845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

April 17, 2014

Dear Clean Energy Finance and Investment Authority Board of Directors:

We are looking forward to seeing you all next week. As you will see, the CEFIA team has been working very hard to continue delivering on our green bank mission.

Our next meeting of the Board of Directors will be on Friday, April 25, 2014 from 9:00 to 11:00 a.m. in the Colonel Albert Pope Board Room of the Clean Energy Finance and Investment Authority at 845 Brook Street, Rocky Hill, CT 06067.

We have a very full agenda, including:

- **Board of Director Changes** – we will be welcoming an incoming member to the CEFIA Board of Directors – Kevin Walsh, Managing Director of Power and Renewable Energy at GE Energy Financial Services. He is Governor Malloy's final appointment to the Board of Directors alongside Provost Mun Choi (Research and Development), John Harrity (Labor), and Reed Hundt (Renewable Energy Finance). We will also be nominating and electing a new Vice Chair as a result of former DEEP Commissioner Dan Esty returning to Yale University. Commissioner Rob Klee is interested and willing to serve in this role if nominated and elected to do so.

- **Residential Sector Programs** – we will be recommending approval to move forward with Phase I of the on bill repayment program with the Connecticut Energy Efficiency Fund. This phase will allow our Smart-E Loan local lenders access for repayment through the utility bill. As part of our multifamily initiative, we are also recommending a $1 million loan to support a low income multifamily financing program in partnership with the Connecticut Housing Investment Fund and the Connecticut Energy Efficiency Fund.

- **Commercial and Industrial Sector Programs** – we have three C-PACE transactions totaling $9.5 million in financing. From a YMCA that is installing anatural gas CHP system with deep energy efficiency measures, and a partnership with Connecticut Innovations to support a 1 MW solar PV installation at Polamer Precision's new corporate and manufacturing headquarters for aerospace components, to two 400 kW Clear Edge fuel cells manufactured in Connecticut being installed at the manufacturing plant of Amgraph Packaging. C-PACE continues to demonstrate the ability to finance various renewable energy projects with deeper energy efficiency measures. We will also provide an update on the status of the C-PACE sell down which is now scheduled to close on May 6.

- **Statutory and Infrastructure Sector Programs** – per Section 103 of PA 11-80, we are bringing forth a $3.2 million loan for a 1.6 MW anaerobic digester project in Bridgeport, Connecticut. The project not only supports the state's clean energy goals, but it is also supporting Connecticut's waste reduction goals as well (pursuant to PA 11-217). On the grid side of our efforts, we are bringing forth a $2.8 million loan for a 5 MW wind project in Colebrook, Connecticut. This project received a predevelopment loan from the Connecticut Clean Energy Fund and a long-term contract from CL&P through Section 127 of PA 11-80. It is at the point of moving from predevelopment to construction.

- **Program Sector Progress Towards Targets – Q3 Report** – we will report out on how we are doing overall in meeting our targets across the four program sectors.

- **Budget and Operations Committee** – as we continue our efforts to transition the market from grants and rebates and towards low-cost long-term financing, we are seeking to hire a Director of Marketing to ramp-up our efforts. As CEFIA has demonstrated how private investment can be attracted to clean energy in Connecticut – our efforts now turn to deploying that capital at scale. As you have heard me say in the past "we need to hire a Bert Hunter – except for marketing". The committee is excited to be bringing this recommendation forth as well as some additional requests in support of Energize Connecticut – our partnership with DEEP and CEEF – and Match Drive – our external marketing firm.

- **Audit Compliance and Governance Committee** – the committee has had its annual review of the Bylaws, Operating Procedures, and Employee Handbook. They will be recommending several changes as a result of this review. We will also be providing an overview of our financial statements as well.

We have a packed agenda – in fact an agenda that is 100% loan transactions and $16.5 million in financing. This is a first ever milestone for the organization and a strong demonstration of how we have transitioned to the green bank model.

If you have any questions, comments or concerns, please feel free to contact me at any time. We look forward to seeing you at the CEFIA offices from now on and in the Pope Board Room.

Have a great holiday weekend. We look forward to seeing you next week.

Sincerely,

Bryan Garcia
President and CEO

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

AGENDA

Board of Directors of the
Clean Energy Finance and Investment Authority
845 Brook Street, Rocky Hill, CT 06067

Friday, April 25, 2014
9:00-11:00 a.m.

Staff Invited: Jessica Bailey, George Bellas, Andy Brydges, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, and Kerry O'Neill

1. Call to order

2. Public Comments – 5 minutes

3. Welcome New Members to the Board of Directors and Election of Vice Chair* – 5 minutes

4. Approval of meeting minutes for January 17, 2014 meeting* – 5 minutes

5. Residential Sector Program Updates and Recommendations* – 20 minutes

   a. On Bill Repayment Process and Program*

   b. Low Income Multifamily Financing Program*

6. Commercial and Industrial Sector Program Updates and Recommendations* – 20 minutes

   a. C-PACE Transactions*

      i. Amgraph Packaging

      ii. Polamer Precision

      iii. Brookfield YMCA

   b. Update on Sell Down

7. Statutory and Infrastructure Sector Program Updates and Recommendations* – 30 minutes

   a. Bridgeport Anaerobic Digester Project*

b. Colebrook Wind Project*

8. Program Sector Progress Towards Targets – 10 minutes

9. Budget and Operations Committee Recommendations* – 15 minutes

   a. Request for a Director of Marketing*

   b. Energize Connecticut Launch Budget*

   c. MatchDrive Contract Amendment*

   d. Comprehensive Plan and FY 2015 Budget Process

10. Audit, Compliance and Governance Committee Recommendations* – 5 minutes

   a. Employee Handbook Revisions*

   b. Operating Procedures Revisions

   c. Financial Statements (February 2014)

11. Other Business – 5 minutes

12. Adjourn

*Denotes item requiring Board action

Join the meeting online at https://www4.gotomeeting.com/join/800462159

Dial +1 (630) 869-1015 Access Code: 800-462-159

Next Regular Meeting: Friday, June 20, 2014 from 9:00-11:00 a.m.
Colonel Albert Pope Board Room at the
Clean Energy Finance and Investment Authority, 845 Brook Street, Rocky Hill, CT

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

RESOLUTIONS

Board of Directors of the
Clean Energy Finance and Investment Authority
845 Brook Street, Rocky Hill, CT 06067

Friday, April 25, 2014
9:00-11:00 a.m.

Staff Invited: Jessica Bailey, George Bellas, Andy Brydges, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, and Kerry O'Neill

1. Call to order

2. Public Comments – 5 minutes

3. Welcome New Members to the Board of Directors and Election of Vice Chair* – 5 minutes

Resolutions #1

Resolved that Commissioner Klee has been elected by the Board of Directors of the Clean Energy Finance and Investment Authority (CEFIA) in accordance with the bylaws of CEFIA to serve as its Vice Chairperson.

4. Approval of meeting minutes for January 17, 2014 meeting* – 5 minutes

Resolutions #2

Motion to approve the minutes of the Board of Directors meeting for January 17, 2014. Second. Discussion. Vote.

5. Residential Sector Program Updates and Recommendations* – 20 minutes

a. On Bill Repayment Process and Program*

Resolutions #3

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80, "AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT'S ENERGY FUTURE," which created the Clean Energy Finance and Investment Authority (CEFIA) to develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in CGS Section 16-245n(a);

WHEREAS, in November of 2012, the Commissioner of the Department of Energy and Environmental Protection (DEEP) and Co-Chair of the Energy Efficiency Board (EEB) requested that CEFIA investigate establishment of an on-bill program for residential customers that uses low-cost private capital to finance energy efficiency, heating equipment upgrades or conversions, and renewable energy improvements;

WHEREAS, in February of 2013, the DEEP released the Comprehensive Energy Strategy (CES) for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program and the development of an on bill repayment program for residential customers with a utility shutoff provision for failure to make loan repayments;

WHEREAS, in May of 2013, CEFIA launched the Smart-E Loan program, statewide as of November 2013, with 9 credit unions and community banks providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES. The Smart-E Loan uses $2.8 million of repurposed ARRA-SEP funds to attract nearly $30 million of private investment from local financial institutions;

WHEREAS, in July of 2013, the Connecticut General Assembly passed Public Act 13-298, AN ACT CONCERNING IMPLEMENTATION OF CONNECTICUT'S COMPREHENSIVE ENERGY STRATEGY AND VARIOUS REVISIONS TO THE ENERGY STATUTES," which charges CEFIA and the EEB, in consultation with the utilities, to develop a residential on-bill repayment program financed by third-party private capital and managed by CEFIA;

~~**WHEREAS**, such residential on-bill repayment program shall be developed by April 1, 2014 and are subject to review by Public Utilities Regulatory Authority's ("PURA") through an uncontested proceeding in regards to (1) the ramifications of on-bill repayment and the risks associated with disconnection of service of low-income and hardship customers, (2) transferability and stay with the meter guidelines and related notice guidelines, and (3) the ability for a customer to utilize the on–bill repayment program regardless of whether the energy or fuel delivered by the utility is the customer's primary energy source;~~

WHEREAS, in December of 2013, CEFIA approached the EEB to jointly develop the residential on-bill repayment program in consultation with the utilities; and

WHEREAS, CEFIA and the EEB are undertaking a multi-phase process to develop and implement the on-bill repayment process to leverage current utility capabilities and enter the market quickly with an on-bill option for Smart-E, while taking needed time to develop guidelines for ~~a full~~ implementation of the statutory requirements set forth in Public Act 13-298.

WHEREAS, that the Deployment Committee recommended to the CEFIA Board of Directors approval of the Phase One Smart-E On-Bill Repayment program materially consistent with this On-Bill Repayment Program Due Diligence Package dated February 28, 2014;

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors approve of the Phase One Smart-E On-Bill Repayment program materially consistent with the On-Bill Repayment Program Due Diligence Package dated February 28, 2014, which includes the ability for a customer to utilize the on–bill repayment program regardless of whether the energy or fuel delivered by the utility is the customer's primary energy source.

RESOLVED, that the CEFIA Board of Directors hereby directs CEFIA staff to work with DEEP and the utilities to establish the appropriate utility cost recovery mechanism and to develop the subsequent on-bill repayment phases for the Deployment Committee's review and CEFIA Board of Directors approval.~~, and such phases shall endeavor to incorporate all program features of Section 58 of Public Act 13-298, which include (1) the disconnection for nonpayment by the customer and the ramifications and the risks associated with such disconnection of service, and (2) transferability and stay with the meter guidelines~~.

b. Low Income Multifamily Financing Program*

Resolutions #4

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) down selected the Connecticut Housing Investment Fund, Inc. (CHIF) under CEFIA's competitive solicitation process for the Clean Energy Financial Innovation Program and subsequently entered into negotiations with CEFIA that led to the development of the CHIF Multifamily Permanent Energy Loan Program (MPEL);

WHEREAS, on March 7, 2014, CEFIA's Deployment Committee approved funding for the MPEL in an amount not-to-exceed $300,000 for a Loan Loss Reserve (Credit Enhancements) through the use of repurposed ARRA-SEP program funds, or ratepayer funds, if necessary; and

WHEREAS, CHIF has developed a pipeline of potential projects for financing under the MPEL;

NOW, therefore be it:

RESOLVED, that funding be approved in an amount not-to-exceed $1,000,000 to further capitalize the MPEL (the Capitalization), which will be drawn down by CHIF on a project-by-project basis, as approved by CHIF and CEFIA subject to mutually agreeable underwriting criteria;

RESOLVED, that the $1,000,000 in funds advanced under this Capitalization be supported by the previously approved $300,000 worth of Credit Enhancements, alongside all other capital sourced for the MPEL;

RESOLVED, that funds advanced under this Capitalization may be made subordinate to other capital sourced for the MPEL, subject to appropriate intercreditor agreements, as necessary, in order to ensure attractive rates and terms from potential senior lenders;

RESOLVED, that the President of CEFIA; and any other duly authorized officer of CEFIA, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the Capitalization on such terms and conditions as are materially consistent with the diligence memo submitted to the CEFIA Board of Directors on April 17, 2014 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; and

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

6. Commercial and Industrial Sector Program Updates and Recommendations* – 20 minutes

   a. C-PACE Transactions*

      i. Amgraph Packaging

Resolutions #5

WHEREAS, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the "Act"), CEFIA is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, the CEFIA Board of Directors has approved a $40,000,000 C-PACE construction and term loan program.

WHEREAS, CEFIA seeks to provide a $6,015,892 construction and (potentially) term loan under the C-PACE program to Amgraph Packaging, Inc., the property owner of 90 Versailles Road, Sprague, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and CEFIA's Strategic Plan;

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver the Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors dated [date memo submitted to the board], and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from April 25, 2014; and

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements.

RESOLVED, that the proper CEFIA 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 instrument.

ii. Polamer Precision

Resolutions #6

WHEREAS, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the “Act”), CEFIA is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy (“C-PACE”);

WHEREAS, the CEFIA Board of Directors has approved a $40,000,000 C-PACE construction and term loan program.

WHEREAS, CEFIA seeks to provide a $2,502,975 construction and (potentially) term loan under the C-PACE program to Polamer Realty NB, LLC, the property owner of 105 Alton Brooks Way, New Britain, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State’s Comprehensive Energy Strategy and CEFIA’s Strategic Plan;

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver the Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors dated April 17, 2014, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from April 25, 2014; and

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements.

RESOLVED, that the proper CEFIA 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 instrument.

iii. Brookfield YMCA

Resolutions #7

WHEREAS, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the “Act”), CEFIA is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy (“C-PACE”);

WHEREAS, the CEFIA Board of Directors has approved a $40,000,000 C-PACE construction and term loan program.

WHEREAS, CEFIA seeks to provide a $1,084,893 construction and (potentially) term loan under the C-PACE program to the Regional YMCA of Western Connecticut and Eastern Putnam County, Inc., the property owner of 2 Huckleberry Hill Road, Brookfield, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and CEFIA's Strategic Plan;

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver the Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors dated April 17, 2014, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from April 25, 2014; and

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements.

RESOLVED, that the proper CEFIA 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 instrument.

b. Update on Sell Down

7. Statutory and Infrastructure Sector Program Updates and Recommendations* – 30 minutes

a. Bridgeport Anaerobic Digester Project*

<u>Resolutions #8</u>

WHEREAS, in early 2013, CEFIA released a rolling Request for Proposals (RFP) for anaerobic digestion projects to participate in a statutorily mandated AD Pilot program pursuant to Section 103 of Public Act 11-80;

WHEREAS, the RFP is aimed at reducing landfill waste through the recycling of organics, helping to promote sustainable practices and economic prosperity of Connecticut farms and other businesses by using organic waste with on-site anaerobic digestion facilities to generate electricity and heat;

WHEREAS, Bridgeport Bioenergy Facility, LLC submitted the Bridgeport Bioenergy Facility proposal in response to develop, in the City of Bridgeport, a 1.55MW anaerobic digestion and cogeneration project and, after a thorough review, was selected as a project that is consistent with the CEFIA Comprehensive Plan and in the best interests of ratepayer;

WHEREAS, the Deployment Committee recommended that the Board approve the subordinated loan financing based on the term sheet set forth in the due diligence package dated February 28, 2014;

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors approves and authorizes the CEFIA staff to execute definitive loan documentation materially based on the term sheet set forth in the due diligence package dated April 25, 2014 for financial support in the form of a $3,~~282,125~~384,000 subordinated loan financing; and

RESOLVED, that this Board action is consistent with Section 103 of Public Act 11-80; and

RESOLVED, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents as they shall deem necessary and desirable to effect these Resolutions.

b. Colebrook Wind Project*

Resolutions #9

WHEREAS, Wind Colebrook South LLC ("WCS"), a limited liability company wholly-owned by BNE Energy, Inc. ("BNE") has a long history with CEFIA and its predecessor, the Connecticut Clean Energy Fund ("CCEF");

WHEREAS, in 2010, the CCEF awarded BNE a predevelopment loan totaling $500,000 to support the developers in overcoming early-stage technical and regulatory hurdles;

WHEREAS, BNE has entered into a 20-year Power Purchase Agreement ("PPA") with the Connecticut Light and Power Company pursuant to Section 127 of Public Act 11-80, making the project financeable due to the security of its contracted long term cash flows;

WHEREAS, BNE has advanced the project such that it is technically ready to proceed, nearly free of remaining legal obstacles, and soon to be in a position to close on financing so as to begin construction; and

WHEREAS, that the Deployment Committee recommends to the CEFIA Board of Directors ("Board") that the Wind Colebrook South Project be approved as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Wind Colebrook South Project.

NOW, therefore be it:

RESOLVED, that the Board approves the Wind Colebrook South Project as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Wind Colebrook South Project; and

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute definitive loan documentation materially based on the term sheet set forth in this due diligence package dated April 17, 2014 for financial support in the form of a $2,000,000 permanent mezzanine debt investment and up to $800,000 in working capital financing.

8. Program Sector Progress Towards Targets – 10 minutes

9. Budget and Operations Committee Recommendations* – 15 minutes

a. Request for a Director of Marketing*

Resolutions #10

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) needs to restructure its marketing function and hire a Marketing Director to coordinate a comprehensive marketing strategy to deploy CEFIA's financing products; and

WHEREAS, the CEFIA Budget and Operations Committee recommends that the CEFIA Board of Directors approve the Marketing Director position description and amendment to the staffing plan to reflect the new position.

NOW, therefore be it:

RESOLVED, the CEFIA Board of Directors approves the Marketing Director position description and amendment to the staffing plan to reflect the new position.

b. Energize Connecticut Launch Budget*

Resolutions #11

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) is a partner in Energize Connecticut; and

WHEREAS, the Energize Connecticut partners have developed a marketing plan to increase the awareness of the brand and its programs; and

WHEREAS, the CEFIA Budget and Operations Committee recommends that the CEFIA Board of Directors approve an increase up to $274,250 in the marketing budget for the fiscal year 2014 budget to support the Energize Connecticut brand launch; and

WHEREAS, the CEFIA Budget and Operations Committee recommends that the CEFIA Board of Directors direct staff to enter into any necessary agreements with the Energize Connecticut partners to execute the Energize Connecticut brand launch and Energize Connecticut marketing activities.

NOW, therefore be it:

RESOLVED, the CEFIA Board of Directors approves an increase up to $274,250 in the marketing budget for the fiscal year 2014 budget to support the Energize Connecticut brand launch; and

RESOLVED, the Committee recommends that the CEFIA Board of Directors direct staff to enter into any necessary agreements with the Energize Connecticut partners to execute the Energize Connecticut brand launch and Energize Connecticut marketing activities.

c. MatchDrive Contract Amendment*

Resolutions #12

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) has engaged MatchDrive to provide marketing support; and

WHEREAS, CEFIA seeks to devote unused marketing resources to support further work with MatchDrive; and

WHEREAS, the CEFIA Budget and Operations Committee recommends that the CEFIA Board of Directors approves an increase to PSA 1859 with MatchDrive of $390,000.

NOW, therefore be it:

RESOLVED, the CEFIA Board of Directors approves an increase to PSA 1859 with MatchDrive of $390,000.

d. Comprehensive Plan and FY 2015 Budget Process

10. Audit, Compliance and Governance Committee Recommendations* – 5 minutes

a. Employee Handbook Revisions*

Resolutions #13

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) has developed and maintains an Employee Handbook which come under continuous review by CEFIA staff and is subject to change from time to time;

WHEREAS, that the Audit, Compliance, and Governance Committee recommended to the Board of Directors of CEFIA approval of the revisions to the CEFIA Employee Handbook as presented to the Audit, Compliance and Governance Committee on April 15, 2014 with a specific request for further discussion and information on a zero tolerance policy for social media and streaming video.

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors of CEFIA approval of the revisions to the CEFIA Employee Handbook as presented to the Audit, Compliance and Governance Committee on April 15, 2014.

RESOLVED, that the Committee hereby recommends to the Board of Directors of CEFIA that CEFIA staff shall be authorized to update the Employee Handbook and related appendixes and forms for non-substantive revisions and updates.

b. Operating Procedures Revisions

c. Financial Statements (February 2014)

11. Other Business – 5 minutes

12. Adjourn

*Denotes item requiring Board action

Join the meeting online at https://www4.gotomeeting.com/join/800462159

Dial +1 (630) 869-1015 Access Code: 800-462-159

Next Regular Meeting: Friday, June 20, 2014 from 9:00-11:00 a.m.
Colonel Albert Pope Board Room at the
Clean Energy Finance and Investment Authority, 845 Brook Street, Rocky Hill, CT

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #1

Call to Order

April 25, 2014

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #2

Public Comments

April 25, 2014

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #3

Welcome New Members and Elections

April 25, 2014

Board of Directors

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **New Member** – Kevin Walsh, Managing Director and Group Head of Power & Renewable Energy, appointed by Governor Malloy for renewable energy finance

- **Vice Chair Nomination and Elections** – with the departure of Commissioner Esty of DEEP, there is a need to nominate and elect a Vice Chair. Commissioner Rob Klee of DEEP is interested in continuing DEEP's leadership as Vice Chair of CEFIA

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #4

Approval of Meeting Minutes of January 17, 2014

April 25, 2014

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #6

Commercial and Industrial Sector Programs

April 25, 2014

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #6ai

Commercial and Industrial Sector Programs

Amgraph Packaging **(WITHDRAWN)**

April 25, 2014

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #6aii

Commercial and Industrial Sector Programs

Polamar Precision

April 25, 2014

Polamar Precision (New Britain)
Ratepayer Payback

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **$2,502,975** to install 954 kW solar PV installation
- Projected savings are **24,133 MWh** versus **$2,502,975** of ratepayer funds at risk.

REDACTED

- Ratepayer funds will be paid back in one of the following ways
  - (a) through a take-out by a private capital provider at the end of construction (project completion);
  - (b) subsequently, when the loan is sold down to a private capital provider; or
  - (c) through receipt of funds from the City of New Britain as it collects the C-PACE benefit assessment from the property owner.

Polamar Precision (New Britain)
Terms and Conditions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **$2,502,975** construction at 5% and term loan set at a fixed 6% over the 20-year term
- **$2,502,975** loan against the property
  - Property valued at **REDACTED**
  - Loan-to-value ratio equals **REDACTED**
- DSCR > **REDACTED**

REDACTED

Anticipated CEFIA cash flow

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Anticipated CEFIA Cash Flows

Project Basics		*Cash Flows*	
		Date	CEFIA $
Amount Financed	$2,530,122	May 2014	$2,530,122
Construction Period (years)	0.5	Nov 2014	$75,904
Term (years)	20	Jan 2015	$218,918
		Jan 2016	$218,918
Construction Financing Rate	6.00%	Jan 2017	$218,918
Term Financing Rate	6.00%	Jan 2018	$218,918
		Jan 2019	$218,918
Construction Interest Payment (bullet)	$75,904	Jan 2020	$218,918
Yearly Debt Service Payments (made semi-annually)	$218,918	Jan 2021	$218,918
		Jan 2022	$218,918
		Jan 2023	$218,918
		Jan 2024	$218,918
		Jan 2025	$218,918
		Jan 2026	$218,918
		Jan 2027	$218,918
		Jan 2028	$218,918
		Jan 2029	$218,918
		Jan 2030	$218,918
		Jan 2031	$218,918
		Jan 2032	$218,918
		Jan 2033	$218,918
		Jan 2034	$218,918

REDACTED

Polamar Precision (New Britain)
The Five W's

- **What?** Receive approval for a **$2,502,975** construction and (potentially) term loan under the C-PACE program to Polamer Realty NB, LLC to finance the construction of specified energy upgrade
- **When?** Project to commence 2014
- **Why?** Allow CEFIA to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until CEFIA sells it along with its other loan positions in C-PACE transactions.
- **Who?** Polamer Realty NB, LLC, the property owner of 105 Alton Brooks Way, New Britain, CT
- **Where?** 105 Alton Brooks Way, New Britain, CT

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #6aiii

Commercial and Industrial Sector Programs

Brookfield YMCA

April 25, 2014

Brookfield YMCA (Brookfield)
Ratepayer Payback

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **$1,084,893** CHP and efficiency upgrade at Brookfield YMCA
- Projected savings are **39,000 MMBtu** for the CHP **and 1,500,000 kWh** for the other ECMs versus **$1,084,893** of ratepayer funds at risk.
- Ratepayer funds will be paid back in one of the following ways
  - (a) through a take-out by a private capital provider at the end of construction (project completion);
  - (b) subsequently, when the loan is sold down to a private capital provider; or
  - (c) through receipt of funds from the City of Brookfield as it collects the C-PACE benefit assessment from the property owner.

REDACTED

Brookfield YMCA (Brookfield)
Terms and Conditions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **$1,084,893** construction loan at 5% and term loan set at a fixed 5.03% for 15 years (bought down from 5.50% by CEFIA through CHP incentive)
- $1,084,893 loan against the property
  - Property valued at **REDACTED**
  - Loan-to-value ratio equals **REDACTED**
- DSCR > **REDACTED**

REDACTED

18

Anticipated CEFIA cash flow

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

CEFIA Anticipated Cash Flows			
Project Basics		*Cash Flows*	
Amount Financed	$1,101,405	Date	CEFIA $
Construction Period (years)	0.25	May 2014	$1,101,405
Term (years)	15	Aug 2014	$13,850
		Jan 2015	$105,456
Construction Financing Rate	5.03%	Jan 2016	$105,456
Term Financing Rate	5.03%	Jan 2017	$105,456
		Jan 2018	$105,456
Construction Interest Payment (bullet)	$13,850	Jan 2019	$105,456
Yearly Debt Service Payments (made semi-annually)	$105,456	Jan 2020	$105,456
		Jan 2021	$105,456
		Jan 2022	$105,456
		Jan 2023	$105,456
		Jan 2024	$105,456
		Jan 2025	$105,456
		Jan 2026	$105,456
		Jan 2027	$105,456
		Jan 2028	$105,456
		Jan 2029	$105,456

REDACTED

Brookfield YMCA (Brookfield)

The Five W's

- **What?** Receive approval for a **$1,084,893** construction and (potentially) term loan under the C-PACE program to Regional YMCA of Western Connecticut and Eastern Putnam County, Inc. to finance the construction of specified energy upgrade
- **When?** Project to commence 2014.
- **Why?** Allow CEFIA to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until CEFIA sells it along with its other loan positions in C-PACE transactions.
- **Who?** The owners and members of the Regional YMCA of Western Connecticut and Eastern Putnam County, Inc.
- **Where?** 2 Huckleberry Hill Road, Brookfield

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #6b

Commercial and Industrial Sector Programs

Update on Sell Down

April 25, 2014

C-PACE
Status of Sell-Down

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- Closing with Clean Fund scheduled for May 6, 2014
- 11 fully disbursed C-PACE transactions to be included in first tranche, totaling just under $8M in principal
- Clean Fund purchase price, for right to senior 80% of cash flows, will be > $6M
- Overall deal will include first $30M of C-PACE projects, with Clean Fund purchasing ~ $24M via Public Finance Authority bonds
- CEFIA to hold onto subordinated 20% of ongoing cash flows

C-PACE
Sell-Down Properties (First Tranche)

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

Property	*Town*	*Project Type*	*Amount Financed (with capitalized interest)*
41 Walnut Street	Hartford	Renewable	$145,000
542 Westport Avenue	Norwalk	Energy Efficiency	$559,950
1841 Broad Street	Hartford	Renewable	$325,000
100 Roscommon	Middletown	Both	$2,549,654
86 Hopmeadow	Simsbury	Energy Efficiency	$685,316
ID Products	Bridgeport	Energy Efficiency	$107,556
True Value	Killingworth	Renewable	$261,567
80 Lamberton	Windsor	Both	$1,837,593
YMCA	Danbury	Energy Efficiency	$87,938
22 Waterville Road	Avon	Energy Efficiency	$424,180
InSports	Trumbull	Both	$1,012,004
			$7,995,760

C-PACE
Status of Warehouse

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- Closed transactions to date will total $16.3M when fully disbursed (< $10M disbursed thus far)
- Currently approved and “likely to close” transactions (incl. 4/25/14 BoD proposals) total another $6.3M
- Of that $22.6M, about $6M to be immediately recapitalized in May 2014 through first tranche of sell-down
- Remainder of Clean Fund purchase will leave CEFIA with $33M-$34M of $40M warehouse facility available
- (For Budget FYE 6/15, expect to roll CEFIA "retained portion" into a separate category - so the warehouse would remain $40M)
- Expected pipeline of $12M thru Q2 heading into Q3, so plenty of capacity ... but staff will most likely take steps towards next sell-down transaction sometime in Q3 2014

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #7

Statutory and Infrastructure Sector Programs

April 25, 2014

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #7a

Statutory and Infrastructure Sector Programs

Bridgeport Anaerobic Digester Project

April 25, 2014

Bridgeport Anaerobic Digester Project
Key Questions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Strategic Plan** – is the project consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?
- **Ratepayer Payback** – How much clean energy is being produced from the project versus the dollars of ratepayer funds at risk?
- **Terms and Conditions** – What are the terms and conditions of the ratepayer payback, if any?
- **Capital Expended** – How much of the ratepayer and other capital that CEFIA manages is being expended on the project?
- **Risk** – What is the maximum risk exposure of ratepayer funds for the project?
- **Target Market** – Who are the end-users of the project?

Bridgeport Anaerobic Digester Project
Description

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Public Policy** – Section 103 of Public Act 11-80 requires CEFIA to implement a pilot AD program using grants, loans, or PPA's
- Project is a 1.6 MW anaerobic digester project in Bridgeport, CT, located adjacent to Bridgeport's largest WWTP
- Facility to have two digesters to keep food waste stream and WWTP sludge separated
- Facility capable of processing up to 35,000 tons/yr. of food waste & 42,000 tons/yr. of WWTP sludge
- Food waste digestate to be composted for use as soil enhancement & fertilizer
- [redacted] agreements with the City of Bridgeport for both power purchase (PPA) and waste sludge for their two WWTPs
- Long-term land lease with city
- AD facility to provide free heat from the facility to adjacent WWTP
- CEFIA investment of $3.4M (loan) would leverage [redacted] in private capital

Bridgeport Anaerobic Digester Project
Overview

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **What is the worst case that can happen** – Assuming our rights are adequately protected in loan documents to be executed, our ultimate loss exposure is repayment of outstanding principal and interest
- **What is the financial impact** – The Sub-debt loan will increase the project's average Debt Service Coverage Ratio from 2.37 with 100% Senior Debt to 2.61 and increase the IRR from 12% with 100% Senior Debt to 14%
- **How can CEFIA be made whole** – In the event of a default, CEFIA can be made whole to the extent that proceeds from liquidated assets are enough to satisfy our outstanding principal and interest as the lender of debt subordinate to Senior debt
- **What is the project objective function** – 59 kWh and 0.25 MMBtu per dollar of ratepayer funds at risk
- **What is percent of capital allocation to the project to the annual budget** – 3.8%

Bridgeport Anaerobic Digester Project
Recommendation

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- Recommend to the full Board of Directors that CEFIA execute documentation to provide $3,384,000 in long-term subordinated debt to this project
- Recommend to the full Board of Directors that approval of this selection and investment be conditioned upon the completion of all remaining due diligence review, inclusive of all project documentation

Bridgeport Anaerobic Digester Project
Key Questions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Strategic Plan** – is the program consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

The Bridgeport Bioenergy Facility project has submitted a proposal under the statutorily mandated Anaerobic Digestion (“AD”) pilot program, as defined in PA 11-80, Section 103, which is a key component of the CEFIA comprehensive plan and budget for FY 2013/2014. The project as proposed meets all of the criteria of the program and therefore is consistent with CEFIA’s Comprehensive Plan. Statutorily, CEFIA is permitted to use its resources for expenditures (i.e. grants, loans, and PPA’s) that promote investment in clean energy in accordance with CEFIA’s Comprehensive Plan – this project is a loan.

Bridgeport Anaerobic Digester Project
Key Questions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Ratepayer Payback** – How much clean energy is being produced from the program versus the dollars of ratepayer funds at risk?

The AD system will produce approximately 198,000,000 kWh of electricity and 849,000 MMBtu of thermal energy over the 15-year term of the CEFIA financial loan agreement.

The project developer has requested a sub-debt loan from CEFIA in the amount of $3,384,000 representing 19 percent of the overall projects capital expense.

The objective function for this project is 59 kWh per $1 of ratepayer funds at risk for clean electricity produced and 250,000 Btu per $1 of ratepayer funds at risk for clean thermal energy produced.

Bridgeport Anaerobic Digester Project
Key Questions

- **Terms and Conditions** – What are the terms and conditions of the ratepayer payback, if any?

The project developer has requested a subordinated loan from CEFIA in the amount of $3,384,000 [redacted] The outstanding interest amount will be payable monthly commencing on the first payment date of the Subordinated Loan. The outstanding principal amount of the Subordinated Loan shall be payable monthly commencing no greater than 36 months following the permanent financial close (the "Grace Period").

Bridgeport Anaerobic Digester Project
Key Questions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Capital Expended** – How much of the ratepayer and other capital that CEFIA manages is being expended on the program?

BBF is requesting a subordinated loan not to exceed $3,384,000.

Bridgeport Anaerobic Digester Project
Key Questions

- **Risk** – What is the maximum risk exposure of ratepayer funds for the program?

The maximum ongoing exposure would be the principal and any accrued interest payments on the Subordinated Loan from the date of disbursement to the anticipated repayment [redacted].

Bridgeport Anaerobic Digester Project
Key Questions

- **Target Market** – Who are the end-users of the program?

BBF has entered into a [redacted] agreement (the "Agreement") with the City of Bridgeport Water Pollution Control Authority (WPCA) for both the purchase of the electricity generated by the facility through a power purchase agreement (PPA) as well as the management of all waste sludge generated by the WPCA's two wastewater treatment plants.

Bridgeport Anaerobic Digester Project
Key Questions

- **Financial Statements** – How is the program investment accounted for on the balance sheet and profit and loss statements?

The permanent loan would result in a reduction of unrestricted cash and an increase in promissory notes (AD Pilot Program) in the amount of approximately $3,384,000.

Bridgeport Anaerobic Digester Project
Key Questions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Capital Flow Diagram**

REDACTED

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

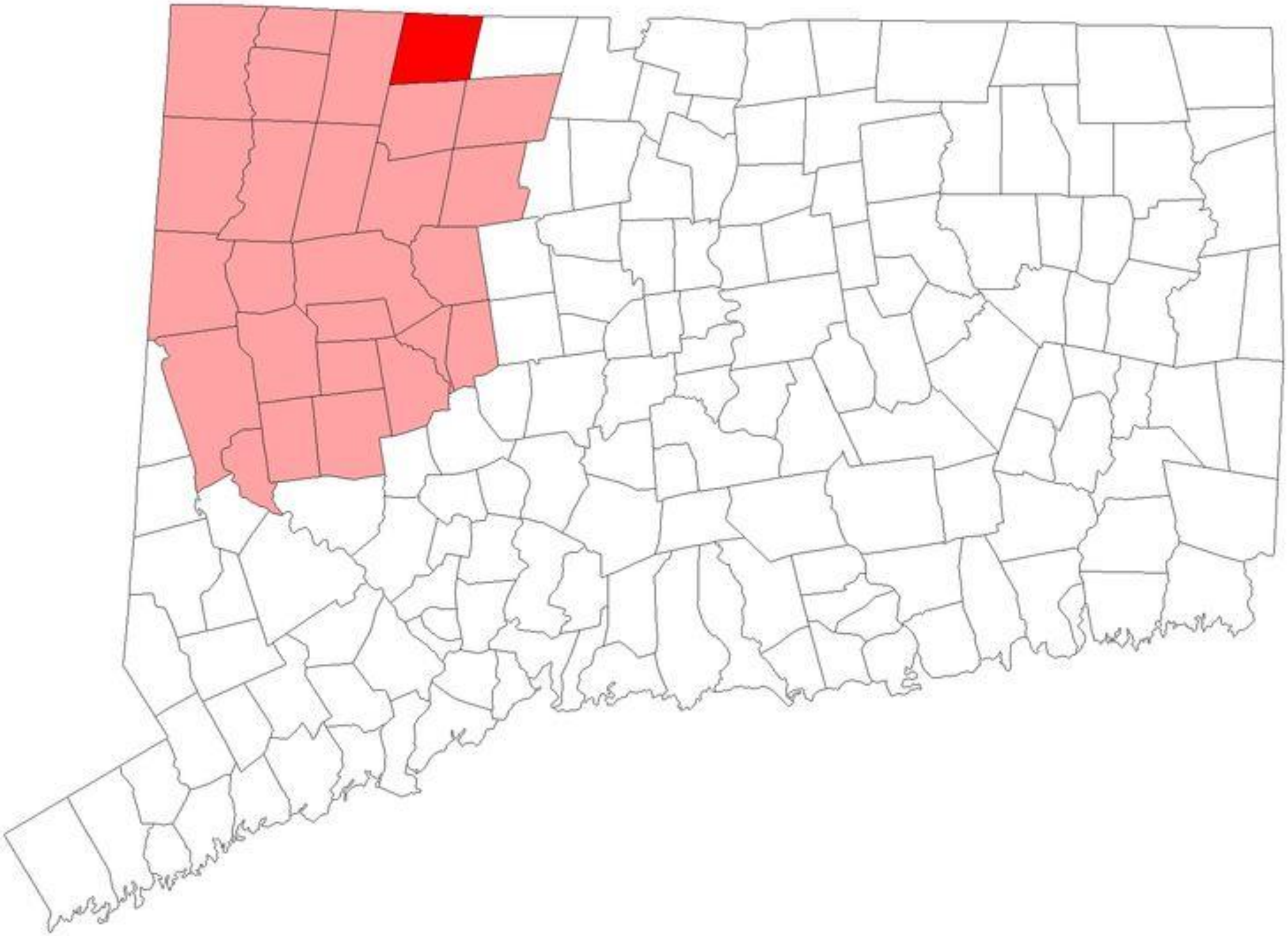
Agenda Item #7b

Statutory and Infrastructure Sector Programs

Colebrook Wind Project

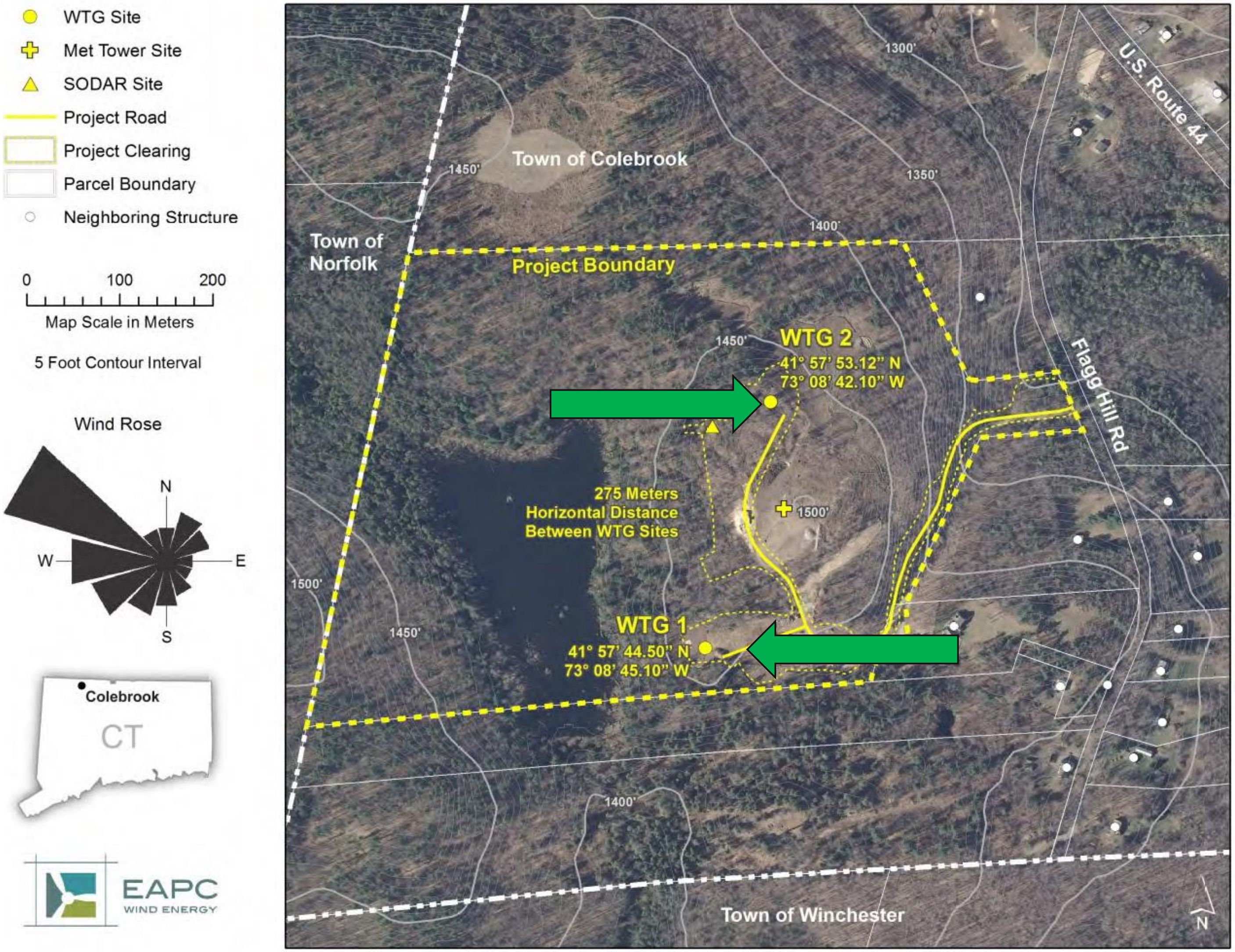
April 25, 2014

Colebrook Wind Project
Town of Colebrook, Litchfield County



41

Colebrook Wind Project
Site Map



Colebrook Wind Project
Description

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Public Policy** – Section 127 of Public Act 11-80 requires DEEP and the EDCs to procure 30 MW of grid-tied renewable energy systems
- Project is a 5 MW wind project in Colebrook (Litchfield County), CT which is comprised of two 2.85 MW GE turbines (derated to 2.49MW)
- Project was past recipient of $500,000 in CCEF predevelopment loans
- Project has 20-year PPA with CL&P (at a favorable combined off-take rate for energy and RECs)
- Nearly all regulatory / legal hurdles overcome
- CEFIA investment of $2.8M in total would leverage ~7x in private capital ($20.2M)
- Total Project Cost: ~$23M

Colebrook Wind Project
Capital Flow Diagram

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

REDACTED

Colebrook Wind

Contracted Due Diligence Summary

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- Through RFP - selected EAPC Wind Energy of Norwich, VT
- EAPC has experience working with more than 30,000 MW of wind energy projects of all sizes throughout the world, whose employees have long-standing industry experience in wind turbine design, reliability and performance assessment, financial due diligence, wind resources analysis, environmental assessment, construction management, and project maintenance.
- Industry-leading experience and technology for analysis of technical and financial planning of wind development, with particular expertise working on community scale projects that use utility-scale wind turbine generators.

