845 Brook Street, Rocky Hill, CT 06067
T 860.563.0015
ctgreenbank.com

CONNECTICUT
GREEN BANK

June 2, 2017

Dear Connecticut Green Bank Board of Directors:

We have a special meeting of the Board of Directors scheduled on Friday, June 9, 2017 from 2:00 to 3:00 p.m. in the Colonel Albert Pope Board Room of the Connecticut Green Bank at 845 Brook Street, Rocky Hill, CT 06067.

Given the pending conclusion of the fiscal year (i.e., June 30) and the urgency of advancing the following transactions, on the agenda we have included the following items:

- **CT Solar Lease 3** – as you recall, with CT Solar Lease 2, we had a commercial component of this financing product that allowed us to support a variety of end-users – from municipalities and school districts to small business and manufacturing. CT Solar Lease 3 is a continuation of this product in partnership with US Bank, that will complement another financing product we have in partnership with Onyx. The Board of Directors has previously approved this transaction; staff is simply looking for reauthorization to execute definitive documentation given the passage of time and the imminent closing of the new fund.

- **PosiGen Solar for All** – our partnership with PosiGen is important towards the continuation of our efforts to enable access of solar PV technology to the LMI market segment. Due to disruptions in the tax equity markets after the 2016 election, staff would like to request support from the Board of Directors to amend our existing authorizations, which allow the Green Bank to provide PosiGen solely with term financing, so as to enable us to provide the company with a short-term facility (effectively reallocating funds already authorized for PosiGen) that can provide bridge financing to a tax equity facility now projected to close later this summer.

- **RSIP PBI Payout** – we have met with the Deployment Committee and are bringing forth a structure for the PBI payout of up to $5 million using an auction structure. We will be recommending the approval of this process so that we can initiate the auction and then finalize the transaction.

Thank you all for your willingness to participate in this special meeting.

If you have any questions, comments or concerns, please feel free to contact me at any time.

We look forward to seeing you next week.

Sincerely,

Bryan Garcia
President and CEO

AGENDA

Board of Directors of the
Connecticut Green Bank
845 Brook Street
Rocky Hill, CT 06067

Friday, June 9, 2017
2:00-3:00 p.m.

Staff Invited: George Bellas, Craig Connolly, Mackey Dykes, Brian Farnen, Bryan Garcia, Ben Healey, Dale Hedman, Bert Hunter, Kerry O'Neill, and Eric Shrago

1. Call to order

2. Public Comments – 5 minutes

3. Staff Transaction Recommendations – 5 minutes

   a. Commercial, Industrial, and Institutional Sector Program Transaction Recommendation – 20 minutes

      i. CT Solar Lease 3* – 20 minutes

   b. Residential Sector Program Transaction Recommendation – 20 minutes

      i. PosiGen Solar for All* – 20 minutes

   c. Infrastructure Sector Program Transaction Recommendation – 15 minutes

      i. Residential Solar Investment Program – PBI Commitment Payout* – 15 minutes

4. Adjourn

*Denotes item requiring Board action

Join the meeting online at https://global.gotomeeting.com/join/395590333

Or call in using your telephone:
Dial (669) 224-3412
Access Code: 395-590-333

Next Regular Meeting: Friday, June 23, 2017 from 9:00-11:00 a.m.
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT

RESOLUTIONS

Board of Directors of the
Connecticut Green Bank
845 Brook Street
Rocky Hill, CT 06067

Friday, June 9, 2017
2:00-3:00 p.m.

Staff Invited: George Bellas, Craig Connolly, Mackey Dykes, Brian Farnen, Bryan Garcia, Ben Healey, Dale Hedman, Bert Hunter, Kerry O'Neill, and Eric Shrago

1. Call to order

2. Public Comments – 5 minutes

3. Staff Transaction Recommendations – 5 minutes

   a. Commercial, Industrial, and Institutional Sector Program Transaction Recommendation – 20 minutes

      i. CT Solar Lease 3* – 20 minutes

Resolution #1

WHEREAS, the Connecticut Green Bank ("Green Bank") executed a term sheet (the "Term Sheet") on February 23, 2017 with U.S. Bank to extend the success of our previous CT Solar Lease 2 program ("SL2") by having U.S. Bank invest approximately $**REDACTED** million in tax equity financing into a new solar PV fund focused exclusively on commercial-scale systems ("SL3"), in a manner materially consistent, absent debt financing at the project level, with the structure previously approved by the Green Bank Board of Directors (the "Board") with respect to SL2; and

WHEREAS, the Green Bank intends to create a new special purpose vehicle and fund structure for SL3, as broadly set forth in the Term Sheet.

