender is expected to be within a reasonable range, as determined by IBank.

Loan Tenor: Varies by loan and asset type, not to exceed the the lesser of the useful life of the asset or 30 years.

Capital Contribution: Lead Lender must have its own capital contribution of at least 20% of the loan amount and have firm commitments for the remaining balance.

Secondary Market Restrictions: Subject to consent by the Lead Lender (not to be unreasonably withheld), IBank may sell or assign its position. Lead Lender must retain at least 20% of the loan and continue to service the loan for the duration of IBank's participation. This ensures that IBank has a consistent point of contact in the event of a default.

Use of Funds: Eligible uses of funds include, but are not limited to: predevelopment, land acquisition, construction, working capital, equipment, materials, facilities, startup costs, and inventory. Conformity with Prohibited Uses to be stipulated.

Collateral, Security and Default: Lead Lender must apply the same standard of care for collateral and security interest as they do in the ordinary course of business when dealing with a non-participated loan. Any notification of delinquency must be provided by the lender to IBank at the same time of notification to the delinquent borrower.

In the event of default, IBank's position is *pari passu*, even in instances when IBank offers below-market interest rates.

Attachment D. Climate Incentive Bridge

The Climate Incentive Bridge (“Bridge”) provides bridge financing for public, private, and non-profit sector borrowers seeking to utilize anticipated incentives, such as utility and state agency rebates, federal clean energy tax credits, and reimbursable grant funds, to finance project costs. The Incentive Bridge Loan is structured as a term loan with no prepayment penalty and includes an expectation that incentive payments will be used to retire outstanding debt to IBank.

Please note: additional information on the terms and application process for this product will be uploaded on the Climate Financing website: <https://www.ibank.ca.gov/climate-financing/>.

Bridge Structure

Loan Type: Bridge loans will take two forms, dependent on the status of the incentive.

- If incentive is *earned*, borrower will be eligible for a short-term bridge loan. The incentive is *earned* once all applicable activities are deemed complete by the incentive provider, the incentive has no remaining contingencies, and the borrower is awaiting incentive payment. An incentive award or assignment in and of itself does not qualify an incentive as earned.
- If incentive is *not yet earned*, borrower will be eligible for an sponsor-backed loan secured by a pledged revenue source or other assets. The incentive is *not yet earned* if all applicable activities are ongoing, contingencies remain outstanding, and have not yet been deemed complete by the incentive provider.

Loan Size: \$1M-\$30M, with maximums up to \$100M for particularly high-impact, creditworthy opportunities.

Loan-to-Value: Up to 100% of base incentive amount (subject to credit considerations), excluding incentive bonus or adder values.

Loan Tenor: Term range is up to 24 months. (Longer terms may be considered on a case-by-case basis depending on the nature of the incentive award.)

Repayment Schedule: IBank and the borrower will determine the loan term based on the projected incentive payment date – the payment date will be no more than three months following the anticipated incentive payment date. Interest will accrue from the date of closing, with principal and interest repaid at maturity. There is no penalty for prepayment. The tenor and repayment schedule of any term-out loans will be determined through the application process.

Fees and Charges: An origination fee of 1% loan amount, paid one time at loan closing.

Eligible Borrowers: All incentive-eligible public and private entities, including not-for-profit entities. In addition, eligible borrowers must:

- Be accessing financing for a project within California or financing the general needs of any sponsor or participating party for operations or activities within California that are consistent with, and intended to, further California’s climate goals, activities that reduce climate risk, and the implementation of low-carbon technology and infrastructure.
- Be seeking financing for an eligible project, as outlined in the National Clean Investment Fund Financing Plan’s Eligible Project criteria.
- Be in good standing with the Secretary of State.
- Demonstrate positive cash flow and minimum DSCR of 1.2x for the termed out loan.

Loan Requirements

Seniority: Either senior to, or co-senior and *pari passu* with any other lenders financing the project beyond the incentive component.

Interest Rate: Rates are determined by a rate-setting methodology that is designed to achieve a number of the Climate Catalyst Programs goals. The interest rate for each financing is set at the time the financing is approved, with all rates recommended by IBank staff subject to approval by the Board.

- Underserved Community Subsidy: Projects aligned with the Underserved Communities Criteria, as outlined in VII(B). Portfolio Requirements, may receive an additional subsidy of 25 bps.

Use of Funds: Incentive-accruing activities aligned with eligible projects under the National Clean Investment Fund Financing Plan. Conformity with Prohibited Uses to be stipulated.

Collateral and Security: As IBank can only achieve its objectives to mitigate this market barrier by efficiently recouping and recycling its funds, all borrowers must demonstrate the ability to meet standard debt service coverage requirements from net operating cash flows over the reasonable amortization term, in the event an incentive does not materialize.

Principal repayment sources include incentive assignment to IBank or the deposit of federal tax credit direct payment into a controlled account. If the incentive is not yet earned, borrowers will be required to pledge a revenue source sufficient to service the full loan amount. IBank may also consider other proposed collateral, as well as UCC-1 filings on eligible borrower assets.