Colebrook Wind
Contracted Due Diligence Summary

- Contractor reviewed the on-site wind data previously collected,
- Correlated validated data to a nearby long-term wind data source to create representative data set
- Estimated energy losses associated with potential "loss categories"
  - Scheduled maintenance, substation maintenance and utility downtime, wake losses, electric losses, icing, contamination, degradation, cold temperature or high wind shutdowns
- Re-calculated the estimated annual energy production for each wind turbine location and assigned uncertainty to each measurement
  - Wind speed measurement accuracy, vertical extrapolation, long term data correlation, future variability of wind speeds, topographic modeling, turbine performance, availability, electric losses

Colebrook Wind
Contracted Due Diligence Summary

- Overall, while the average expected output at P50 level is essentially identical, EAPC identified higher uncertainty levels than previous analysis, owing to missing or problematic data - reducing the estimated production for more conservative cases

Engineer	Net AEP [MWh/y] (P50)	Net AEP [MWh/y] (P95)	Net AEP [MWh/y] (P99)
EPE	13,538	12,117	11,526
EAPC	13,557	10,825	9,693

- Acoustic modeling did not suggest exceedances of existing DEEP noise guidance
- Shadow flicker modeling identified few receptors with more than 30 hours per year of shadow flicker (a common standard); estimated <40 hours per year curtailment to reduce flicker at all receptors to < 30 hours per year

Colebrook Wind

Impact of Due Diligence Review

- **Colebrook modeled cash flow is impacted ~20% as result of review**
- **Project is still "bankable" - but will likely require**
  - Lower Senior Debt
  - Higher Cash Reserve (for additional DSCR & working capital)
  - Higher "sweep" for CEFIA than originally modeled (less for developer)

Exceedance Probabilities	Senior Debt DSCR	CEFIA DSCR (Term/Sweep)
P-99	1.00x	1.00x 19 Years/101%
P-95	1.16x	1.02x 15 Years/90%

Colebrook Wind Project
Overview

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **What is the financial impact** – current expectation of leveraging $12.5M in senior debt at a rate of 8% and $3M in equity
- **How can CEFIA be made whole** – undiversified risk exposure with this investment, but PPA with CL&P can be transferred in the event that BNE cannot complete project
- **What is the project objective function** – 69 kWh of clean energy per dollar of ratepayer funds at risk
- **What is the "worst case" financial risk** – loss of $2.8M
- **What is percent of capital allocation to the project to the annual budget** – 3.2%

Colebrook Wind Project
Key Questions

- **Comprehensive Plan** – is the program consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

The Board of Directors has determined that it is in keeping with Conn. Gen. Stat. Section 16-245n for CEFIA to fund certain renewable energy infrastructure projects that advance the goal of delivering more domestically supplied clean energy directly to the grid, for the benefit of Connecticut ratepayers and the environment.

Colebrook Wind Project
Key Questions

- **Strategic Investment** – this project is a strategic investment for CEFIA for the following four (4) reasons:

Uniqueness – the project will be the first of its kind in Connecticut as a utility-scale wind project, and it has attracted significant private capital leveraged by ratepayer capital;

Strategic Importance – the project has a strong compatibility with the mission of CEFIA and will both create construction jobs in Connecticut and contribute to the local and state tax base on an ongoing basis;

Urgency and Timeliness – the project has entered into a PPA of which a condition is that delays in achieving the agreed upon Commercial Operation Date ("COD") will result in significant financial penalties and eventually a cancellation of the PPA itself; and

Multi-Phase Project – the WCS project is a multi-phase project that previously involved the CCEF in providing a predevelopment loan and, with the developers now having completed predevelopment activities, stands ready to enter into construction and thereafter commercial operations

Colebrook Wind Project
Key Questions

- **Ratepayer Payback** – How much clean energy is being produced from the program versus the dollars of ratepayer funds at risk?
- The Project is expected to generate approximately 9,700 MWh of electricity annually – or 194,000 MWh over its 20-year life.
- Support for the WCS transaction is proposed in the following amounts:
  - Mezzanine debt in the amount of $2,000,000 (a portion of which will be used to immediately repay the CCEF predevelopment loan of $500,000 plus all accrued interest); and
  - A working capital facility of an additional $800,000.
- The objective function for this project is 69 kWh per $1 of ratepayer funds at risk for clean electricity produced

Colebrook Wind Project
Key Questions

- **Terms and Conditions** – What are the terms and conditions of the ratepayer payback, if any?

The mezzanine debt will be repaid via a cash sweep of funds remaining after senior debt service occurs on a quarterly basis, according to the following schedule:

Cash Sweep	Interest Rate	Cumulative Annual Amortization Achieved	Repayment Term (Years)
50% (minimum)	10.00%	6.67% (required)	15
same	9.00%	10%	10
same	8.0%	20%	5

The interest rate applicable to the working capital facility will be the Prime Rate plus 3.00% with a <u>100% cash sweep</u>

Colebrook Wind Project
Key Questions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Capital Expended** – How much of the ratepayer and other capital that CEFIA manages is being expended on the program?

The total extension of credit for this project will be in the amount of up to $2,800,000 although a portion of that amount will be immediately repaid to retire the existing CCEF predevelopment loans

Colebrook Wind Project
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Risk** – What is the maximum risk exposure of ratepayer funds for the program?

The maximum ongoing risk exposure (i.e., the mezzanine debt and the working capital facility, before repayment of the predevelopment loans) would be up to $2.8M from the date of disbursement to the anticipated repayment in 15 years

Colebrook Wind Project
Key Questions

- **Target Market** – Who are the end-users of the program?

The entire output from the project provides electric energy and RECs to the grid for the customers of CL&P

Colebrook Wind Project
Key Questions

- **Financial Statements** – How is the program investment accounted for on the balance sheet and profit and loss statements?

The permanent loan would result in a reduction of unrestricted cash and an increase in promissory notes (grid tied program) in the amount of approximately $1,400,000 after repayment of the predevelopment loan. The working capital facility would result in a reduction of unrestricted cash of $800,000 and an increase of the same amount in short term promissory notes (grid tied program) line item

Colebrook Wind Project
Recommendation

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- Deployment Committee recommends to the full Board of Directors
  - that this project be approved as a Strategic Selection and Award
  - that CEFIA execute documentation to provide $2,000,000 in long-term mezzanine debt and $800,000 in the form of a working capital facility to this project
  - that approval of this selection and investment be conditioned upon satisfactory review, negotiation and execution of all project documentation

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #5

Residential Sector Programs

April 25, 2014

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #5b

Low Income Multifamily Financing Program

Residential Sector Programs

April 25, 2014

Low Income Multifamily Financing Program
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Strategic Plan** – is the program consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?
- **Ratepayer Payback** – How much clean energy is being produced from the program versus the dollars of ratepayer funds at risk?
- **Terms and Conditions** – What are the terms and conditions of the ratepayer payback, if any?
- **Capital Expended** – How much of the ratepayer and other capital that CEFIA manages is being expended on the program?
- **Risk** – What is the maximum risk exposure of ratepayer funds for the program?
- **Target Market** – Who are the end-users of the program?

Multifamily and Affordable Housing
Initiatives to Build the Market

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

cpace | An Energize CT Program

URBAN ATLANTIC

HANNON ARMSTRONG

WELLS FARGO

clean energy solutions

CDFI's

NEW ECOLOGY INC.

wegowise

CNTenergy Community Focused Innovation

DPH

CL&P

Connecticut Association for Community Action

ui

CHFA-CEFA Pilot

CHFA the key to affordable housing

WINN-HUD OME

WinnCompanies

U.S. Department of Housing and Urban Development

LISC

Multifamily and Affordable Housing
Budget and Key Dates

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

PROGRAM	AMOUNT ALLOCATED	STATUS / KEY CEFIA DATES
Pool for Credit Enhancements/ Capitalization	$5MM FY14 Allocation **($1MM to CHIF)** $1MM grant/in-kind support from New Ecology Inc.	April BOD approval for $1MM to CHIF; RFP for $4MM released April 2014; Funds committed with initial draws by June 30, 2014
Repurposed ARRA funds for Credit Enhancements	**$300,000 LLR to CHIF for "unsecured" MFAH Loans**	Deployment Committee approved March, 2014; New Ecology engaged with CHIF on pipeline
C-PACE for Multifamily	Full CEFIA C-PACE warehouse facility available	Urban Ingenuity building pipeline
WINN-HUD OME (off-balance sheet model)	$1.87MM credit enhancements committed by CEFIA, with CHFA focus	Funds spent by Sept 23, 2014 (potential 6 to 9 month extension)
CHFA Pilot	TBD based on opportunities identified (CHFA / C-PACE $$)	Initial properties set, benchmarking underway
Article II/ CT-EHHI	$1.5MM managed by utilities at CEFIA recommendation	Spent with "impact" by Nov 14, 2015

Low Income Multifamily Financing Program
Overview

- **What is the worst case that can happen** – $1,300,000 maximum loss
- **What is the financial impact** – Lower interest rate (6%) on unsecured financing product due to our loan loss reserve and CEFIA capital offered at rate to match cost of Opportunity Finance Network dollars
- **How can CEFIA be made whole** – Ratepayers protected by ARRA-SEP LLR; CHIF incented to continue collections activity even after loan defaults and call is made on LLR
- **What is the program objective function** – 6.7 kWh generated and 0.07 MMBtu saved per dollar of ratepayer funds at risk
- **What is percent of capital allocation to the program to the annual budget** – 1.46%

Low Income Multifamily Financing Program
Recommendation

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- Approve the use of $1,000,000 to further capitalize this program
- Approve that CEFIA funds advanced may be made subordinate to other capital sourced for the program, subject to appropriate intercreditor agreements, in order to ensure attractive rates and terms from potential senior lenders

Low Income Multifamily Financing Program
Key Questions

- **Strategic Plan** – is the program consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

CEFIA's Board of Directors has directed staff to develop financing programs focused on the challenge of achieving energy upgrades in the state's affordable multifamily housing stock. This program falls under that directive

Low Income Multifamily Financing Program
Key Questions

- **Ratepayer Payback** – How much clean energy is being produced from the program versus the dollars of ratepayer funds at risk?

Staff expects that investments made under this program will deliver results comparable to the energy saved / clean energy produced per dollar under the C-PACE program. Based on C-PACE results thus far, savings and generation data for an initial $2,000,000 total capitalization ($1,000,000 from CEFIA and $1,000,000 from the Opportunity Finance Network), supported by a $300,000 LLR, suggests lifetime savings for this program of about 42,000 MMBtu from energy efficiency projects and just under 4,000 MWh of clean energy generation

Low Income Multifamily Financing Program

Key Questions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Terms and Conditions** – What are the terms and conditions of the ratepayer payback, if any?

CHIF will have the ability to draw down on CEFIA capital on a project-by-project basis at a rate of ~3% for a 10-yr term (plus 50 basis points for a 12-yr term)

Low Income Multifamily Financing Program
Key Questions

- **Capital Expended** – How much of the ratepayer and other capital that CEFIA manages is being expended on the program?

CEFIA's total capital exposure to this program will be $1,000,000 in ratepayer dollars, to be drawn by CHIF on a project-by-project basis subject to CEFIA-approved underwriting criteria, plus $300,000 in ARRA-SEP dollars for a LLR

Low Income Multifamily Financing Program
Key Questions

- **Risk** – What is the maximum risk exposure of ratepayer funds for the program?

Up to $1,000,000 in ratepayer funds for the program's capitalization, and ARRA-SEP funds of $300,000 as a LLR

Low Income Multifamily Financing Program
Key Questions

- **Target Market** – Who are the end-users of the program?

The target market for this program is affordable multifamily properties throughout the state (those with at least 60% of the units affordable to households with no higher than 80% of Area Median Income, or those in low- or moderate-income census tracts). Initially, CHIF will market these loans to an existing pipeline of utility LOA recipients who have not moved forward with their projects, as well as CEFIA C-PACE applicants for whom an unsecured loan product such as that contemplated under this program is more appropriate

Low Income Multifamily Financing Program
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

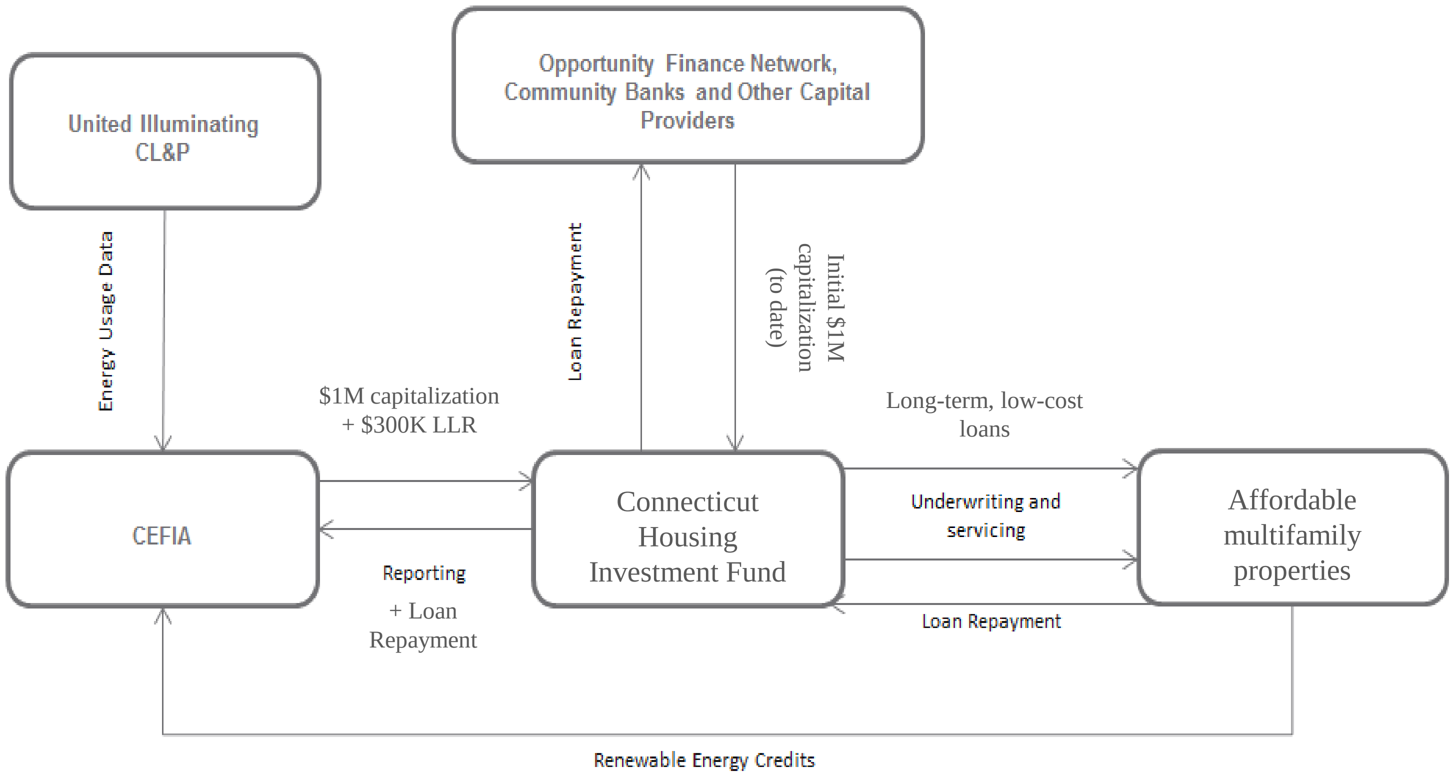
- **Financial Statements** – How is the program investment accounted for on the balance sheet and profit and loss statements?

As loan funds are advanced, there will be a reduction in the “CEFIA Cash and Cash Equivalents Account” (Current Asset on the Balance Sheet) and a corresponding increase in “Promissory Notes – Multifamily Permanent Energy Loan Program” (Non-Current Asset on the Balance Sheet). The use of the credit enhancements will result in the recognition of income on the income statement (Grant Income – ARRA) and a simultaneous reduction in “Deferred Revenue – ARRA” on the liability side of the balance sheet. Also, there will be a reduction in the CEFIA Restricted Cash Account (Non-current Asset on the Balance Sheet) related to ARRA-SEP funds and a corresponding recognition of Grant Expense on the income statement, which will reduce Restricted Net Assets as the funds are distributed to CHIF

Low Income Multifamily Financing Program
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

Capital Flow Diagram



Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #5a

On Bill Repayment Process and Program

Residential Sector Programs

April 25, 2014

Smart-E On-Bill Repayment Program
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Strategic Plan** – is the program consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?
- **Ratepayer Payback** – How much clean energy is being produced from the program versus the dollars of ratepayer funds at risk?
- **Terms and Conditions** – What are the terms and conditions of the ratepayer payback, if any?
- **Capital Expended** – How much of the ratepayer and other capital that CEFIA manages is being expended on the program?
- **Risk** – What is the maximum risk exposure of ratepayer funds for the program?
- **Target Market** – Who are the end-users of the program?

Smart-E On-Bill Repayment Program
Description

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Public Policy** – Section 58 of Public Act 13-298 requires CEFIA to develop (jointly with EEB, and with input of utilities) and implement an on-bill repayment (OBR) program for residential consumers using private capital
- **Phased Implementation** – pursuing a phased approach due to complexity (multiple partners, numerous legislated features); initial program limited to on-bill option for the Smart-E Loan Program
- **Phase 1/Smart-E OBR** – will include a master servicer to sit between lenders and utilities; a savings to investment ratio > 1 test; a $500K timeliness reserve to smooth timing of payments between monthly lender bill cycle and daily utility bill cycle; and moving the loan "off bill" and into a direct bill scenario if there is a late payment
- **Subsequent Phases** – will include support for other loan products and other legislated program features

Smart-E On-Bill Repayment Program
Overview

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

These items build upon the Smart-E Loan Program from the 11/30/2012 Deployment Committee program approval, 10/18/2013 Board approval of redeployment of ARRA funding, and 3/7/14 Deployment Committee Smart-E term sheet update approval

- **What is the worst case that can happen** – $2,310,000 maximum loss on loan loss reserve and $500,000 on timeliness reserve
- **What is the financial impact** – lenders will be more likely to opt into OBR with a rate concession of 25-50 basis points off the "regular" Smart-E rates; Smart-E consumer demand should be enhanced with the convenience of OBR
- **How can CEFIA be made whole** – timeliness reserve draws on Smart-E LLR first; lenders incented to continue collections activity even after loan defaults and call is made on LLR
- **What is the program objective function** – 0.03 MMBtu of energy saved per ratepayer (ARRA) dollar at risk
- **What is percent of capital allocation to program to annual budget** – 3.2%

Smart-E On-Bill Repayment Program
Recommendation

- Approve Phase One Smart-E On-Bill Repayment program including coverage for all fuel types
- Approve that CEFIA staff establish appropriate utility cost recovery mechanisms and develop subsequent on-bill repayment phases

Smart-E On-Bill Repayment Program
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Strategic Plan** – is the program consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

Yes. Smart-E OBR is simply a repayment option for the Smart-E Loan Program which has already been approved by the Board. The Board approved OBR budget items for consulting services and the master servicer on December 20, 2013.

Smart-E On-Bill Repayment Program
Key Questions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- **Ratepayer Payback** – How much clean energy is being produced from the program versus the dollars of ratepayer funds at risk?

Consistent with the Smart-E Loan program, with the addition of the ratepayer funds at risk for the timeliness reserve: 0.03 MMBtu of energy saved per ratepayer/ARRA dollar at risk.

Smart-E On-Bill Repayment Program
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Terms and Conditions** – What are the terms and conditions of the ratepayer payback, if any?

The Timeliness Reserve of $500,000 functions as short-term loans (<60 days) to bridge the time between the remittance of the utility payments and the Customer loan due dates. The Timeliness Reserve will be replenished when the utility remits the customer payment to Concord. In the event that a loan goes delinquent within 60 days, the loan will move off the utility bill into a direct-bill relationship and the Timeliness Reserve will be replenished either from the "retained loss" undertaking by the partner lending institutions or the Smart-E LLR once the "retained loss" thresholds are exceeded.

The Smart-E LLR remains unchanged for the OBR option.

Smart-E On-Bill Repayment Program
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Capital Expended** – How much of the ratepayer and other capital that CEFIA manages is being expended on the program?

For ratepayer capital, approximately $200,000 is projected for Professional Service Agreements for consulting services and master servicing arrangements and $500,000 for the timeliness reserve for the Smart-E On-Bill Repayment program. The timeliness reserve will remain as an account on CEFIA's books for short term advances to partner lending institutions until the utility remits customer payment to Concord.

(Note that the Smart-E Loan program already utilizes $2.8MM in ARRA funding for credit enhancements including $2.3MM for a loan loss reserve.)

Smart-E On-Bill Repayment Program
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Risk** – What is the maximum risk exposure of ratepayer funds for the program?

For Smart-E OBR, the maximum risk is $500K for the timeliness reserve, plus the budgeted amounts for services (consulting, master servicer). Because the Timeliness Reserve is replenished when the utility remits customer payments to Concord or, in the event of a default, from the "retained loss" undertaken by the partner lending institutions or the Loan Loss Reserve, CEFIA does not gain additional risk exposure by establishing this additional reserve.

Smart-E On-Bill Repayment Program
Key Questions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Target Market** – Who are the end-users of the program?

Smart-E OBR has the same target market as the Smart-E Loan Program, but will appeal to customers looking for a rate benefit that comes with the convenience of repaying the loan on the utility bill, as well as the "peace of mind" of a savings to investment ratio > 1 test. Consistent with the state's Comprehensive Energy Strategy, the Smart-E Loan program supports the following target markets:

- Enable energy efficiency improvements for at least 15% of single family homes in the state by 2020 – approximately 150,000 homes at $10,000 to achieve 20% energy reduction would require an investment of $1.5 billion
- Support the conversion from oil to natural gas for at least 200,000 households in the state in 8 years – at $7,500 for an average cost of conversion with equipment for an estimated investment of $1.5 billion
- Estimate potential market of over 150,000 households to install solar PV in the state – at an average cost of $27,000 per system would require an investment of $4.0 billion

Smart-E On-Bill Repayment Program
Key Questions

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

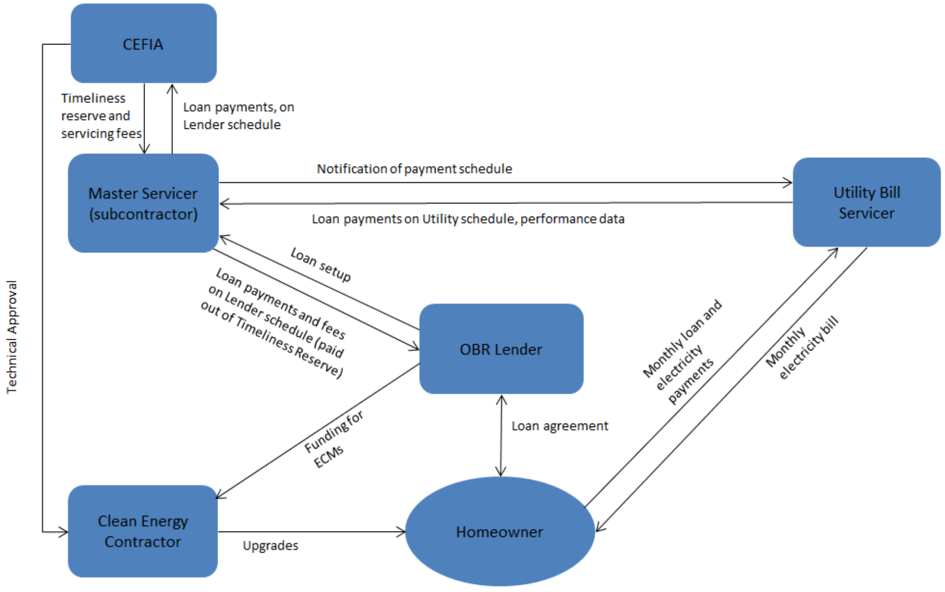
- **Financial Statements** – How is the program investment accounted for on the balance sheet and profit and loss statements?

As a loan loss reserve program (including the Timeliness Reserve), the Smart-E investment will sit on the CEFIA balance sheet as a noncurrent asset. Since CEFIA will not be participating in any loans originated under this program, Smart-E will not appear as a line-item on any profit and loss statements. Any use of the loan loss reserve funds would reduce the noncurrent asset account (restricted cash) with a corresponding reduction to restricted net assets.

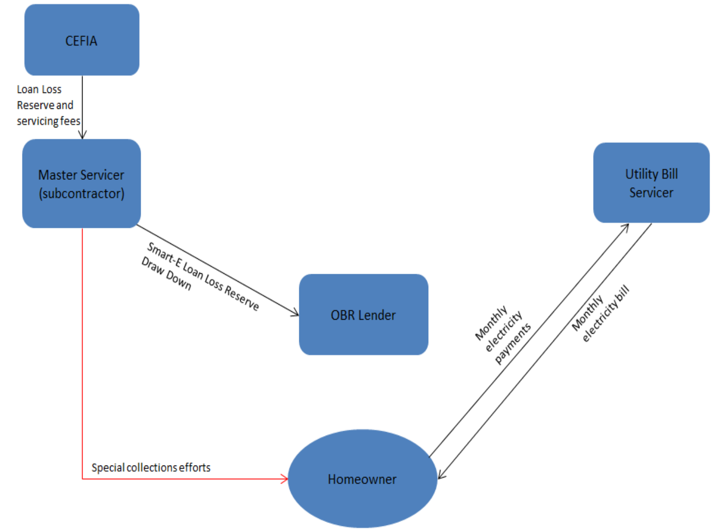
Smart-E On-Bill Repayment Program
Key Questions

- **Capital Flow Diagram**

On-Bill Scenario:



Direct Bill Scenario (if payments are late, loan is removed from utility bill and billed by master servicer)



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

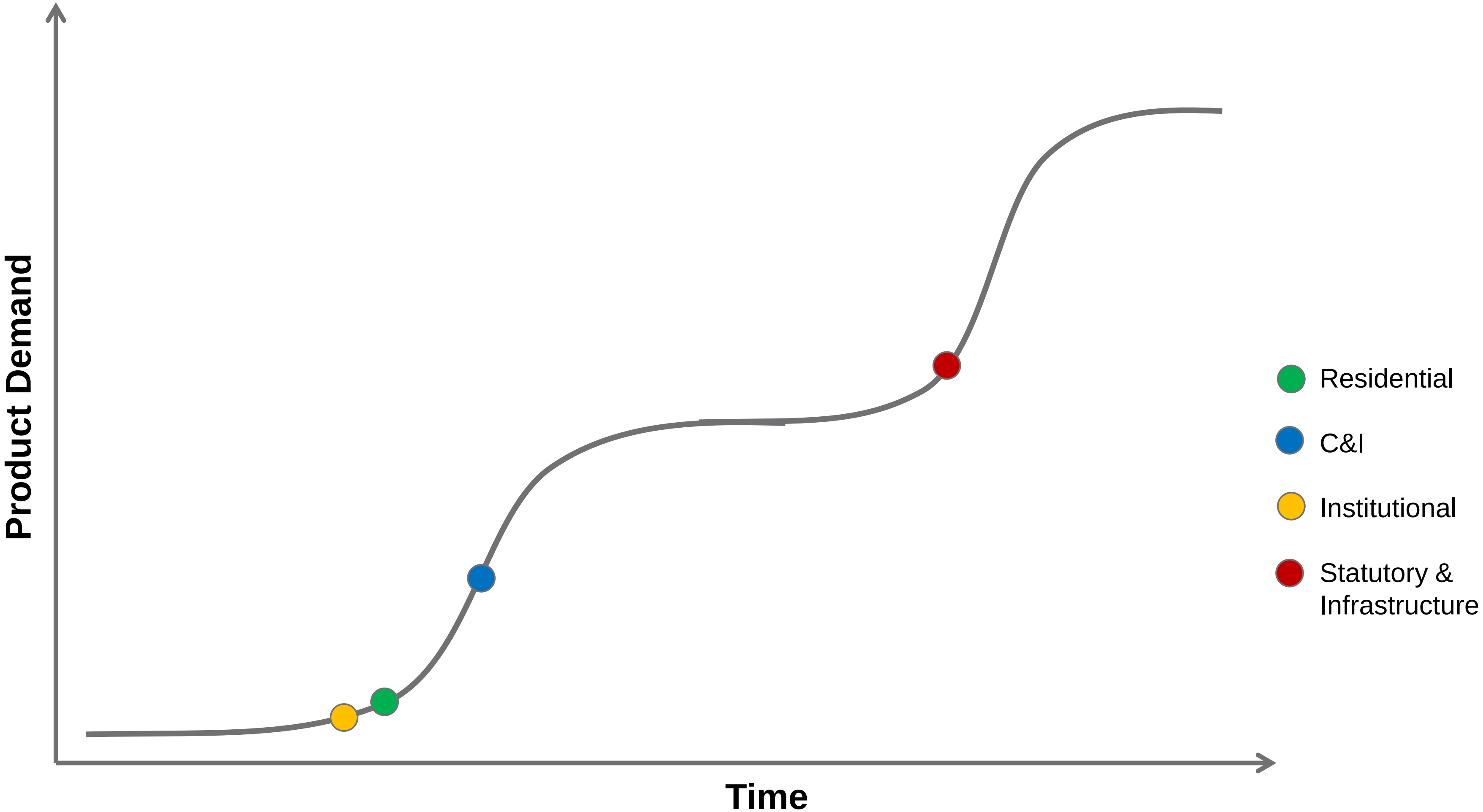
Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #8

Program Sector Progress Towards Targets

April 25, 2014

Sector Status Overview
Product Demand over Time



FY 2014
Progress to Date

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

- **Success and Progress** – achieving good success and making steady progress, but need to push harder with a focus on origination and customer acquisition (i.e. hire Director of Marketing)
  - **Statutory and Infrastructure** – RSIP in hyper-growth stage, AD become standard, and CHP ramping up – focus is on managing growth to allow for scale
  - **Residential** – set overly ambitious goals based on capital raised to customers acquired, seeing strong progress from Q1 to Q2 and from Q2 to Q3 in application approvals ($9.5 MM) and closings ($4.5 MM), solar PV and HVAC contractors using – not EE, manual internal processes need better data tracking to support scalability, lending partners marketing.
  - **Commercial and Industrial** – focus on building the pipeline and closing transactions, strong engagement of municipalities and contractors – with wins from building owners now telling stories, increasing application approvals ($12.3 MM) and closings ($16.4 MM), closing on sell down ($7.9 MM with off-ramp of $30 MM)
  - **Institutional** – focus on supporting “Lead by Example” with state facilities and then assisting municipalities with ESPC’s

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #9

Budget and Operations Committee

April 25, 2014

Marketing Director

- Organization has set aggressive deployment goals and needs to restructure marketing support to help sectors meet them
- Integrate all marketing-type functions (marketing, PR, community outreach) under new marketing director
- Provide a coordinated, multi-pronged strategy across the organization

EnergizeCT Launch Budget
Marketing Plan

1. **Media Sponsorship**
   - NBC CT selected via RFP
   - Additional commercials to be purchased on Fairfield County cable and radio stations
2. **Public appearances**
   - Governor, legislators, DEEP, CEFIA, and Utilities
3. **Social media**
4. **Transit ads**
5. **Paid search**
6. **Digital ads**
7. **Direct Mail**

Campaign Objectives

1. **Increase brand awareness**
2. **Increase EnergizeCT.com traffic**
3. **Position Energize CT as a trustworthy, credible endorser of smart energy resources**
   - *Campaign results measured via telephone surveys and website user analytic reports*

EnergizeCT Launch Budget

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

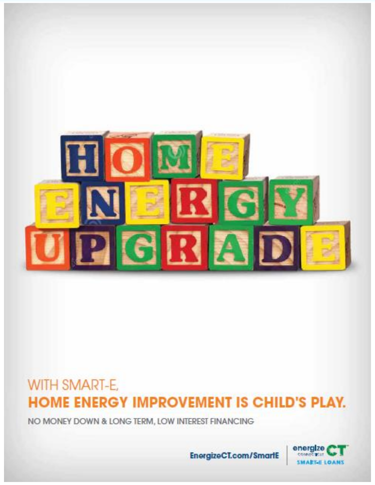
	CEFIA
Media Sponsor	$264,250.00
Facebook Paid Ads	$1,600.00
Yahoo Paid Ads	$1,000.00
Digital Production	$150.00
Paid Search	$1,000.00
CL&P Bill Insert	$2,000.00
Transit Media	$1,250.00
DMV Insert	$2,500.00
Bill Insert Production	$500.00
TOTAL	**$274,250.00**

MatchDrive Contract Amendment

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

- Increase contract with MatchDrive $390,000 to $1,443,550

- Funds come from existing marketing budget, not an increase in overall budget



MatchDrive Contract Amendment

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

	Original PSA	Proposed Increase	New PSA Total
Residential	$ 667,625.00	$ 150,000.00	$ 817,625.00
C&I	$ 385,925.00	$ 100,000.00	$ 485,925.00
General	$ -	$ 140,000.00	$ 140,000.00
Total	**$ 1,053,550.00**	**$ 390,000.00**	**$ 1,443,550.00**

Residential

- Facebook Promotion
- Spring case studies
- Online banner ad media buy and production

General

- Rebranding
- Financing calculator

Commercial and Industrial

- Website
- Case studies
- Online advertising

Comp Plan and FY15 Budget Process

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

	May B&O	June B&O	June Board
Comprehensive Plan	Outline	Draft	Final
FY15 Budget	Pre-draft	Draft	Final
FY14 Results			Draft

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #10

Audit, Compliance and Governance Committee

April 25, 2014

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #11

Other Business

April 25, 2014

Update from the President

- **Champion of Change Award** – Jessica Bailey received from the White House
- **General Fund Transfers and RGGI Allowance Proceeds**

	GF Transfers	RGGI Proceeds	Variance
FY 2014	($6.2 MM)	$9.6 MM	$3.4 MM
FY 2015	($19.2 MM)	-	($19.2 MM)
Total	($25.4 MM)	$9.6 MM	($15.8 MM)

- **Legislative Session** – Connecticut Green Bank, micro grids in C-PACE, and OBR cost recovery
- **Lead by Example** – support from OPM
- **Green Bank Movement** – GBA and Green Bank Act

Deployment Committee
Funding Requests below $300,000

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

Project Name	Comprehensive Plan	Amount	Type
Air Temp Mechanical	C-PACE (RE)	$139,050	Loan
Eli Properties	C-PACE (RE)	$266,932	Loan
Calvary Temple Center	C-PACE (EE)	$51,116	Loan
Total		**$457,098**	

Approximately $460,000 in loans

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Board of Directors of the Clean Energy Finance and Investment Authority

Agenda Item #12

Adjourn

April 25, 2014

Subject to changes and deletions

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Draft Minutes – Regular Meeting
Friday, January 17, 2014

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the "CEFIA")** was held on January 17, 2014 at the office of the Clean Energy Finance and Investment Authority, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope conference room.

1. **Call to Order**: Catherine Smith, Chairperson of CEFIA, called the meeting to order at 9:00 a.m. Board members participating: Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection ("DEEP"); Bettina Ferguson, State Treasurer's Office; Norma Glover; John Harrity; Reed Hundt; Matthew Ranelli; and Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development ("DECD").

Members Absent: Mun Choi, Tom Flynn and Patricia Wrice.

Staff Attending: Jessica Bailey, George Bellas, Andy Brydges, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, Suzanne Kaswan, Shelly Mondo, Kerry O'Neill, and Cheryl Samuels.

Others Attending: Henry Link; and Barbara Fernandez, DECD.

Ms. Smith thanked Mr. Esty for his visionary expertise and ideas for CEFIA and wished him well in his new endeavors. Ms. Glover acknowledged the positive changes to the organization over the last several years and attributed the success to Mr. Esty, Ms. Smith and staff of CEFIA. Mr. Ranelli also acknowledged the incredible changes to CEFIA and attributed the successes to Ms. Smith, Mr. Esty and the CEFIA team.

2. **Public Comments**

There were no public comments.

3. **Approval of Minutes of Meeting of December 20, 2013**

Ms. Smith asked the Board to consider the minutes from the December 20, 2013 meeting.

> **Upon a motion made by Mr. Ranelli, seconded by Ms. Ferguson, the Board members voted in favor of adopting the minutes from the December 20, 2013 meeting as presented (Ms. Glover abstained from the vote).**

4. Update from the President

Mr. Garcia welcomed everyone to the Colonel Albert Pope conference room. He noted that the conference room was named after Colonel Pope who was an entrepreneur and founded Pope Manufacturing. Pope Manufacturing began production of an electric automobile in Hartford, Connecticut. Mr. Garcia mentioned that the Bernard Baker conference room was named after the Fuel Cell Energy founder and the Sarno meeting room was named after the first family to receive a C-PACE loan at 542 Westport Avenue in Norwalk. The other conference room is the Solar Lease room.

Mr. Garcia provided an update on the Bridgeport fuel cell project, which is the second largest fuel cell power plant in the world. He mentioned that over 100 jobs have been created in Connecticut as a result of the project. Mr. Garcia noted that within one year from approving the financing, the project is up and running. The Board acknowledged the work and efforts by staff to bring the project to fruition expeditiously.