NOW, therefore be it:

RESOLVED, that the Green Bank Board authorizes the President of the Green Bank and any other duly authorized officer of the Green Bank, to negotiate and deliver definitive documentation to enable U.S. Bank tax equity capital and Green Bank sponsor equity to create together a SL3 fund consistent with the Term Sheet, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board;

RESOLVED, that the Green Bank may commit up to $**REDACTED** million to SL3 for term financing, in anticipation that SL3 will be back-levered once its capacity has been fully utilized and the portfolio appropriately seasoned; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and negotiate and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

b. Residential Sector Program Transaction Recommendation – 20 minutes

i. PosiGen Solar for All* – 20 minutes

<u>Resolution #2</u>

WHEREAS, the Connecticut Green Bank ("Green Bank") has a mandate to deploy its resources to benefit all ratepayers, including low and moderate income ("LMI") residential households;

WHEREAS, the Green Bank has an existing and successful partnership with PosiGen, Inc. (together with its affiliates and subsidiaries, "PosiGen"), whereby the Green Bank has provided a debt capital commitment (the "Loan"), divided into initial and contingent portions of $5,000,000 each, to support PosiGen in delivering a solar lease and energy efficiency finance offering to LMI households in Connecticut;

WHEREAS, PosiGen has closed on $**REDACTED** in senior debt capital for its Connecticut activities;

WHEREAS, PosiGen has signed a term sheet for $**REDACTED** in tax equity financing, a portion of which will support projects in Connecticut; and

WHEREAS, Green Bank staff now recommends amending the Loan to allow the Green Bank to advance up to $**REDACTED** out of the contingent portion of the Loan, including as a bridge loan towards PosiGen closing on its pending tax equity facility (the "Amendment");

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized to execute and deliver the Amendment with terms and conditions consistent with the memorandum submitted to the Board dated June 5, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

c. Infrastructure Sector Program Transaction Recommendation – 15 minutes

i. Residential Solar Investment Program – PBI Commitment Payout* – 15 minutes

Resolution #3

WHEREAS, the Green Bank designed and implemented a Residential Solar Photovoltaic Investment Program (“RSIP”) to achieve a minimum of three hundred (300) megawatts of new residential PV installation in Connecticut before December 31, 2022;

WHEREAS, pursuant to Section 106 of the Act, the Green Bank offers direct financial incentives, in the form of performance-based incentives (“PBI”) or expected performance-based buydowns (“EPBB”), for the purchase or lease of qualifying residential solar photovoltaic systems;

WHEREAS, the Green Bank seeks to opportunistically reduce some of its obligations under the PBI program by purchasing the obligations at a discount; and

WHEREAS, on May 30, 2017, the Deployment Committee recommended authorizing the allocation and use of up to $5,000,000 of unrestricted Green Bank funds to buy-out PBI obligations.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors (“Board”) authorizes the allocation and use of up to $5,000,000 of unrestricted Green Bank funds to buy-out PBI obligations consistent with this memorandum dated June 2, 2017; and

RESOLVED, that the Board further authorizes Green Bank staff to (1) conduct an auction whereby the Green Bank solicits bids from third-party owners to set a market discount rate at which PBI obligations may be bought-out and (2) enter into agreements for the buy-out of such PBI obligations upon conclusion of the auction; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned auction.

4. Adjourn

*Denotes item requiring Board action

Join the meeting online at https://global.gotomeeting.com/join/395590333

Or call in using your telephone:
Dial (669) 224-3412
Access Code: 395-590-333

Next Regular Meeting: Friday, June 23, 2017 from 9:00-11:00 a.m.
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT

Board of Directors Special Meeting

June 9, 2017

Board of Directors

Agenda Item #1

Call to Order

Board of Directors

Agenda Item #3 – Staff Transaction Recommendations

Board of Directors

Agenda Item #3a – CI&I Sector

CT Solar Lease 3

CT Solar Lease 3 ("SL3")

New Commercial Facility (approved Jan 2017)

- Recap from January BoD
- Building off Solar Lease 2 ("SL2") success
  - Nearly 1,200 Residential systems and 9.5+ megawatts of Commercial deals will be funded with existing structure
- SL2 capacity exhausted, but substantial pipeline of commercial-scale deals expected to be placed in service in 2017
  - Includes municipalities, public and private schools, commercial off-takers, housing authorities, and nonprofits
  - Total Private Capital Deployed:
    - **Tax Equity (US Bank): $REDACTED**
    - **Local Lenders (KeyBank/Webster): $REDACTED**

SL3 vs SL2 (Recap)

- Solar Lease 3 will provide the market with credit and pricing flexibility that is needed to serve more difficult segments / off-taker types
  - Concurrent development with Onyx facility ensures broad swath of the market will be served
- Solar Lease 3 will be functionally similar to Solar Lease 2, with primary differences being:
  - Commercial-scale installations only, all PPAs, no residential systems
  - No upfront 3rd party capital debt funding
  - Back-leveraging with 3rd party capital anticipated after appropriate seasoning
- U.S. Bank will be the tax equity investor (SL2 and SL3)
- SL3 will consist of:
  - A special purpose LLC to own, and operate solar facilities
  - "Partnership Flip" tax equity structure
  - Approximately $**REDACTED** million of available financing for solar leases and PPAs
    - ~$**REDACTED** million equity investment by U.S. Bank
    - ~$**REDACTED** million in Green Bank sponsor capital (to be back-leveraged)

Need for Extension

- Term sheet between the Green Bank and U.S. Bank executed on February 23, 2017:
  - Length of capital commitment
  - Credit criteria on a portfolio basis
  - Project requirements
  - Tranching process
  - REC structures permissible
  - Fees

- Board's existing authorizations have expired – closing imminent
- Staff is requesting the Board to reauthorize the Green Bank to finalize and enter into definitive documentation
- Closing expected June 2017

Resolutions
SL3 Reauthorization

RESOLVED, that the Green Bank Board authorizes the President of the Green Bank and any other duly authorized officer of the Green Bank, to negotiate and deliver definitive documentation to enable U.S. Bank tax equity capital and Green Bank sponsor equity to create together a SL3 fund consistent with the Term Sheet, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board;

