

**CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY**  
**Board of Directors**  
**Minutes – Special Meeting**  
**Wednesday, June 26, 2013**

A special meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on June 26, 2013, at the office of CEFIA, 845 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Noting the presence of a quorum, Catherine Smith called the meeting to order at 11:02 a.m. Board members participating: Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection (“DEEP”) (by phone); Norma Glover (by phone); Reed Hundt (by phone); John Olsen (by phone); Matthew Ranelli (by phone); Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development (by phone); and Patricia Wrice (by phone).

Members Absent: Mun Choi; Tom Flynn; and Sharon Dixon-Peay, State Treasurer’s Office.

Staff Attending: Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, Shelly Mondo, Kerry O’Neill, Cheryl Samuels and Kimberly Stevenson.

Others Attending: Patrick Nevins, Wiggin and Dana.

Mr. Garcia explained that the purpose of the special meeting is to review, discuss and approve the final terms of the Solar Lease 2 Program.

2. **Public Comments:** There were no public comments.

3. **Solar Lease 2.0 Program:**

Mr. Hunter emphasized that the program being presented is a result of CEFIA team effort from finance, legal, deployment and communications and marketing staff. He noted the efforts made through the program to open the market to a broader array of installers and capital providers to bring solar photovoltaic and solar hot water to all sectors. Mr. Hunter talked about previous challenges in the commercial sector and noted that the proposed product provides access to that part of the market which is very important to the deployment of solar photovoltaic.

Mr. Hunter described the stakeholders that will be participating in the Solar Lease 2.0 Program. He mentioned that the capital providers include U.S. Bank, the “Tax Equity Investor” at \$23.6 million, and a syndicate of local and regional banks (the “Lenders”), including Webster Bank, Liberty Bank and People’s United Bank, that will provide \$26.7 million in debt, led by First Niagara. Mr. Hunter reviewed the goals of the program which are to attract private capital, scale up the deployment of solar in Connecticut,

earn a return for ratepayers, strengthen and enhance supplier diversity, deepen solar access to more Connecticut residents and manage the transition to less ratepayer support. Mr. Hunter explained that CEFIA will provide \$2,300,000 in subordinated debt, \$7,200,000 in sponsor equity, \$3,500,000 in loan loss reserves using repurposed ARRA-SEP funds and act as the member manager of the CT Solar Lease 2 LLC. He mentioned that US Bank is prepared to significantly increase the number of solar hot water leases made if there is sufficient demand. Mr. Hunter talked about the return for the ratepayers, noting that CEFIA's internal rate of return for funds invested based on the financial projections is approximately 9 percent. He indicated that it is anticipated that all or most of the performance based incentives will be returned over the life of the fund.

Mr. Hunter explained that CEFIA's program provides access to all eligible installers and opens the program to applicants scoring 640 or above and based on CEFIA's Experian® database, 85 percent of homeowners will have access to the market for this product. No upfront costs for homeowners results in cheaper and cleaner energy.

Mr. Hunter mentioned that the installer will be responsible for sizing, locating and installing the systems. He explained some of the differences between the Solar Lease 1 and Solar Lease 2 programs, noting that the installer now gets the incentive at the completion of the project rather than a portion when the materials are dropped at the site. Mr. Hunter explained that Webster Bank, Liberty Bank and Wells Fargo have developed a solution to working capital issues as a result of the change.

In response to a question, Mr. Hedman indicated that there are currently about 40 installers, and CEFIA is looking for and open to additional installers joining. Mr. Hunter talked about the roles of the homeowner, the installer and the CT Solar Lease 2 LLC. He spoke about the innovative "worry-free" arrangement under the Assurant Warranty Management and Insurance Plan for the entire 20-year lease period that CT Solar Lease 2 LLC is in the process of documenting with Assurant under a Professional Services Agreement. Under the plan, Assurant provides property and liability insurance and is responsible for warranty performance issues even if the original manufacturer goes out of business.

Mr. Hunter reviewed the structure of the program, the summary of returns, the lender's major terms and conditions and a summary of the limited guarantees by CEFIA in favor of the Tax Equity Investor and the Lenders.

The Board commended and thanked staff for their work putting the program together.