5. Residential Sector Program Updates and Recommendations:

Ms. O'Neill provided an update on the Residential Sector Program. She mentioned that more than 120 contractors have been trained, a majority for the Smart-E product. Approximately $85,000,000 of capital from 16 capital providers has been made available for 4 products under the residential sector program. Ms. O'Neill stated that 361 applications have been received across the 4 products. She mentioned that staff has been working with the utility companies and representatives from the public to develop an on-bill repayment program. Ms. O'Neill spoke briefly about the resolution for a master servicer.

Ms. O'Neill stated that staff is also working with community development financial institutions ("CDFIs") to develop a secured loan product for the multifamily initiative. She described some of the efforts that will be made to help drive demand in 2014. Ms. O'Neill spoke about the competition with the subsidized capital (i.e. Energy Efficiency Fund's Home Energy Solutions Financing Program for energy efficiency and gas company heating loan). She talked about the applications received, noting that 82 technical applications totaling approximately $1,000,000 have been received to date from 38 contractors. To date, 78 applications have been closed, and the average loan size is approximately $12,100. Ms. O'Neill stated that HVAC and solar are driving the volume, and therefore staff recommends focusing in those areas. Mr. Esty noted the importance of encouraging the utilities to move away from the subsidy model over the next several years and to help the utilities understand ways to deploy funding. A suggestion was made to urge the utilities to authorize CEFIA to distribute funding under its model.

Ms. O'Neill discussed the volume of loans approved by the various lenders. A total of approximately $1,100,000 in loans have been approved, closed and/or funded through November 2013. Ms. O'Neill noted the large disparity among the lenders with respect to application denials and mentioned that staff is working with the lenders on this issue. She mentioned that the accomplishments under the program were done without any paid marketing campaigns.

Ms. O'Neill provided an update on the CT Solar lease product and mentioned that 178 applications have been received to date from 10 installers. She mentioned that 16 loans have closed for $645,000 and 84 applications have been approved or are in the approval process for $3.3 million. Mr. Hunter mentioned that a majority of the withdrawals are a result of people who submitted applications themselves without the assistance of a contractor. In response to a question, Ms. O'Neill stated that the numbers reported for the CT Solar Loan product do not include Solarize Connecticut. Mr. Hunter mentioned that the increase in the funding for the program has enabled CEFIA to go statewide and resulted in increased growth in the program. He stated that the closing for $4,000,000 of private capital should occur within the next several weeks.

Under the Cozy Home Loan product, Ms. O'Neill reported that one loan has closed, and staff is trying to reposition the marketing of the product with contractors. Ms. O'Neill discussed some of staff's observations under the residential sector. She explained that targets were developed based on capital anticipated to be raised and not capital that could be deployed based on consumer demand. Ms. O'Neill stated that operationalizing 4 products has taken some time, and HVAC and solar are the focus rather than traditional energy efficiency. She indicated that Energize Norwich has had great success, and the campaign is driving more gas conversions than anticipated. Ms. O'Neill discussed the 2014 targets and progress made to achieve the targets for each of the 4 products. In response to a question, Ms. O'Neill indicated that it has been a challenge to get all parties to work together and to encourage the applicants that want natural gas conversions to also incorporate other energy efficiencies. The Board indicated that the residential programs should focus on new and innovative ways to market and get consumers to take-up financing products.

Mr. Garcia explained the resolution authorizing the retention of a master servicer for CEFIA's On-Bill Repayment Program. The Board discussed the differences between the two responses submitted in response to the Request for Proposals issued, particularly with pricing. Ms. O'Neill and Mr. Hunter explained that they do not believe that one of the bidders understood the complexities involved with working with a number of financial providers. In response to a question, Ms. O'Neill explained the rationale for recommending a two year agreement. The Board asked staff to ensure that there is an exit clause in the agreement with Concord Servicing Corporation and to try to further negotiate the fees.

Upon a motion made by Mr. Ranelli, seconded by Mr. Esty, the Board voted unanimously in favor of adopting the following resolution regarding a Master Servicer for CEFIA's On-Bill Repayment Program:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver a Professional Services Agreement ("PSA") between CEFIA and Concord Servicing Corporation to serve as Master Servicer for CEFIA's On-Bill Repayment Program in an amount not to be greater than $170,128 with terms and conditions consistent with the CEFIA's standard PSA, and as he or she shall deem to be in the interests of CEFIA and the ratepayers.

RESOLVED, that the proper CEFIA 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 instrument.

---

6. Commercial and Industrial Sector Program Updates:

Ms. Bailey provided an update on the Commercial and Industrial Sector Program. She noted that 72 towns are now on board, representing approximately 80 percent of the Connecticut eligible market. More than 200 contractors have been trained, and there are 17 qualified capital providers. Ms. Bailey stated that $12,500,000 in transactions has closed and over $20,000,000 has been approved. She noted that CEFIA has exceeded its goal of approving $20,000,000 by year end and closing $10,000,000. Ms. Bailey indicated that the pipeline of projects continues to grow, and CEFIA is partnering with others to continue to build volume. She spoke about the volume, size and type of projects closed from July 2013 through December 2013 and noted that CEFIA is seeing larger projects than anticipated – delivering between 40 to 50 percent electric and fuel savings. Ms. Bailey stated that the projects are geographically dispersed throughout Connecticut. The Board acknowledged the greater savings with the larger projects and the jobs created as a result of the larger projects. In response to a question, Mr. Hunter indicated that mortgage holder consent is an issue for several of the towns that have not signed on to C-PACE.

Mr. Hunter provided an update on the sell-down process, noting that it is anticipated that the closing will occur in February. He explained that in November, the Board adopted a resolution authorizing the sale of closed C-PACE transactions to the Clean Fund. However, staff recommends an amended and restated resolution to provide more clarity about the transaction that was described in detail to the Board in November and has slightly evolved.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board voted unanimously in favor of adopting the following resolution regarding the sale of closed C-PACE transactions:

WHEREAS, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly (the "Act"), CEFIA is directed to, amongst other things, to establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE") and CEFIA established the C-PACE program; and

WHEREAS, the Board of Directors previously passed resolutions authorizing the establishment of a $40 million construction and term loan facility in support of the C-PACE program to fund C-PACE transactions approved at the requisite authorization level by staff, the Deployment Committee or the Board of Directors (the "C-PACE Warehouse Facility"); and

WHEREAS, CEFIA established the C-PACE Warehouse Facility and has closed over $15 million in C-PACE projects; and

WHEREAS, CEFIA staff requests the Board of Directors approve the sale of the first 8 closed C-PACE transactions and up to the next $25 million of C-PACE benefit assessments to the Public Finance Authority which will issue bonds to Clean Fund and CEFIA; and

WHEREAS, the Board of Directors directed staff to sell-down such funded C-PACE transactions to private capital providers in order to continually replenish funding capacity for the C-PACE program on an ongoing basis; and

WHEREAS, staff's request is consistent with CEFIA's comprehensive plan and budget for FY 2014 with respect to anticipated budget investments for the C-PACE program and other program requirements.

NOW, therefore be it:

RESOLVED, that CEFIA's Board of Directors authorizes the sale of the first 8 closed C-PACE transactions and up to the next $25 million of C-PACE benefit assessments to the Public Finance Authority, which will issue bonds to Clean Fund and CEFIA.

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver any contract in furtherance of the sell-down transaction consistent with the Memorandum to the Board of Directors dated November 8, 2013, as updated for the Board of Directors on November 15, 2013 and January 10, 2014.

RESOLVED, that the proper CEFIA 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 affect the above-mentioned legal instrument.

---

7. <u>Institutional Sector Program Updates</u>:

Mr. Brydges reported on the Institutional Sector Program. He noted that the second loan recently closed in the Campus Efficiency Now program, and staff is working with St. Joseph's College and Connecticut College on potential additional projects. Mr. Brydges stated that staff will recommend minor adjustments to the time line for the

Campus Efficiency Now program at the next Deployment Committee meeting. He indicated that more outreach efforts will also be done. Mr. Brydges mentioned that the proposed municipal Solar Lease projects will not close until the 2014 ZREC auction has been completed. Mr. Brydges stated that a potential applicant for a municipal solar lease project requested the modification of existing underwriting criteria to accommodate a ground mounted 650 kW system. Staff is focusing on the Lead by Example projects and is working with the State on the coordination of an approved third-party financing mechanism and agreements. The Board encouraged staff to work with state agencies to enable private capital rather than bonds as the source of funding for state energy performance contracting projects. Mr. Brydges talked about the pipeline of Lead by Example projects.

8. <u>Statutory and Infrastructure Sector Program Updates</u>:

Mr. Hedman discussed the Statutory and Infrastructure Sector Program. He talked about the Anaerobic Digester, Combined Heat and Power ("CHP") and Residential Solar Investment products. He noted the significant increase in projects in the second quarter compared with the first quarter of 2014. Mr. Hedman mentioned that the objectives of the program are to increase demand and reduce system costs. He reviewed the status of the anaerobic digester and CHP projects in the pipeline. Mr. Esty emphasized the importance of these projects and need to recapitalize waste energy infrastructure.

Mr. Garcia reported that overall CEFIA is achieving success and making good progress. He noted the need to focus on origination and customer acquisition. Mr. Garcia mentioned the need to also be more innovative with marketing and to build and connect the different sectors. He indicated the need to add a director or vice president position for marketing. This issue will be discussed further at a future meeting.

9. <u>FY 2013 Annual Report</u>:

Mr. Garcia mentioned that in accordance with Public Act 11-80, CEFIA is required to issue an annual report. He explained that staff is finalizing the annual report and asked the Board to consider authorizing staff to circulate the report by the end of January for comments. Following incorporation of the comments, the Chairperson of the Board together with the Chairperson of the Audit, Compliance and Governance Committee would be authorized to approve the annual report.

> **Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adopting the following resolution regarding the 2013 Annual Report:**

WHEREAS, pursuant to Public Act 11-80, "An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut's Energy Future," Section 99(f)(1), the Clean Energy Finance and

Investment Authority ("CEFIA") Board of Directors ("Board") is required to issue an annual report; and

WHEREAS, the CEFIA Board has approved the Audited Financial Statements and the Federal Single Audit Report of CEFIA for the Fiscal Year Ending June 30, 2013 ("FY13 Audit") at the December 20, 2013 Board meeting.
NOW, therefore be it:

RESOLVED, that the CEIFA Board hereby instructs CEFIA staff to circulate the Fiscal Year 2013 Annual Report to the Board by January 31, 2014 consistent with the FY13 Audit.

RESOLVED, that the CEFIA Board shall provide any comments and revisions to the CEFIA President for incorporation into the Fiscal Year 2013 Annual Report within one week of presentation.

RESOLVED, that the CEFIA Board hereby authorizes the CEFIA Board Chairperson and the Chairperson of the CEFIA Audit, Compliance and Governance Committee to approve the final Fiscal Year 2013 Annual Report.

10. Legislative Proposals:

a. C-PACE and Micro-grids

Mr. Goldberg mentioned that CEFIA is seeking to expand the C-PACE legislation to allow equipment that supports a micro-grid system but is not permanently affixed to qualifying commercial real property to qualify for C-PACE financing. In response to a question, Mr. Hunter indicated that capital partners should be supportive of the change. A discussion ensued on the definition of clean energy, and a suggestion was made to ensure that the language is flexible but also consistent with CEFIA's mission and includes the appropriate elements of clean energy.

b. Connecticut Green Bank

Mr. Goldberg indicated that CEFIA will be seeking legislation to change its name to the Connecticut Green Bank. It was noted that the public is becoming aware of the concept of the "Green Bank."

Upon a motion made by Ms. Glover, seconded by Ms. Ferguson, the Board members voted unanimously in favor of adopting the following resolution regarding the 2014 legislative session:

WHEREAS, the 2014 Connecticut Legislative Session convenes February 5, 2014 and adjourns May 7, 2014 ("2014 Session"); and

WHEREAS, CEFIA staff has presented to the Clean Energy Finance and Investment Authority ("CEFIA") Board of Directors (the "Board") two Agency Legislative Proposals for the 2014 Session.

NOW, therefore be it:

RESOLVED, that the CEFIA Board authorizes and empowers CEFIA staff to submit and present two Agency Legislative Proposals for the 2014 Session related to (1) modifying CEFIA's official name to the "Connecticut Green Bank" and (2) revising the Commercial Property Assessed Clean Energy ("C-PACE") enabling statute to allow equipment that supports a micro-grid system but is not permanently fixed to qualifying commercial real property to qualify for C-PACE financing.

11. Clean Energy Business Solutions—Horizon's Inc.:

Barbara Fernandez from the Department of Economic and Community Development ("DECD") described Horizon's, Inc., a not-for-profit organization that provides job training and placement services for adults with developmental disabilities. She mentioned that the organization is constructing a new building, and a request has been made to CEFIA for Clean Energy Business Solutions financial assistance for a 63 kW solar PV system and 28 ton geothermal system at the new building.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adopting the following resolution regarding Clean Energy Business Solutions financial assistance to Horizons, Inc., South Windham, CT:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver a Clean Energy Business Solutions ("CEBS") financial assistance award of $500,000 to Horizons, Inc. for the construction of clean energy measures at 127 Babcock Hill Road, South Windham, CT.

RESOLVED, that the proper CEFIA 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 instrument not later than three months from the date of this resolution.

12. Officer Salary Range and Compensation Process:

Ms. Smith described the proposed manner in which the annual salaries will be established for the officers of CEFIA for the 2014 fiscal year, as discussed by the Board in December.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted in favor of adopting the following resolution

regarding annual salaries for the officers of CEFIA for the 2014 fiscal year (Ms. Ferguson abstained from the vote):

WHEREAS, pursuant to Section 3.1 of the Clean Energy Finance and Investment Authority ("CEFIA") Bylaws, the Board of Directors (the "Board") shall be responsible for determining or approving compensation for each officer; and

WHEREAS, the Board has approved the salary ranges for the President and Chief Executive Officer, the Executive Vice President and Chief Investment Officer, and the General Counsel and Chief Legal Officer (the "Officers"); ;and

WHEREAS, the annual performance reviews for the Officers are complete.

NOW, therefore, be it:

RESOLVED, that the Board authorizes the Chairperson of CEFIA to establish the specific annual salaries for the 2014 fiscal year for the Officers within the Board approved salary ranges based on the best available market data and the respective annual performance reviews for each Officer.

13. **Adjournment**: Upon a motion made by Mr. Harrity, seconded by Mr. Glover, the Board members voted unanimously in favor of adjourning the January 21, 2014 meeting at 10:56 a.m.

Respectfully submitted,

Catherine Smith, Chairperson

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

On-Bill Repayment Program

A Residential Financing Program

Due Diligence Package

February 28th, 2014

Document Purpose: This document contains background information and due diligence on the Smart-E On-Bill Repayment Program and the organizations involved, including the Connecticut Energy Efficiency Board, United Illuminating, Connecticut Light & Power/Northeast Utilities, Concord Servicing Corporation, and qualified loan originators/financial lending institutions. This information is provided to the CEFIA Deployment Committee for the purposes of reviewing and approving recommendations made by the staff of the Clean Energy Finance and Investment Authority.

Table of Contents

Program Qualification Memo

To: CEFIA Deployment Committee

From: Bert Hunter, EVP and Chief Investment Officer, Brian Farnen, Chief Legal Officer, Kerry O'Neill, Director of Residential Programs, John D'Agostino, Senior Manager, Residential Programs, Alexandra Lieberman, Senior Manager, Clean Energy Finance

Date: February 28th, 2014

Re: Smart-E On-Bill Repayment Program

Summary

In June 2013, the state of Connecticut authorized On-Bill Repayment (OBR) in Public Act 13-298 of the Connecticut General Statutes (see Appendix 1). This legislation empowers the Clean Energy Finance and Investment Authority and the Connecticut Energy Efficiency Board (EEB) to establish an OBR program and CEFIA to administer the program using private capital. OBR allows residential utility customers to repay loans for qualifying energy efficiency and clean energy improvements through a line item charge on their monthly utility bill.

Initially, CEFIA proposes to establish and implement a Smart-E On-Bill Repayment (OBR) program for owner occupied residences of 1-4 units for those homeowners initially located within United Illuminating (UI) and Northeast Utilities/Connecticut Light & Power (NU) service territories. The Smart-E Loan Program uses private capital and was approved by the Deployment Committee on November 30, 2012 (originally called the CT HELPs program at the time). Smart-E OBR would be jointly developed and overseen by CEFIA and the EEB and implemented by CEFIA in conjunction with UI, NU, CEFIA-qualified Smart-E loan originators, and Concord Servicing Corporation, the servicer selected pursuant to an RFP conducted in November 2013.

CEFIA seeks to implement the program in phases, with Smart-E OBR comprising Phase I. Elements of Phase I would include the participation of Smart-E lenders, CEFIA's Smart-E contractor network, and additional OBR definitions of customer eligibility and project technical approval as required by PA 13-298 including 1) a savings-to-investment ratio test to ensure the total energy bill post-upgrade plus the loan payment is lower than the energy bill pre-upgrade; and 2) the loan term does not exceed the useful life of upgrade measures. Smart-E OBR will include a $500,000 timeliness reserve as an added program feature to the Smart-E Loan Program to address payment timing issues that arise from using the utility bill for billing and collections for the loan versus a direct bill from the Smart-E lender.

Smart-E OBR (i.e., Phase I) will operate independently of subsequent program phase developments, whose program guidelines will address the full suite of features enabled by the legislation. Subsequent phases will address 1) the ability for additional financing products to access OBR; 2) provisions in the statute for shutoff for non-payment of the loan; and 3) provisions in the statute for "stay-with-the-meter" or the ability to assign and transfer the OBR obligation to the next owner of the property. These

features require a good deal of stakeholder development to resolve, hence the necessity to implement OBR in phases.

Program Description

This program is intended to attract private capital investment for residential clean energy improvements at low costs and long terms. As outlined in the Comprehensive Energy Strategy, this on bill repayment program supports, but is not limited to, conventional energy efficiency and renewable energy measures, as well as other important technologies like smart meters, natural gas conversions, EV recharging and natural gas fueling stations, combined heat and power (CHP), and healthy home measures (i.e. asbestos removal, lead abatement, mold remediation, roof replacement, etc.).

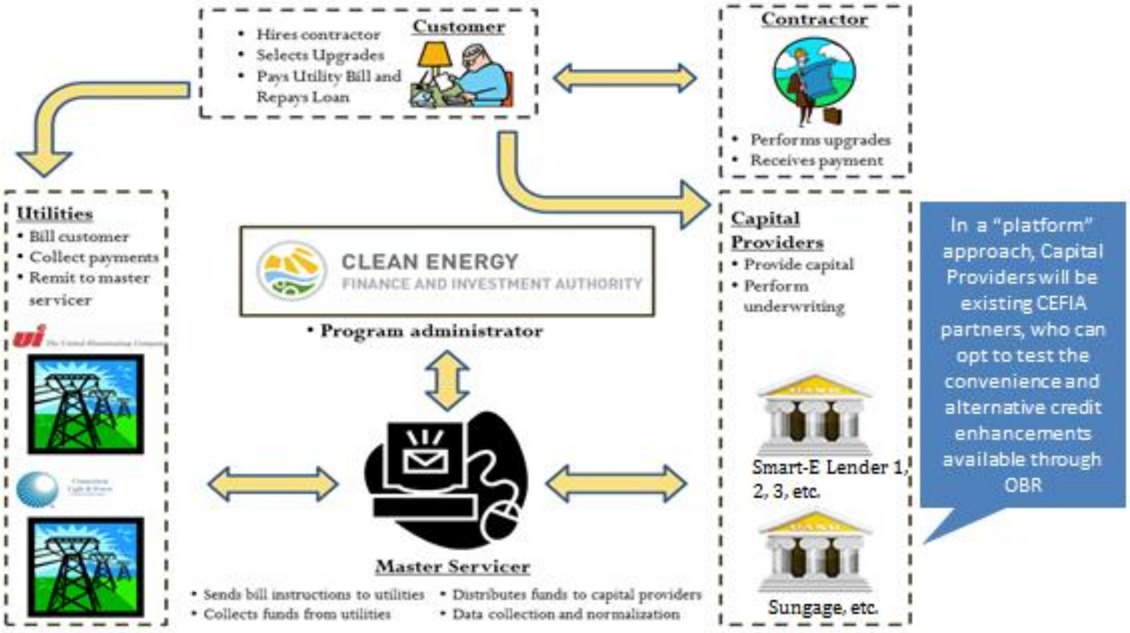
The legislation (see Appendix 1) calls for the inclusion of following features:

- **Collaboration between Funds** – directs CEFIA and the Energy Conservation Management Board (the ECMB also known as the EEB), with the input of the utilities, to develop and implement a comprehensive residential clean energy on-bill repayment program.
- **Attract Private Capital** – directs CEFIA to manage the process of attracting and leveraging third party private capital as the primary source of capital for the on-bill repayment program.
- **Technology Agnostic** – broadens on-bill repayment to encompass not only conservation and efficiency, but also renewables, smart meters and other clean energy technologies that are important in implementing the CES.
- **Delivered Fuels** – allows on-bill repayment billing and collection services to be available without regard to whether the energy or fuel delivered by the utility is the customer's primary energy source.
- **Avoidance of Hardship Statutes** – improved language that emphasizes that any shut-off authority will be subject to the consumer protection limitations set forth in sections 16-262c and 16-262d of the general statutes and the establishment of program guidelines to specifically address the ramifications of on-bill repayment and the potential for disconnection of service on low-income and hardship customers.
- **Tariff and Transferability** –the costs associated with the improvement on the property stays with the property under this model, just as the benefit of lower energy costs stays with the property.
- **Financing Characteristics** – prioritizes clean energy improvements for cost-effectiveness, addresses peak electricity demand, requires savings to investment ratio of greater than one, and that financing term cannot exceed the average expected life of the improvements.
- **Notification Guidelines** –requires the establishment of notice guidelines for the assignment of repayment obligations to subsequent owners of a property.
- **Regulatory Process** – clarifies the Public Utilities Regulatory Authority's ("PURA") oversight and approval process to ensure the program is implemented in a timely basis, including a 90-day review in an uncontested proceeding.

Proposed "Open Access" OBR Platform

CEFIA seeks to establish an "open access" platform for OBR that would allow multiple capital providers with targeted financing products to access on-bill repayment capabilities using monthly utility billing systems. This would be accomplished via a master servicer arrangement managed by CEFIA that would sit between utility billing/collection systems and participating capital providers. In this way, maximum flexibility could be achieved in ultimately supporting a wide range of financing products that would find the security of OBR significant, particularly in offering attractive rates to the market and meeting the diverse needs of the Comprehensive Energy Strategy.

Below is a diagram of how this will work. Note in Phase I/Smart-E OBR only the Smart-E Loan Program and Smart-E lenders would have access to the platform.



<u>Organizations/Roles:</u>

- **EEB**: Development, oversight, and approval of program design and modification.
- **CEFIA**: Development, oversight, and approval of program design and modification. Program administrator.
    - Overall responsibility for program administration
    - Responsible for qualifying financial institutions to participate in Program – limited to Smart-E lenders in Phase 1
    - Responsible for reviewing the technical eligibility of the applicant, including measure eligibility and testing that estimated energy payments after upgrades plus loan payment does not exceed energy payments prior to upgrades
    - Responsible for overseeing eligible contractors in Program – limited to Smart-E eligible contractors in Phase 1
- **Loan Originators/Financial Institutions (FIs)**: The entities involved in reviewing the credit eligibility of the applicant/Utility customer for financing, preparing the customer's financing agreement, and disbursing the loan proceeds.
    - This will be limited to participating Smart-E FIs in Phase I
- **Utilities**: United Illuminating and Connecticut Light & Power/Northeast Utilities
    - Billing and collection of on-bill loan installment charges identified herein and on the Utility customer's bill as "Smart-E Loan"
    - Limited to electric utility companies in Phase 1, even though legislation allow for gas companies to participate (gas company participation to be addressed in subsequent phase)

- **Master Loan Servicer**: master loan servicer responsible for tracking on-bill recovery charges and Smart-E Loan Installment payments. Currently Concord Servicing Corporation, retained by CEFIA in January 2014 after CEFIA Board approval.
  - Concord had previously been involved with the program design of NYSERDA's OBR program and is NYSERDA's master servicer.
  - Responsible for obtaining new loan information from the FIs, notifying utilities of repayment schedule, directing payments received from utilities to FIs, and producing monthly reports for all participants

<u>Smart-E OBR Program Elements</u>

The Smart-E Loan Program was launched in May 2013 by the Clean Energy Finance and Investment Authority and several participating community banks and credit unions in an effort to provide long term, low interest financing to Connecticut residents interested in home energy improvements. The program achieved statewide coverage in November 2013.

As of February 24, 2014, there are nine participating lending institutions with over 130 branches across the state and a network of over 135 trained contractors eligible to provide home energy improvement services to Connecticut homeowners – both of which are expected to increase in FY 2014. Homeowners are able to finance almost any measure that reduces electricity or fuel consumption or increases clean energy production (e.g., renewables, efficiency, or HVAC). Contractors must comply with the efficiency, HVAC, and energy standards criteria for each of the +40 home energy improvement covered by the program.

Smart-E Loan customer and project eligibility requirements of the program include: all projects must be 1-4 unit, owner-occupied properties, customers must meet each lender's credit score (FICO) and debt-to-income (DTI) minimum criteria (programmatic minimum FICO of 640, maximum DTI of 45%), and the property must be the homeowner's primary residence or not used as income property.

Technical approval of Smart-E Loan projects and compliance with State Historic Preservation Office and Waste Management is given by CEFIA via its SimplyCivic platform. Projects must also pass random CEFIA inspections and municipal inspection (as necessary).

The Smart-E Loan terms with incremental OBR requirements are detailed in Appendix 2. A summary of Smart-E OBR specific program features are summarized below:

- The CEFIA approach to OBR is that it is a privilege – Customers always have the option of a direct bill scenario
- Utilities will not be involved with lending process
- CEFIA will work with Smart-E OBR lenders to modify the consumer lending agreement used to include OBR program elements, what triggers an OBR obligation coming off the utility bill (including treatment of late fees in this case), and any necessary consumer disclosures for program
- Customer payments will go to the energy portion of the bill first; when there is a shortfall on the OBR repayment the OBR obligation will be taken off the bill and transferred to the master servicer for direct billing

- Strategies to attract Smart-E lenders to the OBR program will be included to minimize lender risk including use of a master servicer and a timeliness reserve; in exchange CEFIA will seek interest rate concessions for streamlined billing and collections
- Incremental customer and project eligibility
    - No seasonal properties, no other OBR loan currently on the bill, and there will be no late utility payments or deferred payment plans in effect
    - Implementation of additional project screening including 1) a savings-to-investment (SIR) test to ensure that the total estimated energy bills across all fuels *after* OBR financed upgrades PLUS the loan repayment are less than the total energy bills across all fuels *before* the upgrades and 2) a test to ensure the loan term does not exceed the useful life of financed measures
        - CEFIA will work with the EEB and utilities to develop the model assumptions and parameters for the SIR test and measure lives

Strategic Plan

Is the program proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

Yes. Smart-E OBR is simply a repayment option for the Smart-E Loan Program which has already been approved by the Board. The Board approved OBR budget items for consulting services and the master servicer on December 20, 2013.

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the program versus the dollars of ratepayer funds at risk?

As outlined in the November 2012 approval memo for the Smart-E program, given that the funds used for the Smart-E Loan program are for a credit enhancement (i.e., loan loss reserve) from repurposed ARRA-SEP funds from the U.S. Department of Energy and the Connecticut Department of Energy and Environmental Protection, and administered by a third party financier (i.e. CEFIA), the Connecticut ratepayers will not achieve a financial payback for the use of these funds. However, for Smart-E OBR, CEFIA is to provide a Timeliness Reserve of $500,000 which will essentially serve as short-term loans (<60 days) to bridge the time between the remittance of the utility payments and a Customer's due date under their loan with a Participating Lender. The Smart-E program supports CEFIA's strategic goals of leveraging private capital at a rate of 11:1 and will result in energy efficiency upgrades that will save Connecticut homeowners nearly 52,000 MMBtu on an annual basis, as a result of the $600,000 LLR.

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

As noted above, the Timeliness Reserve of $500,000 functions as short-term loans (<60 days) to bridge the time between the remittance of the utility payments and the Customer loan due dates. The Timeliness Reserve will be replenished when the utility remits the customer payment to Concord. In the event that a loan goes delinquent within 60 days, the loan will move off the utility bill into a direct-bill relationship and the Timeliness Reserve will be replenished either from the "retained loss" undertaking by the partner lending institutions or the Smart-E LLR once the "retained loss" thresholds are exceeded.

ARRA-SEP funds for the loan loss reserve ($600,000) will only be expended as loans originated by CEFIA's partner lending institutions enter default and to the extent the "retained loss" thresholds are exceeded. These partner institutions shall be entitled to payment from their loan loss reserve account on unrecovered losses on a loan only after the loan is at least 90 days past due and only after commercially reasonable efforts to collect such loan have been undertaken. Partner lending institutions shall also provide portfolio performance data on a regular basis, which shall include but not be limited to repayment history, delinquencies, bad debts/defaults, etc.

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the program?

CEFIA intends to enter into Professional Service Agreements for consulting services and master servicing arrangements, according to the following schedule:

Wisconsin Energy Conservation Corporation	On-bill repayment program design services	Not to exceed $45k (executed)
Concord Servicing Corporation	Third-party loan servicing provider	Not to exceed $170,128 (in process)

Additionally, the deal structure does not require the expenditure of any additional ratepayer capital – all funds from CEFIA are through repurposed ARRA-SEP funds. The $600,000 loan loss reserve and $500,000 Timeliness Reserve will remain as accounts on CEFIA's books, to be released in the case of LLRs only once a threshold of defaulted loans has been passed and in the case of timeliness payments only for short term advances to partner lending institutions until the utility remits customer payment to Concord. Total expenditures will thus range between $0 (with no defaults) to $600,000 (with all funds drawn down at a greater than 10.8% default rate) since, as noted, the Timeliness Reserve will be replenished either from the "retained loss" undertaking by the partner lending institutions or the Smart-E LLR.

Risk

What is the maximum risk exposure of ratepayer funds for the program?

The maximum risk exposure CEFIA faces for this program is the budget for master servicer and consulting services plus the same risk in the Smart-E Loan program without an OBR option: a complete loss of the LLR amount of $600,000 (all ARRA-SEP funds), which would only occur under a heavily stressed scenario of total portfolio losses greater than 10.8%. Looking at other energy efficiency financing programs around the country, similar financing programs are experiencing low default rates, no matter their structure[1]:

Program	Mass Save HEAT Loan	Michigan Saves	Clean Energy Works Oregon
Program start	2006 (IRB began in Fall	Oct-2010	Aug-2009 (Pilot)

[1] http://hdf-ct.org/PDFs/EnergySmartSolutionsMegacommunitiesStakeholderReport.pdf (pp. xxxi and xxxiv)

	2010)		Feb-2010 (OBR) Aug-2011 (Direct Loan)
Loan volume	3,371 loans, $30.4 MM financed	About 1,700loans, $13.5 MM financed	2,000+, about $20 MM financed
Interest rates	0% for residential loans	6.99% 1.99% origination fee required by Michigan Saves	Between 5.25%-5.99% depending on lender and geographic region $125 flat fee for OBR projects currently paid by CEWO
Default rates	Less than 1%	Less than 1%	Less than 1%

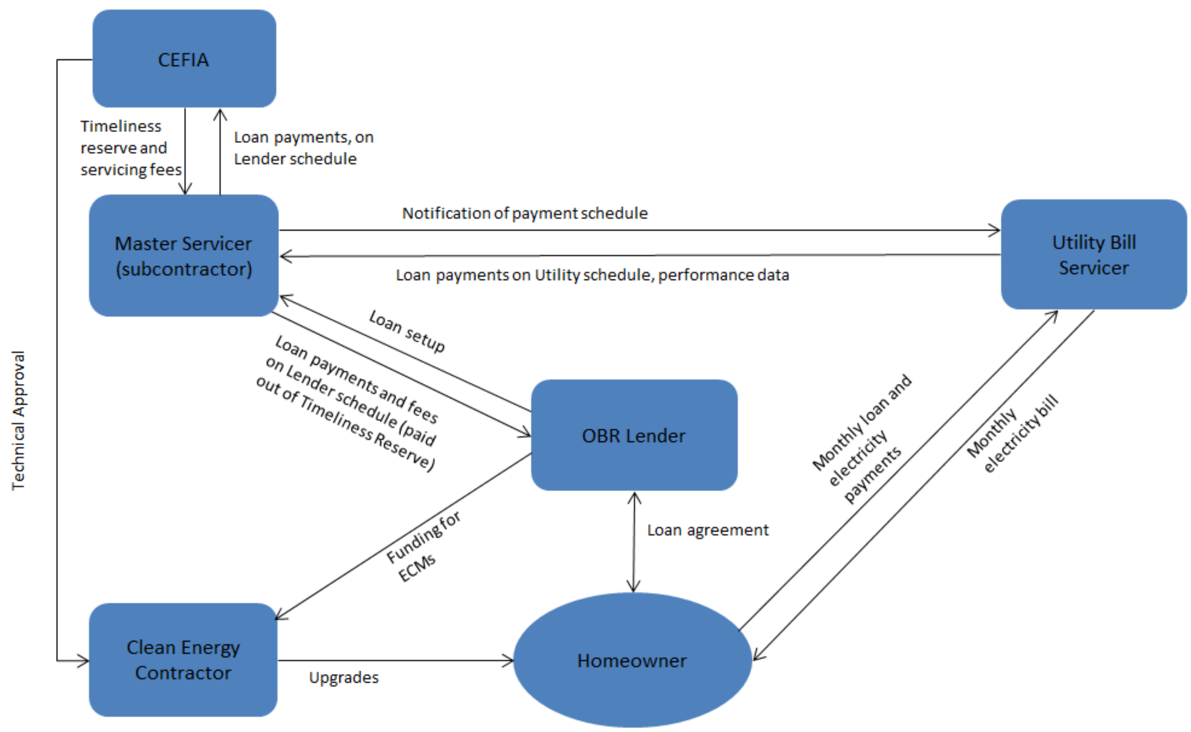
Because the Timeliness Reserve is replenished when the utility remits customer payments to Concord or, in the event of a default, from the "retained loss" undertaking by the partner lending institutions or the Loan Loss Reserve, CEFIA does not gain additional risk exposure by establishing this additional reserve.

Financial Statements

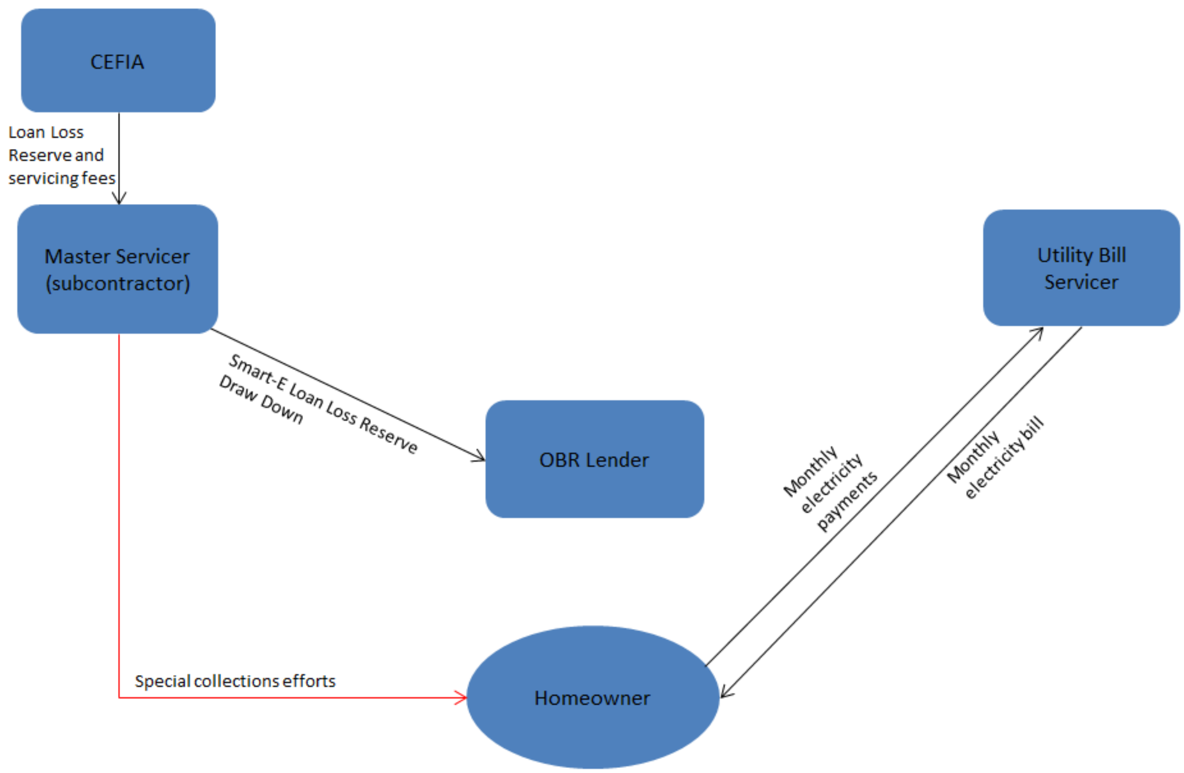
How is the program investment accounted for on the balance sheet and profit and loss statements?

As a loan loss reserve program (including the Timeliness Reserve), the Smart-E investment will sit on the CEFIA balance sheet as a noncurrent asset. Since CEFIA will not be participating in any loans originated under this program, Smart-E will not appear as a line-item on any profit and loss statements. Any use of the loan loss reserve funds would reduce the noncurrent asset account (restricted cash) with a corresponding reduction to restricted net assets.

Capital Flow Diagram



In the event that the loan payment becomes delinquent, the obligation will come off the bill, and become a "regular" Smart-E Loan, with access to the Smart-E Loan Loss Reserve, direct-billed by Concord, the master servicer, shown below.



Note that some lenders may choose to do the special servicing themselves, and CEFIA is leaving this option open.

Target Market

Who are the end-users of the program?

Smart-E OBR's target market is consistent with the target market outlined in the program memo approving the Smart-E program in November 2012. Through December 31, 2013 participating Smart-E Lenders had approved, closed or funded 100 loans for $1.18 million of principal balance. In line with the State's Comprehensive Energy Strategy, the Smart-E program aims to deploy affordable financing solutions and targeted, community-based and data-driven marketing to propel significant growth in the number of homeowners across the state who choose to upgrade their residences' energy efficiency on an annual basis. The Department of Energy and Environmental Protection asked CEFIA to investigate on-bill repayment with private capital as a sustainable financing strategy in November 2012. Estimates for the number of households and capital needs for energy efficiency improvements, natural gas conversions, and solar PV, commensurate with the goals of the Comprehensive Energy Strategy are:

- Enable energy efficiency improvements for at least 15% of single family homes in the state by 2020 – approximately 150,000 homes at $10,000 to achieve 20% energy reduction would require an investment of $1.5 billion
- Support the conversion from oil to natural gas for at least 200,000 households in the state in 8 years – at $7,500 for an average cost of conversion with equipment for an estimated investment of $1.5 billion

- Estimate potential market of over 150,000 households to install solar PV in the state – at an average cost of $27,000 per system would require an investment of $4.0 billion

CEFIA Role, Financial Assistance & Selection/Award Process

CEFIA's role will be that of program administrator. CEFIA will have overall responsibility for program administration, including, but not limited to, qualifying financial institutions to participate in on-bill repayment (limited to existing Smart-E lenders for Phase I), reviewing technical eligibility of all applicants, including measure eligibility and bill neutrality of upgrades, and oversight of program eligible contractors.

Concord Servicing Corporation, the CEFIA on-bill repayment master loan servicer was approved by the Board on December 20, 2013.

Program Partners

Please see "Organizations/Roles" under the section entitled: "Program Description" above.

Risks and Mitigation Strategies

Underwriting risk: The Smart-E term sheet (found in Appendix 2) reflects several strategies to mitigate underwriting risk arising from the Smart-E program:

1) Lenders can only loan to borrowers with a FICO score greater than or equal to 640;
2) Loans to borrowers with FICO scores lower than 680 can constitute no more than 20% of each credit union's portfolio;
3) Lenders are not able to draw down from the loan loss reserve until they have experienced losses of at least 3.0% of the 640 - 679 scored portion of their loan portfolio, and at least 1.5% of the 680+ scored portion of their loan portfolio. This aligns their interests with CEFIA's to ensure strong underwriting standards.

