

Transaction Profile

Financing in action

PARITY INC.

Revolving credit facility and term loan to finance the deployment of Parity's HVAC optimization software solution to improve energy efficiency in NYS.



A \$3.0 million revolving credit facility will fund equipment procurement and installation for Parity's HVAC optimization Software as a Service (SaaS) solution in New York, and a \$1.0 million term loan will be used to refinance existing debt and support general corporate purposes. Parity Inc. is a fast-growing company that reduces energy consumption in multi-family residential and hospitality buildings. It helps reduce exposure to Local Law 97 fines by remotely and automatically controlling a building's HVAC systems.

Market Barriers and Solutions

A key market barrier stems from the lack of precedent and limited appetite from traditional **commercial debt providers** to finance transactions tied to utility incentives. Utility incentives may not fit into any one asset class or may be too small individually to generate sufficient interest from traditional debt investors. NY Green Bank's transaction addresses this gap in the market by bridging the utility incentive payments and freeing up capital for the borrower to focus on business expansion and accelerating deployment of its SaaS solution. This transaction can serve as a market precedent for traditional third-party lenders and debt providers, demonstrating the viability of treating a utility's incentive offer letter as an asset, spurring additional investments into the New York State energy efficiency market.

Another market barrier is the hesitancy of traditional commercial debt providers to finance transactions with early-stage companies. This transaction provides support to a high-growth, early-stage company that will benefit from having access to additional capital to fuel faster growth in its key target market of New York State.

Transaction amount: **\$4.0 million**

Counterparties:

(Project Sponsor) Parity Inc.

(Project Borrower) Parity U.S. Inc.

Product: **Revolving loan and term loan**

Date closed: **August 2023**

Impact: **266,356 metric tons of CO₂e reductions over lifetime**

Technologies: **Energy efficiency**

Location: **Downstate**

End-use segment: **Residential, Commercial, Industrial**



"This is a significant partnership for us with a U.S. lender. Our organization's goals, when it comes to reducing GHG emissions from buildings in New York City, are very closely aligned. We look forward to leveraging this partnership and capital facility to help building managers and asset owners implement the necessary technology to minimize wasted energy in buildings and build a greener, more sustainable future."

Brad Pilgrim, CEO of Parity



TRANSACTION PROFILE

November 2023

\$4 million revolving credit facility and term loan to finance the deployment of HVAC optimization software to improve energy efficiency in New York

PARITY INC.

On August 14, 2023, NY Green Bank (“NYGB”) closed a \$3.0 million revolving credit facility and \$1.0 million term loan to Parity Inc. (“Parity”). NYGB’s facility will fund equipment procurement and installation of Parity’s HVAC optimization Software as a Service (“SaaS”) solution in New York and refinance existing debt and support general corporate purposes.

Transaction Description

A \$3.0 million revolving credit facility will fund Parity’s SaaS solution in New York and a \$1.0 million term loan will be used to refinance existing debt and support general corporate purposes. Parity is a fast-growing company that reduces energy consumption in multi-family residential and hospitality buildings. It helps reduce exposure to Local Law 97 fines by remotely and automatically controlling a building’s HVAC systems.

This Transaction Profile is provided pursuant to the updated NY Green Bank – Metrics, Reporting & Evaluation Plan, Version 3.1 (the “**Metrics Plan**”) developed in collaboration with the NYS Department of Public Service and filed with the NYS Public Service Commission (the “**Commission**”) on May 2, 2022.¹ This Transaction Profile contains specific information in connection with the Parity, Inc. transaction entered into in August 2023, as required by the Metrics Plan.²

Form of NYGB Investment

NYGB Product	Product Sub-Type	Committed Capital
Asset Loan & Investment	Revolver	\$3.0 million
Asset Loan & Investment	Term Loan	\$1.0 million

Location(s) of Underlying Project(s)

Downstate. Projects will be located in New York City.

Types of Organizations that are Transaction Participants

	Name	Participant Type
Counterparty	Parity Inc.	Project Sponsor
	Parity U.S. Inc.	Project Borrower

¹ Case 13-M-0412.

² See Section 4.0 at page 8 - 9 and Schedule 3.