RESOLVED, that the Green Bank may commit up to $**REDACTED** million to SL3 for term financing, in anticipation that SL3 will be back-levered once its capacity has been fully utilized and the portfolio appropriately seasoned; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and negotiate and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

Board of Directors

Agenda Item #3b – Residential Sector
PosiGen Solar for All

PosiGen Bridge Loan

Background

CONNECTICUT GREEN BANK

- **<u>PosiGen Debt Facility Approval</u>:** At its June 19, 2015 meeting, the Green Bank Board authorized the creation of a Green Bank debt facility to support PosiGen, Inc.'s residential LMI solar PV deployment

- **<u>Debt Facility Details</u>:** The Board approved an initial loan of up to $5 million in subordinated debt, along with a subsequent $5 million conditional upon PosiGen closing on at least $10 million in total senior debt capital (effectively book-ending Green Bank subordinated impact/exposure with senior leverage)

- **<u>Debt Facility Impact</u>:** Leveraging Green Bank debt and advisory support has enabled PosiGen to construct an attractive platform for private capital participation (Tax Equity, Senior Debt, Subordinated Debt, and Equity) that results in low-cost solar PV leases and energy efficiency savings agreements, which in turn help drive down the cost of energy for LMI homeowners

PosiGen Bridge Loan

Success Metrics

CONNECTICUT GREEN BANK

- Since launching in the Connecticut market in 2016, PosiGen has achieved material success in mobilizing private capital, generating jobs, creating value for underserved households, and delivering positive environmental benefits:

  - ✓ Over 900 solar PV systems installed (6+ megawatts)
  - ✓ 62 full-time PosiGen jobs created in Connecticut
  - ✓ ~75% of solar PV systems deployed serving LMI households
  - ✓ ~67% of households contracting for solar PV also undertake "deeper" energy efficiency upgrades with PosiGen
  - ✓ ~$**REDACTED** million in total project value created

- Green Bank staff anticipates continued success through existing "Solar for All" campaigns in Bridgeport, New Haven, Hartford, and New London (plus expansion to Waterbury, elsewhere), and expects a run rate of 100 solar PV installations per month beginning in Q3 2017

PosiGen Bridge Loan
Facility Expansion

CONNECTICUT GREEN BANK

- Dynamic capital market conditions have resulted in staff's request for amendments to the existing program authorizations:
  - **Capital Market Disruption:** The unexpected extension of the Investment Tax Credit at the start of 2016, followed by uncertainty with respect to the federal tax policy outlook at the end of 2016, resulted in unpredictable tax equity markets in 2016 and heading into 2017. Consequently, PosiGen experienced delays in raising the tax equity necessary to continue to deliver low-cost solar PV leases
  - **PosiGen Debt Facility Amendment #1:** To allow Green Bank to advance funds, on a short-term basis (that is, maturing no later than 12/31/17), as a bridge loan towards the closing of a new tax equity facility (for which a term sheet is already signed)
  - **PosiGen Debt Facility Amendment #2:** To allow Green Bank to advance $**REDACTED** million of debt, above the initial $5 million loan. The additional debt advance authorization would mirror the amount of private debt capital that has already been placed into PosiGen's CT facilities (i.e. $**REDACTED** million of Green Bank debt vs. $**REDACTED** million of senior debt), in line with the Board's original approvals

PosiGen Bridge Loan
Risk & Mitigants

- In advancing capital to PosiGen via a bridge loan rather than on a term basis, staff recognizes the need to continue to mitigate repayment risk. Accordingly, the Green Bank will:
  - Continue to maintain our existing collateral position associated with our initial $5 million secured debt investment
  - Acquire additional collateral in newly installed systems associated with the $**REDACTED** million secured bridge loan
  - Limit bridge loan advances in order to preserve a positive effective repayment profile, for the full amount of Green Bank debt outstanding, over the lifetime of the underlying residential contracts (even in the unlikely event that, despite an already signed term sheet, the new tax equity facility fails to close this year)

Resolutions
PosiGen Amendment

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized to execute and deliver the Amendment with terms and conditions consistent with the memorandum submitted to the Board dated June 5, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

Board of Directors

Agenda Item #3c – Infrastructure Sector RSIP PBI Payout

Overview
PBI Payout for "Non-SHREC"

- Discussions with third-party system owners (TPOs) indicate interest in an early "buyout" of the long-term payment streams of PBIs
  - ✓ Allows TPO's to realize cash value now instead of over the remaining term of the PBI performance period
  - ✓ Efficient use of cash – Green Bank eliminates long-term payment obligations at a discount
  - ✓ New tool (auction) for future Green Bank needs
- Approximately $**REDACTED** million of PBI payments left as of Jan 1, 2017 for "non-SHREC" projects (i.e., those approved prior to Jan 1, 2015)

CHART REDACTED

Buyout Format

PBI Payout for "Non-SHREC"

- Buy-out capital allocation: $5,000,000 targeting deployment by June 30, 2017
- Modified Dutch Auction:
  - ✓ Focus on Discount Rate
  - ✓ Sealed bids with multiple bids allowed by single bidder

Participant X - Multiple Bids	
PBI Amount	**Rate**
$ 3,000,000	7%
$ 4,000,000	6%
$ 5,000,000	5%

  - ✓ Reserve price (4%) and minimum bid size ($100,000)
    - ✓ Reduce risk of auction gaming
  - ✓ All winning bidders get the same rate