Origination risk: The Smart-E program incentivizes homeowners towards fuel switching and deeper retrofits by partnering with local contractors. There is a risk that because Smart-E does not subsidize energy efficiency improvements as generously as other programs currently available in the market, consumers will choose not to make use of the financing offered through the program. Partnering with statewide contractors and local lenders, and providing contractor progress payments is CEFIA's strategic response to this risk.

In addition, as part of the statewide EnergizeCT marketing campaign, the Smart-E program has the full support of State government, which will be dedicating resources to this effort and should help instill trust and drive uptake.

CEFIA may encounter challenges in attracting Smart-E lenders into the Smart-E OBR program, due to the unique nature of OBR (especially the utility handling billing and collections via a master servicer) and the stringent risk and compliance environment lenders currently operate in. CEFIA believes that the addition of a timeliness reserve, the SIR test, and the national reputation of Concord, the master servicer, will be strong enough mitigating factors to attract lenders into the program.

As a program with joint development and oversight, the EEB must vote on Smart-E OBR. The Public Utilities Regulatory Authority must approve elements of Smart-E OBR and must also approve cost recovery for the utilities' implementation and administration of Smart-E OBR, per legislation. A collaborative approach to development of Smart-E OBR has been undertaken to mitigate potential risks with EEB and PURA approval.

Operations Risk: All prospective energy upgrades will be subject to a savings-to-investment ratio (SIR) test to assure validate that the savings yielded by the proposed upgrades meet or exceed the cost of financing those improvements. The SIR test will also confirm that the cost of financing such improvements do not exceed the life of the economic benefits yielded by those measures.

Customers who miss or are short on a monthly loan payment will be taken into a direct billing arrangement with Concord.

Issues Raised: Full implementation of OBR in later phases includes shutoff provisions and transferability. We are aware of EEB member and utility concerns with shutoff associated with an OBR obligation and EEB concerns with disclosure requirements on transferability. Considerable stakeholder discussions will be required to develop program guidelines for subsequent phases.

Operating Procedures

Operating procedures already exist for the Smart-E Loan Program and will be modified for the OBR option. In conjunction with the EEB, the utilities, Concord and Smart-E lenders, detailed program guidelines for Smart-E OBR are in development for the following processes:

A. New FI process
B. New loan process – FI/CEFIA/Master Servicer
C. New loan process – Master Servicer/Utility
D. Utility payment processing and remittance
E. Late loan payment charges
F. Deferred utility payment arrangement
G. Treatment of primary heating expense for energy assistance programs and matching payment program
H. Utility account closure
I. Partial loan satisfaction
J. Full loan satisfaction
K. Bill presentation
L. Arrears uncollectible by law
M. Direct bill process
N. FI credit enhancement processes
O. Reporting
P. Complaint handling billing adjustment
Q. Utility customer billing and payment history
R. Change Process

Resolutions

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80, "AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT'S ENERGY FUTURE," which created the Clean Energy Finance and Investment Authority (CEFIA) to develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in CGS Section 16-245n(a);

WHEREAS, in November of 2012, the Commissioner of the Department of Energy and Environmental Protection (DEEP) and Co-Chair of the Energy Efficiency Board (EEB) requested that CEFIA investigate establishment of an on-bill program for residential customers that uses low-cost private capital to finance energy efficiency, heating equipment upgrades or conversions, and renewable energy improvements;

WHEREAS, in February of 2013, the DEEP released the Comprehensive Energy Strategy (CES) for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program and the development of an on bill repayment program for residential customers with a utility shutoff provision for failure to make loan repayments;

WHEREAS, in May of 2013, CEFIA launched the Smart-E Loan program, statewide as of November 2013, with 9 credit unions and community banks providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES. The Smart-E Loan uses $2.8 million of repurposed ARRA-SEP funds to attract nearly $30 million of private investment from local financial institutions;

WHEREAS, in July of 2013, the Connecticut General Assembly passed Public Act 13-298, AN ACT CONCERNING IMPLEMENTATION OF CONNECTICUT'S COMPREHENSIVE ENERGY STRATEGY AND VARIOUS REVISIONS TO THE ENERGY STATUTES," which charges CEFIA and the EEB, in consultation with the utilities, to develop a residential on-bill repayment program financed by third-party private capital and managed by CEFIA;

WHEREAS, such residential on-bill repayment program shall be developed by April 1, 2014 and are subject to review by Public Utilities Regulatory Authority's ("PURA") through an uncontested proceeding in regards to (1) the ramifications of on-bill repayment and the risks associated with disconnection of service of low-income and hardship customers, (2) transferability and stay with the meter guidelines and related notice guidelines, and (3) the ability for a customer to utilize the on–bill repayment program regardless of whether the energy or fuel delivered by the utility is the customer's primary energy source;

WHEREAS, in December of 2013, CEFIA approached the EEB to jointly develop the residential on-bill repayment program in consultation with the utilities; and

WHEREAS, CEFIA and the EEB are undertaking a multi-phase process to develop and implement the on-bill repayment process to leverage current utility capabilities and enter the market quickly with an on-bill option for Smart-E, while taking needed time to develop guidelines for a full implementation of the statutory requirements set forth in Public Act 13-298.

NOW, therefore be it:

RESOLVED, that the Deployment Committee hereby recommends to the CEFIA Board of Directors approval of the Phase One Smart-E On-Bill Repayment program materially consistent with this On-Bill Repayment Program Due Diligence Package dated February 28, 2014; and

RESOLVED, that the Deployment Committee hereby directs CEFIA staff to develop the subsequent on-bill repayment phases for the Deployment Committee's review and subject to CEFIA Board of Directors approval and such phases shall incorporate all program features of Section 58 of Public Act 13-298, which includes (1) the ramifications and the risks associated with disconnection of service (*i.e.* shutoff), (2) transferability and stay with the meter guidelines, and (3) the ability for a customer to utilize the on–bill repayment program regardless of whether the energy or fuel delivered by the utility is the customer's primary energy source.

Program Implementation Plan

Human Resources

Existing Residential Sector and Finance staff are sufficient to implement Phase I of the program.

Financial Resources

FY14 approved budget is sufficient for Phase I and subsequent resources will be accounted for in the proposed FY15 budget.

Metrics, Targets, Measurement, Verification & Reporting

Phase I/Smart-E OBR builds off of metrics, targets, etc. from the Smart-E Loan program, which was approved by the CEFIA Board in November 2012.

Metrics:

- Ratio of private to public capital leveraged
- Annual fuel savings for homeowners
- Annual dollar savings for homeowners
- Number of loans originated
- Loan repayment / default rates

Smart-E OBR Targets:

Smart-E OBR Account Estimates	**TOTAL YR 1**	**TOTAL YR 2**	**TOTAL 24 MTHS**
New loans	299	765	1064
- Cancelled/Rescinded/Upgraded/Paid-In-Full "CRUP" accounts (assumes .5% monthly)	*6*	*40*	*47*
Net Accounts	293	725	1017
Net Accounts (Monthly Average)	*107*	*667*	*391*

CEFIA will collect data on the following:

- Loan acceptance and declination rate
- Average loan size
- Loan performance
- Installed measures and costs
- Actual energy savings

CEFIA will work with the EEB on any OBR specific evaluations needed.

Appendix 1

Section 58 of Public Act 13-298

Sec. 58. (NEW) (Effective from passage) (a) For purposes of this section, (1) "clean energy improvements" means improvements from the installation of clean energy, as defined in subsection (a) of section 16-245n of the general statutes, and shall include smart meters, provided such improvements are applicable to a residential dwelling unit of a customer of an electric distribution company or gas company, and (2) "electric distribution company" and "gas company" have the same meanings as provided in section 16-1 of the general statutes, as amended by this act.

(b) On or before April 1, 2014, the Energy Conservation Management Board and the Clean Energy Finance and Investment Authority, in consultation with the electric distribution companies and gas companies, shall establish a comprehensive residential clean energy on-bill repayment program financed by third-party private capital managed by the Clean Energy Finance and Investment Authority. Such program shall have the following features:

(1) To establish a process for qualifying clean energy improvements;

(2) To prioritize clean energy improvements for cost-effectiveness;

(3) To reduce peak electricity demand;

(4) To assist customers of electric distribution companies or gas companies in accessing incentives, other cost savings and financing for clean energy improvements, including natural gas furnaces or boilers that meet or exceed federal Energy Star standards and propane and oil furnaces and boilers that are not less than eighty-four per cent efficient;

(5) To identify knowledgeable contractors for installation of clean energy improvements and to ensure successful installation of such improvements;

(6) To finance clean energy improvements to the extent the tenor of such financing repayment does not exceed the average expected life of such improvements;

(7) To provide that the repayment amount plus the anticipated periodic customer bill after installation of the clean energy improvements does not exceed the anticipated periodic bill for electric or gas service without installation of such improvements, including no energy savings improvements;

(8) To authorize the disconnection for nonpayment by the customer of any financing repayment amount, except during the pendency of any complaint, investigation, hearing or appeal challenging the on-bill repayment loan, terms, accuracy or related matters, with any on-bill repayment amount treated as part of the customer's utility account subject to the protections provided in sections 16-262c, 16-262d, 16-262g to 16-262i, inclusive, and 16-262x of the general statutes;

(9) To establish program guidelines to address the ramifications of on-bill repayment and the risks associated with disconnection of service of low-income and hardship customers;

(10) To provide the assignment of repayment obligations to subsequent owners of the dwelling unit upon the development by the Energy Conservation Management Board and the Clean Energy Finance and Investment Authority of timely written notice guidelines to subsequent owners, except on-bill repayment amounts may not be directly charged to a tenant of a dwelling unit by a utility company

pursuant to section 16-262e of the general statutes or a receiver pursuant to sections 16-262f, 16-262t, 47a-14h and 47a-56a to 47a-56k, inclusive, of the general statutes; and

(11) To provide that the on-bill repayment billing and collection services shall be available without regard to whether the energy or fuel delivered by the utility is the customer's primary energy source.

(c) The guidelines for the comprehensive residential clean energy on-bill repayment program pursuant to subdivisions (9) to (11), inclusive, of subsection (b) of this section shall be subject to review and approve by the Public Utilities Regulatory Authority, which review shall commence upon filing such guidelines with the authority and the review shall be deemed complete not later than ninety days after such filing. Such review shall be conducted in an uncontested proceeding.

(d) On-bill repayment for any loan that is part of the comprehensive residential clean energy on-bill repayment program established pursuant to this section and utilized to improve efficiency or clean energy improvements for provision of heat to a dwelling unit shall be treated as part of the primary heating expense for the customer for purposes of (1) any energy assistance program funded or administered by the state or under any plan adopted pursuant to section 16a-41a of the general statutes, and (2) any matching payment program plan pursuant to subdivisions (4) to (6), inclusive, of subsection (b) of section 16-262c of the general statutes.

Appendix 2

Smart-E Loans– OBR Option

SUMMARY OF TERMS

Highlighted Terms Represent OBR Additions

Purpose of the Structure:	To provide financing for Eligible Improvements for Residential Consumer Borrower loans underwritten by individual Lenders through the Smart-E Loans Program and secured and billed through an obligation on the customers' utility bills.
Parties	
Program	Smart-E Loans Program – OBR Option
Borrower	Individual Homeowners Installing Energy Efficient Measures pursuant to Home Energy Solutions (HES) Audit, HPwES or equivalent; and other agreed measures including oil-to-gas heating conversions, solar hot water and solar PV
Lender	Community Banks and Credit Unions
Sponsors	
EEB	Development, oversight, and approval of program design and modification
CEFIA	Development, oversight, and approval of program design and modification; Credit Enhancement Provider; Program Administrator
Utilities	Billing and collection of on-bill loan installment
Contractor	1) Insured Home Energy Solutions and Home Performance with Energy Star approved program vendors, Buildings Performance Institute certified staff or contractor on the job, or other appropriately licensed and insured contractor that is a registered home improvement contractor with the Connecticut Department of Consumer Protection 2) CEFIA approved installers of solar PV and solar hot water systems, as well as ground source heat pumps and other relevant technologies
Credit Enhancement	
Timeliness Reserve	CEFIA will establish a $500,000 Timeliness Reserve to match the Lenders' repayment schedule with the Utilities' billing and collections schedule and to allow for set-up and lead time once a loan goes into repayment.
Master Servicing	CEFIA has established a relationship with a Master OBR Servicer to serve as the interface between the Utilities' and Lenders' billing and collections. The

Master Servicer will engage in tracking and reporting loans, administering the Timeliness Reserve, and engaging in special collections and disbursement of the Loan Loss Reserve in the event of default. **Lenders may have the option of engaging the customer in direct-bill and special collections in the event of a default if they chose not to use the Master Servicer for any reason.*

Loan Loss Reserve

CEFIA will offer "loan loss" protection on a pool basis, determined as follows: Every loan booked by the Lender will earn a credit to a loan loss reserve account held by CEFIA from two risk baskets:

Applicant FICO Score	
(1) 680 & up	7.5% of each loan
(2) 640-679	15% of each loan (no more than 20% of all loans in the Lender's portfolio) Note – any loans in excess of the 20% limit will accrue credits to the loan loss reserve account at the rate of 7.5%

Use of the Reserve

Following the usual and customary loan collection process and upon being classified by the Lender as "uncollectible," the Lender will submit evidence to CEFIA that it has experienced an uncollectable loan and that it requests reimbursement from the Loan Loss Reserve. CEFIA will then pay the Lender:

After experiencing in respect of the Lender participant a loss in excess of:
(a) in the case of 640-679 Loans, 3.0% of the portion of the portfolio of these loans; and
(b) in the case of 680 & up Loans, 1.5% of the portfolio of these loans

100% of the principal balance of the loss, up to the amount standing to the account.

If the Loan Loss Reserve is depleted, the Lender may withdraw subsequent credits to their account as new loans are booked.

Any subsequent recovery on the loan will be shared in proportion to the loss taken.

Funding Allowance

To encourage the Lending Institution to make Program Loans with longer term maturities, upon the written request of the Lending Institution, CEFIA shall make interest bearing deposits on a monthly basis equal to fifteen percent (15%) of the principal balance outstanding of such Program Loans having an original maturity in excess of 120 months and a remaining maturity of not less than eighty four months with the Lending Institution. The rate of interest that would be applied would be the same as that offered to the other depository customers for such dollar amount deposited. Any such deposits with the Lending Institution shall be insured by the National Credit Union Administration Share Insurance fund or the FDIC and the total amount of such deposits by CEFIA with the Lending Institution shall not exceed $250,000.

LOAN REQUIREMENTS

Loan Product Details	**Structure/Minimum Standards**
Loan type	Unsecured
Program Contractor	Program Contractors are defined as: 1. Home Energy Solutions contractors, 2. Home Performance with ENERGY STAR contractors, 3. Building Performance Institute contractors, or other appropriately licensed and insured contractor, that are registered home improvement contractors with the Connecticut Department of Consumer Protection, 4. or any other Connecticut utility or CEFIA authorized contractor.
Eligible improvements	(1) Residential "Clean Energy" improvements as defined by Connecticut General Statutes Section 16-245n Sec. 99, (2) Listed as categorically excluded from the National Environmental Protection Act and eligible activities under the American Recovery and Reinvestment Act of 2009 through the State Energy Program, and (3) Recommended by a Program Contractor. Savings-to-Investment Ratio, as estimated by a pre-approved technical tool, must be >1 considering energy bills from all fuels pre- and post-upgrades and inclusive of the loan repayment. The useful life of any upgrade measure cannot exceed the loan term.
Additional Improvements	20% of the loan amount may be used for related residential construction and home improvements
Loan amounts	Preferred Program Range: $3,000 (minimum) to $25,000 (maximum) Lenders can offer loan amounts lower than $3,000 and/or higher than $25,000 (up to $45,000) subject to CEFIA approval.
Loan term	For all loan amounts: up to 144 months.
Loan rates	(Not to exceed) 5 Years - 4.49% 7 Years - 4.99% 10 Years - 5.99% 12 Years - 6.99% Lending Institutions may offer rates below those shown. Fixed rate with no prepayment penalty.

	For the OBR option, CEFIA will expect to see rates initially come down between 25-50 basis points, due to the billing and collections responsibilities incurred by the utilities and the responsibilities incurred by the Master Servicer.
Eligible properties	Single-family (1-4 unit) homes, primary residence or not used as income property, no seasonal properties allowed. Must not have an existing OBR loan/installment payment currently on the utility bill or be in a utility deferred payment agreement.
Minimum FICO (credit score)	Minimum 640 680 and Above – **CLASS A LOANS** 640-679 – **CLASS B LOANS** Class B Loans limited to 20% of all loans issued by the Financial Institution
Bankruptcy, foreclosure, repossession	None in last 7 years
Unpaid collection accounts	Judgment of Lending Institution No current delinquent utility bills
Judgments and tax liens	Must be paid or in repayment
Income verification requirements	Subject to Lending Institution's usual underwriting requirements Required for maturities >84 months
Salaried employment income	One pay stub with YTD earnings dated within 30 days of the application.
Retirement income	* Award/benefit letter for SSI or pension showing income amount, payment frequency, and start and end dates or * A copy of a bank statement showing direct deposit of retirement income.
Self-employment income	Two most recent federal income tax returns (first two pages of 1040) plus Schedule C, if applicable.
Other income (if applicable)	When income other than primary income is being used to qualify for the loan, such as rental, alimony, or investment income, verification is required.
Debt to Income Ratio	
Total monthly obligations	* Any loan that has a remaining term of less than six months may be excluded from the calculation. * When revolving accounts do not show a minimum payment, use the greater of 3% per month or $10. Real estate taxes and homeowners insurance (if not included in the mortgage payment) must be included in ratio.
Application Processing and Loan Closing	
Application	* The Lending Institution shall establish and implement a loan application intake system. The Lending Institution shall provide Customers the option to apply for the loans using an application form, via the Lending Institution's website (if available), or by

	telephone. * Once a Customer's Application is complete, the Lending Institution shall either approve or deny the application within [three] business days. *If the Program Loan is approved and accepted by the Customer, Lending Institution shall make available a closing date for the Program Loan within [five] business days.
Total monthly obligations to total monthly income	All qualifying FICO scores – 45% or less

LENDING INSTITUTIONS MAKE ALL FINAL UNDERWRITING DECISIONS. LOANS MAY BE APPROVED, DECLINED, OR SUBJECT TO FURTHER REVIEW IF UNDERWRITER DETERMINES THAT FICO SCORE OR OTHER FACTORS ARE INCONSISTENT WITH ACTUAL CREDIT PROFILE.

Holland & Knight

31 West 52nd Street | New York, NY 10019 | T 212.513.3200 | F 212.385.9010
Holland & Knight LLP | www.hklaw.com

Stephen J. Humes
(212) 513-3473
steve.humes@hklaw.com

Memorandum

Date: February 25, 2014

To: Brian R. Farnen

From: Stephen J. Humes and Tiana M. McLean

Re: *Clean Energy Finance and Investment Authority - Proposed On Bill Repayment Program - Public Act 13-298's Shut-Off Procedures Guidance*
Our Reference No.:133333-00001

Attorney-Client Privileged and Confidential

The Connecticut legislature has tasked the Clean Energy Finance and Investment Authority ("CEFIA") with designing and managing a residential on-bill repayment ("OBR") program for financing renewable energy improvements, pursuant to Public Act 13-298, *An Act Concerning Implementation of Connecticut's Comprehensive Energy Strategy and Various Revisions to the Energy Statutes*. CEFIA is required to propose OBR program details to the Public Utilities Regulatory Authority ("PURA") by April 1, 2014. CEFIA has asked us to advise as to whether Public Act 13-298 provides clear guidance with respect to shut-off procedures as a result of non-payment for OBR customers.

Public Act 13-298 Clearly and Unambiguously Provides that Shut Off Procedures Are <u>Features to Be Included in an On-Bill Repayment Program</u>

Public Act 13-298 (b) provides in pertinent part:

> On or before April 1, 2014, the Energy Conservation Management Board and the Clean Energy Finance and Investment Authority, in consultation with the electric distribution companies and gas companies, *shall* establish a comprehensive residential clean energy *on-bill repayment* program financed by third-party private capital managed by the Clean Energy Finance and Investment Authority. Such program *shall* have the following features:
>
> (8) To authorize the disconnection for nonpayment by the customer of any financing repayment amount, except during the pendency of any complaint, investigation, hearing or appeal challenging the on-bill repayment loan, terms, accuracy or related matters, with any on-bill repayment amount treated as part of the customer's utility account subject

> to the protections provided in sections 16-262c, 16-262d, 16-262g to 16-262i, inclusive, and 16-262x;
>
> (9) To establish program guidelines to address the ramifications of on-bill repayment and the risks associated with disconnection of service of low-income and hardship customers. . . .

C.G.S.A. P.A. 13-298 § 58 (Emphasis added).

The United States Supreme Court and the Connecticut Supreme Court have held and the Connecticut statute provides that "[t]he plain meaning of legislation should be conclusive, except in the rare cases [in which] the literal application of a statute will produce a result demonstrably at odds with the intentions of its drafters." *U.S. v. Ron Pair Enterprises, Inc*,, 489 U.S. 235, 242-43, 109 S. Ct. 1026 (1989); *Office of Consumer Counsel v. Dep't of Public Utility Control*, 246 Conn. 18, 29, 716 A.2d 78 (Conn. 1998); C.G.S.A. § 1.2z ("The meaning of a statute shall, in the first instance, be ascertained from the text of the statute itself and its relationship to other statutes. If after examining such text and considering such relationship, the meaning of such text is plain and unambiguous and does not yield absurd results, extratextual evidence of the meaning of the statute shall not be considered.").

To construe the meaning of a statue, a Connecticut court first references the words of the statute. *Lunn v. Cummings & Lockwood*, 56 Conn. App. 363, 371-72, 743 A. 2d 653 (Conn. App. Ct. 2000). Where the language of the statute is clear and unmistakable, construction is prohibited and legislative intent is conclusively established by the statute's plain meaning. *Caltabiano v. Planning and Zoning Comm'n*, 211 Conn. 62, 666, 560 A.2d 975 (Conn. App. Ct. 1989) ("When the words of a statute are plain and unambiguous, we need look no further for interpretive guidance because we assume the words themselves express the intention of the legislature."); *Peabody N.E., Inc. v. Dep't of Transp.*, 250 Conn. 105, 122, 735 A.2d 782 (Conn. 1999) ("The words of a statute are to be given their commonly approved meaning unless a contrary intent is clearly expressed.") (internal quotations omitted).

Here, the statutory language is clear. In Public Act 13-268, the legislature plainly indicates that an OBR program should include provisions that both permit disconnection for nonpayment and that advise OBR customers about the risks of disconnection for non-payment of payments associated with enrollment in the OBR program. Accordingly, CEFIA, the electric distribution companies, the Public Utilities Regulatory Authority and the Office of Consumer Counsel should work together to implement shut-off procedures as part of the OBR program that will be in line with the existing statutory protections for customers with respect to disconnection procedures on account of non-payment.[1] In Public Act 13-268, the legislature addressed the wide-ranging concerns of utility disconnection procedures for customers by explicitly stating that OBR customers should be provided with adequate notice of "the risks associated with disconnection of service." The legislature clearly and unambiguously contemplated shut-off procedures as part of an OBR program.

[1] Public Act 13-268 specifically references the various Connecticut statutes related to the termination of utility service for nonpayment.

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

CHIF Multifamily Permanent Energy Loan Program

An Affordable Multifamily Property Financing Program

Due Diligence Package

February 28, 2014

Document Purpose: This document contains background information and due diligence on the CHIF Multifamily Permanent Energy Loan Program and the organizations involved, including the Connecticut Housing Investment Fund and the Opportunity Finance Network. This information is provided to the CEFIA Deployment Committee for the purposes of reviewing and approving recommendations made by the staff of the Clean Energy Finance and Investment Authority.

In some cases, this package may contain among other things, trade secrets, and commercial or financial information given to the Clean Energy Finance and Investment Authority in confidence and should be excluded under C.G.S. §1-210(b) and §16-245n(D) from any public discourse under the Connecticut Freedom of Information Act. If such information is included in this package, it will be noted as confidential.

Program Qualification Memo

To: CEFIA Deployment Committee

From: Ben Healey, Kim Stevenson, Kerry O'Neill, and Bert Hunter

Date: February 28, 2014

Re: CHIF Multifamily Permanent Energy Loan Program

Summary

The CHIF Multifamily Permanent Energy Loan Program ("MPEL") has been proposed to CEFIA by the Connecticut Housing Investment Fund ("CHIF") in response to an emerging recognition that numerous multifamily properties that receive electric and gas utility incentives for energy upgrades do not move forward with projects due to a gap between the amounts of incentive provided and the costs of the recommended upgrades. Under the MPEL, CHIF will bridge that gap by providing low-cost, long-term financing supported by a CEFIA loan loss reserve ("LLR"). This innovative program will enable CEFIA to leverage a $300,000 credit enhancement mechanism, using repurposed ARRA-SEP funds or ratepayer dollars, to support an initial pool of $1,000,000 in third party capital, with the expectation that CHIF and CEFIA will work together to source at least $3,000,000 more in private investment for this program over the coming year. CHIF will administer the fund with the purpose of originating, underwriting, and servicing unsecured energy upgrade loans for affordable multifamily properties in Connecticut, contingent upon those loans meeting an Energy Savings Coverage Ratio ("ESCR") of at least 1.2x annual debt service, among other underwriting criteria. The target properties for this financing are those with at least 60% of the units affordable to households at no higher than 80% of Area Median Income ("AMI").

Program Description & Objectives

Through the MPEL program, unsecured loans not to exceed a maximum funding amount of $750,000 per project will be provided at an annual interest rate of about 6.00% to Partnerships, Trusts, LLCs, Sole Proprietorships, Public Housing Authorities and 501(c)3 non-profit corporations, as well as project sponsors, to finance comprehensive energy audits and upgrades. Eligible upgrades will include all measures covered by utility company incentives outlined in specific Letters of Agreement ("LOAs"), as well as measures currently eligible under CEFIA's Smart-E and C-PACE programs. Additionally, related health and safety measures will also be eligible for funding under this program, up to 25% of loan proceeds.

The Opportunity Finance Network (OFN) will provide $1.0M of capital into the fund, using dollars sourced through an investment by Bank of America. Based on CHIF's positive, pre-existing relationships with community banks and other capital providers, CEFIA and CHIF will work together to raise an additional $3,000,000 for this program, potentially including $1,000,000 in CEFIA ratepayer capital, after approval of this initial credit enhancement.

The MPEL Program and its pool of funds will be housed within CHIF. CHIF will manage the fund and market, underwrite, close, and service the loans; furthermore, CHIF will develop specific underwriting and approval procedures for loans advanced from the fund, materially in agreement with the term sheet found in this diligence memo. CHIF's underwriting guidelines, and any changes to them, will be subject to CEFIA's approval.

Strategic Plan

Is the proposed project consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

CEFIA's Board of Directors has directed staff to develop financing programs focused on the challenge of achieving energy upgrades in the state's affordable multifamily housing stock. The MPEL program falls under that directive.

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the project versus the dollars of ratepayer funds at risk?

Staff expects that investments made under this program will deliver results comparable to the energy saved / clean energy produced per dollar under the C-PACE program. Based on C-PACE results thus far, savings and generation data for $1,000,000 in loans suggests lifetime savings for this program of about 21,000 MMBtu from energy efficiency projects and just under 2,000 MWh of clean energy generation. This will be a matter of ongoing measurement and tracking, most likely using the WegoWise software platform developed by affordable multifamily energy experts New Ecology, Inc. ("NEI"). NEI will also likely serve as a partner in this initiative, assisting CHIF in the technical underwriting of projects to ensure an ESCR greater than 1.2x.

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

ARRA-SEP or ratepayer funds for the LLR ($300,000) will only be advanced to CHIF if and when loans originated under the MPEL Program enter default. CHIF shall be entitled to payment from the loan loss reserve account on unrecovered losses on a loan only after the loan is at least 90 days past due and only if CHIF has exercised commercially reasonable efforts to collect such loan. CHIF shall also provide portfolio performance data within regular monthly reports, which shall include but not be limited to repayment history, delinquencies, bad debts/defaults, etc.

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the project?

The deal structure does not require the expenditure of any ratepayer capital – all funds from CEFIA are through repurposed ARRA-SEP funds or ratepayer dollars if required. The $300,000 LLR will remain as restricted cash in CEFIA's accounts until loans enter default.

Risk

What is the maximum risk exposure of ratepayer funds for the project?

ARRA-SEP and/or ratepayer capital funds supporting the program are $300,000.

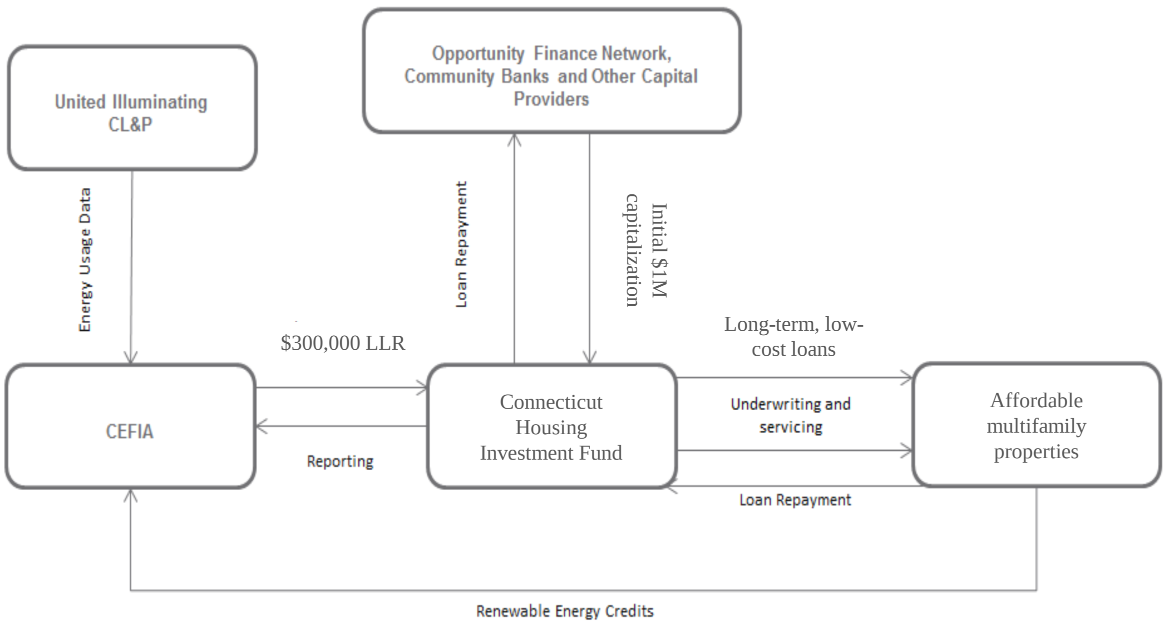
Financial Statements

How is the project investment accounted for on the balance sheet and profit and loss statements?

It is CEFIA expectation that the use of the credit enhancements will result in the recognition of income on the income statement (Grant Income – ARRA) and a simultaneous reduction in "Deferred Revenue –

ARRA" on the liability side of the balance sheet. Also, there will be a reduction in the CEFIA Restricted Cash Account (Non-current Asset on the Balance Sheet) related to ARRA-SEP funds and a corresponding recognition of Grant Expense on the income statement, which will reduce Restricted Net Assets as the funds are distributed to CHIF.

Capital Flow Diagram



Target Market

Who are the end-users of the project?

The target market for this program is affordable multifamily properties throughout the state (those with at least 60% of the units affordable to households with no higher than 80% of Area Median Income, or those in low- or moderate-income census tracts) Initially, CHIF will market these loans to an existing pipeline of utility LOA recipients who have not moved forward with their projects, as well as CEFIA C-PACE applicants for whom an unsecured loan product such as that contemplated under the MPEL Program is more appropriate.

CEFIA Role, Financial Assistance & Selection/Award Process

CEFIA issued a RFP for Financial Innovation programs on April 12, 2012, and received seven responses. CHIF was one of four projects selected to negotiate the receipt of credit enhancements through repurposed ARRA-SEP funds, from the US Department of Energy. Although that original selection was for a program focused on investor-owned 1-4 unit properties, CEFIA and CHIF have mutually determined that the MPEL Program is a more effective use of these resources, focusing on this sorely underserved market.

In the proposed program, CEFIA will provide $300,000 in Loan Loss Reserve (LLR) funds.

Program Partners

The Connecticut Housing Investment Fund: a private, nonprofit organization established to finance affordable housing and neighborhood revitalization projects throughout Connecticut. Since its incorporation in 1968, CHIF has provided more than $128.5 million in financing to assist individuals and organizations purchase, rehabilitate, or construct homes for low and moderate income families, inclusive of millions of dollars specifically advanced for energy upgrades.

Opportunity Finance Network (OFN): A national network of Community Finance Development Institutions (CDFI), investing broadly in programs and projects that benefit low-income or other disadvantaged communities nationally.

Risks and Mitigation Strategies

See term sheet for underwriting criteria and required security associated with this proposed program.

Resolutions

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) has entered into an Memorandum of Agreement (MOA) with the Department of Energy and Environmental Protection (DEEP) to repurpose American Recovery and Reinvestment Act State Energy Program (ARRA-SEP) funds for the undertaking of a project of mutual interest;

WHEREAS, the project of mutual interest set forth in the MOA is to provide funding for credit enhancements (i.e., loan loss reserves, interest rate buy-downs, third party loan insurance) for two financing programs administered by CEFIA. The two programs supported by this funding are the Residential Clean Energy Financing Program and the Clean Energy Financial Innovation Program;

WHEREAS, the Clean Energy Financial Innovation Program shall be used to leverage additional public and private sector sources of capital through a competitive solicitation process designed and administered through CEFIA;

WHEREAS, the Connecticut Housing Investment Fund, Inc. (CHIF) was down selected under CEFIA's competitive solicitation process for the Clean Energy Financial Innovation Program and subsequently entered into negotiations with CEFIA that led to the development of the CHIF Multifamily Permanent Energy Loan Program (MPEL);

NOW, therefore be it:

RESOLVED, that funding be approved for the Program in an amount not-to-exceed $300,000 for a Loan Loss Reserve (Credit Enhancements) through the use of repurposed ARRA-SEP program funds;

RESOLVED, that if CEFIA staff reasonably determines that using ARRA-SEP program funds will hinder deployment under the MPEL Program due to federal restrictions on the use of such funds, then $300,000 in ratepayer funds may instead be substituted to establish these same Credit Enhancements;

RESOLVED, that the President of CEFIA; and any other duly authorized officer of CEFIA, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the Credit Enhancements on such terms and conditions as are materially consistent with the diligence memo submitted to the CEFIA Deployment Committee on February 28, 2014 and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than six months from the date of this resolution; and

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

Draft Term Sheet

CHIF Multifamily Permanent Energy Loan Program

Term:	Up to 9 years (will not exceed useful life of underlying improvement).
Amortization:	Fully self-amortizing through term (Note: an interest-only "construction period" is allowed; in these cases the term and amortization schedule of the rest of the loan will be shortened by the number of months of the interest-only period).
Prepayment:	Allowed with no penalty.
Amount:	Up to $750,000 (higher amounts possible based on funding availability and project feasibility – see required "Energy Savings Coverage Ratio").
Fees:	1.50% upfront; may be rolled into loan.
Source of Funding:	$1,000,000 intercompany loan from the CT Energy Efficiency Finance Company ("CEEFCo") at 1.00%, match term; $1,000,000 from the Opportunity Finance Network ("OFN") at 3.00%, match term up to 9 years. CEFIA will provide $300,000 in loan loss reserve funding tied to the OFN funding. CHIF will continue to negotiate the amount of CEEFCo funding that will be "second loss." The OFN funding will be full recourse to CHIF. CHIF may seek to sell loans to the first-mortgage holders on subject properties after a seasoning period as a way to recapitalize this program.
Interest Rate:	The interest rate will be calculated based on CHIF's blended cost of funds plus a maximum spread of 300 bps over CHIF's blended cost of funds.
Borrowers:	Eligible borrowers will include Partnerships, Trusts, LLCs, Sole Proprietorships, Public Housing Authorities and 501 (c) 3 non-profit corporations. To accommodate LIHTC investors who may be unwilling or unable to take on debt from a third-party, CHIF may make loans to project sponsors, who will in turn make a loan to an LLC or Partnership.
Target Properties:	Affordable multi-family apartment buildings/complexes with no less than 5 units. The target properties for this financing are those with at least 60% of the units affordable to households at no higher than 80% of AMI. Lower percentages will be considered (i.e. CHFA financed, properties in LMI tracts, TOD, other "high-impact" properties), but in the aggregate CHIF's goal is to reach properties with at least 60% affordability.
Security:	Mortgages will always be sought, though will likely rarely be available (and will usually be subordinate, if available). A due-on-sale clause and an "Affidavit of Facts Affecting Title to Real Property" (depending on ownership) will also be required to be signed and filed on the municipal land records. Where such an affidavit is unobtainable, UCC-1 filings and security agreements on installed equipment will alternatively be used as secondary security.
Guarantees:	Joint and several personal and/or corporate guarantees will always be sought, though these may not always be feasible given the financing / ownership structures of the targeted properties.
Qualified Uses:	Improvements must meet the electric or gas utilities' criteria for obtaining rebates as specified in a Letter of Agreement (LOA) or be eligible measures

under CEFIA's Smart-E or C-PACE programs. Uses will follow project budget. Project scope may consider health and safety remediation (up to 25% of the loan amount), with priority going to properties previously ineligible for energy improvements because of unfunded, energy related health and safety issues needing remediation.

Advances: Loan funds will be advanced upon completion of work in accordance with the CHIF-approved disbursement schedule. This includes written confirmation and approval of all required:

- Municipal inspections by the appropriate municipal officials
- Utility inspections by the appropriate local electric or gas utility company
- For projects that include energy conservation measures <u>beyond</u> those approved for incentives under a utility Letter of Agreement (LOA), final inspection and written approval is required by a qualified third party approved by CHIF and CEFIA.

Underwriting:

- "Energy Savings Coverage Ratio" (projected annual savings divided by CHIF debt service)
    - Minimum of 1.20X; may be lower on an exception basis with a mortgage or significant personal / corporate guaranty, or for smaller dollar volume loans.
    - Projected energy savings to be verified by a qualified third-party service provider approved by both CHIF and CEFIA.

- Borrower/Sponsor Financials
    - Property must demonstrate positive NOI before energy improvements are in place, demonstrating a DSCR of at least 1.10X based on trailing eighteen months.
    - Capital/replacement reserves in an amount of not less than 25% of the amount of CHIF's loan must be in place. Remaining useful life of building systems relative to loan term may be considered in lieu of capital reserve accounts.

Credit Enhancements:

- Debt service reserve accounts covering six months of payments will be required. Such accounts will be funded 50% at closing from proceeds or other sources, and the balance from Borrower from net cash flow over the first year. Net balance of these accounts plus interest will be returned to Borrower upon full repayment of loan and all costs.
- CEFIA will provide $300,000 in first loss reserve funding.

- If CEEFCo funding is used, this source will absorb up to 50% of losses on top of the CEFIA first loss reserve.

Energy Monitoring: Ongoing energy monitoring will be required of the borrower or their designee through the use of EnergyScoreCards or a compatible system. This requires that property owners must agree in writing to allow access to monthly utility usage data and bills over the term of the loan for monitoring purposes. All usage and monitoring data must be made available to CHIF and CEFIA on a monthly basis.

Rent Restrictions: For properties where 1) the tenants do not pay the utility bills; and 2) the units are not currently governed by rent restrictions arising from the funding source (or other mechanism) CHIF will require a one-year freeze on rent increases to protect tenants against absorbing the costs of installing the energy efficiency measures.

Connecticut Housing Investment Fund

Mission

The Connecticut Housing Investment Fund (CHIF) supports the creation and sustainability of affordable housing by providing responsive financial products and services.

