Finance Committee Notes

July 12, 2010

The Finance Committee met at 1:00 pm on July 12, 2010, with John Klosterman, Treasurer and Finance Committee chair; Debbie Kitchin, Board member; Dan Enloe, Board member; Sue Sample, CFO attending. John Reynolds, Margie Harris, and Pati Presnail did not attend.

Banking RFP Process

Sue reminded the committee about the process undertaken for the selection of the two finalists for banking services. An internal committee of finance and administration personnel evaluated the ten RFP responses based on a number of criteria, including general eligibility, financial strength, net overall cost, product and service selection, quality of proposal, community presence, references, alignment with Energy Trust vision, and proximity. The committee then interviewed representatives from the top four respondents to arrive at the top two candidates. One of the candidates is the current provider, Bank of the Cascades. The other is Umpqua Bank. References checked on Umpqua services to high-volume check issuers, like Energy Trust, were very positive. They obtained equity funding, are considered well-capitalized and have received good ratings in their evaluations by the FDIC. Bank of the Cascades continues to be under an FDIC order, is considered undercapitalized, and has not yet obtained equity financing. However, it has offered Energy Trust good customer service and extremely reasonable pricing.

Meeting with Representatives from Umpqua Bank

The representatives of Umpqua Bank: Ric Carey, Kristin Bauer, Brian Alfano, Brooke Turner, and Omar Marquez arrived at about 1:20 to meet with the Finance Committee. They provided an introduction describing their individual roles and services they expected to provide to Energy Trust. In describing their recent activity, they responded that they had passed the FDIC's two most recent evaluations of their performance: a safety and soundness evaluation and a compliance evaluation. They also remarked that they had acquired four banks in the past eighteen months at the request of the FDIC, are viewed by the FDIC to be "well capitalized" and have been considered to be one of the "most admired banks" for the past five years and one of the "top one hundred places to work" for the past several years as well.

The Finance Committee posed several questions to the Umpqua team, including questions regarding risk assessment and mitigation; costs of diversion of resources to acquisition over operations; lending environment considerations, and their self-assessed weaknesses. They described their major concern with Energy Trust's RFP as provided to be the unsecured line of credit requirement. The committee was satisfied with the responses received.

May 2010 Financial Statements

The committee had two primary questions about the May financial statements. The first concerned the additional investment reported in May of $5 million. This is the result of a GAAP (generally accepted accounting principles) requirement for external reporting only that all investments with initial maturities greater than three months be considered investments rather than cash equivalents. We have two CDARs accounts with that have maturities of 26 and 52 weeks. The committee also questioned the dramatic shortfall from budget in the incentive category. Two of the primary components are postponed and delayed payments on major renewable projects. One has been postponed indefinitely and one was paid in July. Sue reflected that revenue is improving slightly over the early parts of the year.

Update on ISP Recommendations

Dan and Sue are both members of the ISP Steering Committee. The Board received an update at the June Board retreat, but Debbie was not present so the Committee briefly updated her on the status. We have selected our top implementer/software company to conduct what is referred to as a "deep dive" this week. As such they will be on site meeting with subject matter experts four a 4 day project design process. The purpose is to confirm the details of the project and obtain firm project costs, schedule, approach, staffing and other project related details prior to contracting for the final solution implementation. This joint effort will enhance information obtained through the RFP and demonstration process and allow us to proceed into an agreement with full information. The Board will be asked to confirm that agreement at their meeting on July 28th.

Update on the Real Estate Process

Sue updated the committee on the status of the search for new office space**.** Our broker, CresaPartners, is conducting meetings with staff, reviewing survey results, and evaluating expected growth and space requirements, prior to conducting a market survey of available properties. We have been very pleased with their work.

Next Meeting

The Finance Committee's next meeting is scheduled to be a conference call on August 17th at 3 pm. Topics will include the Q2 report and a bank selection update.