Participant	Bid	PBI Value	Aggregate PBI	
A	10%	$ 500,000	$ 500,000	
B	10%	$ 250,000	$ 750,000	
C	9%	$ 2,000,000	$ 2,750,000	
X	7%	$ 3,000,000	$ 5,750,000	<-- Crosses the $5,000,000 threshold, so Discount Rate = 7%
Y	5%	$ 400,000	$ 6,150,000	
Z	3%	$ 6,000,000	$ 12,150,000	

Buyout Format (cont.)
PBI Payout for "Non-SHREC"

- Participants will be given a schedule of *qualified projects*[1] and associated cash flows to use as bid template

Participant X

	PBI Due					
	Remainder 2017	2018	2019	2020	2021	Total
System 1	$ 500	$ 1,000	$ 900	$ 800	$ 700	$ 3,900
System 2	$ 550	$ 1,050	$ 950	$ 850	$ 750	$ 4,150
System 3	$ 450	$ 950	$ 850	$ 750	$ 650	$ 3,650
Total	$ 1,500	$ 3,000	$ 2,700	$ 2,400	$ 2,100	$ 11,700

Discount Rate	7%
Capital Bid	$ 9,880

- Anti-collusion certification

(1) Based upon historical performance threshold determined by the Green Bank's Statutory & Infrastructure Group

Sample Allocation
PBI Payout for "Non-SHREC"

CONNECTICUT GREEN BANK

Capital Allocation					
	Bid				Final
Participant	Amount	Rate	Aggregate PBI	Pro Rata Share	Rate
A	$ 500,000	10%	$ 500,000	$ 434,783	7%
B	$ 250,000	10%	$ 750,000	$ 217,391	7%
C	$ 2,000,000	9%	$ 2,750,000	$ 1,739,130	7%
X	$ 3,000,000	7%	$ 5,750,000	$ 2,608,696	7%
Y	$ 1,000,000	5%	$ 6,750,000	NA	NA

- Benefits of the framework:
  - ✓Sets a market price for Discount Rate
  - ✓Same revenue outcome as bidders receiving their bid rates (revenue equivalence)
  - ✓Perceived sense of fairness (same rate, pro rata allocation)

Proposed Timeline
PBI Payout for "Non-SHREC"

- June 7– Legal review of necessary documentation
- June 9 – Board approval
- June 12/13 – Email potential participants with official auction rules
- June 19th – Finalize documentation
- June 21st – Bid auction deadline / announcement of winners
- Week of June 26th – Execute buyout

Resolutions

PBI Payout for “Non-SHREC”

RESOLVED, that the Green Bank Board of Directors (“Board”) authorizes the allocation and use of up to $5,000,000 of unrestricted Green Bank funds to buy-out PBI obligations consistent with the memorandum dated June 5, 2017; and

RESOLVED, that the Board further authorizes Green Bank staff to (1) conduct an auction whereby the Green Bank solicits bids from third-party owners to set a market discount rate at which PBI obligations may be bought-out and (2) enter into agreements for the buy-out of such PBI obligations upon conclusion of the auction; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned auction.

Board of Directors

Agenda Item #4 – Adjourn

845 Brook Street, Rocky Hill, CT 06067
T 860.563.0015
ctgreenbank.com

CONNECTICUT GREEN BANK

Memo

To: Connecticut Green Bank Board of Directors

From: Ben Healey, Director, Clean Energy Finance

CC: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO

Date: June 5, 2017

Re: Reauthorization of SL3 Facility

Background

At its January 20, 2017 meeting, the Connecticut Green Bank ("Green Bank") Board of Directors (the "Board") authorized the creation of the CT Solar Lease 3 program ("SL3"), a public-private partnership between the Green Bank and U.S. Bank (as tax equity investor) to provide third-party financing for commercial-scale solar projects across the state.

SL3 is projected to finance upwards of 9.0 MW of solar PV for municipal, commercial and industrial, and nonprofit customers, totaling approximately $**REDACTED** million of projects on a "fair market value"[1] basis. U.S. Bank's contributions to the fund will be approximately $**REDACTED** million (term sheet / draft documentation available upon request).

Because the Board's existing authorizations to create the partnership have expired, and closing is now imminent, staff is requesting that the Board reauthorize the Green Bank to finalize and enter into definitive documentation so as to move ahead with the SL3 program, materially as described in the term sheet between the Green Bank and U.S. Bank executed on February 23, 2017.

---

[1] "Fair Market Value" is the common metric used by "tax equity" financiers and bank leverage facilities for advancing funds.

Resolutions

WHEREAS, the Connecticut Green Bank ("Green Bank") executed a term sheet (the "Term Sheet") on February 23, 2017 with U.S. Bank to extend the success of our previous CT Solar Lease 2 program ("SL2") by having U.S. Bank invest approximately $**REDACTED** million in tax equity financing into a new solar PV fund focused exclusively on commercial-scale systems ("SL3"), in a manner materially consistent, absent debt financing at the project level, with the structure previously approved by the Green Bank Board of Directors (the "Board") with respect to SL2; and

WHEREAS, the Green Bank intends to create a new special purpose vehicle and fund structure for SL3, as broadly set forth in the Term Sheet.