Leadership & Board of Directors

Administration

- **Cal Vinal** – President and CEO
- **Laurie J. Evans** – Senior Vice President of Operations and CFO
- **Marjorie Dixon** – Staff Accountant

Lending

- **Kevin Porter** – Vice President of Lending
- **Kristen Caplin** – Manager, Lending Administration
- **Brian Sullivan** - Loan Portfolio and Impact Assessment Manager
- **Lisa A. Ruggeri** – Program Administrator
- **Amanda Judd** – Program Administrator

Officers

- **Mike W. Nichols, Chair**
  Managing Director
  Aetna Life Insurance Company
- **James S. Carter, Senior Vice Chair**
  Principal
  Carter Realty, LLC
- **John J. Logan, Secretary**
  Principal
  Logan Associates

Directors

- **John L. Ritter**
  First New England Capital Limited
  Partnership
- **Dina L. Anselmi**
  Associate Professor
  Department of Psychology, Trinity College
- **Roger E. Goldbeck**
  Vice President, Sales
  Tide-mark Press

- **Timothy B. Hodges**
  Vice President, Government Relations & Community Reinvestment
  People's United Bank
- **Craig L. Sylvester**
  Attorney
  Reid and Riege, P.C.
- **Linda Y. Cote**
  Vice President, Residential Development Lending
  Webster Bank
- **David Birulin**
  Chief Lending Officer
  Ledgelight Federal Credit Union
- **Jessica Ritter**
  Attorney
  Shipman & Goodwin

Financial Condition/Funding Sources & Stability

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

ASSETS

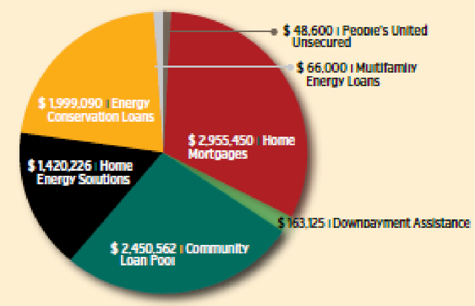
	OPERATING	LOAN FUNDS	TOTALCHIF	CEEFCO	ELIMINATIONS	TOTAL
Cash	1,500,104	2,132,656	3,632,760			3,632,760
Invested cash		300,000	300,000			300,000
Restricted cash		12,403,187	12,403,187	10,171,068	(10,171,068)	12,403,187
Accounts receivable, net	70,611	20,631	91,242	4,262	(13,542)	81,962
Grant receivable		1,275,751	1,275,751			1,275,751
Interest receivable		22,829	22,829			22,829
Prepaid expenses	56,367		56,367	8,445		64,812
Interfund receivable (payable)	(374,643)	374,643				
Other assets	166,362		166,362			166,362
Loans receivable, net of allowance		2,885,941	2,885,941	1,112,406		3,998,347
Property and equipment, net	155,473		155,473			155,473
Total assets	**1,574,274**	**19,415,638**	**20,989,912**	**11,296,181**	**(10,184,610)**	**22,101,483**
LIABILITIES and NET ASSETS						
Liabilities						
Accounts payable and accrued expenses	342,743	16,299	359,042	21,042	(13,542)	366,542
Escrows		12,403,187	12,403,187		(10,171,068)	2,232,119
Notes payable		2,935,906	2,935,906			2,935,906
Total liabilities	**342,743**	**15,355,392**	**15,698,135**	**21,042**	**(10,184,610)**	**5,534,567**
COMMITMENTS AND CONTINGENCIES						
Net assets						
Unrestricted						
Undesignated	792,251		792,251			792,251
Board designated	383,132	2,257,741	2,640,873			2,640,873
Total unrestricted	**1,175,383**	**2,257,741**	**3,433,124**			**3,433,124**
Temporarily restricted	56,148	1,802,505	1,858,653			1,858,653
Permanently restricted				11,275,139		11,275,139
Total net assets	**1,231,531**	**4,060,246**	**5,291,777**	**11,275,139**		**16,566,916**
Total liabilities and net assets	**1,574,274**	**19,415,638**	**20,989,912**	**11,296,181**	**(10,184,610)**	**22,101,483**

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

CHANGES IN UNRESTRICTED NET ASSETS

REVENUE AND SUPPORT	CHIF	CEEFCO	ELIMINATIONS	TOTAL
Interest income I investment	11,059	9,962		21,021
Interest income I loans	166,268	24,922		191,190
Total interest	**177,327**	**34,884**		**212,211**
Interest expense on borrowings	(65,000)			(65,000)
Net interest income	112,327	34,884		147,211
Fee income	1,476,390		(119,000)	1,357,390
Grants and contributions	18,843			18,843
Total operating revenue	**1,607,560**	**34,884**	**(119,000)**	**1,523,444**
Net assets released from restrictions	74,145	125,785		199,930
Total revenue and support	**1,681,705**	**160,669**	**(119,000)**	**1,723,374**
EXPENSES				
Program services	1,673,492	147,546	(119,000)	1,702,038
General and administrative	252,202	13,123		265,325
Total operating expenses	1,925,694	160,669	(119,000)	1,967,363
Subsidy activities	74,145			74,145
Total expenses	**1,999,839**	**160,669**	**(119,000)**	**2,041,508**
CHANGES IN NET ASSETS				
Changes in unrestricted net assets	(318,134)			(318,134)
Unrestricted net assets, beginning of year	3,751,258			3,751,258
Unrestricted net assets, end of year	3,433,124			3,433,124
Temporarily restricted net assets, end of year	1,858,653			1,858,653
Permanently restricted net assets, end of year		11,275,139		11,275,139
Changes in net assets	**690,027**	**5,374,215**		**6,064,242**
Net assets, beginning of year	4,601,750	5,900,924		10,502,674
Net assets, end of year	**5,291,777**	**11,275,139**		**16,566,916**

CHIF 2012 LOAN ORIGINATIONS



Loan Products	Originations	Units	Jobs Created/Retained	Project Cost
Community Loan				
Pool	2,450,562	83	51	6,459,252
Energy I HES	1,420,226	208	30	1,420,226
Energy I ECL	1,999,090	219	42	1,999,090
Energy I MEL	66,000	4	2	66,000
People's United Unsecured	48,600	6	1	48,600
Home Mortgages	2,955,450	29	0	
Downpayment Assistance	163,125	13	0	
Total	**9,103,053**	**562**	**126**	**9,993,168**

CHIF'S HISTORICAL PERFORMANCE

45 years of providing financial and technical services

Over 26,000 loans closed

More than $160 million funded

Over $310 million in leveraged public and private capital

Over 32,500 units created/preserved/purchased/weatherized/improved

Servicing 14,893 loans with $238 million of principal balances

Opportunity Finance Network

Mission

The Opportunity Finance Network (OFN) is a Philadelphia-based national network of Community Finance Development Institutions (CDFI). The organization's mission through 2025 is:

". . .to lead CDFIs and their partners to ensure that low-income, low-wealth, and other disadvantaged people and communities have access to affordable, responsible financial products and services."

Programs

OFN is a non-profit organization founded in 2008 with net assets totaling $49.8M in 2011. The organization is supported by over 50 partners and investors, including Bank of America, Capital One, Department of the Treasury, Citi, JPMorgan Chase, U.S. Bank, and the Robert Wood Johnson Foundation. OFN has three main activities:

1. **Financial Services,** including:
    a. On-balance sheet, below-market rate loans and investments in CDFIs to benefit low-income and low-wealth communities through OFN's financing fund;
    b. Fee-based asset management services to third party investors in CDFIs
    c. New Markets Tax Credit Activity
2. **Knowledge Sharing**: Training to OFN's network of CDFIs and their key stakeholders
3. **Strategic Initiatives:** High-impact initiatives that benefit the CDFI industry, for instance the 2011 Create Jobs for America collaboration with Starbucks and the Next Awards.

Leadership

Mark Pinsky, President and CEO: Mark is primarily responsible for Opportunity Finance Network's vision and strategy. Since joining OFN in 1995, Opportunity Finance Network expanded membership more than 400% and assets more than 1500%. Under his leadership, the organization has introduced several innovative products including the Equity Equivalent investment (EQ2), the CDFI Assessment and Ratings System™ (CARS™), performance-based financing, and the Wachovia Wells Fargo NEXT Awards for Opportunity Finance. He currently chairs the national boards of the CDFI Data Project, and CARS™. He also serves on the Boards of Net Impact, the CDFI Coalition, as well as on advisory boards to the Center for Community Development Investments at the Federal Reserve Bank of San Francisco, Bank of America's National Consumer Advisory Council, Morgan Stanley Community Development Advisory Board and several New Market Tax Credit community development entities. He served on the Consumer Advisory Council of the Federal Reserve Board of Governors from 2003 through 2005, including service as Chair of the Council in 2005. In 2002, President George W. Bush appointed Mark to the CDFI Fund Advisory Board in the U.S. Department of the Treasury, where he served until 2006.

Cathy Dolan, Chief Operating Officer: Cathy joined OFN in September 2010 as COO, bringing a decade of experience in community development finance and almost three decades in banking. Cathy joined OFN from Wells Fargo, where she was a Senior Vice President and Director of Community Lending and Investment for the Eastern U.S. She holds an M.A. from the Johns Hopkins University School of Advanced International Studies in Washington, DC, and a B.A. from Drake University in Des Moines, IA.

Beth Lipson, Executive Vice President & Chief Financial Officer (Member of the Investment Committee): Beth has been with Opportunity Finance Network since 1997, rising to CFO in November 2006. In her tenure, Beth has managed OFN's data collection and publications, managed-assets services, Financing Fund, and overseen OFN's NMTC investing. Beth has a MBA from the Wharton School, and her previous experiences include valuing businesses at Coopers and Lybrand and researching trends in savings and loans at the Federal Reserve Board.

OFN Board of Directors	
Eric Belsky Executive Director Joint Center for Housing Studies Harvard University	**Donald Bowen** Sr. Vice President, Programs & Chief Program Officer National Urban League
Alan Branson, Treasurer Executive Vice President & COO Hope Enterprise Corporation	**Joan Brodhead** Senior Vice President & COO Community First Fund
Doug J. Bystry President & CEO Clearinghouse CDFI	**Lori Chatman** President Enterprise Community Loan Fund Inc.
Penelope Douglas President of the Board of Mission HUB LLC	**Ignacio Esteban, Chair** Executive Director Florida Community Loan Fund
Jeannine Jacokes Executive Director Partners for the Common Good	**Trinita Logue, Vice Chair** President IFF
Julia Nelmark Director, New Markets Tax Credit Program Midwest Minnesota Community Development Corporation	**Mary Rogier** President Northern California Community Loan Fund

Financial Standing

OFN has a strong balance sheet, with revenue exceeding expenses. In 2011, the organization was awarded $4.5M in grants from the CDFI Fund, to be used in OFN's Financing Fund and a $16.8M grant from Wells Fargo for round two of the Next Awards.

OFN Income Statement	FYE 12/31/10	FYE 12/31/11
Revenues		
Contributions and Grants	$3,349,619	$35,138,455
Program Service Revenue	4,077,797	5,298,759
Investment Income	497,929	271,725
Other Revenue	0	0
Total Revenue	$7,925,345	$40,708,939
Expenses		
Salaries, other compensation, employee benefits	2,803,938	3,374,021
Other Expenses*	4,947,000	11,971,726
Total Expenses	7,750,938	15,345,747
Revenue Less Expenses	**$174,407**	**$25,363,192**

*Other Expenses include: Technology Projects, Loan Loss Reserves, Memberships, and Recruiting Expenses

OFN Balance Sheet	FYE 12/31/10	FYE 12/31/11
Total Assets	**$ 94,262,818**	**$ 109,623,748**
Total Liabilities	**$ 69,967,885**	**$ 59,834,262**
Unrestricted Net Assets	$ 9,919,153	$ 15,851,233
Temporary Restricted Net Assets	$ 14,375,780	$ 33,938,253
Total Net Assets or Fund Balances and Liabilities	94,262,818	109,623,748

845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: CEFIA Board of Directors

From: Ben Healey, Senior Manager

CC: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO; Kerry O'Neil, Director of Residential Programs; Kim Stevenson, Associate Director for Multifamily Programs

Date: April 17, 2014

Re: Capitalizing CHIF Multifamily Permanent Energy Loan Program – $1,000,000

BACKGROUND

At its March 7, 2014 meeting, CEFIA's Deployment Committee approved the use of $300,000 in repurposed ARRA-SEP funds for a new Multifamily Permanent Energy Loan Program ("MPEL") to be administered by the Connecticut Housing Investment Fund ("CHIF"). The full diligence memo supporting that decision, inclusive of the resolutions passed by the Deployment Committee, is attached here.

CHIF and CEFIA have come to recognize that numerous multifamily properties that receive electric and gas utility incentives for energy upgrades do not move forward with projects due to a gap between the amounts of incentive provided and the costs of the recommended upgrades. Under the MPEL, CHIF will bridge that gap by providing low-cost, long-term financing supported by a CEFIA loan loss reserve ("LLR"). This program will enable CEFIA to leverage a $300,000 credit enhancement mechanism, using repurposed ARRA-SEP funds, to support an initial pool of $1,000,000 in third party capital, with the expectation that CHIF and CEFIA will work together to source at least $3,000,000 more in private investment for this program over the coming year. CHIF will administer the fund with the purpose of originating, underwriting, and servicing unsecured energy upgrade loans for affordable multifamily properties in Connecticut, contingent upon those loans meeting an Energy Savings Coverage Ratio ("ESCR") of at least 1.2x annual debt service, among other underwriting criteria. The target properties for this financing are those with at least 60% of the units affordable to households at no higher than 80% of Area Median Income ("AMI").

CEFIA STAFF REQUEST

In response to the pipeline of affordable multifamily properties looking to finance energy upgrades that CHIF has already sourced for this program (see Due Diligence section below), staff proposes that CEFIA further capitalize the MPEL with an additional $1,000,000. This $1,000,000 – which would come from the $5,000,000 multifamily sector allocation approved by the Board of Directors for Fiscal Year 2014 – would remain on CEFIA's books but be available to CHIF as CHIF approves and closes on loans with qualified borrowers, in accordance with approved underwriting standards under the MPEL. To the extent that CEFIA capital is advanced alongside existing MPEL funds from the Opportunity Finance Network ("OFN"), it will be *pari passu* (that is, equal priority). However, as CHIF sources other private capital for use under the MPEL, and subject to appropriate intercreditor agreements between CEFIA and these private capital providers, as necessary, CEFIA may assume a subordinate position relative to new senior lenders, to ensure attractive borrowing terms that CHIF can pass on to multifamily borrowers directly.

Staff currently contemplates that CHIF will draw upon CEFIA's capital with rates and terms similar to that offered by OFN – that is, with an interest rate of 3% per annum over a 9-10 year term. However, to the extent that a longer amortization will help improve the cash flow profile of a given project, staff requests that CEFIA capital be available under the MPEL for terms of up to 12 years in length, with a 50 basis point increase in the interest rate over that offered to a 9-10 year borrower. Furthermore, in order to provide greater flexibility to CHIF for any specific project, the rates and terms offered on CEFIA's portion of the capital stack will not have to match exactly with the rates and terms offered by OFN or any new senior lender to the program.

Finally, for the avoidance of doubt, CEFIA's capital, alongside that provided by other lenders, will benefit from the support of the $300,000 LLR previously approved by the Deployment Committee.

Below, please find a set of diligence questions CEFIA staff posed to CHIF, and CHIF's answers, followed by the Resolutions that staff is proposing for Board of Directors approval.

Due Diligence Questions

Pipeline overview – near term and long term: property addresses, number of units, anticipated use of funds, estimated project costs and financing needs

CHIF is working with:

1) New Opportunities, Inc. on a list of properties with over 4,000 units that it has initiated some level of contact for potential energy work. This list includes a number of projects that have utility Letters of Agreement ("LOAs") completed or in process or are preparing to submit for LOAs;

2) Access Community Action Agency on Vernon Gardens in Vernon. This project is in process of obtaining LOAs for three central boilers and related work;

3) Carabetta Properties on a list of lien-restricted properties, some of which have LOAs in place, some are scheduled for LOAs, and some have requests for LOAs to be submitted. CHIF is reviewing with them the scope of work by property to combine different LOAs in single properties or time them for combining, and then reviewing the per-property capital reserve balances to determine levels of funding required and the timing of the advances. The current estimate is that 75% of the properties listed below will require some financing, given reserve balances, and loan amounts will likely average $350,000 +/-;

Property Name	Location	Monitoring Agent
Bayberry Crest	Middletown, CT	HUD
Bella Vista II (C&D)	New Haven, CT	HUD
Bella Vista III (E)	New Haven, CT	HUD
Bradley I	Meriden, CT	CHFA
Bradley II	Meriden, CT	CHFA
Byam Village	Waterbury, CT	CHFA
Crestwood I	Meriden, CT	HUD
Deerfield	Waterbury, CT	HUD
Hanover Towers	Meriden, CT	CHFA
Harbor Towers	Meriden, CT	CHFA
Hartford Communities	Hartford, CT	HUD
Hedgewood	Norwich, CT	CHFA
Hillside	Meriden, CT	HUD
Kingswood	Willimantic, CT	HUD
Laurel Estates	Waterbury, CT	CHFA
Maple Hill	Meriden, CT	CHFA
Meadoway	Middletown, CT	HUD
NHAH	Hartford, CT	HUD
Newfield Towers	Middletown, CT	HUD
New Meadows	Middletown, CT	HUD
Oakland	Meriden, CT	HUD
Parkside	Meriden, CT	HUD
Redstone	Bristol, CT	CHFA
Rose Gardens	Middletown, CT	HUD
SANA	Hartford, CT	HUD
Sheldon Oak	Hartford, CT	CHFA
Silver Pond	Wallingford, CT	HUD
Sleeping Giant	Vernon, CT	CHFA
Southford	Waterbury, CT	CHFA
Stonegate	New Britain, CT	HUD
Stoneycrest Towers	Middletown, CT	HUD
Sunset	Waterbury, CT	HUD
Village Park I (A)	New Haven, CT	HUD
Village Park II (B)	New Haven, CT	HUD
Colonial Point	Wakefield, MA	HUD

4) Belfonti Properties on a second project; and
5) New Horizons Village.

How does the CHIF loan approval process work?

A project is identified and information required for underwriting is gathered. Staff reviews the request internally for compliance with underwriting requirements and feasibility. If acceptable, and depending on the nature of the transaction, a term letter may be issued describing the terms and conditions of the loan for acceptance by the borrower that typically requests any additional information needed. Once sufficient information is obtained, staff will move directly to underwriting. This results in a loan approval document ("LAD") being produced that details the salient information required for a credit decision. The LAD is reviewed and approved internally and then submitted to and presented to the CHIF Loan Committee ("LC") by staff at its monthly meetings. If acceptable, the loan is approved. If there are any issues, the LC may conditionally approve a LAD subject to receiving further verification of these being addressed but without further review, or the LC may support a LAD but require additional information. In this case, the LAD will be updated and redistributed to the LC for final review and, depending on the significance of the changes, it is approved either by email vote or via a conference call for discussion. Once approved, a commitment letter is issued to the borrower, and some of the upfront fees may be collected. Staff proceeds with due diligence at this point, and once the commitment letter is signed, counsel is engaged and a closing scheduled.

What does CHIF's technical underwriting review process look like to ensure a ESCR >1.2 – who and how?

CHIF obtains information about the contractor providing the projections and seeks to understand their qualifications, credentials and work experience. We also look at the measures and consider information available regarding efficiency rating and projected energy savings from the equipment. Input is obtained from references about work performed on other projects, including information available from monitoring of other projects where the consultant projected savings, or comparable projects exhibiting similar characteristics. CHIF has begun working with New Ecology, Inc. to develop a more standardized approach to vetting the projected net energy savings provided by third parties for projects.

How does the funding disbursement process work?

For construction work, CHIF generally requires requisitions be provided (typically in AIA g702/703 format) detailing the work completed and the cost for comparison to the construction budget, cash flow disbursement schedule and contracts, along with lien waivers for prior work funded. The requisitions are reviewed and approved by a third-party inspector skilled in the nature of the work (construction versus energy). In some cases, CHIF will rely on work completed by independent inspectors engaged by other funders to save cost. This is typically for lower amount loans where CHIF's funding is clearly defined and there are limited draws for work that is funded upon or near completion. For permanent loans, advances may be made for work that is documented as having been completed per contract.

What quality assurance and checks and balances are in place through the construction and commissioning process to ensure the funded work is done properly?

There are typically a series of protections. Note commentary on the disbursement process. In addition to our reviews, the utility company inspects and verifies the equipment installed to ensure it matches the LOA. If working with a CAP agency or other developer, they may engage their own independent inspector, which we may rely on. Municipalities also require that their buildings officials sign off on certain work, of which CHIF requires documentation.

What would a sample monthly report to CEFIA look like?

The actual format will be determined by the agreed upon the final dataset required. At a minimum, a monthly report would be expected to include:

Project Status
- Potential
- In Underwriting
- Approved
- Closed
- Completed

Property Information
- Location
- Name of ownership entity
- Name of Borrower
- Mortgage lender
- Number of units

Project Description
- Energy Improvements
- Types of measures
- Measures replaced
- Costs
- Rebate types and amounts by CDE

Financing
- Sources and Uses
- Loan amounts
- Closing date
- Funding date(s)
- Funding amount(s)

Energy Savings (TBD)

Resolutions

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) down selected the Connecticut Housing Investment Fund, Inc. (CHIF) under CEFIA's competitive solicitation process for the Clean Energy Financial Innovation Program and subsequently entered into negotiations with CEFIA that led to the development of the CHIF Multifamily Permanent Energy Loan Program (MPEL);

WHEREAS, on March 7, 2014, CEFIA's Deployment Committee approved funding for the MPEL in an amount not-to-exceed $300,000 for a Loan Loss Reserve (Credit Enhancements) through the use of repurposed ARRA-SEP program funds, or ratepayer funds, if necessary; and

WHEREAS, CHIF has developed a pipeline of potential projects for financing under the MPEL;

NOW, therefore be it:

RESOLVED, that funding be approved in an amount not-to-exceed $1,000,000 to further capitalize the MPEL (the Capitalization), which will be drawn down by CHIF on a project-by-project basis, as approved by CHIF and CEFIA subject to mutually agreeable underwriting criteria;

RESOLVED, that the $1,000,000 in funds advanced under this Capitalization be supported by the previously approved $300,000 worth of Credit Enhancements, alongside all other capital sourced for the MPEL;

RESOLVED, that funds advanced under this Capitalization may be made subordinate to other capital sourced for the MPEL, subject to appropriate intercreditor agreements, as necessary, in order to ensure attractive rates and terms from potential senior lenders;

RESOLVED, that the President of CEFIA; and any other duly authorized officer of CEFIA, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the Capitalization on such terms and conditions as are materially consistent with the diligence memo submitted to the CEFIA Board of Directors on April 17, 2014 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; and

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

865 Brook Street
Rocky Hill, Connecticut 06067-3444
T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

[redacted]

Amgraph Packaging: A C-PACE Project in Sprague, CT

Address	90 Versailles Road, Sprague, CT 06383			
Owner	Amgraph Packaging, Inc.			
Proposed Assessment	$6,015,892			
Term (*years*)	10			
Term Remaining (*months*)	Pending Construction Completion			
Annual Interest Rate	5%			
Annual C-PACE Assessment	$771,804			
Savings-to-Investment Ratio	3.48			
Average Debt-Service Coverage Ratio	[redacted]			
Loan-to-Value Ratio (1)	[redacted]			
Proposed Energy Savings and/or Produced		EE	RE	Total
	Per year (MMBtu)	12,194	N/A	12,194
	Over loan (MMBtu)	243,880	N/A	243,880
Estimated Cost Savings (2)	Per year ($)	$1,047,124	N/A	$1,047,124
	Life Cycle ($)	$20,942,475	N/A	$20,942,475
Objective Function	126 kBTU of clean energy produced for each $ of ratepayer capital at risk			
Location	Town of Sprague			
Type of Building	Manufacturing / Industrial Plant			
Year of Build	1964 (additions built in 1975, 1984, and 2008)			
Building Size (*total sf*)	108,790			
Served Available Market – within Municipality	27%			
Year Acquired by Current Owner	1984			
Appraised Value (3)	[redacted]			
Status of Mortgage Lender Consent	[redacted]			
Proposed Project Description	▪ Install 2x400kW (800kW tota) ClearEdge Fuel Cells ▪ Includes 10-year comprehensive service plan			
Est. Date of Construction Completion	Pending closing			
Current Status	Pending CEFIA Board of Directors approval			
Energy Contractors	[redacted].			
Additional Comments:	[redacted] [redacted]			

	[redacted]

[redacted]

Polamer Precision: A C-PACE Project in New Britain, CT

Address	105 Alton Brooks Way, New Britain, CT			
Owner	Polamer Realty NB, LLC			
Proposed Assessment	$2,502,975			
Term (*years*)	20			
Term Remaining (*months*)	Pending construction completion			
Annual Interest Rate	6.0%			
Annual C-PACE Assessment	$218,918 (assuming financing of closing costs)			
Savings-to-Investment Ratio	1.17			
Average Debt-Service Coverage Ratio	[redacted]			
Total Loan-to-Value Ratio	[redacted]			
Projected Energy Savings		EE	RE	Total
	Per year	-	1,319,000 kWh	1,319,000 kWh
	Over term of loan	-	24,133 MWh	24,133 MWh
Estimated Cost Savings (incl. ZRECs)	Per year	-	$253,920	$253,920
	Over term of loan	-	$5,109,544	$5,109,544
Location	City of New Britain			
Type of Building	Manufacturing / Industrial Plant			
Year of Build	2014			
Building Size (*sf*)	150,000			
Year Acquired by Current Owner	2012			
As-Complete Appraised Value	[redacted]			
Status of Mortgage Lender Consent	[redacted]			
Proposed Project Description	954 kW solar PV installation			
Est. Date of Construction Completion	Pending closing			
Current Status	Awaiting Board of Directors approval			
Energy Contractors	[redacted]			
Additional Comments	[redacted]			

[redacted]

Brookfield YMCA: A C-PACE Project in Brookfield, CT

Address	2 Huckleberry Hill Road, Brookfield, CT	
Owner	Regional YMCA of Western Connecticut and Eastern Putnam County, Inc.	
Proposed Assessment	$1,084,893 (exclusive of closing costs)	
Term (*years*)	15	
Term Remaining (*months*)	Pending construction completion	
Annual Interest Rate	5.03% (bought down from 5.50% by CEFIA CHP incentive)	
Annual C-PACE Assessment	$105,456	
Savings-to-Investment Ratio	1.19	
Average Debt-Service Coverage Ratio	[redacted]	
Total Loan-to-Value Ratio	[redacted]	
Projected Energy Savings		Distributed Generation (CHP) and EE
	Per year	~2,600 MMBtu (CHP) / ~100,000 kWh (other ECMs)
	Over term of loan	~39,000 MMBtu / ~1,500,000 kWh (other ECMs)
Estimated Cost Savings (incl. ZRECs and tax benefits)	Per year	$111,104
	Over term of loan	$1,874,679
Location	Town of Brookfield	
Type of Building	Community and Recreation Center	
Year of Build	1987-1988	
Building Size (*sf*)	37,000 sq. ft. (on about 6 acres of land)	
Year Acquired by Current Owner	1986	
As-Is Appraised Value	[redacted]	
Status of Mortgage Lender Consent	[redacted]	
Proposed Project Description	75 kW CHP system, HVAC upgrades, LED lighting, BMS installation	
Est. Date of Construction Completion	Pending closing	
Current Status	Awaiting Board of Directors approval	
Energy Contractor	[redacted]	

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Bridgeport Bioenergy Facility Project

Due Diligence Package

April 25, 2014

Document Purpose: This document contains background information and due diligence on the Bridgeport Bioenergy Facility Project and the stakeholders involved, including [redacted] Parent Company, [redacted], United Illuminating, and the City of Bridgeport. This information is provided to the Board of Directors and the Deployment Committee for the purposes of reviewing and approving recommendations made by the staff of the Clean Energy Finance and Investment Authority.

In some cases, this package may contain among other things, trade secrets, and commercial or financial information given to the Clean Energy Finance and Investment Authority in confidence and should be excluded under C.G.S. §1-210(b) and §16-245n(D) from any public discourse under the Connecticut Freedom of Information Act. If such information is included in this package, it will be noted as confidential.

Table of Contents

Project Qualification Memo

To: The Board of Directors

From: Dale Hedman (Director of Statutory and Infrastructure Programs) and Rick Ross (Sr Project Manager)

CC: Bryan Garcia (CEO), Bert Hunter (CIO) and Brian Farnen (CLO)

Date: April 25, 2014

Re: Bridgeport Bioenergy Facility Project

Summary

Background

The Bridgeport Bioenergy Facility, LLC ("BBF"), a limited liability company wholly owned by Anaergia, Inc. is the project entity developing an Anaerobic Digestion ("AD") and cogeneration project in the City of Bridgeport, for the digestion of sewage sludge, food waste and fats, oils and grease ("FOG"), the annual production of 100,000 MMBTU of biogas that will yield 53,000 MMBTU of process heat and drive a reciprocating engine for 1.55 MW(AC) of electric output. BBF has entered into a [redacted] agreement with the City of Bridgeport Water Pollution Control Authority ("WPCA") for the management of all sludge generated by the WPCA's two wastewater treatment plants as well as agreeing to purchase all of the electricity that will be generated by the AD facility. BBF has agreed to provide the adjacent WPCA (West Side Plant) free waste heat from the CHP unit.

CEFIA has maintained its commitment to the successful program development and execution of the 3-year Anaerobic Digestion Pilot Program pursuant to Section 103 of Public Act 11-80. CEFIA has budgeted $2M/year for the program in FY 2012, 2013 and 2014 per the statute. At a meeting of the Deployment Committee held March 7, 2014, the Committee recommended that the Board approve the staff recommended subordinated loan financing based on the term sheet set forth in the due diligence package dated February 28, 2014.

It is this support and recommendation that is the subject of this presentation by staff to CEFIA's Board of Directors.

[redacted]

[redacted]

Project Structure

Strategic Plan

Is the project proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

The Bridgeport Bioenergy Facility project has submitted a proposal under the statutorily mandated AD pilot program, as defined in PA 11-80, Section 103, which is a key component of the CEFIA comprehensive plan and budget for FY 2013/2014. The project as proposed meets all of the criteria of the program and therefore is consistent with CEFIA's Comprehensive Plan. Statutorily, CEFIA is permitted to use its resources for expenditures (i.e. grants, loans, and PPA's) that promote investment in clean energy in accordance with CEFIA's Comprehensive Plan – support for this project is in the form of a loan.

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the project versus the dollars of ratepayer funds at risk?

The AD system will produce approximately 193,000,000 kWh of electricity and 802,000 MMBtu of thermal energy over the [redacted] term of the CEFIA financial loan agreement.

The project developer has requested a sub-debt loan from CEFIA in the amount of [redacted] of the overall project's capital expense.

[redacted]

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

The subordinated loan from CEFIA is in the amount of [redacted] principal payments for the first 36 months, at a [redacted]. The loan would be advanced in a single payment in the full principal amount of the subordinated loan at Commercial Operation Date and no earlier than any senior debt advances. The outstanding interest amount will be payable monthly commencing on the first payment date of the Subordinated Loan (one month following the advance of the subordinated loan). The outstanding principal amount of the Subordinated Loan shall be payable monthly commencing no greater than 36 months following the permanent financial close (the "Grace Period"). Debt service coverage for the proposed combined senior and CEFIA loans ranges from [redacted] of the project (see project porformas later in this package).

See loan term attached .

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the project?

A subordinated loan not to exceed [redacted].

Risk

What is the maximum risk exposure of ratepayer funds for the project?

The maximum ongoing exposure would be the principal and any accrued interest payments on the Subordinated Loan from the date of disbursement to the anticipated repayment in [redacted].

Capital Flow Diagram

REDACTED

Target Market

Who are the end-users of the project?

BBF has entered into a [redacted] agreement (the "Agreement") with the City of Bridgeport Water Pollution Control Authority (WPCA) for both the purchase of the electricity generated by the facility through a power purchase agreement (PPA) as well as the management of all waste sludge generated by the WPCA's two wastewater treatment plants.

CEFIA Role, Financial Assistance & Selection/Award Process

Public Act 11-80, Section 103, statutorily mandated that CEFIA develop and administer a 3-year AD pilot program, on or before March 1, 2012, to be funded at $2M/year.

CEFIA per the statute has developed the AD program and has now issued 3 rounds of request for proposals ("RFP") to attract projects offering the lowest cost to ratepayers considering deployment of the eligible resource/technology, probability of project completion and feasibility, and the best public and unique ratepayer benefits. CEFIA opened up the third round of solicitations as a rolling RFP to help project Developer's time their proposal submissions to be consistent with their project development and capital funding commitment timelines. This move has significantly paid off for CEFIA allowing us to develop a pipeline of credible projects.

This AD project proposal was reviewed by the project review team through CEFIA's due-diligence review process, in accordance with the criteria as defined in the RFP and statute PA 11-80, Section 103.

Regulatory Framework

As noted above the Bridgeport Bioenergy Facility serves to implement the Public Act 11-80, section 103, requiring CEFIA to establish a three-year pilot program to support projects through loans, grants or power purchase agreements sustainable practices and economic prosperity of Connecticut farms and other businesses by using organic waste with on-site anaerobic digestion facilities to generate electricity and heat. As part of the pilot program, the authority may approve no more than five projects, each of which shall have a maximum size of three thousand kilowatts at a cost of up to four hundred fifty dollars per kilowatt. This project will also help support the recently passed legislation from Public Act 11-217, that went into effect on Oct. 1, 2013, requiring all businesses that generate more than 104 ton per year (2 tons/week) of food scraps annually to be required to bring this waste to a recycling facility within a 20 mile radius of the point of origin.

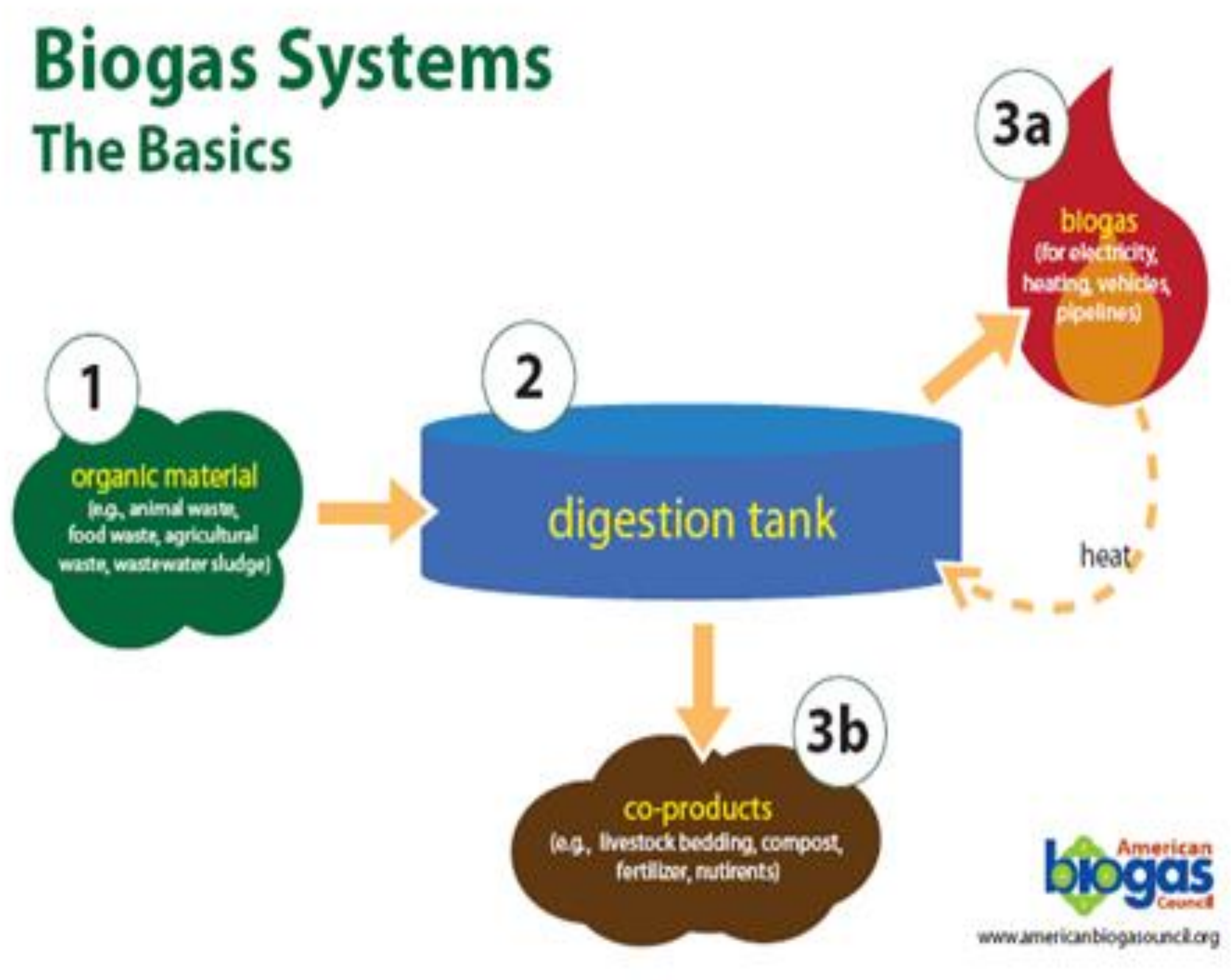
Project Partners

[redacted]

- Bridgeport Bioenergy Facility, LLC (Wholly owned by Anaergia Services)
- City of Bridgeport Water Pollution Control Authority
- United Illuminating

Project Detail

Overview



The process design of the Digester is based on the design and construction of anaerobic digestion and cogeneration systems using sludge generated by the two WPCA wastewater treatment facilities (East Side Plant and West Side Plant) and additional feedstock in the form of fats, oils and grease (FOG) and decontaminated food waste (Organic Waste). The Digester will be located on available land adjacent to the West Side Plant.

The input to the anaerobic digestion process is based on the combined sludge available from both the East Side and West Side Plants with a basis of design of [redacted] dry Tons/year or [redacted] gal/day, provided, however, that this basis of design shall in no way alter the WPCA's obligation to provide at least [redacted] dry Tons of Sludge per Operations Year to the Digester pursuant to Section 4.1(b) of the Agreement. The sludge feed stream will be a minimum of [redacted] total suspended solids (TSS) concentration and will be pre-thickened [redacted] TSS prior to being fed to the anaerobic digester. The filtrate from the pre-thickener (Effluent) will be returned to the West Side Plant.

In addition to the WPCA Sludge, Table 1 below shows the design quantities of FOG and Organic Waste that the Digester needs to process in order to achieve an electrical generation output of [redacted] kWe from biogas. It is anticipated that there will be two (2) tankers per day of FOG ([redacted] gallons per tanker) and that the remainder of the energy production will come from pre-processed food waste slurry.