**Upon a motion made by Mr. Ranelli, seconded by Mr. Esty, the Board voted in favor of adopting the following resolution regarding the Solar Lease 2 Program (Mr. Hundt was not present for the vote):**

**WHEREAS**, the Clean Energy Finance and Investment Authority ("CEFIA") staff has previously presented the Board of Directors of CEFIA (the "Board") with a summary

of its plan to reintroduce a Solar Lease Program to build on the success of the first Solar Lease Program and achieve the additional benefits of enabling Connecticut homeowners to work with qualified installers of their choice, ensuring that Connecticut's solar installer base remains robust, diverse and able to reach all Connecticut residents, permit homeowners to lease systems for a 20-year period, permit leasing of solar hot water systems and make a portion (approximately 20%) of the fund proposed available to non-residential end-users (the "Solar Lease Program 2.0"); and

**WHEREAS**, CEFIA staff has previously presented the Board with a summary of the proposed Solar Lease Program 2.0, as detailed in the Program Qualification Memo dated November 30, 2012, the Proposal to Complete Development of Solar Lease II dated February 11, 2013, and the Proposal to Establish Special Purpose Holding Company and Special Purpose Subsidiaries dated February 11, 2013, (collectively, the "Program Proposals"), detailing, among other things, the manner in which CEFIA would organize and administer the Solar Lease Program 2.0, including the manner in which it would select program partners to participate in the organization, financing and administration of the Solar Lease Program 2.0; and

**WHEREAS**, at the Board meeting held on February 15, 2013, the Board approved resolutions authorizing the introduction and organization of the Solar Lease Program 2.0 in a manner consistent with the Program Proposals, which such resolutions included the following approvals:

- 1) Funding for the Solar Lease Program 2.0 in the following amounts:
  - a. an amount not-to-exceed \$3,500,000 for a Lease/Loan Loss Reserve ("LLR") through the use of repurposed American Recovery and Reinvestment Act State Energy Program ("ARRA-SEP") program funds;
  - b. an amount not to exceed \$7,200,000 for sponsor equity to be invested into the special purpose vehicle to be established for the Solar Lease Program 2.0; and
  - c. an amount not to exceed \$2,300,000 for subordinated debt.
- 2) Establishment of special purpose vehicles or entities (so-called "SPVs") for the purpose of developing the Solar Lease Program 2.0, among other certain key initiatives of CEFIA.
- 3) Authorization for CEFIA to secure a non-binding agreement with senior lender(s) and a tax equity investor subject to final approval by the Board.

**WHEREAS**, CEFIA has successfully coordinated a credit-approved syndicate capital raise with lead bank First Niagara for \$26,700,000 in debt financing for the Solar Lease Program 2.0 that is materially consistent with the Program Proposals. The syndicate also includes the following local Connecticut banks: Webster Bank, Liberty Bank and Peoples United Bank (collectively, the "Bank Syndicate"); and

**WHEREAS**, CEFIA has successfully obtained final credit approval from an affiliate of U.S. Bank (the “Tax Equity Investor”) to invest approximately \$23,600,000 in tax equity financing for the Solar Lease Program 2.0 that is materially consistent with the Program Proposals; and

**WHEREAS**, on the date hereof, CEFIA staff presented the Board with a summary of the proposed definitive transaction agreements with the Bank Syndicate and the Tax Equity Investor for the Solar Lease Program 2.0, which such presentation detailed, among other things, the manner in which the transactions contemplated by the proposed definitive agreements materially differs from the Program Proposal, which includes certain limited guarantees made by CEFIA in favor of the Tax Equity Investor and the Bank Syndicate; and

**WHEREAS**, CEFIA staff recommends that the Board approve the proposed definitive transaction agreements with the Bank Syndicate and the Tax Equity Investor for the Solar Lease Program 2.0 and authorize CEFIA to, itself and through certain SPVs organized in connection with the Solar Lease Program 2.0, organize, administer and provide financial assistance for the Solar Lease Program 2.0 in the manner contemplated by such proposed definitive transaction agreements; and

**WHEREAS**, the Board has previously approved the strategic selection of Solar Lease Program 2.0 partners AFC First Financial, as the originator and servicer of the customer agreements, and an affiliate U.S. Bank, as the Tax Equity Investor, because of their special capabilities, uniqueness, strategic importance, urgency and timeliness to act (U.S. Bank only) and the fact that this is a multiphase project building upon our successful partnership from the first Solar Lease Program; and

**WHEREAS**, CEFIA staff recommends that an SPV organized in connection with the Solar Lease Program 2.0 enter into a definitive agreement with AFC First Financial for, among other things, the provision of origination and servicing services for customer agreements in connection with the Solar Lease Program 2.0; and