NOW, therefore be it:

RESOLVED, that the Green Bank Board authorizes the President of the Green Bank and any other duly authorized officer of the Green Bank, to negotiate and deliver definitive documentation to enable U.S. Bank tax equity capital and Green Bank sponsor equity to create together a SL3 fund consistent with the Term Sheet, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board;

RESOLVED, that the Green Bank may commit up to $**REDACTED** million to SL3 for term financing, in anticipation that SL3 will be back-levered once its capacity has been fully utilized and the portfolio appropriately seasoned; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and negotiate and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

Submitted by: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Ben Healey, Director of Clean Energy Finance

845 Brook Street, Rocky Hill, CT 06067
T 860.563.0015
ctgreenbank.com

CONNECTICUT GREEN BANK

Memo

To: Connecticut Green Bank Board of Directors

From: Mike Yu, Senior Manager, Clean Energy Finance, Ben Healey, Director of Clean Energy Finance

CC: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO; Kerry O'Neill, Managing Director of Residential Programs

Date: January 13, 2017

Re: Solar Lease 3 Facility with US Bank

At a special meeting of the Connecticut Green Bank ("Green Bank") Board of Directors (the "Board") held on June 26, 2013, the Board approved resolutions for the establishment of the CT Solar Lease 2 program ("Solar Lease 2"), a public-private partnership between the Green Bank and private capital providers including U.S. Bank (as tax equity investor) and a syndicate of local and regional banks. Solar Lease 2 enabled lease and power purchase agreement ("PPA") financing for residential and commercial-scale solar PV systems in Connecticut installed by an array of independent contractors. The demand for Solar Lease 2 was such that Green Bank staff requested and received an approval from the Board in April 2016 to increase the capacity of the program by $7.6 million ($2.4 million in tax equity, $3.4 million in new debt, and $1.8 million in Green Bank capital). Solar Lease 2 has been a programmatic success; its capacity has been fully utilized, and nearly 1,200 residential systems representing more than 9.5 megawatts and dozens of systems representing another 9.5+ megawatts of commercial-scale projects have been approved by U.S. Bank and are either already placed in service or soon to be completed.

While Solar Lease 2 is no longer financing new projects, it is clear that demand for the Green Bank's PPA financing remains robust. There is a pipeline of approximately 9.0 megawatts of projects ($23.6 million in projected fair market value) that includes municipalities, public and private schools, commercial off-takers, housing authorities, and nonprofits that are in varying stages of development but are all expected to be placed into service in 2017. On the following page is a representative, non-exhaustive (and confidential) sample of projects that may require Green Bank financing in 2017.

Representative Green Bank Commercial-Scale Solar Pipeline

REDACTED

Green Bank staff believes that establishing another solar PPA facility ("Solar Lease 3") with U.S. Bank is the most expeditious route that would enable the development of many of these projects that for one reason or another will not fit into the new facility we are separately establishing with Onyx Renewable Partners ("Onyx"), as further described below. The new facility with U.S. Bank would be functionally similar to Solar Lease 2, with the primary difference being that there will be no upfront debt financing in this structure (and, again, it will only finance commercial-scale installations, rather than residential projects).

As currently envisioned, Solar Lease 3 will consist of:

- A special purpose limited liability company (the "Project Company") whose sole business will be to design, develop, own, and operate commercial-scale solar facilities;
- A tax equity flip structure whereby U.S. Bank, as the tax equity investor, will be allocated 99% of the investment tax credits in exchange for an aggregate ~$9 million equity investment into the Project Company, representing just under **REDACTED** of the term capital stack; and
- Approximately $15 million in Green Bank sponsor capital, to be back-leveraged with debt after appropriate seasoning.

As the Board is aware, in Q2 2016, staff conducted an RFP for tax equity (and potentially debt capital) to source a new solution for C&I, nonprofit, and institutional customers in Connecticut interested in going solar via a lease or PPA structure. This RFP was awarded to Onyx, and staff will shortly close on definitive documentation with Onyx to finalize our partnership with them. Staff has high expectations for the Onyx partnership and anticipates financing multiple megawatts of new solar projects with Onyx in 2017 and beyond. However, in order to provide the market with a certain level of credit and pricing flexibility that is needed to continue to serve certain more difficult segments / off-taker types, staff believes concurrent development of the proposed U.S. Bank PPA facility will ensure, in the short term, that we can serve as broad a swath of the market as is commercially reasonable, while also providing a bridge to a C&I solar market that no longer requires (or requires increasingly less) Green Bank participation to thrive.

Accordingly, staff seeks approval from the Board to finalize term sheet negotiations with U.S. Bank (premised broadly on the <u>draft</u> term sheet attached hereto as Confidential Attachment A) and proceed to execute documentation thereafter so as to continue the success of the Solar Lease 2 program with a new Solar Lease 3 fund. The attached term sheet is the initial offer from

U.S. Bank. Green Bank staff anticipates negotiating on the following key terms before term sheet finalization and moving forward with definitive documentation:

- Length of commitment – extending the life of the facility into 2018 to give us a longer deployment timeframe and reduce penalties for unused capital
- Credit criteria – expanding the percentage of unrated, non-C-PACE secured credits allowed in the fund (so as to enable the participation of more unrated municipalities, affordable housing properties, etc.)
- Project requirements – adjusting the definition of "Large Systems" to set it at a higher threshold so as to make it easier for smaller systems to qualify for financing
- Tranching process – ensuring this process mirrors the existing Solar Lease 2 approach
- ZRECs – potentially including projects without ZREC contracts but with Class I REC sale contracts
- Fees – reducing the required expense deposit, as well as delivery and structuring fees