Table 1: Substrate Recipe used as Input for Anaerobic Digestion Facility Design

Parameter	Unit	Thickened Sludge	FOG	Food Waste	Total
Flow	lbs/day	[redacted]	[redacted]	[redacted]	[redacted]
Total Solids	lbs/day	[redacted]	[redacted]	[redacted]	[redacted]
Total Volatile Solids	lbs/day	[redacted]	[redacted]	[redacted]	[redacted]

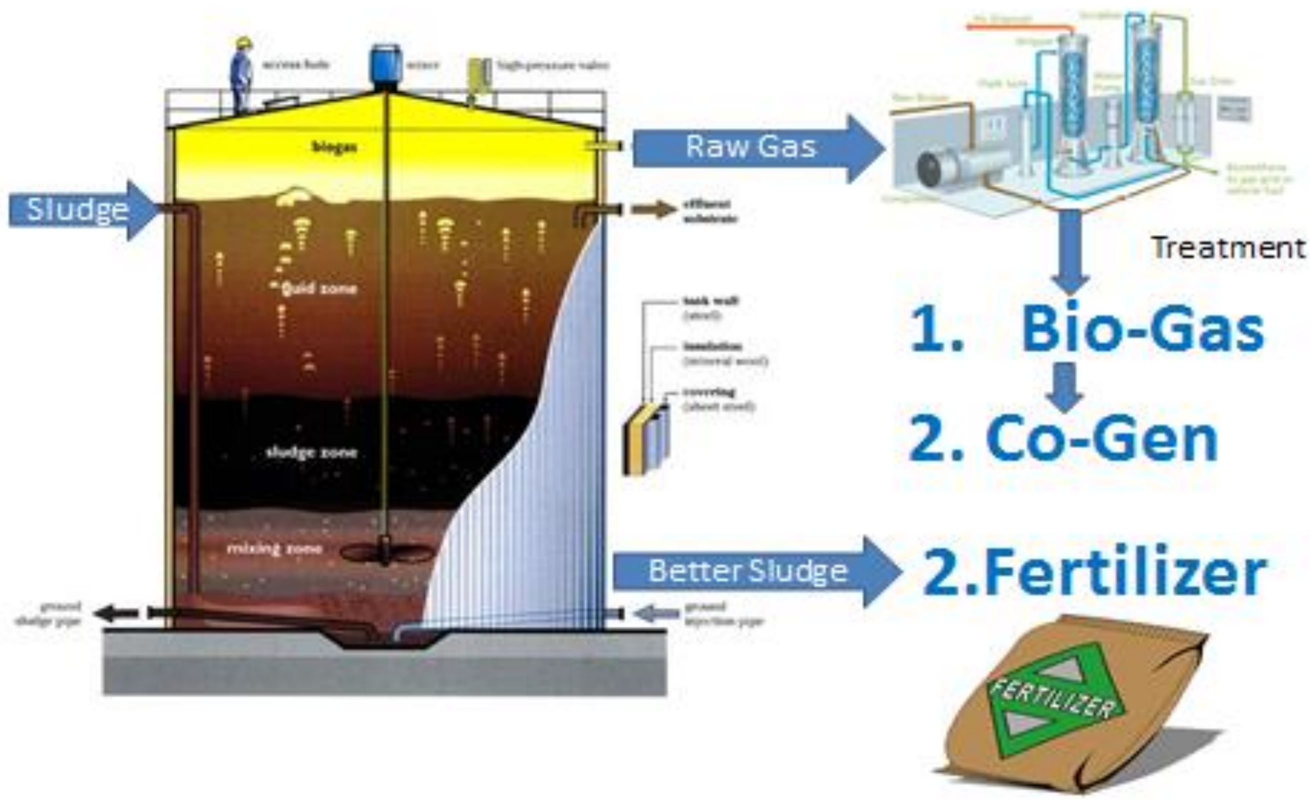
Note: Changes to this recipe may be introduced during operation of the facility to optimize gas production as well as to accommodate availability of feedstock.

Based on the recipe outlined in Table 1 above, the anaerobic digestion system is expected to yield 11.4 MMBTU/hour Table 2 below summarizes the expected process outputs.

Table 2: Expected Output from the Anaerobic Digestion Process

Parameter	Unit	Thickened Sludge	FOG	Food Waste	Total
Biogas Production	Scfm	[redacted]	[redacted]	[redacted]	[redacted]
CH_4 (% of Biogas)	%	[redacted]	[redacted]	[redacted]	[redacted]
Total Potential Energy	kW_T	[redacted]	[redacted]	[redacted]	[redacted]
Electrical Energy	kWe	[redacted]	[redacted]	[redacted]	[redacted]
Thermal Energy	kW_{Th}	[redacted]	[redacted]	[redacted]	[redacted]

The Technology



[redacted]

Once the food waste has been digested and the methane content removed, it is pumped to a piece of equipment that separates the solids from its water component. These fibrous solids are rich in organic value and are then sent to a composting site where they will eventually be used as soil amendments. The remaining water fraction is rich in natural fertilizer nutrients and will be sent to local farms where it will be used as a soil enhancement for crop production. The remaining water will be cleaned and reused for on-site facility operations.

The AD process will reduce the WPCA's waste sludge by greater than 50 percent in volume. Sludge will be taken off site where it will then be incinerated.

The benefits of the BBF solution include:

- Convert organic waste to energy
- Reduction in greenhouse gas emissions
- Reduce landfill solid waste stream
- Support CT's new recycling legislation
- Create employment opportunities
- Provide power security for wastewater plant
- Reduction of WWTF biosolids by greater than 50%
- Reduced reliance on the transmission grid
- Plant to provide equivalent power for 1,000 homes
- Facility's residual solids can be used as soil amendments

Risks and Mitigation Strategies

The major risks of this project are that the facility is unable to perform at a profitable level throughout the life of the Subordinated Loan. Given such an occurrence, CEFIA's mitigating strategy is to monitor the ongoing performance of the facility closely and to work proactively with the facility owners and senior lender(s) should there be issues with repayment in order to maximize the likelihood of a full recovery of the outstanding loan principal.

Resolutions

WHEREAS, in early 2013, CEFIA released a rolling Request for Proposals (RFP) for anaerobic digestion projects to participate in a statutorily mandated AD Pilot program pursuant to Section 103 of Public Act 11-80;

WHEREAS, the RFP is aimed at reducing landfill waste through the recycling of organics, helping to promote sustainable practices and economic prosperity of Connecticut farms and other businesses by using organic waste with on-site anaerobic digestion facilities to generate electricity and heat;

WHEREAS, Bridgeport Bioenergy Facility, LLC submitted the Bridgeport Bioenergy Facility proposal in response to develop, in the City of Bridgeport, a 1.55MW anaerobic digestion and cogeneration project and, after a thorough review, was selected as a project that is consistent with the CEFIA Comprehensive Plan and in the best interests of ratepayer;

WHEREAS, the Deployment Committee recommended that the Board approve the subordinated loan financing based on the term sheet set forth in the due diligence package dated February 28, 2014;

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors approves and authorizes the CEFIA staff to execute definitive loan documentation materially based on the term sheet set forth in the due diligence package dated April 25, 2014 for financial support in the form of a [redacted] subordinated loan financing; and

RESOLVED, that this Board action is consistent with Section 103 of Public Act 11-80; and

RESOLVED, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents as they shall deem necessary and desirable to effect these Resolutions.

Draft Term Sheet

Clean Energy Finance and Investment Authority – Bridgeport Bioenergy Facility, LLC

Summary of Terms and Conditions for Proposed Credit Facilities

(for discussion only)

This summary is intended as an outline of certain material terms of the proposed Credit Facilities being considered by the Clean Energy Finance and Investment Authority (CEFIA). It does not include descriptions of all of the terms, conditions and other provisions that would be contained in the definitive documentation relating to the Credit Facilities. This summary is not a contract to extend financing nor an offer to enter into a contract for such financing nor a commitment to obligate CEFIA in any way with respect to any financing proposal summarized herein and the parties to the proposed transactions should not rely upon it as such.

This term sheet is delivered to you on the understanding that any of the terms of substance hereunder shall not be disclosed, directly or indirectly, to any other person except your investors, officers, agents and advisors who are directly involved in the consideration of this matter unless prior written consent has been given by CEFIA. The transactions contemplated by this Summary of Terms and Conditions is subject to all necessary CEFIA approvals, including its board of directors.

Borrower:	A Special Purpose Entity (Bridgeport Bioenergy Facility, LLC, a wholly owned subsidiary of Anaergia Inc.) will own and operate 1.550 MWAC anaerobic digestion energy project located in Bridgeport, Connecticut (the "**Borrower**" or the "**Company**").
Sole Purpose:	To provide permanent (long term) subordinated debt financing to the proposed anaerobic digestion energy project located in Bridgeport, Connecticut (the "**Project**").
Credit Facility:	Not to exceed [redacted] Secured Subordinated Term Loan (the "**Subordinated Loan")**. The Subordinated Loan may be lower if the minimum proforma debt service coverage ratio ("DSCR") is not maintained based on projected Project economics agreed between CEFIA, Borrower and Senior Lender (defined later) as a condition to the Advances.

Interest Rates and Fees:	[redacted] per Annum on the Principal advanced and outstanding from time to time.
Maturity:	Maturity co-terminus with the senior loan facility, not to exceed [redacted] from the date of closing and fully amortizing level payments of principal and interest (mortgage-style basis).
Repayment and payment:	[redacted]
Advances:	A single payment in the full principal amount of the Subordinated Loan will be made at Commercial Operation Date (COD) and no earlier than Senior Debt advances.
Repayment:	No Pre-payment Penalty.
Calculation of Interest and Fees:	All calculations in respect of interest shall be made on the basis of actual number of days elapsed in a 360 day year.
Collateral:	The loans will be secured at all times by:

a continuing first priority lien on and security interest (the "**Security Interest**") in all of the Borrower's right, title and interest in and to; (provided the granting or creation of the Security Interest will not constitute a breach or default under their terms and only to the extent permitted), (i) any and all project agreements, including any agreements to sell electrical energy from the Project to power purchaser(s) and the purchasers of any alternative energy credits or environmental attributes available for sale including any proceeds from such agreements, agreements with equipment suppliers, EPC agreements, operation and maintenance agreements (ii) a pledge of 100% of Borrower's interest in all future cash flows from the Project (iii) all cash, money, currency, and liquid funds, wherever held, in which the Borrower now or hereafter acquires any right, title, or interest including, but not limited to a debt service reserve account for the benefit of the Senior Lender(s) (defined below) and the Lender and such other bank accounts of the Borrower or the Project; and a perfected lien on substantially all existing and subsequently acquired assets and real properties, including, but not limited to, receivables, inventory, equipment, furniture, fixtures, improvements, material owned real property, material contracts, assignment of leases, general intangibles, and leasehold mortgages, as determined by the Lender; and a perfected lien on 100% of the capital stock of the Borrower and all Proceeds of each of the foregoing and all accessions to, and replacements for, each of the foregoing (the "**Collateral**"), such Security Interest, where appropriate, to be subordinate only to the parties or parties reasonably acceptable to CEFIA extending loans, advances or lines of credit or otherwise lending funds to the Borrower, ("**Senior Debt**") pursuant to a mutually agreeable intercreditor agreement as required by the Senior Lender acting reasonably, including all required postponement and subordination documentation.

Negative Pledge: The Borrower will not assign any accounts or other Collateral to any person other than the Lender or the Senior Lender (together, the "**Secured Parties**" and at all times in conformity with the Intercreditor Agreement), nor create or permit to be created any lien, encumbrance or security interest of any kind on any Collateral other than for the benefit of the Secured Parties or either of them, nor grant or permit to be granted any corporate guaranty other than for the benefit of the Secured Parties or either of them, unless authorized by the Secured Parties (or, as permitted by the Intercreditor Agreement, either Secured Party) in writing, except for the security interests contemplated herein in connection with granting of the loans evidenced by the Credit Agreement and the Note.

Voluntary Reductions: Commitments under the Credit Facility may be reduced or terminated, in whole or in part, at the Borrower's option, upon five business days prior notice. Voluntary reductions of commitments under the Credit Facility shall be in minimum amounts to be agreed upon.

The Borrower may prepay amounts outstanding under the Credit Facility in whole or in part (in minimum amounts to be agreed upon), with prior notice but without premium or penalty. Prepayments of the Credit Facility shall be applied to the reduction of the then outstanding principal, and then the interest plus principal of all remaining scheduled installments shall be reduced accordingly. Voluntary prepayments of the Subordinated Loan may not be re-borrowed.

Mandatory Reductions:	Subject to exceptions to be further negotiated, the following mandatory commitment reductions and/or prepayments shall be required: 100% of the net cash proceeds of any additional debt; excluding the Senior Debt. 100% of the net proceeds of any additional equity issuance subject to mutually approved carve-outs for Tax Equity Investments and Company Equity Investments. 100% of the proceeds of asset sales outside the ordinary course of business, to the extent such proceeds have not been applied to indebtedness of the Senior Lender(s) or reinvested in the business within 180 days. 100% of the proceeds from any casualty loss of any of the collateral to the extent such proceeds have not been applied to indebtedness of the Senior Lender(s) or reinvested in the business within 180 days. Mandatory prepayments will be first applied to reduce the Credit Facility in the inverse order of maturity. All prepayments (including voluntary prepayments) shall be accompanied by payment of accrued interest on the amount prepaid to the date of prepayment.
Representations and Warranties:	Organization and qualification; capitalization and ownership; use of proceeds; subsidiaries and affiliates; solvency; power and authority; validity, binding effect and enforceability; no conflict; absence of material litigation; accuracy of financial statements; margin stock; full disclosure; payment of taxes; consents and approvals; no Event of Default; compliance with instruments; patents, trademarks, copyrights, and licenses; insurance; indebtedness; security interest and mortgage liens; compliance with laws; material contracts; environmental matters; senior debt status; and other Representations and Warranties considered appropriate by the Lender.
Conditions Precedent to Lending:	Usual and customary for transactions of this nature, including, but not limited to, the following:

The negotiation, execution and delivery of definitive loan and security documentation for the Credit Facilities (the "Loan Documents") satisfactory to the Lender, including satisfactory evidence that the Lender holds a perfected, first priority lien (or a lien which, as to be negotiated, is subordinate only to the Senior Lender(s)) in the Collateral for the Credit Facilities and all Connecticut state contracting provisions required by statute.

Execution of the project documents;

Evidence of debt and equity funding commitments by Senior Lender and Equity Investor (Tax Equity Investor if applicable) and all conditions precedent required in respect of any advances from the Senior Lender and Equity Investor (other than any conditions precedent related to advances of the Subordinated Loan) shall have been satisfied;

Evidence of compliance with tax credit requirements for safe harbor status;

Delivery of satisfactory opinion(s) of counsel to the Company.

Closing certificate as to accuracy of Representations and Warranties, compliance with covenants, and absence of an Event of Default or potential Event of Default.

Certified resolutions, incumbency certificate, and corporate documents.

All regulatory approvals and licenses, absence of any legal or regulatory prohibitions or restrictions.

No material litigation. Specifically, there are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower or against any of its properties or revenues that (a) relate to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, and (b) either individually or in the aggregate, if determined adversely, could reasonably be expected to have a Material Adverse Effect.

Receipt of a projection model in form and substance satisfactory to the Lender and accepted by the Senior Lender.

Satisfactory Intercreditor Agreement with Senior Lender and (if appropriate) Tax Equity Investor.

Completion of Lender's final due diligence.

Evidence of required insurance.

Payment of all fees and expenses of the Lender and the Senior Lender(s) which are subject to reimbursement, including but not limited to all filing and legal fees.

No material adverse change in or affecting the business, operations, property, condition (financial or otherwise) or prospects of the Company.

Other Usual and Customary Conditions Precedent to Lending as appropriate.

Affirmative Covenants: Usual and customary for financing transactions of this nature and for this transaction in particular, including, but not limited to:

Maintenance of books, records and inspections.

Maintenance of insurance.

Payment of taxes.

Preservation of existence, rights and authority.

Maintenance of properties and equipment.

Compliance with statutes, including environmental laws.

Compliance with all obligations under the project documents.

Use of proceeds.

Other Affirmative and Negative Covenants as appropriate.

Reporting Requirements:	The Borrower will provide:

Within 45 days after each fiscal quarter a consolidated balance sheet and consolidated statements of income, retained earnings, and cash flow, together with a Certificate of Compliance from the Chief Financial Officer of the Borrower.

For the fiscal year ending December 31, 2013 and each fiscal year thereafter, within 120 days after each fiscal year end consolidated audited balance sheet and consolidated audited statements of income, retained earnings, and cash flow, together with (i) a report of an independent certified public accountant reasonably satisfactory to the Agents, (ii) any management letters of such accountants addressed to the Borrower, and (iii) a Certificate of Compliance from the Chief Financial Officer of the Borrower.

The annual budget for the upcoming year within 30 days after each fiscal year end.

Notice of default.

Other information as reasonably requested.

Other Reporting Requirements as appropriate (the foregoing to be reasonably conformed to the Reporting Requirements of Senior Lender(s).

Negative Covenants:	Usual and customary for transactions of this nature, including, but not limited to, the following: dividends, change of control, asset divestitures, investments, liens, leases, transactions with affiliates, prepayment of other indebtedness (provided such prepayments are made pro-rata to the Subordinated Loan), restriction on mergers and acquisitions, and additional indebtedness. Other Negative Covenants as appropriate.
Financial Covenants:	Financial covenants, including, but not limited to, the following: (to be negotiated)
Events of Default:	Customary for facilities of this nature, including but not limited to: Payment default; Cross-defaults to other indebtedness and other material obligations; Failure to perform any covenant or agreement; Breach of representations and warranties; Loss of custody or control of property; Discontinuance of business; Insolvency or bankruptcy; Material adverse change; Judgment defaults; and Change in control.
Assignments and Participations:	(to be negotiated)
Governing Law:	CT

Lender's Counsel:	TBD
Miscellaneous / Proposal not an Offer to Lend Funds, Approvals, Etc.:	This term sheet does not include all of the terms that would be included in definitive documentation. The terms and conditions of the Credit Facility will be further developed and expanded during the due diligence, negotiation, approval and documentation process. The transactions contemplated by this summary of terms are expressly contingent upon and subject to, among other things, (i) satisfactory completion of CEFIA's due diligence, (ii) the negotiation, execution and delivery of the Loan Documents satisfactory to CEFIA, (iii) all representations and warranties of the Borrower and, as may apply, Borrower's subsidiaries, affiliates and representatives in connection with the proposed Credit Facility being complete and correct in all material respects and not containing any untrue statement of any material facts or omitting any material facts, (iv) the satisfaction of the conditions precedent to be contained in the Loan Documents and (v) approval of the Credit Facility by CEFIA's Board of Directors. CEFIA reserves the right to cease all discussions and negotiations at any time prior to entering into the Loan Documents without any liability whatsoever to the parties to the proposed transactions.
Enabling Statute and State Contracting Provisions:	CEFIA is subject to the requirements outlined in Sections 16-245n of the Connecticut General Statutes and Borrower will be responsible for complying with applicable state contracting requirements.
Expenses:	The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Lender associated with the Credit Facilities, including the preparation, execution, delivery and administration of the credit documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel) and (b) all out of pocket expenses of the Lender(s) (including the fees, disbursements and other charges of counsel) in connection with the enforcement of the credit documentation.

Pro Forma

An overview debt service pro forma is shown below. Full project pro forma is available as separate attachment.

REDACTED

[redacted]

[redacted]

[redacted]

[redacted]

(FINANCIALS REDACTED)

City of Bridgeport, CT

Background

Under the leadership of Mayor Bill Finch, Bridgeport has embarked upon BGreen 2020, a plan to create good jobs, save taxpayers and their government money, reduce wasteful carbon emissions and help free the United States from our addiction to foreign oil – it is a plan for a sustainable Bridgeport.

Financial Strength

S&P rates the long term debt of the City of Bridgeport: "A-" / Stable

Strategic Interest in the Project

The Project will be located on approx. 2.23 acres of land leased from the City of Bridgeport. The initial lease term is 20 years with an option to renew two 5 year renewal options. The property is located adjacent to the West Side Waste Water Treatment Facility. The Project has the full support of the City of Bridgeport and helps promote their efforts to become more sustainable through the use of renewable energy.

United Illuminating Company

Background

United Illuminating Co. is a wholly-owned subsidiary of New Haven-based UIL Holdings Corp., a diversified energy delivery company serving 690,000 electric and natural gas utility customers in 66 communities across two states, with total assets of more than $4 billion. In addition to United Illuminating, UIL is the parent company of Connecticut Natural Gas Corp., Southern Connecticut Gas Co. and Berkshire Gas Co.

Financial Strength

REDACTED

Strategic Interest in the Project

UI will transport the electricity to the East Side Water Pollution Control Authority facility from the Bridgeport Bioenergy Facility through virtual net metering.

Attachment 1 – Project Pro Forma

REDACTED

Wind Colebrook South Project

Due Diligence Package

February 28, 2014 – Deployment Committee

As updated April 17, 2014 for the Board of Directors

Document Purpose: This document contains background information and due diligence on the Wind Colebrook South Project and the stakeholders involved, including Wind Colebrook South LLC and its parent company BNE Energy, Inc., as well as Connecticut Light & Power Company and (potentially) Quanta Services. This information is provided to the Deployment Committee for the purposes of reviewing and approving recommendations made by the staff of the Clean Energy Finance and Investment Authority.

In some cases, this package may contain among other things, trade secrets, and commercial or financial information given to the Clean Energy Finance and Investment Authority in confidence and should be excluded under C.G.S. §1-210(b) and §16-245n(D) from any public discourse under the Connecticut Freedom of Information Act. If such information is included in this package, it will be noted as confidential.

Project Qualification Memo

To: CEFIA Deployment Committee & Board of Directors

From: Bryan Garcia, Bert Hunter, Dale Hedman, Rick Ross, Brian Farnen and Ben Healey

Date: February 28, 2014 (updated April 17, 2014)

Re: Wind Colebrook South Project

Summary

Background

Wind Colebrook South LLC ("WCS") is the project company proposing to develop and own a 5 MW wind project in Colebrook (Litchfield County), Connecticut. The WCS project has a long history with CEFIA and its predecessor organization, the Connecticut Clean Energy Fund. Between early 2009 and mid-2010, CCEF provided WCS with a pair of predevelopment loans totaling $500,000 intended to support the project developer, WCS' parent company BNE Energy, Inc. ("BNE"), in overcoming the numerous siting, evaluation, and regulatory hurdles needed to bring this project forward such that it would be ready to enter construction.

Now, with the project having secured all necessary state and federal permits required to begin construction, all outstanding litigation nearly complete and appearing likely to be resolved in BNE's favor, and the development of an attainable financing plan in place featuring solid debt and tax equity providers and a reputable Engineering, Procurement, and Construction ("EPC") contractor soft-circled, CEFIA staff is recommending an investment into the project totaling $2,800,000 – inclusive of both 1) a $2,000,000 subordinate secured loan, a portion of which will be used to immediately pay off the CCEF predevelopment loan, and 2) a working capital facility in the amount of $800,000 – to complete the capital stack needed to bring this project to fruition.

WCS

The facility would be the first utility-scale wind project in Connecticut, costing approximately $22,500,000 to construct and supplying up to 5,000 kWh of energy per hour to the grid via an interconnection with Connecticut Light & Power ("CL&P"). Pursuant to Section 127 of Public Act 11-80, BNE and CL&P have entered into a 20-yr Power Purchase Agreement ("PPA") guaranteeing the energy offtake from this project at a price of 20 cents per kWh, inclusive of both energy and Renewable Energy Credits ("RECs") – 11.51 cents / kWh plus $84.90 per REC.

Quanta Services, through its wholly owned subsidiary the Ryan Company, is expected to serve as EPC contractor for the project, as well as tax equity provider. Should BNE end up selecting another EPC contractor (which not or might not entail a new tax equity investor, as well), CEFIA staff would reevaluate our decision to lend to the project in the context of the strength of the EPC contractor, whose financial strength and reputation are material factors in CEFIA's consideration of this investment.

The project's development timeline to date appears on the following page.

Development Timeline

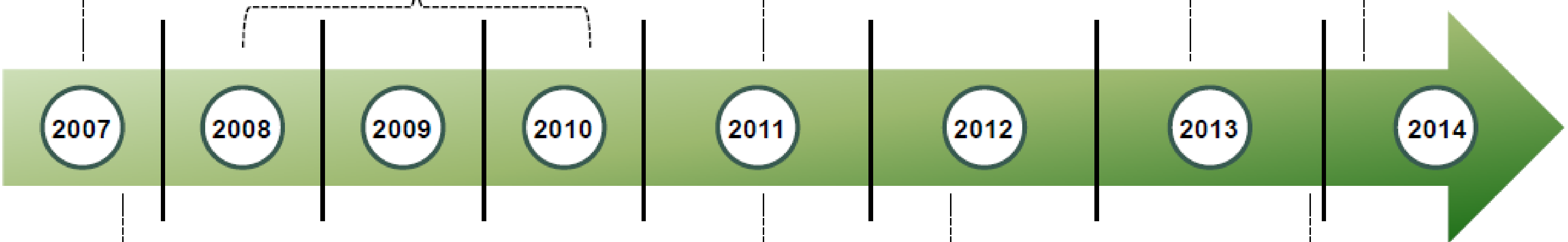
BNE acquired 76 acres of land in 2007 in Colebrook South. BNE partnered with the Connecticut Clean Energy Fund (CCEF) to develop project in the early stages.

Between 2008 – 2010, BNE initiated project development and conducted the necessary permitting studies with nationally renowned environmental experts. BNE then filed a Petition with the CT Siting Council in December 2010.

In 2011, working with the government relations group of the law firm Brown Rudnick, BNE was able to get legislation passed that provided for 30 MW of contracts for wind and solar in Connecticut.

BNE received approval of the contract from the Department of Energy and Environmental Protection (DEEP) and the Public Utilities Regulatory Authority (PURA) in June 2013.

BNE will deliver an Oral Argument in January 2014 with the final non-appealable verdict issued in March/April 2014. Commercial Operations Date is anticipated in 2014.



CCEF provided a $500,000 unsecured loan through its Pre-development Program. The loan and a matching contribution from BNE confirmed the viability of the project by verifying the wind resources on the site.

BNE Energy's Petition to the Siting Council for three wind turbines was approved in June 2011. BNE then submitted its Development and Management Plan (D&M Plan). The D&M Plan was approved in December 2011.

BNE began negotiations with Connecticut Light and Power in February 2012 and finalized a PPA in December of 2012.

Colebrook South land has been cleared and leveled for development. BNE Energy is beginning construction in December 2013 to qualify for the ITC.

Project Structure

The Project and Transaction in Brief

WCS is a 5 MW wind farm consisting of two GE 2.85 MW turbines derated to 2.5 MW each. The project is situated on approximately 80 acres of land in Colebrook, CT, and is ideally situated for a wind farm due to its elevation, orientation and topographical characteristics. The predicted wind speeds are favorable for wind generation with an expected capacity factor exceeding 24% at a 95% confidence interval, meaning in any given year, with 95% confidence, the expected capacity should be somewhat higher than 24% or combining both turbines – 10,576 MWhrs per year. These revisions are the result of an independent review of wind resource studies and other materials associated with the proposed project commissioned by CEFIA pursuant to an RFP. See attached report entitled: "Colebrook Wind – Due Diligence Process".

The entire project is expected to cost about $22,500,000 to develop (equivalent to about $4.50/W), with CEFIA's proposed permanent sub debt contribution of $2,000,000 therefore leveraged at about 10x via a combination of sponsor equity, tax equity, and senior debt investment into the project. The entire capital stack for the project will closely reflect the following breakdown:

REDACTED

Quanta Services (also the EPC contractor for the project) is expected to provide the tax equity investment for this project, subject to a final determination by BNE and subsequently a fully vetted intercreditor agreement with CEFIA and other debt providers, with senior debt financing likely to come from Webster Bank.

Strategic Plan

Is the project proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

Pursuant to CEFIA's mandate to foster the growth, development and commercialization of renewable energy sources and related enterprises, the Board of Directors of CEFIA has determined that it is in keeping with Conn. Gen. Stat. Section 16-245n for CEFIA to fund certain renewable energy infrastructure projects that advance the goal of delivering more domestically supplied clean energy directly to the grid, for the benefit of Connecticut ratepayers and the environment.

The WCS project is a strategic investment for CEFIA for the following four (4) reasons:

- **Uniqueness** – the project will be the first of its kind in Connecticut as a utility-scale wind project, and it has attracted significant private capital leveraged by ratepayer capital;
- **Strategic Importance** – the project has a strong compatibility with the mission of CEFIA and will both create construction jobs in Connecticut and contribute to the local and state tax base on an ongoing basis;
- **Urgency and Timeliness** – the project has entered into a PPA of which a condition is that delays in achieving the agreed upon Commercial Operation Date ("COD") will result in significant financial penalties and eventually a cancellation of the PPA itself; and
- **Multi-Phase Project** – the WCS project is a multi-phase project that previously involved the CCEF in providing a predevelopment loan and, with the developers now having completed predevelopment activities, stands ready to enter into construction and thereafter commercial operations.

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the project versus the dollars of ratepayer funds at risk?

The Project is expected to generate approximately 10,576 MWh of electricity annually – or 198,465 MWh over its 20-year life (including expected annual degradation of the wind turbine). Support for the WCS transaction is proposed in the following amounts:

1. Mezzanine debt in the amount of $2,000,000 (a portion of which will be used to immediately repay the CCEF predevelopment loan of $500,000 plus all accrued interest); and
2. A working capital facility of an additional $800,000.

The objective function for this project is 71 kWh per $1 of ratepayer funds at risk for clean electricity produced.

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

The mezzanine debt will be repaid via a cash sweep of funds remaining after senior debt service occurs on a quarterly basis, according to the following schedule:

REDACTED

The interest rate applicable to the working capital facility will be the prime rate plus 3.00%.

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the project?

The total extension of credit for this project will be in the amount of up to $2,800,000 although a portion of that amount will be immediately repaid to retire the existing CCEF predevelopment loans.

Risk

What is the maximum risk exposure of ratepayer funds for the project?

The maximum ongoing risk exposure (i.e., the mezzanine debt and the working capital facility, before repayment of the predevelopment loans) would be up to $2.8M from the date of disbursement to the anticipated repayment in 15 years.

Financial Statements

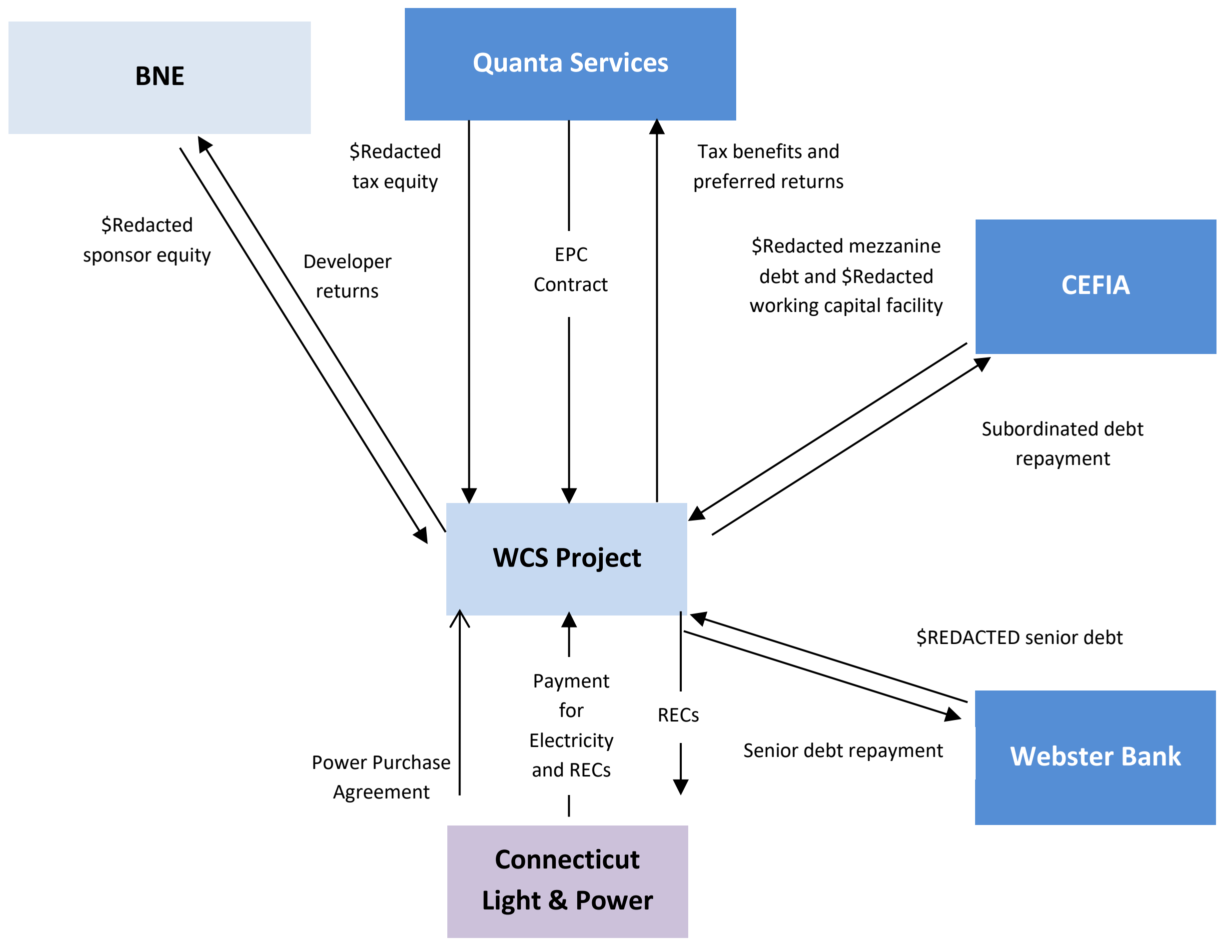
How is the project investment accounted for on the balance sheet and profit and loss statements?

The permanent loan would result in a reduction of unrestricted cash and an increase in promissory notes (grid tied program) in the amount of approximately $1,400,000 after repayment of the predevelopment loan. The working capital facility would result in a reduction of unrestricted cash of $800,000 and an increase of the same amount in short term promissory notes (grid tied program) line item.

Capital Flow Diagram

Wind Colebrook South Project

(EPC Contractor and Lender subject to change)



Target Market

Who are the end-users of the project?

The entire output from the project provides electric energy and RECs to the grid for the customers of CL&P.

CEFIA Role, Financial Assistance & Selection/Award Process

As stated above, WCS has a long history with CEFIA and CCEF. In 2009, BNE submitted a proposal to develop a utility-scale wind farm in Colebrook, CT and was subsequently awarded two CCEF predevelopment loans totaling [redacted]. These loans partially funded predevelopment activities for this project, including a wind assessment study. The two loans were in the amounts of [redacted] on February 19, 2009, and [redacted] on June 24, 2010, respectively. Each loan carried a 25% matching fund requirement, to be expended before a draw could be made on the loans. The first loan funded an initial wind assessment study and other needed predevelopment expenditures to provide quantitative information that the site had an adequate wind resource to support a wind farm. The second loan funded completion of the wind assessment and the remainder of required predevelopment activities. Partially using these loan proceeds, BNE retained the services of Electric Power Engineers, Inc. (EPE), to complete a wind resource assessment study of the site. [In addition, CEFIA engaged a qualified Contractor (EAPC Wind Energy, LLC of Norwich, VT (EAPC)) to conduct an accelerated, independent review of resource studies, financial models, and regulatory decisions associated with the proposed Wind Colebrook South project for the purpose of providing CEFIA with an independent opinion on technical and environmental matters being assessed as part of its due diligence process to consider providing financing for the project. See attached report.] The meteorological tower (met tower) data was collected over a 30+ month period to determine, with a reasonable degree of certainty, the Annual Energy Production (AEP) and capacity factors for the proposed wind turbine selection and siting locations. The purpose of the study was to determine the exceedance probability values (P-Values), based on the proposed wind turbines and siting locations, to bring the project to a near financeable level by estimating losses and uncertainties. During predevelopment activities, BNE remained in regular communication with CEFIA staff, providing updates on the achievement of technical and regulatory hurdles and – perhaps most importantly – the status of ongoing litigation undertaken in opposition to the project by nearby property owners.

Having progressed with predevelopment activities such that the project is now ready to enter construction, and with opponents' litigation near to conclusion pending a final (but likely to be favorable to the WCS project) decision from the Connecticut Supreme Court, BNE requested that CEFIA reengage with the project to provide a mezzanine debt investment along with a working capital facility, in order to secure senior debt alongside a newly recruited tax equity provider in Quanta Services. Please note that any disbursement by CEFIA would be contingent upon the successful conclusion of all litigation and appeal matters. Given the successful completion of all predevelopment milestones and the attractive financial profile of the project due to the aforementioned [redacted] PPA with CL&P, CEFIA staff determined that a permanent mezzanine loan and line of credit would not only help advance the project towards completion, but would also earn an attractive risk-adjusted return for ratepayers in a prudential fashion.

Regulatory Framework

The WCS project is being developed pursuant to Section 127 of Public Act 11-80, which allowed private developers to submit a proposal to the Department of Energy and Environmental Protection as well as the two investor-owned utilities to build, own or operate one or more zero emission generation facilities, provided that no facility would have a nameplate capacity of less than one megawatt or more than five megawatts. Furthermore, Section 127(b) contemplated the purchase of power, capacity and related products produced by a generating facility to meet the needs of the electric utility companies' Standard Service customers. Finally**,** implementation of Section 127 required that the electric utility companies enter into long term contracts for the purchase of energy, capacity and/or renewable energy certificates from renewable generators that emit no pollutants.

Project Partners

- BNE Energy, Inc. and Wind Colebrook South LLC
- Connecticut Light & Power Company
- Quanta Services (subject to change)
- Webster Bank (likely), or other senior debt investor

Project Detail

Overview: The WCS project is situated on approximately 80 acres of land located in Colebrook (Litchfield County), portions of which are over one thousand five hundred (1,500) feet above sea level. BNE owns approximately 75.67 acres of undeveloped land where the proposed two GE 2.85 MW turbines will be located. BNE has also purchased an adjacent property that includes a house with 4 acres of land, in June 2010, and have a long-term easement on another adjacent property (a home with 5 acres of land) to provide additional flexibility and benefits for the project. The site is high-elevation property located on a ridge at the top of one of the highest points in the town of Colebrook. The ridgeline generally runs north to south with westerly exposure and is adjacent to conservation land and a gun club. The parcel is ideally situated for a wind generation project due to its elevation, orientation and topographical characteristics. The predicted wind speeds are favorable for wind generation, and the site is located in very close proximity to the distribution grid adjacent to the property.

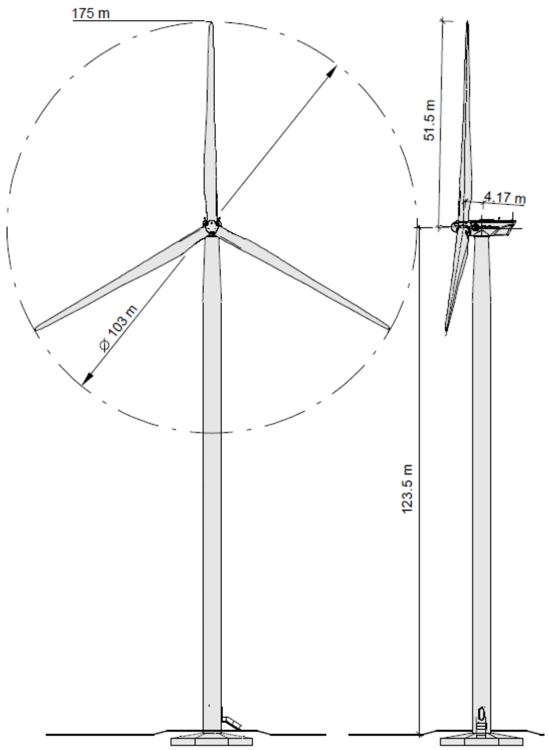
The wind generation facility has been approved by the Connecticut Siting Council for three (3) GE 2.85 MW wind turbines with 98.3 meter hub heights and 103 meter diameter blades. These GE turbines are designed to provide high reliability and efficiency at low wind speeds, resulting in strong annual yields. The long term Power Purchase Agreement (PPA) with CL&P was executed on December 10, 2012 and provides for the purchase of 100% of the output from the facility up to 5 megawatts of generation at 20 cents per kWh, for a period of 20 years. The PPA was approved by the Public Utility Regulatory Authority (PURA) on June 5, 2013. Given that the PPA provides for a maximum system capacity of 5 MW, the first phase of Colebrook South will consist of the two (2) proposed wind turbines de-rated to 2.5 MW, for a total system installed capacity of 5 MW to match CL&P's PPA. BNE plans to install a third turbine on Colebrook South if and when it is able to secure a PPA for the additional capacity. Site clearing at the Colebrook wind farm location began in December of 2011.