Summary of Financing Market Objectives & Barriers Addressed

Beneficiary	Market Barrier	Financing Solution
Commercial debt providers	A key market barrier stems from the lack of precedent and limited appetite from traditional commercial debt providers to finance transactions tied to utility incentives. Utility incentives may not fit into any one asset class or may be too small individually to generate sufficient interest from traditional debt investors. Another market barrier is the hesitancy of traditional commercial debt providers to finance transactions with early-stage companies.	NY Green Bank's transaction addresses this gap in the market by bridging the utility incentive payments and freeing up capital for the borrower to focus on business expansion and accelerating deployment of its SaaS solution. This transaction can serve as a market precedent for traditional third-party lenders and debt providers, demonstrating the viability of treating a utility's incentive offer letter as an asset, spurring additional investments into the New York State energy efficiency market. This transaction provides support to a high-growth, early-stage company that will benefit from having access to additional capital to fuel faster growth in its key target market of New York State.

Technologies Involved

Technology	Measures
Energy Efficiency	HVAC, Energy Management / Control Systems

Metrics & Evaluation Plan

Planned Energy & Environmental Metrics

NYGB's minimum investment criteria require that "transactions will have the potential for energy savings and/or clean energy generation that will contribute to greenhouse gas ("**GHG**") emission reductions in support of New York's energy policies".³ In addition, the Metrics Plan requires that the following energy and environmental measures applicable to this transaction be reported:⁴

- Estimated lifetime and annual total energy savings (MMBtu equivalent)
- Estimated lifetime and annual natural gas fuel savings (MMBtu equivalent)

The estimated gross lifetime and annual energy and environmental impacts of the investment are as follows:

Energy/Environmental Impact	Lifetime Low Estimate	Lifetime High Estimate	Annualized Low Estimate	Annualized High Estimate
Estimated total energy savings (MMBtu equivalent)	127,156	4,853,280	6,358	242,664
Estimated natural gas fuel savings (MMBtu)	Same as above			
Estimated GHG emission reductions (metric tons)	19,478	266,356	974	13,318

³ Case 13-M-0412, "Order Establishing New York Green Bank and Providing Initial Capitalization" issued and effective December 19, 2013 of the Commission, Ordering Clause 6 at pages 24 – 25.

⁴ See Metrics Plan, Section 2.0 at pages 2 - 6.

Planned Market Characterization Baseline & Market Transformation Potential

The Metrics Plan requires that market evaluation occurs when a critical mass of NYGB financing and investment arrangements are in place. Market evaluation activities commenced in 2018 on sectors that NYGB has supported since inception, consistent with the requirement for such assessments approximately three to five years following initial NYGB capital deployments.⁵ NYSERDA collected baseline data for the NYGB portfolio in 2019 and will update the data to include indicators specific to this transaction. NYSERDA will use baseline data collected for indicators as a comparison point against which to assess market progress in later studies. Progress indicators are defined below for the short, medium and long terms.

NYGB expects that program and/or future market evaluation will demonstrate progress across short-term indicators, including:

- Size and location of projects financed by the investment;
- Aggregate expected energy savings for projects financed by the investment.

NYGB expects that program tracking and/or future market evaluation will demonstrate progress across medium- and long-term indicators, including:

- Increase in market volume of energy efficient properties;
- Increase in general understanding of energy efficient properties by the financial community;
- Increased awareness and use of energy efficiency investment performance data by financing entities;
- Demonstration of competitive risk-return profiles for energy efficient properties;
- Decreased operating costs of energy efficient properties; and
- Increased number of new lending participants.

Proposed Method of Outcome/Impact Evaluation (by NYSERDA) & Timeframe

NYSERDA will evaluate the impact this transaction has had on the clean energy finance markets and the energy/environmental benefits it delivers.

Market evaluation will assess the short, medium, and long-term indicators identified above. Methods will include analysis of program data along with interviews and surveys of market participants (e.g., financial community) to track information including but not limited to: project scale information and influence of NYGB's participation on financial markets. As noted, NYSERDA collected baseline data on key indicators in its first phase evaluation during 2018 – 19. Later follow-up studies will assess progress against baseline levels for other market segments as those evolve. The specific timing of these efforts may be revised based on experience or other factors as NYGB's investment portfolio further develops and evolves.

Impact evaluation will assess which of the projects funded under the investment raised construction financing and were completed, commissioned, and placed in service.

In accordance with the Metrics Plan, NYGB will track Parity projects that receive incentives or funding from other entities (e.g., utility, other NYSERDA programs) to minimize any double-counting activity on a consolidated basis. As set out in the Metrics Plan, evaluation sampling approaches will also be used as a mechanism to estimate overlap and minimize double counting. NYSERDA and NYGB will attempt to coordinate market and impact evaluation activities for projects that receive support from multiple sources in order to maximize the efficiency of data collection and avoid participant survey fatigue.

⁵ See Metrics Plan, Section 3.3 at page 7 - 8.