Resolutions

WHEREAS, the Green Bank has successfully utilized all of the capacity of the CT Solar Lease 2 program ("Solar Lease 2"), which was authorized at a special meeting of the Board of Directors of the Connecticut Green Bank ("Green Bank") held on June 26, 2013;

WHEREAS, the Green Bank has received a draft term sheet from U.S. Bank to extend the success of Solar Lease 2 by investing approximately $9 million in tax equity financing into a new solar fund focused exclusively on commercial-scale systems ("Solar Lease 3"), in a manner materially consistent, absent debt financing at the project level, with the structure previously approved by the Board of Directors with respect to Solar Lease 2; and

WHEREAS, the Green Bank intends to create a new special purpose vehicle and fund structure for Solar Lease 3, utilizing U.S. Bank tax equity, as broadly set forth herein.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors ("Board") authorizes the President of the Green Bank and any other duly authorized officer of the Green Bank, to execute term sheets and negotiate and deliver definitive documentation to enable U.S. Bank tax equity capital and Green Bank sponsor equity to create together a Solar Lease 3 fund consistent with the memorandum submitted to the Board dated January 13, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board;

RESOLVED, that the Green Bank may commit up to $15 million to Solar Lease 3 for term financing, in anticipation that Solar Lease 3 will be back-levered once its capacity has been fully utilized and the portfolio appropriately seasoned; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and negotiate and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

Submitted by: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Ben Healey, Director of Clean Energy Finance; Mike Yu, Sr. Manager, Clean Energy Finance

ATTACHMENT A
DRAFT U.S. BANK TERM SHEET FOR SOLAR LEASE 3

REDACTED

845 Brook Street, Rocky Hill, CT 06067
T 860.563.0015
ctgreenbank.com

CONNECTICUT GREEN BANK

Memo

To: Connecticut Green Bank Board of Directors

From: Ben Healey, Director, Clean Energy Finance

CC: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO; Kerry O'Neill, Vice President, Residential Programs

Date: June 5, 2017

Re: Expansion of PosiGen Debt Facility via a Tax Equity Bridge Loan

---

Background

At its June 19, 2015 meeting, the Connecticut Green Bank ("Green Bank") Board of Directors (the "Board") authorized the creation of a debt facility to support the efforts of PosiGen, Inc. (together with its affiliates and subsidiaries, "PosiGen") to accelerate the deployment of residential solar PV amongst low- and moderate-income ("LMI") homeowners across Connecticut. Under the terms of the Board's original approval, the Green Bank was authorized to advance up to $5 million in subordinate debt as an initial loan to PosiGen, and then a subsequent $5 million conditional on PosiGen raising $10 million in senior debt from one or more private capital sources.

Working closely with Green Bank staff, PosiGen has since closed on $**REDACTED** million in senior debt capital from two separate capital providers, and staff would now like to amend the Board's existing authorizations in two ways:

- Allow the Green Bank to continue to advance debt financing to PosiGen above the initial $5 million loan, with a not-to-exceed amount set to match the private debt capital the company has raised for Connecticut projects (that is, currently, no more than an additional $**REDACTED** million); and

- In addition to providing solely term debt, authorize the Green Bank to advance funds as a bridge loan towards the closing of a new tax equity facility for PosiGen, to be repaid out of the closing of such facility by the end of calendar year 2017.

Effectively, due to disruptions in the tax equity markets after the 2016 election, PosiGen – as was the case with numerous renewable energy developers – faced delays in raising new tax equity, but with a term sheet with an investor now signed (see Exhibit A), the company should be set for an injection of capital later in Q3 2017. In the meanwhile, and in order to encourage

PosiGen to maintain or grow its current sales and installation rate in Connecticut (which in May 2017 reached new highs, with over **REDACTED** new solar lease contracts signed and over **REDACTED** installations completed, respectively), Green Bank staff recommends providing a bridge loan to the company so as to support ongoing operational growth and the installation of new systems for LMI homeowners across the state.

Success to Date

Overall, working closely with Green Bank staff, PosiGen has achieved remarkable success since it entered the Connecticut market in 2016:

- Over 900 systems installed (6 MW+)
- Nearly 75% of those systems for LMI households
- Approximately two-thirds of those households also undertake "deeper" energy efficiency projects through a 20-year energy savings agreement
- Almost $**REDACTED** million in total system value (on a "fair market value" or "FMV" basis[1])
- $**REDACTED** million in private debt capital raised, in addition to Connecticut-specific tax equity secured in 2016 and a $**REDACTED** million tax equity commitment now pending under an executed term sheet

In partnership with the Green Bank, PosiGen continues to run "Solar for All" campaigns in Bridgeport, New Haven, Hartford, and New London – with Waterbury and other cities under active evaluation for expansion – and with the company now hitting its stride in Connecticut, expectations are for 100 installations a month beginning in Q3 of this year.

[1] "Fair Market Value" is the common metric used by "tax equity" financiers and bank leverage facilities for advancing funds.


SOLAR SOLUTIONS

Together with PosiGen, the Green Bank is realizing the Board's commitment to accelerating solar PV adoption among LMI households, and staff recommends adapting our current authorizations so as to maintain the positive momentum.