The Technology: The two turbines powering the project are manufactured by General Electric and are successors to GE's highly reliable 1.5 MW platform, which is historically known for its high availability. GE's 2.85 MW turbine is a three-blade, upwind, horizontal-axis wind turbine with a 103-meter rotor diameter. The turbine rotor and nacelle are mounted on top of a tubular steel tower providing a hub height of 98.3 meters. The machine uses active yaw control to keep the rotor facing into the wind. The 2.85 MW wind turbine is designed to operate at variable speeds and utilizes a double fed induction generator partial power conversion system. The transformer, switchgear and auxiliary equipment are located in the base of the turbine tower but can be centralized if necessary. If BNE decides to utilize different turbines, CEFIA staff will review and approve at the staff level that such turbines are comparable in performance.

The benefits of the GE 2.85 MW Wind Turbine solution include:

- Ultra-quiet power production
- Proven design gearboxes, mainshaft and generators uprated from predecessors
- Sharing of most components within GE's product family for improved uptimes
- Larger rotor diameter captures more energy without sacrificing acoustic performance
- Higher AEP compared to predecessors
- Designed to meet or exceed GE's 1.5 MW platform's historic high availability
- Turbine controls allow for voltage ride through and power factor correction
- Wind data collection system monitors turbines performance
- Automatic blade pitch adjustment reduces loads and stresses on turbine components – longer life
- Local supplier for service and replacement parts (GE Schenectady)

Technical Data for the 2.85 Series	
Turbine	**2.85-103**
Rated output	2.85MW
Rotor diameter	203 m
Hub Height	98.3 m
Number of blades	3
Swept area	8,332 m^2
Rotor speed range	4.7 - 14.8 rpm
Rotational direction	Clockwise
Maximum speed of blade tips	79.7 m/s
Orientation	Upwind
Speed regulation	Pitch control
Aerodynamic brake	Full feathering



Risks and Mitigation Strategies

As a prelude to the discussion of risks and mitigation strategies, it is worthwhile to recount briefly the project's development history thus far:

- In 2005, the CT legislature passed legislation to promote the development of renewable energy, stating that if i) a project is under 65MW, ii) the project is not coal or nuclear, and iii) the project meets the Department of Environmental Protections air and water quality standards, then the Connecticut Siting Council shall approve the project.

- The Siting Council found that the WCS project met the requirements and approved the project. The Superior Court upheld the Siting Council decision. The Siting Council made the factual determination that the project would not have a substantial adverse effect and approved the project.
- BNE Energy began construction on the site in December 2013 to meet the "begin" construction requirements of the IRS for the federal Investment Tax Credit (ITC). An independent tax attorney will provide a legal opinion to confirm BNE has met the safe harbor requirements for the ITC/PTC qualification.
- Nonetheless, there is an appeal of the Siting Council decision, which was upheld by the Superior Court. Despite the reaffirmation, the judge allowed the plaintiffs to continue appeal under the Connecticut Environment Protection Act ("CEPA").
- The legal standard under CEPA requires there to be a reasonable likelihood of substantial pollution or destruction to air, water or natural resources of the state. Therefore, BNE does not expect there to be any substantial adverse effects from the development of a wind farm.
- The case is going directly to the Supreme Court per BNE's request with briefs and reply briefs filed in June 2013. There was an Oral Argument in February 2014 and the final non-appealable decision is expected to be issued by March 2014.
- Based on the Siting Council findings, BNE fully anticipates that the Supreme Court's decision will uphold the Siting Council approval. All funding by CEFIA will be contingent upon successful resolution of these legal matters.

On the following page, a brief accounting of significant risks and their mitigating factors appears as presented by BNE's investment advisers. However, with regards to many of the technical aspects of this project, CEFIA commissioned an independent review of all salient areas of concern, including the following potential environmental issues:

- Noise;
- Ice throw; and
- Flicker.

Additionally, this analysis, performed by experienced wind project consultants EAPC Wind, reviewed energy generation estimates and exceedance probabilities, resulting cash flow implications, and potential downside risks that might impact CEFIA's expected return on its debt investment into this project, as well. This independent review resulted in a 22% reduction in the Annual Energy Production (AEP) estimate at the P95 exceedance probability level but did not flag any high-level risks that would materially change any of the analyses or recommendations presented in this due diligence package., At the lower level of AEP, the project is still viable, but may require additional financial assurance, possibly in the form of retained reserves, to bolster debt service coverage ratios (see below). Staff will return to the Deployment Committee for further review before proceeding with closing this transaction.

Original DSCR

Revised DSCR

REDACTED

Risk	Risk Level	Mitigating Factor
Appeal and Upcoming Oral Judgment	Low	Oral judgment is set to occur with in January 2014 with a Final Non-appealable decision likely in March/April 2014. It is expected that final decision by the Supreme Court will be a condition precedent to funding.
Construction Risk	Low	The Project will have a fixed EPC price and realistic construction schedule to avoid delays and cost overruns.
Revenue Risk	Low	In the event that actual production is lower than the expected numbers, the senior secured lender should not be impacted. Due to the high coverage ratios, the equity members will absorb the impact of underperformance.
Force Majeure	Low	Replacement value insurance will be maintained throughout the compliance period.
Equipment Malfunction	Low	The Project will use GE 2.85MW wind turbines that are highly regarded within the industry and maintain a 24 month warranty. Additional insurance will provide a suitable contingency for equipment malfunctions.
Offtaker Risk	Low	The Project offtaker is Connecticut Light and Power Company who a subsidiary of Northeast Utilities. Both Connecticut Light and Power Company and Northeast Utilities have investment grade credit ratings.
Failure to Achieve PPA COD Milestone	Low	The PPA imposes a $2,500 fee for every month the project fails to achieve the COD of July 1, 2014, up to a maximum of 24 months. As such, the project has until July 1, 2016 to achieve COD without PPA termination.

Resolutions

WHEREAS, Wind Colebrook South LLC ("WCS"), a limited liability company wholly-owned by BNE Energy, Inc. ("BNE") has a long history with CEFIA and its predecessor, the Connecticut Clean Energy Fund ("CCEF");

WHEREAS, in 2010, the CCEF awarded BNE a predevelopment loan totaling $500,000 to support the developers in overcoming early-stage technical and regulatory hurdles;

WHEREAS, BNE has entered into a [redacted] Power Purchase Agreement ("PPA") with the Connecticut Light and Power Company pursuant to Section 127 of Public Act 11-80, making the project financeable due to the security of its contracted long term cash flows; and

WHEREAS, BNE has advanced the project such that it is technically ready to proceed, nearly free of remaining legal obstacles, and soon to be in a position to close on financing so as to begin construction; and

WHEREAS, that the Deployment Committee recommends to the CEFIA Board of Directors ("Board") that the Wind Colebrook South Project be approved as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Wind Colebrook South Project.

NOW, therefore be it:

RESOLVED, that the Board approves the Wind Colebrook South Project as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Wind Colebrook South Project; and

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute definitive loan documentation materially based on the term sheet set forth in this due diligence package dated April 17, 2014 for financial support in the form of a $2,000,000 permanent mezzanine debt investment and up to $800,000 in working capital financing.

Colebrook Wind

Due Diligence Process

Through an RFP process, CEFIA engaged a qualified Contractor (EAPC Wind Energy, LLC of Norwich, VT (EAPC)) to conduct an accelerated, independent review of resource studies, financial models, and regulatory decisions associated with the proposed Wind Colebrook South project for the purpose of providing CEFIA with an independent opinion on technical and environmental matters being assessed as part of its due diligence process to consider providing financing for the project.

EAPC has significant expertise in wind energy project siting and development, having worked with more than 30,000 MW of wind energy projects of all sizes throughout the world, and has long-standing industry experience in wind turbine design, reliability and performance assessment, financial due diligence, wind resources analysis, environmental assessment, construction management, and project maintenance.

In a preliminary analysis delivered to CEFIA on March 31, 2014, EAPC recommended that an updated Wind Resource Analysis (WRA) be completed due to concerns they raised about the initial WRA methodology. The WRA is the basis for estimates of the annual energy production (AEP) that can be expected from the turbines, and becomes the basis for later stage project development and financing decisions; therefore, confidence in its methodology and findings is critical. CEFIA engaged EAPC to conduct a revised WRA and revised acoustic and shadow flicker evaluations. BNE Energy and their subcontractors cooperated extensively in providing data and documentation to support the revised WRA.

EAPC has produced a revised estimate of AEP for the Wind Colebrook South Project. The revised analysis reduces the Annual Energy Production estimate at the P50 exceedance probability by 12%, and at the P95 exceedance probability by 22%[1]. A comparison between EAPC's AEP

[1] Exceedance probability refers to the chances that a particular measure will be surpassed in value by another measure, in this case, energy production. Note that P95 does not mean that there is a 95% chance of occurrence; the P50 energy production value is actually more likely to occur because it is the mean. P95 is a high-confidence measure, because it implies that the P95 annual energy production value will be exceeded 95% of the time.

estimates and the previous estimates from EPE, BNE Energy's subcontractor, are shown in the table below:

Table 1. Comparison of AEP estimates for Wind Colebrook South, Colebrook, CT.

Engineer	Turbine (Derated)	Hub Height (m)	Rotor Diameter (m)	Net Losses (%)	Net AEP [MWh/y] (P50)	Net AEP [MWh/y] (P95)	Net AEP [MWh/y] (P99)
EPE (BNE Subcontractor)	2 x GE 2.85 (2.49MW)	98.3	103	15.1	15,178	13,583	n/a
EAPC	2 x GE 2.85 (2.49MW)	98.3	103	16.9	13,309	10,576	9,444

EAPC has also produced revised shadow flicker and acoustic impact studies based on the revised WRA and the currently proposed turbine models.

EAPC identified less than 4 receptors (building structures) that would receive greater than 30 hours of shadow flicker per year under realistic conditions. Though there is no uniform standard for the number of hours of shadow flicker that are deemed to be acceptable, 30 hours is a commonly used value. In their final report, EAPC will calculate the amount of mitigation (turbine curtailment) that would potentially be required to reduce the impact to less than 30 hours per year at all receptors, and the impact such curtailment would have on project economics.

EAPC's revised acoustic study did not identify any expected exceedances of the DEEP noise thresholds.

EAPC's final report, incorporating the findings of the revised WRA, will further describe the following project factors:

- *Appropriateness of wind turbine model and siting for environmental parameters* – EAPC is reviewing the technical appropriateness of the selected turbine model, ensuring that its power production curve and engineering are suitable for the site's wind regimen.
- *Financial health and reliability of wind turbine manufacturer and balance of plant contractors*- EAPC is reviewing the financial health and reliability of the identified wind turbine manufacturer and balance of plant contractors.

- *Potential for unplanned curtailment imposed by environmental or contractual constraints*- Based on the revised Wind Resource Analysis and updated noise and shadow flicker analyses, EAPC will consider operational curtailments that could be necessary to comply with potential nuisance policy or contractual agreements, and will factor any such potential curtailments into financial models.
- *Reliability of wind turbine machinery and balance of plant equipment* – Based on their expertise in design lineage and reliability testing of wind generating equipment, from turbine blades and gear boxes, to power electronics and control software, EAPC is developing estimates of risk associated with the proposed technology.
- *Experience in operations and maintenance; availability of spare parts*- EAPC is reviewing whether the equipment selection and financial modeling conservatively account for the Colebrook project's maintenance needs.

EAPC's final report will include a technical risk summary which describes the project risk factors (environmental factors like shadow flicker and noise; design factors like foundation, turbine placement and layout; electrical factors such as interconnection and associated equipment protection; and equipment supply agreements and warranty documentation) and assesses the potential consequences to project performance for each. Modeled scenarios will further identify best and worst cases based on possible periods of production curtailment, which could be for a variety of reasons, including, among others, mandatory shutdown due to noise requirements at certain hours of the day or night, possible electrical diversion due to grid instability, or contractual terms within the interconnection agreement.

The final report will be available for handout at the Board meeting.

Draft Term Sheet

Summary of Terms and Conditions

This summary is intended as an outline of certain material terms of the proposed Credit Facilities being considered by the Clean Energy Finance and Investment Authority (CEFIA). It does not include descriptions of all of the terms, conditions and other provisions that would be contained in the definitive documentation relating to the Credit Facilities.

This term sheet is delivered to you on the understanding that any of the terms of substance hereunder shall not be disclosed, directly or indirectly, to any other person except your investors, officers, agents and advisors who are directly involved in the consideration of this matter unless prior written consent has been given by CEFIA. The transactions contemplated by this Summary of Terms and Conditions is subject to all necessary CEFIA approvals, including its board of directors.

Borrower:	A Special Purpose Entity (Wind Colebrook South LLC (?)) which will own and operate the five (5) MWDC wind energy project located in Colebrook, Connecticut (the "**Borrower**" or the "**Company**").
Guarantors:	All existing and subsequently acquired or organized domestic holding company(ies) and operating subsidiaries of the Company as appropriate (collectively, the "**Guarantors**").
Lender:	CEFIA and any participating lenders on or after the Closing of the Credit Facilities (collectively, the "**Lenders**").
Credit Facility:	[redacted] b) [redacted]
Sole Purpose:	To (i) fund the proposed wind energy project located in Colebrook, Connecticut (the"**Project**") and (ii) finance general corporate purposes including the payment of fees and expenses.

Maturity: a) Up to nineteen (19) years and six (6) months from the date of closing but in any event not later than six (6) months prior to the termination date of the power purchase agreement with Connecticut Light and Power (the "**PPA")**

Advances: To Be Negotiated … but seems sensible for Working Capital Credit to be available until maturity of the Senior Credit Facility, not to exceed fifteen (15) years.

Repayment: See Addendum I

Interest Rates and Fees: As set forth in Addendum I attached hereto.

Collateral: The loans will be secured at all times by:

a) a continuing first priority lien on and security interest (the "**Security Interest**") in all of the Borrower's right, title and interest in and to (i) any and all project agreements, including any agreements to sell electrical energy from the Project to power purchaser(s) and the purchasers of any alternative energy credits or environmental attributes available for sale including any proceeds from such agreements, agreements with equipment suppliers, EPC agreements, operation and maintenance agreements (ii) a pledge of 100% of Borrower's interest in all future cash flows from the Project (iii) all cash, money, currency, and liquid funds, wherever held, in which the Borrower now or hereafter acquires any right, title, or interest including, but not limited to a debt service reserve account for the benefit of the Senior Lender(s) (defined below) and the Lender and such other bank accounts of the Borrower or the Project; and
b) a perfected lien on substantially all existing and subsequently acquired assets and real properties, including, but not limited to, receivables, inventory, equipment, furniture, fixtures, improvements, material owned real property, material contracts, assignment of leases, general intangibles, and leasehold mortgages, as determined by the Lender; and
c) a perfected lien on 100% of the capital stock of the Borrower and the Borrower's present and subsequently acquired domestic subsidiaries;

and all Proceeds of each of the foregoing and all accessions to, and replacements for, each of the foregoing (the "**Collateral**"), such Security Interest, where appropriate, to be subordinate only to commercial lending institution(s) extending loans, advances or lines of credit or otherwise lending funds to the Borrower, the proceeds of which are to be used solely for the development, construction and operation of the Project ("**Senior Debt**") pursuant to a mutually agreeable intercreditor agreement.
Negative Pledge. The Borrower will not assign any accounts or other Collateral to any person other than the Lender or the Senior Lender (together, the "**Secured Parties**"and at all times in conformity with the Intercreditor Agreement), nor create or permit to be created any lien, encumbrance or security interest of any kind on any Collateral other than for the benefit of the Secured Parties or either of them, nor grant or permit to be granted any corporate guaranty other than for the benefit of the Secured Parties or either of them, unless authorized by the Secured Parties (or, as permitted by the

Intercreditor Agreement, either Secured Party) in writing, except for the security interests contemplated herein in connection with granting of the loans evidenced by the Credit Agreement and the Note.

Voluntary Reductions: Commitments under the Credit Facility may be reduced or terminated, in whole or in part, at the Borrower's option, upon five business days prior notice. Voluntary reductions of commitments under the Credit Facility shall be in minimum amounts to be agreed upon.

The Borrower may prepay amounts outstanding under the Credit Facility in whole or in part (in minimum amounts to be agreed upon), with prior notice but without premium or penalty (but subject to breakage fees, if any, incurred). Prepayments of the Credit Facility shall be applied pro rata against all remaining scheduled installments. Voluntary prepayments of the Subordinated Loan may not be re-borrowed.

Mandatory Reductions: Subject to exceptions to be further negotiated, the following mandatory commitment reductions and/or prepayments shall be required:

a) 100% of the net cash proceeds of any additional debt.
b) 100% of the net proceeds of any additional equity issuance subject to carve-outs for Tax Equity Investments and Company Equity Investments.
c) 100% of the proceeds of asset sales outside the ordinary course of business, to the extent such proceeds have not been applied to indebtedness of the Senior Lender(s) or reinvested in the business within 180 days.
d) 100% of the proceeds from any material recovery event, to the extent such proceeds have not been applied to indebtedness of the Senior Lender(s) or reinvested in the business within 180 days.

Mandatory prepayments will be first applied to reduce the Credit Facility in the inverse order of maturity.
All prepayments (including voluntary prepayments) shall be accompanied by payment of accrued interest on the amount prepaid to the date of prepayment.

Representations and Warranties: Organization and qualification; capitalization and ownership; use of proceeds; subsidiaries; solvency; power and authority; validity, binding effect and enforceability; no conflict; absence of material litigation; accuracy of financial statements; margin stock; full disclosure; payment of taxes; consents and approvals; no Event of Default; compliance with instruments; patents, trademarks, copyrights, and licenses; insurance; indebtedness; security interest and mortgage liens; compliance with laws; material contracts; environmental matters; senior debt status; and other Representations and Warranties considered appropriate by the Lender.

Conditions Precedent to Lending: Usual and customary for transactions of this nature, including, but not limited to, the following:

a) The negotiation, execution and delivery of definitive documentation for the Credit Facilities satisfactory to the Lender, including satisfactory evidence that the Lender holds a perfected, first priority lien (or a lien which, as to be negotiated, is subordinate only to the Senior Lender(s)) in the Collateral for the Credit Facilities and all Connecticut state contracting provisions required by statute.
b) Execution of the project documents;
c) Evidence of debt and equity funding commitments by Senior Lender and Tax Equity Investor;
d) Evidence of compliance with tax credit requirements for safe harbor status;
e) Delivery of satisfactory opinion(s) of counsel to the Company and the Guarantors.
f) Closing certificate as to accuracy of Representations and Warranties, compliance with covenants, and absence of an Event of Default or potential Event of Default.
g) Certified resolutions, incumbency certificate, and corporate documents.
h) All regulatory approvals and licenses, absence of any legal or regulatory prohibitions or restrictions.
i) No material litigation.
j) Receipt of a projection model in form and substance satisfactory to the Lender and accepted by the Senior Lender.
k) Satisfactory Intercreditor Agreement with Senior Lender and (if appropriate) Tax Equity Investor.
l) Completion of Lender's final due diligence.
m) Evidence of required insurance.
n) Payment of all fees and expenses of the Lender and the Senior Lender(s) which are subject to reimbursement, including but not limited to all filing and legal fees.
o) No material adverse change in or affecting the business, operations, property, condition (financial or otherwise) or prospects of the Company or the Guarantors.

Other Conditions Precedent to Lending as appropriate.

Affirmative Covenants: Usual and customary for financing transactions of this nature and for this transaction in particular, including, but not limited to:

a) Maintenance of books, records and inspections.
b) Maintenance of insurance.
c) Payment of taxes.
d) Preservation of existence, rights and authority.
e) Maintenance of properties and equipment.
f) Compliance with statutes, including environmental laws.
g) Compliance with all obligations under the project documents;
h) Any material subsidiary created or acquired subsequent to the closing of the Credit Facilities will be added as a guarantor and appropriate stock pledges and other security interests will be obtained.
i) Use of proceeds.

Other Affirmative and Negative Covenants as appropriate.

Reporting Requirements: The Borrower will provide or cause to be provided:

a) Within 45 days after each fiscal quarter a consolidated balance sheet and consolidated statements of income, retained earnings, and cash flow, together with a Certificate of Compliance from the Chief Executive Officer, President, or Chief Financial Officer of the Borrower.
b) For the fiscal year ending December 31, 2013 and each fiscal year thereafter, within 120 days after each fiscal year end consolidated audited balance sheet and consolidated audited statements of income, retained earnings, and cash flow, together with (i) a report of an independent certified public accountant reasonably satisfactory to the Agents, (ii) any management letters of such accountants addressed to the Borrower, and (iii) a Certificate of Compliance from the Chief Financial Officer of the Borrower.
c) The annual budget for the upcoming year within 30 days after each fiscal year end.
d) Notice of default.
e) Other information as reasonably requested.

Other Reporting Requirements as appropriate (the foregoing to be reasonably conformed to the Reporting Requirements of Senior Lender(s).

Negative Covenants: Usual and customary for transactions of this nature, including, but not limited to, the following: dividends, change of control, asset divestitures, investments, liens, leases, transactions with affiliates, prepayment of other indebtedness, restriction on mergers and acquisitions, and additional indebtedness.
Other Negative Covenants as appropriate.

Financial Covenants: Financial covenants, including, but not limited to, the following:
(to be negotiated)

Events of Default: Customary for facilities of this nature, including but not limited to:
a) Payment default;
b) Cross-defaults to other indebtedness and other material obligations;
c) Failure to perform any covenant or agreement;
d) Breach of representations and warranties;
e) Loss of custody or control of property;
f) Discontinuance of business;
g) Insolvency or bankruptcy;
h) Material adverse change;
i) Judgment defaults; and
j) Change in control.

Assignments and Participations: (to be negotiated)

Governing Law: CT

Lender's Counsel: TBD

Miscellaneous:	This term sheet does not include all of the terms that would be included in definitive documentation.
Enabling Statute and State Contracting Provisions:	CEFIA is subject to the requirements outlined in Sections 16-245n of the Connecticut General Statutes and Borrrower will be responsible for complying with applicable state contracting requirements.

ADDENDUM I
PRICING, REPAYMENT AND FEES

Interest Rates and Repayment:

The interest rates per annum applicable to the Subordinated Loan (the "**Subordinated Loan Interest Rate**") will be a fixed rate of interest which shall vary in accordance with Lender's right to the Project's cash flows following debt service and Borrower's cumulative amortization of the Subordinated Loan balance:

Cash Sweep	Interest Rate	Cumulative Annual Amortization Achieved
50% (minimum)	10.00%	6.67% (required)
	9.00%	10%
	8.0%	20%

Upon commencement of repayment, Lender will be entitled to a sweep of not less than (a) 50% of Project cash flows following debt service and (b) such higher portion of Project cash flows following debt service such as to attain the minimum cumulative annual amortization shown in the schedule above. Interest will be calculated and due quarterly on the basis of the highest interest rate in the schedule; provided, however, should the cumulative annual amortization for a given year exceed the succeeding cumulative requirement, then the interest rate for such year will be recalculated to the lower applicable rate and any credit due Borrower shall be applied to Borrower's next quarterly repayment(s) (or rebated in cash if the Credit Facilities have been repaid in full). If any balance shall be remaining upon the date which shall be ten (10) years prior to the termination date of the PPA, the Subordinated Interest Rate from and after such date shall be ten (10) percent.

The loan documentation will include a provision for an incremental cash sweep above the minimum 50% requirement upon the sixth anniversary of the commencement of commercial operations to ensure that the Lender can have reasonable confidence using projections based on the lesser of (i) the operating performance of the Project since commencement of commercial operations and (ii) assumptions reasonably acceptable to Lender, in both cases assuming a P75 confidence interval, of complete repayment not later than the sooner to occur of (a) fifteen (15) years following commencement of commercial operations and (b) five (5) years prior to the scheduled termination date of the PPA.

The interest rates per annum applicable to the Working Capital Credit (the "**Working Capital Credit Interest Rate**") will be the Prime Rate (as defined below) *plus* the Applicable Margin.
As used herein:
"**Applicable Margin**" means for the Working Capital Credit 3.00% per annum.
"**Prime Rate**" means the following Index: lowest Wall Street Journal Prime Rate, so-called, as adjusted from time to time. For purposes of calculating the Prime Rate applicable hereunder, the "Wall Street Journal Prime Rate" shall mean the prime rate

	(the base rate on corporate loans at large U.S. money center commercial banks) as published in the Money Rates section of the Wall Street Journal or other equivalent publication if the Wall Street Journal no longer publishes such information (if more than one such prime rate is published on any given day, the lowest of such published rates shall be the Wall Street Journal Prime Rate for purposes of the Working Capital Credit) ("Index"). If the Index shall cease to exist, Lender may set the Prime Rate by using a different reference, mutually agreeable with Borrower, or in the absence of such agreement, the Index shall be deemed to be 5.00%. Working Capital Credit borrowings will be made on three business days' prior notice and will be in minimum amounts to be agreed. During the continuance of any default under the loan documentation, the Subordinated Loan Interest Rate and the Working Capital Credit Interest Rate shall increase by 2.0% per annum.
Calculation of Interest and Fees:	All calculations in respect of interest shall be made on the basis of actual number of days elapsed in a 360 day year.
Expenses:	The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Lender associated with the Credit Facilities, including the preparation, execution, delivery and administration of the credit documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel) and (b) all out of pocket expenses of the Lender(s) (including the fees, disbursements and other charges of counsel) in connection with the enforcement of the credit documentation.
Yield Protection:	The Company shall pay the Lender(s) such additional amounts as will compensate the Lenders in the event applicable law, or changes in law, subjects the Lenders to reserve requirements, capital requirements, taxes (except for taxes on the overall net income of the Lenders), or other charges which increase the cost or reduce the yield to the Lender(s) above the applicable cost or yield in effect on the closing date under customary yield protection provisions.

Pro Forma

An overview debt service pro forma is shown below, along with a CEFIA debt service coverage analysis on the following page (the latter assuming a P99 production exceedance level, a full 75% cash sweep to CEFIA, and an amortization schedule based on an annual interest rate of 8%). Full Pro Forma is available in separate package.

REDACTED

BNE Energy, Inc.

Background/Products & Services/Competitive Strengths/Strategy & Markets

BNE Energy, Inc. was founded for the purpose of developing wind generation in Connecticut with continued growth throughout New England. BNE's mission is to develop, construct and operate clean, green, renewable generation facilities in a responsible manner. BNE has the knowledge, experience and diligence to identify proper sites for the development of wind generation and effectively navigate the regulatory process. BNE has obtained site control of three properties in New England with a total expected capacity to 50-60MW. The sites are ideally situated for wind generation in the communities where they are located. BNE Energy has been successful in getting Colebrook South approved by the Siting Council in Connecticut by leveraging its experience dealing with local, state and federal legislators and retaining industry experts and legal counsel to assist with key tasks that were pivotal to the development of the project. Colebrook South was the first wind project approved by the Siting Council in the State of Connecticut.

BNE has partnered with the following firms to advance the project to its current state of near readiness to begin construction:

Law Firms:

- **Brown Rudnick** – Legal representation for advising BNE Energy on environmental, governmental, and corporate matters
- **Nixon Peabody** – Providing ITC safe harbor memo, partnership and deal documentation and tax opinion
- **Pullman Comley** – Helped with zoning and land use approvals

Engineering Firms:

- **Civil1** – Civil engineering firm for project development
- **Dr. Klemens** – Environmental experts that assisted with wetlands and vernal pool mitigation efforts
- **Electric Power Engineers** – Act as wind resources consultants and interconnection experts
- **GL Garrard** – Conducted ice throw analysis
- **GZA** – Developed foundation and geotechnical reports
- **VHB** – Performed visual, sound and wildlife analysis
- **WEST Ecosystems** – Conducted bird and bat studies

Leadership & Management, Board of Directors

Paul J. Corey – Chairman of the Board, Co-Founder

Mr. Corey has more than eighteen years of energy industry experience with extensive regulatory, renewable energy and project development experience and is very knowledgeable about electric issues throughout New England. Mr. Corey was formerly employed as Counsel on Regulatory Affairs for Brown Rudnick, a prominent law firm with a significant energy, regulatory and environmental practice, and concentrated his practice in the areas of Energy, Utilities and Regulatory. An accomplished attorney, Mr. Corey has a strong background in sophisticated energy transactions, mergers and acquisitions, electric and renewable generation development, and complex regulatory proceedings involving rate cases, renewable energy credits, and the implementation of competitive energy initiatives.

Mr. Corey also has extensive public service experience. He formerly served as the Executive Director of the Connecticut Department of Public Utility Control where he worked closely with Commissioners to develop and implement Department policy and was responsible for the overall administration of the agency - taking a lead role on the negotiation and implementation of electric restructuring in the state.

Mr. Corey has a B.S. in Finance from the University of Connecticut, a M.S. in Finance from Purdue University and a J.D. from the University of Connecticut School of Law. Mr. Corey is admitted to the Connecticut Bar. He was formerly the Chairman of the Board of the Connecticut Lottery Corporation from January 2000 to December 2004 and was a MS Corporate Achiever in 2007.

Gregory J. Zupkus – President & CEO

Mr. Zupkus is a business leader with industry experience and a proven track record of success. As a former member of the Energy Task Force, Mr. Zupkus developed an in-depth knowledge of the power industry and an appreciation of the need for alternative energy sources, especially clean, green renewable energy. Additionally, Mr. Zupkus has career experience from the early stages of the cellular telephone industry in cell tower engineering, construction, design, and site placement that is directly applicable to wind generation development. He also has experience with satellite communication and Next Generation Weather Radar Systems. Mr. Zupkus was formerly employed as Sales Manager for AT&T, a leading communications company, responsible for all state government accounts and all major healthcare systems throughout Connecticut.

Previously, Mr. Zupkus was Director of External Affairs for SBC, a position that required him to work closely with federal, state and local legislators. He also has been a Product Manager and Communications Engineer in the cellular industry responsible for developing, designing and managing a portfolio of intelligent networks across Connecticut and Massachusetts.

Mr. Zupkus has an A.S. in Aeronautical Technologies from the Wentworth Institute of Technology. A graduate of Embry-Riddle Aeronautical University, Mr. Zupkus holds a B.S. degree in Aeronautical Technology and Aviation Engineering with a minor in Avionics. Mr. Zupkus has received many certificates including a FAA Airframe and Power Plant license and has a vast knowledge of airfoil and turbine power. Mr. Zupkus received a Masters of Business Administration from the University of New Haven.

Connecticut Light & Power Company (CL&P)

Background

CL&P is part of Northeast Utilities, a utility holding company, which serves Connecticut, western Massachusetts and New Hampshire, including recently acquired NSTAR, a Boston-based utility.

Financial Strength

REDACTED

Strategic Interest in the Project

CL&P is the utility offtaker for the entire electric power output and RECs of WSC. The project will deliver Class 1 renewable power under a 20-year long term PPA.

Quanta Services, Inc.

Background

Quanta Services, Inc. headquartered in and incorporated in Houston, Texas, is one of North America's largest electric transmission and distribution specialty contractors and pipeline specialty contractors. With numerous offices throughout the nation, Quanta is one of the leading infrastructure solution provider in markets that they serve. Their primary services include planning, engineering, procurement, construction, commissioning and testing, operations and maintenance, and emergency restoration for comprehensive infrastructure needs in the electric power, oil, and gas industries, with an expanding market into fiber optic licensing.

Last year, the electric power sector comprised 69% of Quanta's consolidated revenue, totaling to approximately $4.5 billion. Quanta has identified the key market drivers for the electric power sector to be the aging electric power infrastructure, regulation driving grid investment, and the changing generation mix with more focus on renewables and natural gas generation. With a strong financial profile and experience as a leading industry EPC, Quanta has identified interest in the Colebrook project as a way to diversify into smaller scale projects by serving as both a tax equity investor and the EPC contractor.

Quanta has more than a decade of experience in EPC for wind farms and related substation and interconnect/transmission projects. They offer complete turnkey overhead/underground engineering, design, construction, maintenance, startup and emergency services for transmission, distribution and substations. Specific to wind energy projects, their services include:

- Planning and studies
- Electrical and collector system construction (including trenching, boring, medium voltage termination, DLO (diesel locomotive cable) pulling and termination, conduit and grounding)
- Installation of turbine electrical systems

- Balance of plant, with civil construction and tower erections services provided by one of Quanta's strategic construction partners or a customer-designated contractor
- Electric distribution, transmission and interconnects
- Substations
- Commissioning and close-out documentation
- Electrical system maintenance

Throughout the past decade, Quanta has conducted numerous projects in the engineering, planning and study stage both nationally and internationally. The map on the following page details the various wind farm projects they have helped construct throughout the nation. They also have experience with over 80 transfer/substation projects, which support wind generated electricity.

Turning to the tax equity side of Quanta's participation in this deal, Quanta Capital Solutions, Inc., a wholly owned subsidiary of Quanta Services, facilitates project level financing by providing developers with support through a multitude of mechanisms including:

- Managing "project capital markets" from the perspective of bringing screened investment opportunities to infrastructure investors (match opportunities to investors)

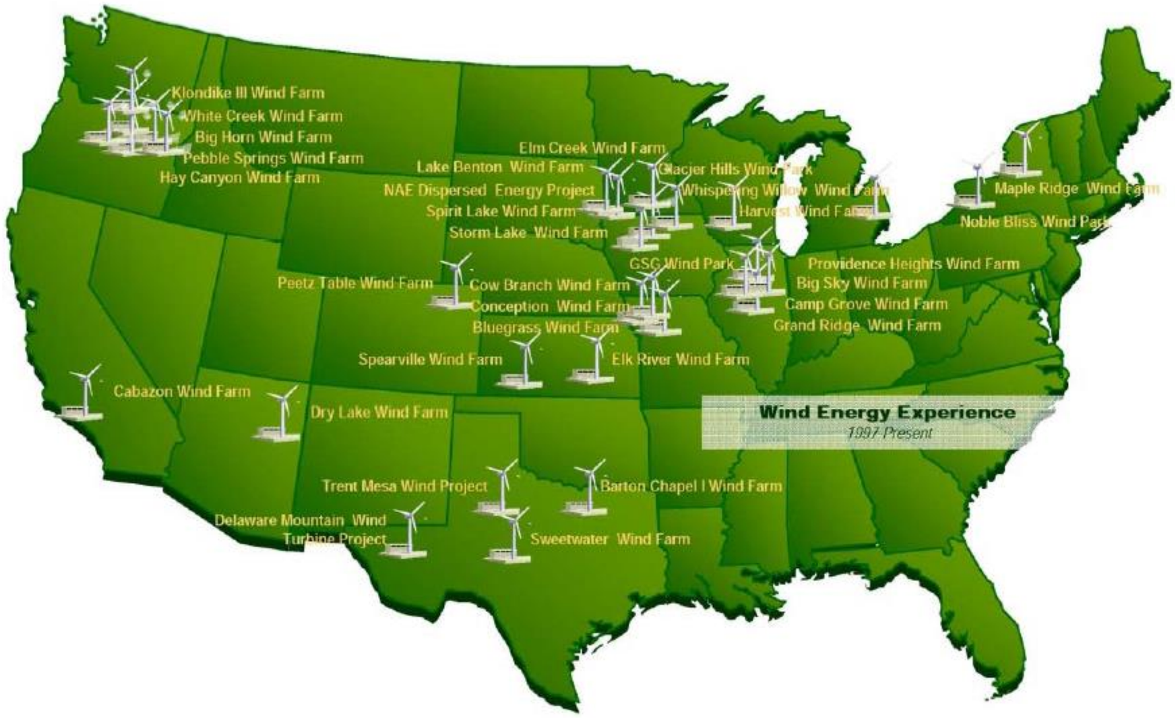
- Providing capital solutions to clients on projects where Quanta is performing engineering or construction services

- Complementing project capital structures through financial participation for all phases of project lifecycle, from development to construction to operation

Quanta Capital Solutions offers multiple options for direct investment in projects through development notes, construction notes, subordinated notes, contingent subordinated notes, construction facilities for strategic capital programs and equity.

Quanta provides capital through its own balance sheet and strong relationships with institutional investors that co-invest with Quanta.

WIND EXPERIENCE



Financial Strength

Income Statement

Revenues for the year ended Dec. 31, 2013 were $6.52 billion compared to $5.92 billion for the year ended Dec. 31, 2012.

REDACTED

Balance Sheet and Liquidity

REDACTED

Leadership & Management, Board of Directors

James F. O'Neil
Chief Executive Officer

Earl C. ("Duke") Austin, Jr.
Chief Operating Officer

Derrick A. Jensen
Chief Financial Officer

Board of Directors
James R. Ball
J. Michal Conaway
Vincent D. Foster
Bernard Fried
Louis C. Golm
Worthing F. Jackman
James F. O'Neil
Bruce Ranck
Margaret B. Shannon
Pat Wood, III

Project Implementation Plan

Human Resources

CEFIA Office of General Counsel will work with BNE to finalize the term sheet and all transaction documentation to which CEFIA is a party as well as conduct a review of other documentation as noted in the term sheet.

CEFIA Office of the Chief Investment Officer will track loan advances, loan performance and other financial metrics.

Deployment Department – will lead in monitoring progress of WCS during construction and O&M matters during the in-service period.

Financial Resources

1. A subordinated loan in the amount of $2,000,000 (of which a portion will be used to immediately repay the CCEF predevelopment loan of $500,000, including accrued interest); and
2. A working capital facility in the amount of $800,000.

Metrics, Targets, Measurement, Verification & Reporting

Metrics:

- Amount of clean energy produced per dollar of ratepayer funds at risk
- Ratio of private to public capital leveraged and ratio of grants versus financing programs
- Annual clean energy generation
- Total amount of investment

Targets:

- Attract over $20 million of private capital
- Deploy approximately 5 MW of Class I renewable sources in Connecticut
- Produce 12,000 MW hours of Class I renewable energy per year for 15 years

CEFIA will collect data on the following:

- Loan performance
- Installed costs
- Actual clean energy produced

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

DIRECTOR OF MARKETING

Class Title: Director of Marketing **Reports to: President and CEO**
Direct Reports: Managers, Associates, Assistants **Wage Hour Class: Exempt**
Salary Range: $116,536-$164,588 **Hours Worked: 40**
Career Series: Director II

SUMMARY:

The Clean Energy Finance and Investment Authority's (hereafter "CEFIA") director of marketing is responsible for designing and overseeing CEFIA's marketing and public relations strategies and initiatives. Qualified candidates will hold a bachelor's degree in marketing, communications or a related business field from a recognized college or university, and have at least seven years' experience in marketing and/or communications.

The director of marketing will support CEFIA's aggressive customer acquisition goals while working under a larger statewide brand. Responsible for planning, developing and implementing all of CEFIA's marketing, communications and public relations strategies and activities, the director also provides marketing consultation and assistance to agency leaders. The director will communicate key messages internally and to the business community and other key stakeholders to raise awareness and visibility of the organization and its products and programs.

CEFIA, a quasi-public authority, is the nation's first state "Green Bank," leveraging public and private funds to drive investment and scale up clean energy deployment in Connecticut. Working at CEFIA means being part of a dynamic team of talented people who are passionate about implementing the new green bank model, stimulating the growth of clean energy in Connecticut, strengthening our economy, and protecting our environment.