**WHEREAS**, CEFIA staff recommends Federal Warranty Service Corporation, a subsidiary of Assurant, Inc. (“Assurant”) , as a strategic selection to provide warranty management, claims adjudication, and insurance coverage for the residential solar PV and solar thermal leases under the Solar Lease Program 2.0; and

**WHEREAS**, CEFIA staff recommends Alternate Energy Technologies, LLC (“AET”) as a strategic selection to be the sole source provider of the solar thermal panels under the Solar Lease Program 2.0; and

**WHEREAS**, CEFIA staff recommends the authorization of payment to Reznick Group, P.C. and its wholly owned subsidiary, Reznick Capital Markets Securities, LLC (collectively, the “Reznick Group”) through CT Solar Lease 2 LLC (an SPV organized in connection with the Solar Lease Program 2.0) in the amount of \$405,000 for advisory and consulting services regarding the financial and tax aspects of structuring the Solar

Lease Program 2.0, coordinating the selection of the Bank Syndicate, and assisting with the negotiation of the definitive agreements with the Tax Equity Investor, the Bank Syndicate and certain other program partners in connection with the Solar Lease Program 2.0; and

**WHEREAS**, CEFIA staff recommends the authorization of payment to the Bank Syndicate through CT Solar Lease 2 LLC in the amount of \$319,500 for upfront fees.

**NOW**, therefore be it:

**RESOLVED**, that the Board approves the Solar Lease Program 2.0 in the manner described in the Program Proposals and in CEFIA staff's presentation to the Board on the date hereof, including the provision of certain limited guarantees by CEFIA in favor of the Tax Equity Investor and the Bank Syndicate as additional financial assistance in furtherance of CEFIA's investment in the renewable energy sources contemplated by the Solar Lease Program 2.0.

**RESOLVED**, that the Board approves the definitive transaction agreements with the Bank Syndicate and the Tax Equity Investor for the Solar Lease Program 2.0 and the transactions contemplated thereby and authorizes CEFIA, itself and through the SPVs organized in connection with the Solar Lease Program 2.0, to execute, deliver and perform in the name of and on behalf of CEFIA and such SPVs the definitive transaction agreements with the Bank Syndicate and the Tax Equity Investor for the Solar Lease Program 2.0 and such other definitive agreements contemplated thereby.

**RESOLVED**, that the Board approves the definitive agreement with AFC First Financial for the provision of origination and servicing services for customer agreements in connection with the Solar Lease Program 2.0 and authorizes CEFIA, through an SPV organized in connection with the Solar Lease Program 2.0, to execute, deliver and perform in the name of and on behalf of such SPV the definitive agreement with AFC First Financial for the Solar Lease Program 2.0.

**RESOLVED**, that the Board approves Assurant as a strategic selection to provide warranty management, claims adjudication, and insurance coverage for the residential solar PV and solar thermal leases under the Solar Lease Program 2.0 because of their special capabilities, uniqueness, and strategic importance.

**RESOLVED**, that the Board approves AET as a strategic selection to be the sole source provider of solar thermal panels under the Solar Lease Program 2.0 because of their special capabilities, uniqueness, and strategic importance.

**RESOLVED**, that the Board approves of the payment to the Reznick Group in the amount of \$405,000 for advisory and consulting services regarding the financial and tax aspects of structuring the Solar Lease Program 2.0, coordinating the selection of the Bank Syndicate, and assisting with the negotiation of the definitive agreements with the

Tax Equity Investor, the Bank Syndicate and certain other program partners in connection with the Solar Lease Program 2.0.

**RESOLVED**, that the President, Chief Investment Officer and General Counsel of CEFIA; and any other duly authorized officer of CEFIA, is authorized to execute and deliver on behalf of CEFIA or any of the SPVs organized in connection with the Solar Lease Program 2.0 any of the definitive agreements described in the foregoing resolutions and any other agreement, contract, legal instrument or document as he or she shall deem necessary or appropriate and in the interests of CEFIA and the ratepayers in furtherance of the Solar Lease Program 2.0 and in order to carry out the intent and accomplish the purpose of the foregoing resolutions.

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

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4. **Adjournment**: Upon a motion made by Mr. Olsen, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adjourning the June 26, 2013 meeting at 11:28 a.m.

Respectfully submitted,

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Catherine Smith, Chairperson