Recommendation

In advancing capital to PosiGen via a bridge loan rather than on a term basis (with actual installed systems serving as the collateral for all Green Bank advances, of course), staff recognizes the need to continue to mitigate repayment risk. Thus, in addition to maintaining our collateral position in all newly installed systems, the Green Bank will limit its bridge loan advances in order to preserve an effective repayment profile over the lifetime of the underlying residential contracts, even in the unlikely event that the new tax equity facility fails to close this year. For the avoidance of doubt, this bridge loan limitation will take into account the existing collateral (as well as any new systems installed on a monthly basis) and require the calculation of a debt service coverage ratio that demonstrates the secured portfolio's ability to repay all advances over the life of the underlying residential contracts.

Then, once the bridge loan is repaid, term loan advances will continue to be governed by our existing collateral thresholds, that is, the total advance rate will not exceed **REDACTED**% of the collateral's FMV or **REDACTED**% of the portfolio's projected discounted cash flows.

Resolutions

WHEREAS, the Connecticut Green Bank ("Green Bank") has a mandate to deploy its resources to benefit all ratepayers, including low and moderate income ("LMI") residential households;

WHEREAS, the Green Bank has an existing and successful partnership with PosiGen, Inc. (together with its affiliates and subsidiaries, "PosiGen"), whereby the Green Bank has provided a debt capital commitment (the "Loan"), divided into initial and contingent portions of $5,000,000 each, to support PosiGen in delivering a solar lease and energy efficiency finance offering to LMI households in Connecticut;

WHEREAS, PosiGen has closed on $**REDACTED** in senior debt capital for its Connecticut activities;

WHEREAS, PosiGen has signed a term sheet for $**REDACTED** in tax equity financing, a portion of which will support projects in Connecticut; and

WHEREAS, Green Bank staff now recommends amending the Loan to allow the Green Bank to advance up to $**REDACTED** out of the contingent portion of the Loan, including as a bridge loan towards PosiGen closing on its pending tax equity facility (the "Amendment");

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized to execute and deliver the Amendment with terms and conditions consistent with the memorandum submitted to the Board dated June 5, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

Submitted by: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Kerry O'Neill, Vice President, Residential Programs; Ben Healey, Director, Clean Energy Finance

Exhibit A

REDACTED

845 Brook Street, Rocky Hill, CT 06067
T 860.563.0015
ctgreenbank.com

CONNECTICUT GREEN BANK

Memo

To: Connecticut Green Board of Directors

From: Mike Yu, Assistant Director, Clean Energy Finance

CC: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO; Dale Hedman, Managing Director of Statutory & Infrastructure Programs; Ben Healey, Director of Clean Energy Finance

Date: June 5, 2017

Re: Purchase of Performance Based Incentive ("PBI") Obligations

---

In Q1 2017, the Board of Directors of the Connecticut Green Bank ("Green Bank") held a strategic retreat to discuss, amongst other things, opportunities whereby the Green Bank could deploy its resources to strengthen its balance sheet over the long term. One such opportunity was to "buy-out" some of the obligations of the performance based incentive program ("PBI") administered by the Green Bank under the Residential Solar Investment Program ("RSIP"). Following the strategic retreat, staff conducted calls with key third-party system owners ("TPOs") to gauge interest in a potential buy-out. At the March 28, 2017 Deployment Committee meeting, staff provided an update on a plan to buy-out the PBIs. Please see the memo attached as Appendix A for additional background on the PBIs and the RSIP. At the April 28, 2017 Board Meeting, staff was asked to return to Deployment Committee with a re-formulated buy-out framework to present to the Board of Directors. Staff presented a revised framework to the Deployment Committee on May 30, 2017. The Deployment Committee recommended that the Board of Directors approve this revised buyout framework consistent with this memorandum.

Capital Allocation

After internal discussions, staff recommends allocating up to $5,000,000 for a PBI buy-out through June 30th, 2017. This figure represents approximately 25% of the total outstanding PBI obligations from systems activated before December 31st, 2015. Given that a $5,000,000 allocation of funds is less than the aggregate PBI payments, TPOs may need to select a subset of eligible systems to be bought out. The final composition of systems to be bought-out will need to qualify under a historical performance test specified by the Green Bank. Should the buy-out be successful and there is continued interest by TPOs after June 30th, 2017 and depending upon forecasts for unrestricted cash levels, staff may recommend the allocation of additional funds for another round of buy-outs.

CHART REDACTED

Auction Format

Staff intends to use a **Modified Dutch Auction** to set a market price for the PBIs. In this type of auction, all bidders will submit sealed bids by a specified cutoff date (e.g., June 15th, 2017). Each TPO's bid, in this instance, will be the rate at which the PBI payments for a specified portfolio of solar systems are discounted for a present value calculation ("Discount Rate"). All other variables, including expected generation methodology[1], buy-out date, etc., will be fixed. Bidders may only submit bids once, and bids are final once submitted, but TPOs may submit multiple bids at increasing amounts (when ranked by Discount Rate) simultaneously. For example, a TPO may submit bids as follows:

Participant X - Multiple Bids		
PBI Amount		**Rate**
$	1,000,000	7%
$	2,000,000	6%
$	3,000,000	5%

The amount bid by the TPO must increase because it is irrational for the TPO to be willing to take less money at a lower discount rate. So, if the TPO offers a higher amount bid at a higher discount rate, then it is trying to game the auction in some way that ipso facto should be discouraged. At the end of the bidding process, the TPOs' bids will be opened and Discount Rates will be ranked in descending order along with the value of the PBI associated with their bid, and the buy-out Discount Rate will be set at the point at which the aggregate PBI value crosses the $5,000,000 threshold.

Participant	Bid	PBI Value	Aggregate PBI	
A	10%	$ 500,000	$ 500,000	
B	10%	$ 250,000	$ 750,000	
C	9%	$ 2,000,000	$ 2,750,000	
X	7%	$ 3,000,000	$ 5,750,000	<-- Crosses the $5,000,000 threshold, so Discount Rate = 7%
Y	5%	$ 400,000	$ 6,150,000	
Z	3%	$ 6,000,000	$ 12,150,000	

In terms of capital allocation, TPO's will be allocated funds based on their pro rata portion of the total qualified bids. Taking the above example, the final allocation would be:

[1] The Deployment Committee memo discuss using P50 projections, however the Green Bank's uses PowerClerk, which utilizes a different methodology (TMY3). Given the cost associated with calculating P50 projections, staff recommends using internally calculated projections based upon available PowerClerk data

Capital Allocation					
	Bid				Final
Participant	Amount	Rate	Aggregate PBI	Pro Rata Share	Rate
A	$ 500,000	10%	$ 500,000	$ 434,783	7%
B	$ 250,000	10%	$ 750,000	$ 217,391	7%
C	$ 2,000,000	9%	$ 2,750,000	$ 1,739,130	7%
X	$ 3,000,000	7%	$ 5,750,000	$ 2,608,696	7%
Y	$ 1,000,000	5%	$ 6,750,000	NA	NA

Under the auction theory of revenue equivalence, the expected savings to the Green Bank is the same under this scenario where all participants receive the same Discount Rate as one where they received different Discount Rate[2]. By setting a market rate and having all winning participants receive the same benefit, there is a perceived sense of equity and fairness.

Additional Auction Rules & Details

Reserve Price: 4% - A Reserve Price, a rate at which no bids below will be accepted, was recommended by auction experts to optimize auction results. Moreover, as there is one large bidder with potentially greater pricing power than the other participants, a Reserve Price will ensure a minimum level of savings to the Green Bank.

Minimum Bid: $100,000 – A Minimum Bid amounts, like the Reserve Price, mitigates the risk of potential auction gaming.

Anti-collusion certification: Independent bidding and bidding strategy development is essential to the economic integrity of an auction, and an anti-collusion certification will make communication and cooperation between participants explicitly prohibited.

Staff believes that a Modified Dutch Auction creates the necessary transparency to establish a market clearing price while also incentivizing TPOs to maximize their Discount Rate bid. Staff believes a reserve Discount Rate is appropriate in order to ensure the buy-out compensates the Green Bank for the performance risk transference as well as optimizing the economic outcome. Before the start of the auction, the Green Bank may, in its discretion, make available to participants the Green Bank's good faith judgment of the range of likely clearing Discount Rates for the auction based on market and other information. This is typically referred to as "Price Talk" in securities auctions. Price Talk is not a guarantee, and participants are free to use it or ignore it.

Proposal

Staff proposes that the Board authorize the allocation and use of up to $5,000,000 of unrestricted Green Bank funds to buy-out PBI obligations. This amount represents approximately 25% of the total estimated outstanding PBI obligations[3], and staff believes its scarcity may result in higher bids in a competitive auction process. The $5,000,000 may not be fully utilized; if bids from TPOs are insufficient

2 Provided all participants are aware of and understand the rules as this impacts bidding strategy
[3] As of 1/1/2017 for systems generating by 12/31/2015

to make the buy-out worthwhile, staff will elect to deploy a smaller amount of capital to purchase PBI obligations (e.g., only those bids higher than the 4% Reserve Price).

Staff also requests authorization to conduct a Modified Dutch Auction in which the primary variable is the Discount Rate used to calculate the present value of the PBI cash flows associated with the eligible systems (or subset of eligible systems). The Green Bank will reserve the right not to proceed with any or all of the participants if it is deemed that the proposed buy-out bids volumes do not meet the Reserve Price or Minimum Bid requirements.

RESOLUTIONS

WHEREAS, the Green Bank designed and implemented a Residential Solar Photovoltaic Investment Program ("RSIP") to achieve a minimum of three hundred (300) megawatts of new residential PV installation in Connecticut before December 31, 2022;

WHEREAS, pursuant to Section 106 of the Act, the Green Bank offers direct financial incentives, in the form of performance-based incentives ("PBI") or expected performance-based buydowns ("EPBB"), for the purchase or lease of qualifying residential solar photovoltaic systems;

WHEREAS, the Green Bank seeks to opportunistically reduce some of its obligations under the PBI program by purchasing the obligations at a discount; and

WHEREAS, on May 30, 2017, the Deployment Committee recommended authorizing the allocation and use of up to $5,000,000 of unrestricted Green Bank funds to buy-out PBI obligations.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors ("Board") authorizes the allocation and use of up to $5,000,000 of unrestricted Green Bank funds to buy-out PBI obligations consistent with this memorandum dated June 2, 2017; and

RESOLVED, that the Board further authorizes Green Bank staff to (1) conduct an auction whereby the Green Bank solicits bids from third-party owners to set a market discount rate at which PBI obligations may be bought-out and (2) enter into agreements for the buy-out of such PBI obligations upon conclusion of the auction; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned auction.

Submitted by: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Dale Hedman, Managing Director, Statutory & Infrastructure Programs, Ben Healey, Director, Clean Energy Finance; and Michael Yu, Assistant Director, Clean Energy Finance