EXAMPLES OF DUTIES:

- **Direct marketing, outreach, and communications staff and operations.**
- **Manage CEFIA's brand to attract private investment in clean energy in Connecticut. Collaborate with program management teams to develop a complex product marketing mix to maximize the marketing budget through the implementation of channel marketing and other strategies.**
- **Formulate marketing and communications strategies that are in line with CEFIA's customer acquisition goals. (Key audiences and stakeholders include, but are not limited to, the general public, lending partners, contractors, building owners, government, university and business partners, Connecticut agencies, communities and other entities involved with the growth, development and commercialization of clean energy in Connecticut.)**

- **Function as primary media contact. Provide expertise to CEFIA staff in handling media responses. Speak/present to key audiences and stakeholders to promote CEFIA and its programs.**
- **Oversee content development and content maintenance for various web properties including the CEFIA website, other product websites and other electronic communications vehicles.**
- **Manage and organize external events including exhibits, seminars, networking events and other programs.**
- **Develop CEFIA's annual report (or other periodic financial performance publication important to stakeholders), program fact sheets, and other marketing collateral materials needed by the organization and its directors and ensure the timeliness of the information.**
- **Develop robust testing strategies and analytics to support marketing plans and deploy appropriate measurement tools to measure ROI and customer acquisition effectiveness.**
- **Develop short and long-term plans and budgets for marketing of programs, monitor progress, assure adherence, and evaluate performance.**
- **Perform related duties as required.**

MINIMUM QUALIFICATIONS REQUIRED
<u>KNOWLEDGE, SKILL AND ABILITY:</u>

- **Strategic thinker with strong planning and execution abilities.**
- **Strong project management skills and vendor and stakeholder management skills.**
- **Results-oriented with a track record of driving growth in a highly-competitive environment.**
- **Proven ability to influence key decision-makers and operate effectively in a matrix organization.**
- **Some experience in product development.**
- **Strong relationship management, presentation and communications skills that establish trust, credibility and respect.**
- **Ability to lead and manage a team.**
- **Must possess a good balance between strategic skills, relationship management and tactical accountability.**
- **Must have a demonstrated ability to plan and implement broad-based marketing and communications programs.**
- **Excellent oral and written communication skills are required. Must have the ability to plan marketing events on time and within budget.**
- **Requires knowledge of tactical business development and marketing principles.**
- **Ability to communicate effectively, tactfully, and courteously.**

<u>EXPERIENCE AND TRAINING:</u>

General Experience:

A bachelor’s degree in marketing or communications or a related field and seven (7) years of experience in marketing and/or business development-related positions, preferably in the financial services sector.
Substitutions Allowed:

1. **A master’s degree in marketing, business administration or a related field may be substituted for one (1) additional year of the General Experience.**

CAREER SERIES

The career series for this classification is:

- **Assistant**
- **Associate**
- **Manager**
- **Senior Manager**
- **Associate Director**
- **Director I**
- **Director II**
- **Vice President**

CUSTOMER SERVICE DELIVERABLES

- **Responds promptly to stakeholder, board of directors, and staff requests for information or assistance;**
- **Acts as a lead member of the CEFIA team and pitches in and assists other staff members as requested**
- **Provides a work product that is well conceived, developed, complete, and useful to scale up clean energy deployment**

APPOINTMENT

Appointed by the Clean Energy Finance and Investment Authority Board of Directors in accordance with Sec. 99. Section 16-245n (d) of the Connecticut General Statutes.

845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: Budget and Operations Committee

From: Mackey Dykes, Chief of Staff

Date: April10, 2014

Re: Energize Connecticut Brand Launch Budget Request

Energize Connecticut, or Energize CT, is an initiative dedicated to educating and empowering Connecticut citizens to make smart energy choices. A partnership between the Clean Energy Finance and Investment Authority (CEFIA), the Connecticut Energy Efficiency Fund (CEEF), the Department of Energy and Environmental Protection (DEEP), and the Connecticut electric and gas utilities, Energize Connecticut is the consumer-facing brand of all the clean energy programs and products offered by these entities. By uniting all these programs and products under one brand, the consumer has one source for all their energy questions and single entry point into what was a complex web of programs and organizations.

Energize Connecticut was announced in the spring of 2012 by Governor Malloy and Energize Connecticut.com went live in January of 2013. Over the past year, all the partners have transitioned to the new brand and introduced it to our contractors, lenders and other trade allies. However, a survey conducted in September of 2013 reported that just eight percent of residential customers were familiar with Energize Connecticut. This is not surprising since a broad launch of Energize Connecticut was never done. The utilities and CEEF, with input from CEFIA, have put together a plan for a large-scale launch to introduce Energize Connecticut to Connecticut residents and business and build awareness of Energize Connecticut.com as the place for energy info and action (Attachment A – Statewide Marketing Plan, pages 18 through 20). They have asked CEFIA to participate and contribute towards the plan. As the customer-facing brand of CEFIA, our product success is tied to the success of Energize Connecticut. CEFIA therefore sees tremendous value in contributing to the plan and ensuring the benefits of financing are communicated to the public.

Energize Connecticut Launch Campaign

The overall brand awareness marketing and communications strategy is for a high reach and frequency campaign in a concentrated period of time (early spring). We will engage in a high-intensity awareness campaign that extends across several mediums:

1. Media sponsorship
2. Public Appearances with brand representatives
3. Transit Advertising
4. Social Media
5. Paid Search
6. Digital Display Advertising
7. Direct Mail

The most visible and far-reaching of these tools will be the media sponsorship. Energize Connecticut will implement a multi-platform sponsorship (TV, online, social media, and events) with one or more of the Connecticut television broadcast affiliates. This sponsorship(s) will provide broad reach to every demographic, utilize a "trusted messenger", and have an immediate impact with a quick ramp up.

Budget Request

Because this launch was not anticipated when the fiscal year 2014 budget was prepared, no funding was allocated towards it. We are therefore requesting up to $274,250 for this project. The full budget for the launch (Table 1) calls for contributions from the Connecticut Light and Power (CL&P) and United Illuminating (UI) energy efficiency programs and requests a portion from CEFIA. CEEF, which oversees the energy efficiency program budgets, has approved the launch budget. The seventy-five percent utility and twenty-five percent CEFIA allocation reflects the traditional split of the systems benefits charge between CEFIA and CEEF.

Table 1. Energize Connecticut Launch Budget

	CL&P (60%)	UI (15%)	CEFIA (25%)	Total
Media Sponsor	$ 634,200.00	$ 158,550.00	$ 264,250.00	$ 1,057,000.00
Facebook Paid Ads	$ 3,840.00	$ 960.00	$ 1,600.00	$ 6,400.00
Yahoo Paid Ads	$ 2,400.00	$ 600.00	$ 1,000.00	$ 4,000.00
Digital Production	$ 360.00	$ 90.00	$ 150.00	$ 600.00
Paid Search	$ 2,400.00	$ 600.00	$ 1,000.00	$ 4,000.00
CL&P Bill Insert	$ 4,800.00	$ 1,200.00	$ 2,000.00	$ 8,000.00
UI Bill Insert	$ -	$ 138,800.00	$ -	$ 138,800.00
Transit Media	$ 3,000.00	$ 750.00	$ 1,250.00	$ 5,000.00
DMV Insert	$ 6,000.00	$ 1,500.00	$ 2,500.00	$ 10,000.00
Bill Insert Production	$ 1,200.00	$ 300.00	$ 500.00	$ 2,000.00
TOTAL	$ 658,200.00	$ 303,350.00	**$ 274,250.00**	**$ 1,235,800.00**

This would increase the general marketing budget from $536,000 to $810,300 and reduce the projected fiscal year net revenue from $13,312,700 to $13,038,500.

Recommendation

The awareness and corresponding online traffic to Energize Connecticut.com has a direct bearing on the uptake of our loan products. Raising the awareness level higher than the current eight percent will make us a more valuable partner to our lenders and contractors. Staff recommends approval of the budget increase and authority to engage in an agreement with the utilities to execute the plan.

Resolution

RESOLVED, the Clean Energy Finance and Investment Authority's Budget and Operations Committee (the Committee) recommends that the CEFIA Board of Directors approve an increase up to $274,250 in the marketing budget for fiscal year 2014 budget to support the Energize Connecticut brand launch; and

RESOLVED, the Committee recommends that the CEFIA Board of Directors direct staff to enter into any necessary agreements with the Energize Connecticut partners to execute the Energize Connecticut brand launch and Energize Connecticut marketing activities.

Submitted by: Mackey Dykes, Chief of Staff

845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: Budget and Operations Committee

From: Mackey Dykes, Chief of Staff

Date: April10, 2014

Re: MatchDrive Contract Adjustment

On July 19, 2013, the Board of Directors approved MatchDrive, a Norwalk-based firm, as the Clean Energy Finance and Investment Authority's (CEFIA) primary marketing firm. MatchDrive was selected out of six proposals in response to a marketing RFP CEFIA released in March of 2013. CEFIA engaged MatchDrive to provide a broad array of marketing services, including collateral design, customer acquisition campaign development and execution, website development, ad placement, and case study development. The result has been several successful residential and commercial and industrial campaigns as well as a more professional and effective set of marketing materials for the organization. As we enter the final quarter of the fiscal year, staff requests an increase in the personal services agreement (PSA) with MatchDrive of $390,000 (detailed in Table 1) in order to continue to build on our successful first two quarters. This would not increase the overall marketing budget but allow already budgeted dollars to be spent towards the work with MatchDrive.

Table 1

	Original PSA	Proposed Increase	New PSA Total
Residential	$ 667,625.00	$ 150,000.00	$ 817,625.00
C&I	$ 385,925.00	$ 100,000.00	$ 485,925.00
General	$ -	$ 140,000.00	$ 140,000.00
Total	**$ 1,053,550.00**	**$ 390,000.00**	**$ 1,443,550.00**

Residential Sector

MatchDrive has created campaigns for Smart-E and the three residential solar products. The Smart-E campaign is centered around a "home improvement made easy" creative concept that we are now deploying across our marketing channels. Our lenders are using in-branch posters, brochures and other materials in conjunction with mail and email campaigns to their customers. MatchDrive is running a paid search campaign to complement this work.

For the CEFIA solar financing products, MatchDrive created the GoSolarCT campaign. Built around a website that allows users to assess the viability of their home for solar, the campaign includes print advertising, collateral development, earned media and paid search which has resulted in steady daily traffic to the website.

Underlying all these campaigns and materials are case studies of residents who have utilized CEFIA products which MatchDrive sourced and produced.

The residential sector requests an increase of $150,000 to the MatchDrive PSA. This would support several activities, including:

- Smart-E Facebook promotion
- Online banner ad media buy and production
- Spring case study sessions
- Case study video production

<u>Commercial and Industrial Sector</u>

Our marketing activities in the commercial and industrial (C&I) sector have centered around "Pacesetters", a campaign that MatchDrive created to highlight the leaders within the business community who have done CPACE projects. MatchDrive produced several case studies of these individuals and has produced an array of marketing materials for staff and our marketing channels to use. MatchDrive is also conducting a paid search campaign in addition to a radio campaign.

The C&I sector requests an increase of $100,000 to the MatchDrive PSA. While this would support additional Pacesetters case studies, video production and online advertising, the primary use would be development of a new website, C-PACE.com. The pervious developer and host, Honest Buildings, unexpectedly moved from the web development and hosting business as they focus their business elsewhere. Since C-PACE.com was built on the Honest Buildings platform and maintained by them, we need to build a new site from scratch. The PSA addition would support a robust website that builds on the previous site's functionality and puts control in CEFIA's hands.

<u>General</u>

Given the success of the MatchDrive and CEFIA collaboration so far, CEFIA would like to engage them on more general organization tasks for a total not to exceed cost of $140,000.

The first is a rebranding of CEFIA, ideally following the legislature's passage of a bill to change the name to the Connecticut Green Bank. MatchDrive would lead the process from an initial market survey to inform the eventual brand, creative development of the brand (including logo, website, and brand and style guidelines) to a launch of the new brand.

The second is a joint project between the Energize Connecticut partners to develop an online wizard for EnergizeCT.com to guide users to the best financing product and provide personalized loan details, including cash flow, for energy efficiency and renewable energy projects. The Connecticut Energy Efficiency Fund, through the utilities, would contribute a portion of the funding for this project as well.

Recommendation

CEFIA staff recommends approval of the MatchDrive PSA increase. This would not represent an increase in the CEFIA budget but would allow staff to reallocate unspent marketing dollars to support work with MatchDrive as well as bring them into broader CEFIA and Energize Connecticut work.

Resolution

RESOLVED, the Clean Energy Finance and Investment Authority's Budget and Operations Committee recommends that the CEFIA Board of Directors approve an increase to PSA 1859 with MatchDrive of $390,000.

Submitted by: Mackey Dykes, Chief of Staff

845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: CEFIA Board of Directors

From: Brian Farnen, General Counsel and Chief Legal Officer

CC: Suzanne Kaswan, Vice President, Human Resources, Connecticut Innovations

Date: April 17, 2014

Re: Proposed Changes to the CEFIA Handbook

We are proposing the following revisions to the CEFIA Handbook in the following areas:

1. CI has a Whistleblower policy in their current Handbook. We are proposing adopting a similar policy in CEFIA's Handbook to clarify for employees the reporting procedures for Whistleblower complaints.

2. Updating our social media policy to reflect changing ways of utilizing social media as an effective way of doing business. This policy was developed in conjunction with ADNET, who have consulted with us to provide recommendations of best practices in the area of Social Media.

3. Updating our Information Technology Policy to recognize the changing ways of doing business and make our policies more clear with regard to internet usage, mobile devices and security. Again, this policy was developed utilizing best practice recommendations from ADNET.

4. Updating our emergency procedures to incorporate a Violence in the Workplace Prevention Policy that is consistent with and recommended in the State of Connecticut Violence in the Workplace Prevention Manual.

5. Revising our vacation carryover policy to cap vacation accrual at 120 days for employees hired prior to 1998 (consistent with the State of Connecticut's policy for Managers.) CEFIA currently does not have any employees hired prior to 1998, however we do allow employees to retain their total state service when they are hired by CEFIA. We are implementing this guideline as a preventative measure in the future. We are also proposing a revision to clarify our vacation carryover policy in advising employees that allowed vacation carryover must be used by the end of the following calendar year.

6. In addition, there are a number of housekeeping changes proposed – addition of updated building floor plans, correcting titles, changing references from individual employees to departments, removing specific outdated benefits information and updating with a general summary and advising employees that benefits information will be updated periodically by Human Resources.

All changes are provided in tracked changes format.

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Employee Handbook

Table of Contents

SECTION 1 INTRODUCTION

Employee Welcome

Welcome to the Clean Energy Finance and Investment Authority (CEFIA)! We are pleased that you are joining our staff and embarking on an employment career with CEFIA. We are so pleased to welcome you as you begin this endeavor. CEFIA develops, invests in and promotes clean sustainable energy sources for the benefit of Connecticut ratepayers. Our most important resource in achieving that vision is you – the employee. The staff at CEFIA works together and depends upon one another to achieve our vision. We want you to know how much we appreciate the contribution you are making to the continued successful operation of our agency.

This handbook was developed to describe some of the expectations of our employees and to outline the policies, programs and benefits available to eligible employees. These policies and programs are general guidelines under continuous review and are subject to change or discontinuance at any time. Employees should familiarize themselves with the contents of the employee handbook as soon as possible, for it will answer many questions about employment at CEFIA.

Please read your handbook carefully and keep it for further reference. Please contact the Manager, Human Resources if you have any questions or concerns about the information set forth in this handbook. Again, welcome and we wish you the best in your career at CEFIA.

Agency Purpose and Structure

CEFIA was established by Connecticut's General Assembly on July 1, 2011 as a part of Public Act 11-80. This new quasi-public agency supersedes the former Connecticut Clean Energy Fund. CEFIA's mission is to promote, develop and invest in clean energy and energy efficiency projects in order to strengthen Connecticut's economy, protect community health, improve the environment, and promote a secure energy supply for the state. As the nation's first full-scale clean energy finance authority, CEFIA will leverage public and private funds to drive investment and scale-up clean energy deployment in Connecticut. For more information about CEFIA, please visit www.ctcleanenergy.com.

.

Objectives and Scope

This Employee Handbook has been prepared to acquaint you with policies and procedures relating to employment at CEFIA and to provide a reasonable understanding of expectations so that we may work together effectively. It is a guide to CEFIA's policies but it does not include every single policy. All employees are expected to be familiar with and abide by the policies in this Handbook.

This Handbook provides information concerning CEFIA benefits. Please note that CEFIA benefit plans are defined in legal documents such as insurance contracts and official plan texts. This means that if a question ever arises about the nature and extent of plan benefits or if there is conflicting language, the formal language of the plan documents governs over the informal wording of this Handbook. Plan documents are available for inspection.

This Handbook is not, nor is it intended to be, an express or implied contract of employment, an agreement for employment for any specified period of time, or a guarantee of benefits or working conditions between employee and CEFIA. CEFIA does not recognize any contract of employment unless it is reduced to writing and signed by the employee and the President. CEFIA reserves the right to unilaterally revise, delete, or add to the policies, procedures and benefits within this handbook at any time with or without advance notice. Revisions of policies, procedures and benefits may be made and applied immediately or prospectively, or if not prohibited by law, made effectively with a retroactive date. Additionally, CEFIA reserves the right to make exceptions or vary from any of the rules, benefits, or policies contained in this handbook in its managerial discretion.

At Will Statement

Employment with CEFIA is at will, which means that either party may terminate the relationship at any time and for any reason, with or without cause. No manager, supervisor or other agent of CEFIA has the authority to alter the at-will employment relationship by, for example, making a commitment, express or implied, of guaranteed or continued employment to any employee. An employee's at-will employment status can only be altered by a written contract of employment that is specific as to all material terms and is signed by both the employee and the President of CEFIA.

Administration of Policy

The President has overall responsibility for directing the implementation and administration of policies and procedures. On a day-to-day basis it is the responsibility of the Chief of Staff and each supervisor to administer all policies and procedures in a manner consistent with the handbook.

SECTION 2 EMPLOYMENT

Orientation

During your first few days of employment, you will participate in an orientation program conducted by Human Resources and various members of CEFIA, including your supervisor. During this program, you will receive important information regarding the performance requirements of your position, basic company policies, your compensation, and benefit programs. You will be asked to complete all necessary paperwork at this time, such as medical benefit plan enrollment forms, beneficiary designation forms and appropriate federal and state tax forms. You will be required to present CEFIA with information establishing your identity and your eligibility to work in the United States in accordance with applicable federal law. ~~You will also be assigned a "Buddy" who will assist you with familiarizing yourself with CEFIA and answer any questions you might have.~~ During your first few weeks, you will be asked to prepare a short bio and scheduled to have your photograph taken for inclusion on our Website and in our annual report.

Please use this orientation program to familiarize yourself with CEFIA and our policies and benefits. We encourage you to ask any questions you may have so that you will understand all the guidelines that affect and govern your employment relationship with us.

Status of Employment

Employees of CEFIA are exempt from classified service as provided in Public Act 11-80 of the Connecticut General Statutes. Unlike employees in the classified service, CEFIA employees do not have tenure. Continued employment is predicated on satisfactory performance of duties, a satisfactory record of attendance, and appropriate conduct with the general public and other employees on the CEFIA staff as well as continued available work. All CEFIA employees are considered at will employees.

Conditions of Employment

All new and rehired employees work on an introductory basis for the first six months after their date of hire. Any significant absence (in excess of five consecutive days) will automatically extend an introductory period by the length of the absence. During the six-month introductory period, if any employee's performance is not satisfactory, the employee may be terminated or may be required to serve an extended introductory period.

Acceptance as a regular employee of CEFIA is contingent upon successful completion of a six month introductory period, which is intended to provide the employee the opportunity to demonstrate his/her ability to achieve a satisfactory level of performance and to determine whether the new position meets his/her expectations. CEFIA uses this period to evaluate the capabilities, work habits, and overall performance of the new employee.

The existence of the introductory period as described above does not change an employee's at-will status. Employees and CEFIA may terminate the employment relationship at any time and for any reason during and after the introductory period.

Benefits, eligibility and employment status is not changed during a secondary introductory period that results from a promotion or transfer to a new position within CEFIA. However, the employee will be required to serve a six-month introductory period to assess his/her job performance in the new position.

Staff Relations

CEFIA's success depends on its employees' skills, abilities and the manner in which they are used to meet our goals. Our employees are our most important resource to help us succeed and to improve the way we do things. To take full advantage of this resource we need to communicate freely and openly. Usually, it is the employees performing the work who have the most knowledge about the tasks and processes they use. We encourage employees to help us by taking every opportunity to make us aware of problems of any kind, and suggesting ways we can improve. Employees should feel free to discuss any concern or suggestions they have with their supervisor or any member of management. It is our intent that as a result of open communication, CEFIA and all of its employees will enjoy a mutually prosperous and satisfying relationship.

Our experience has shown that when employees deal openly and directly with supervisors, the work environment can be excellent, communications can be clear and attitudes can be positive. When you have a suggestion, question, problem or concern, your supervisor is in the best position to respond quickly and accurately, but you should feel free to discuss the issue with the staff in Human Resources.

The working environment at CEFIA is one that puts staff, supervisors, and administration in a close relationship of mutual respect. Attendance at and participation in group meetings and staff meetings are important. Employees are encouraged and expected to use these meetings as opportunities for raising issues to improve client services, program operation, and staff relations. It is generally during these meetings that most business-related matters are communicated. If an employee is absent from any of these meetings, it is his or her responsibility to catch up with business discussed.

Customer Service Deliverables

At CEFIA, customer service is a priority. We all have internal and external customers. To that end, we expect each one of our employees to be accountable for the following customer deliverables:

- To respond promptly to customer requests for information or assistance.
- To act as a member of the CEFIA team and pitch in and assist other staff members as requested.
- To provide a work product that is complete, well-organized and useful to the customer.

Equal Employment Opportunity

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at CEFIA will be based on merit, qualifications, abilities in relation to the staffing requirements, and business needs. CEFIA is an equal opportunity employer and does not discriminate in employment opportunities or practices on the basis of race, color, religious creed, sex, marital status, national origin, age, ancestry, mental retardation, physical or learning disability, past or present history of mental disorder, sexual orientation, special disabled veterans or veterans of the Vietnam War status, or any other legally protected status, except in those cases where there is a legitimate, compelling and documented occupational qualification that precludes the hiring or promotion of individuals in any of these protected groups. CEFIA will make reasonable accommodations for qualified individuals with known disabilities unless doing so would result in an undue hardship to CEFIA. This equal opportunity policy extends to all aspects of the employment relationship, including recruitment, hiring, training, compensation, promotions/transfers, job assignments, discipline and termination. All other policies, such as employee benefits, are also administered based on fair and equal treatment.

Any employees with questions or concerns about any type of discrimination in the workplace are encouraged to bring these issues to the attention of their immediate supervisor. Employees can raise concerns and make reports without fear of reprisal, either verbally or through the

~~SECTION 2 EMPLOYMENT~~

grievance procedure. Anyone engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

Disability Policy (ADA)

As an employer, CEFIA will not discriminate against any employee or person seeking employment on the basis of a disability, in compliance with the spirit and regulations of the Americans with Disabilities Act (ADA) and all applicable Connecticut law. The purpose of the ADA is to assure that individuals with covered disabilities who are able to perform the essential duties of their job, with or without reasonable accommodation, are given equal opportunity and treatment by their employer and fellow employees. If a qualified employee or employee candidate has an ADA recognized disability; they cannot be denied equal opportunity for employment.

In accordance with the ADA, CEFIA does not discriminate on the basis of disability in the administration of or access to its programs, services or activities, and is committed to equal employment opportunity for employees and job applicants with disabilities. Employees who violate the ADA by discriminating against an individual with an ADA recognized disability would be subject to disciplinary action up to and including dismissal. Rumors and gossip regarding any employee who has an ADA recognized disease or is assumed to have an ADA recognized disease would not be tolerated under any circumstances. Employees who need a reasonable accommodation must request such accommodations through their supervisor. Employees may be required to submit medical documentation to support their request.

Immigration Law Compliance

All job offers extended to successful candidates are contingent upon the receipt of the required documentation and completion of INS Form I-9.

Only those successful applicants who provide the required documentation and complete Form I-9 will be permitted to begin work.

Former employees who are rehired must also complete the form if they have not completed a Form I-9 with CEFIA within the past three years, or if their previous Form I-9 is no longer retained or valid.

Conflict of Interest

This policy establishes the general framework within which CEFIA wishes the business to operate.

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest and should not have a financial interest in any client. A conflict of interest may exist when the interests or concerns of any director, officer, staff, client, or said person's relatives, or any party, group or organization in which said person has an interest or concern, may be seen as competing or conflicting with the interests or concerns of CEFIA. No "presumption of guilt" is created by the mere existence of a relationship with outside firms. The employee concerned must disclose any possible conflict of interest to the President. If it is not clear to the employee whether a particular situation or relationship constitutes a conflict of interest, the employee should contact the President.

When a conflict of interest exists regarding any matter requiring action by the Board of Directors, the President shall call it to the attention of the Board of Directors (or its committee).

Outside Employment

Employees may hold a job with another company as long as he/she satisfactorily performs their job responsibilities with CEFIA. Employees who have additional outside employment for which they receive pay must keep their supervisor and the Human Resources Manager informed of such employment. This outside employment must not interfere with the employee's effectiveness in performing their job responsibilities, and must not conflict with CEFIA's public image. All employees will be judged by the same performance standards and will be subject to CEFIA scheduling demands, despite any existing outside work requirements.

If the President and/or his designee decides that an employee's outside work interferes with performance or the ability to meet the requirements of CEFIA as they are modified from time to time, the employee may be asked to terminate the outside employment if he or she wishes to remain with CEFIA. Inappropriate behavior believed to be a result of outside employment (abuse of sick time, refusal of overtime, unsatisfactory performance, etc.) will be addressed through normal performance management and/or disciplinary procedures.

Outside employment will present a conflict of interest if it has an adverse impact on CEFIA. Employees with outside employment must abide by the confidentiality standards that protect CEFIA's clients.

Employment of Relatives

CEFIA is committed to the objective treatment of all employees based upon their job performance and the operational needs of CEFIA. The employment of relatives may cause serious conflicts and problems with favoritism and employee morale. In addition, real or apparent partiality in treatment at work and personal conflicts from outside the work environment can be carried into day-to-day working relationships. Therefore, it is the policy of CEFIA that relatives of employees will not be considered for employment.

If the relative relationship is established after employment, and there will be a direct reporting relationship or the related individuals will be working within the same department, the parties may be separated by reassignment or termination, if it is deemed necessary by the Human Resources Department and/or the President and/or his designee.
A relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

Confidential Nature of Work

The protection of confidential information and trade secrets, as defined below, is vital to the interest and the success of CEFIA. The improper disclosure of confidential information would harm CEFIA and/or its employee or clients if such information were improperly disclosed to third parties. Accordingly, employees may not at any time during and after termination of employment with CEFIA, use for any purpose or disclose any confidential information to any third person or party, except as specifically authorized in the course of employment and required for carrying out job duties.

Confidential information includes, but is not limited to, the following examples:

- Any work performed by CEFIA employees for a client, portfolio company, or applicant.
- Any client, portfolio company or applicant information.
- Compensation data, including salary information.
- Personnel information.
- Financial information.
- Pending projects and proposals.
- Any other information not subject to the State Freedom of Information Act.

Confidential information should not be discussed with others (including family and friends), nor should employees discuss office matters or the affairs of clients, portfolio companies, or applicants generally with each other outside the office or any place where they might be overheard, e.g. on the street, in elevators or elevator lobbies, or at lunch counters. Except when they are certain that it is proper to do so, employees are cautioned against disclosing to callers anything being undertaken by CEFIA or its employees, clients, companies, or applicants. Likewise, it is important not to leave confidential information on desks at the end of the day or while a visitor is in the office which would allow easy unauthorized access to such information. Upon termination of employment with CEFIA or whenever requested by CEFIA, employees must promptly deliver to CEFIA all work product and all documents and other tangible embodiments of the confidential information and any copies thereof.

The best way to adhere to this policy is to not disclose any information if you are not sure whether such information is confidential information of CEFIA. Also, if you have any question as to whether certain information is considered confidential, please consult your department manager.

Violations of this policy may provide grounds for legal action against an employee and may result in disciplinary action up to and including termination, even if the employee does not actually benefit from the disclosed information.

Categories of Employment

It is the intent of CEFIA to clarify the definitions of employment classifications so those employees understand their employment status and benefit eligibility.

Full-Time Regular Employees

Employees who are not in a temporary or introductory status and who are regularly scheduled to work a minimum of 40 hours per week are considered full-time regular employees. Full-time regular employees are eligible for CEFIA benefits, subject to the terms, conditions, and limitations of each benefit program. Such employees must have successfully completed the six-month introductory period.

Part-Time Regular Employees

Employees who are not assigned to a temporary or introductory status and who are regularly scheduled to work less than 40 hours per week are considered part-time regular employees. Part-time regular employees receive all legally mandated benefits (such as Social Security and Workers' Compensation Insurance), Part time employees who work at least 20 hours per week are generally eligible for other CEFIA benefit programs on a prorated basis, based on the ratio of their standard hours of work per week to the full time standard for that position. Such employees must have successfully completed the six-month introductory period.

Exempt Employees

Exempt employees will not receive any overtime pay. Exempt employees may be granted compensatory time at the discretion of the President and/or his designee in accordance with the compensatory time policy outlined in Section 4.

Non-Exempt Employees

Non-exempt employees are paid based on the number of hours actually worked and are eligible for overtime pay. Overtime pay will be paid at the rate of one and one-half times (1½) the non-exempt employee's regular rate of pay for all time worked in excess of 40 hours per week. Overtime pay is based on actual hours worked. Thus, if a non-exempt employee is absent during a week when overtime hours have occurred, the absent hours reported will not be considered hours worked in determining a time and one-half overtime payment. An accurate record of non-exempt regular and overtime hours must be maintained for purposes of pay. Time sheets are to be signed by the staff member and by their supervisor, then submitted to Human Resources for processing.

Introductory Employees

Employees who work on an introductory basis as specified in the "Conditions of Employment" are considered introductory employees. Introductory employees who satisfactorily complete the six-month introductory period will be notified of their new employment classification. Any significant absence will automatically extend the introductory period by the length of the absence. If an employee changes jobs during the introductory period, a new six month introductory period shall begin.

Temporary Employees

Employees who are hired as interim replacements to temporarily supplement the work force or to assist in the completion of a specific project are considered temporary employees. Temporary employees hired from temporary agencies for specific assignments are employees of their respective agencies and not CEFIA. Employment assignments in this category are of a limited duration. Employment beyond any initially stated period does not in any way imply a change in employment status.

Consultants

Those independent contractors who are on contract to provide services to CEFIA. Persons in this category are not CEFIA employees.

Selection Process, Interviewing and Hiring

The President and/or his designee must approve all new positions or changes to existing position descriptions. Vacant positions to be filled may be posted internally and if necessary posted externally. The immediate supervisor, the President, any manager or director within CEFIA and/or any person the President designates, may be involved in the interview selection

process. The President has the ultimate responsibility for appointing the candidate to the position.
CEFIA through the actions and approval of the President reserves the right to transfer or reclassify positions and employees within CEFIA and restructure their job duties and position without going through the above public process when in the best interest of CEFIA.

Promotion Policy

CEFIA is committed to providing employees with opportunities for career advancement. Employees may apply for posted positions, for which they are qualified, provided any such position represents a promotion or advancement.

CEFIA is committed to implementing a fair and equitable "in-house" promotion policy that will aid in the development of staff to their fullest potential. Full and equal opportunity will be extended to all employees in accordance with CEFIA's affirmative action plan.

There is an established career path for most positions within CEFIA. The career path progression for each position can be found in the job description for that position. If an employee is being promoted within the established career path and within their department, such promotion can be made without posting the position.

If the position is not within the established career path progression, the position will be posted and the selection process outlined above will be followed.

Employment Applications

CEFIA relies upon the accuracy of information contained in the employment application, as well as the accuracy of other data presented through the hiring process and employment. Any misrepresentations, falsifications or material omissions in any of this information or data may result in CEFIA exclusion of the individual from further consideration for employment or, if the person has been hired, termination of employment.

Employment Reference Checks

CEFIA wishes to ensure that applicants are qualified and have a strong potential to be productive and successful. It is the policy of the CEFIA to check the employment references of all applicants.

Human Resources will respond to all reference check inquiries from other employers only with the approval of the employee or past employee and in accordance with applicable law. No offer of employment can be made until Human Resources has received satisfactory reference checks.

Performance Management and Review

CEFIA has a performance management and review process. The objectives of this process are to:

- Provide clear communication between the supervisor and employee
- Identify the employee's work objectives and expected results
- Identify the employee's performance strengths and weaknesses
- Assess the need for training
- Aid in decisions about future work assignments
- Determine the employee's suitability for continued employment
- Determine the employee's eligibility to receive a merit compensation award

~~SECTION 2 EMPLOYMENT~~

CEFIA believes that all employees should receive prompt, thorough feedback regarding their performance. Formal performance assessments for new hires and newly promoted employees are conducted at the completion of six (6) months. Once an employee has completed an introductory employment period of six months, formal written performance appraisals are conducted annually. Performance evaluations provide employees with the opportunity to express any concerns they have about their jobs, career aspirations, and future with CEFIA. If an employee is having difficulty in their job, interim evaluations may be conducted to help the employee understand what performance improvements are needed.

All performance assessments are reviewed by the appropriate department head, President and/or his designee and ~~the Manager,~~ Human Resources.

Personnel Files

CEFIA maintains a confidential personnel file on each employee. The personnel file includes such information as the employee's job application, resume, records of training, documentation of performance appraisals and salary increases, written warnings or reprimands, and written commendations.

Personnel files are the property of CEFIA, and access to the information they contain is restricted.

Generally, only supervisors and management personnel of CEFIA who have a legitimate reason to review information in a file are allowed to do so unless otherwise required by law.

Employees will be notified when information is added to their personnel file.

Employees who wish to review their own files should contact Human Resources. With reasonable advance notice, employees may review their own personnel file in the Human Resources Office in the presence of a Human Resources employee.

Updating Personnel Records

Employees must notify Human Resources of any changes in personal mailing addresses, telephone numbers, number and names of dependents, individuals to be contacted in the event of an emergency, etc.

It is the responsibility of each individual employee to promptly notify CEFIA of any such changes in personnel status.

It is also the responsibility of each individual employee to review bi-weekly payroll deductions (tax withholding, FICA, etc.) for accuracy and report any errors promptly to Human Resources.

SECTION 3 WAGES AND SALARY ADMINISTRATION

General Policy

It is the policy of CEFIA to maintain a fair compensation program that provides equitable payment for work performed, is competitive with the identified labor market, and ensures compliance with federal and state legislation.

A salary range has been assigned to each position. The compensation for each employee shall be within the minimum and maximum range established for the grade to which the position has been assigned. In rare instances, the President may approve a salary outside the range for which the position has been assigned. Periodically, CEFIA may revise job descriptions, evaluate individual jobs to ensure they are being compensated appropriately and review job specifications as business needs dictate. Salary ranges may also be adjusted for annual inflation at the discretion of the Board of Director's Budget and Operations Committee.

Hours of Work

The standard workweek for full-time regular employees is currently a minimum of 40 hours. Regular daily work hours are from 8:00 a.m. to 5:00 p.m. Monday through Friday. Where workload or schedules require, some departments may operate outside these regular hours. Supervisors should notify employees of their work schedule. Each employee is responsible for informing Human Resources of any permanent change in usual work hours.

Flexible Time

Under the flextime policy, an employee may be permitted to start and end the workday at times that differ from the standard hours of operation.

Flextime schedules are at the discretion of management, and must be approved in advance by the employee's supervisor and the Department Head.

Employees participating in flextime must have regular daily starting and quitting times that do not vary from day to day.

All full-time regular employees must be at work during the core hours of 9:00 a.m. to 3:30 p.m. No flextime schedules shall begin before 7:00 a.m., or end later than 6:00 p.m.

All employees participating in flextime must work their full scheduled hours per day and take at least a one half-hour lunch break.

Pay Periods

Staff members are paid on a bi-weekly basis. Each paycheck will include earnings for all work performed through the end of the previous payroll. Thus a new employee can expect to receive his/her paycheck up to four weeks from the first day he/she commenced work for CEFIA. Employees may have pay directly deposited into their bank accounts if they provide advance written authorization. Direct deposit applications may be obtained from Human Resources. Employees will receive an itemized statement of wages.

~~The Payroll Administrator will distribute staff paychecks to the department supervisor or~~ For those employees not participating in Direct Deposit, paychecks will be distributed directly to the staff member after 3:00 p.m. every other Thursday. All paychecks not distributed by the end of the business day will be returned to ~~payroll.~~human resources. If a staff member is absent from work and desires other arrangements, he/she will have to contact Human Resources directly to make such arrangements.

Lunch Periods

Employees are generally entitled to a one (1) hour lunch period. All employees must take a minimum of a half-hour for lunch. Scheduling of lunch periods is between the hours of 12:00 P.M. and 2:00 P.M. Lunch hours should be scheduled so that there is coverage at all times. Employees who work in tandem with other employees should schedule their lunch hours so there will always be coverage. If employees must attend to personal business during the workday, they should do so during their scheduled lunch break period. Employees should not work through their lunch period in order to leave early without prior authorization from their supervisor.

Time Sheets

CEFIA participates in self-service time reporting to the State of Connecticut's payroll system, CORE. Accurately recording time worked is the responsibility of every employee. Time worked is all the time actually spent on the job performing assigned duties. Time sheets must be accurately filled out in accordance with CORE time reporting guidelines and approved by the supervisor. Each employee shall personally record his or her own time, which includes the time they begin and end work and any time that is charged against their leave balances (personal time, vacation time, sick time, etc.). Altering, falsifying, tampering with time records, or recording time on another employee's time sheet may result in disciplinary action, up to and including termination of employment.

Employee time sheets for each two-week pay period must be ~~submitted to Payroll~~completed in CORE by noon on the Friday after the pay period. All time sheets must be approved and initialed by the employee's supervisor, including any corrections and backup. Working time is logged in 15 minutes increments. Non-exempt employees, who report to work more than seven minutes late, but less than 15 minutes, must log their starting time at 15 minutes after the normal starting time. Time lost due to reporting to work late may not be made up by staying late at the end of the day or working through lunch periods, unless the employee obtains the prior authorization of his/her supervisor.

Attendance and Punctuality

The ability of CEFIA to operate smoothly and efficiently depends on regular attendance and punctuality. Absenteeism and tardiness are disruptive and place a burden on other employees. To maintain a productive work environment, CEFIA expects employees to be consistently reliable and punctual in reporting for work.

In the rare instances when employees cannot avoid being late to work or are unable to work as scheduled, they should personally notify their supervisor before the anticipated tardiness or absence. If the supervisor is not available, employees should notify the Human Resources Manager so that he/she can arrange for coverage during the absence. Employees should also inform their supervisor or the Human Resources Manager of the reason for their tardiness or absence. In case of an emergency where advance notification is not possible, employees must report the absence or tardiness as soon as possible.

1. An employee's supervisor is responsible for monitoring an employee's attendance. The supervisor should deal with abuses of reporting time. Occurrences of abuse should result in counseling of the employee by the supervisor. Supervisors and Human Resources will monitor unscheduled occasions of absence and~~ the Manager,~~ Human Resources will determine the action to be taken upon the accumulation of a certain number of unscheduled occasions of absence within a given time period, taking into consideration the following. Numbers of days taken;

~~SECTION 3 WAGES AND SALARY ADMINISTRATION~~

2. The number of unscheduled occasions of absence;
3. The pattern of absences
4. The employee's past records; and
5. The reasons for the unscheduled occasions of absence.

Attendance and Punctuality, Continued

Although the specific action taken in each instance will be determined by Human Resources in its discretion, the chart below illustrates the actions likely to be taken upon the accumulation of a certain number of unscheduled occasions of absence within a given time period.

Number of Occasions	Within this Time Period	Action Likely to Be Taken
3	3 months	Your attendance record will be reviewed with you to determine contributing problems and possible solutions.
5	6 months	Your attendance record will be reviewed with you to determine contributing problems and possible solutions AND this counseling session will be recorded in a written memo, a copy of which will be maintained in your personnel file.
9	12 months	Your attendance record will be reviewed with you to determine contributing problems and possible solutions AND this discussion will be documented and a copy will be maintained in your personnel file. An "Unsatisfactory" or "Below Threshold" performance appraisal will be given to you for unsatisfactory attendance and dependability unless you give your supervisor documentation explaining the occasions to his/her satisfaction. You will also be notified that receiving two "Unsatisfactory" or "Below Threshold" performance appraisals in a row (for poor attendance or any other reason) is just cause for dismissal.

Poor attendance and excessive tardiness, including failing to report the same in a timely manner, may lead to disciplinary action, up to and including termination of employment. For example, an employee who does not report to work and who has not notified their supervisor of this absence may be terminated unless an acceptable explanation is provided for both the absence and the failure to report.

Absence from the Office

If an employee must be out of the office for business or personal matters, the supervisor must be advised. The employee also should make every attempt to keep their schedule up to date on their Outlook Calendar. If the supervisor is not available, the appropriate department head or the President and/or his designee should be notified. Employees who are working outside the office at meetings or other events should leave a telephone number where they can be reached. These employees are also responsible for checking in and receiving messages.

~~SECTION 3 WAGES AND SALARY ADMINISTRATION~~

Procedures for Absences from the office

1. Pre-schedule all vacation time use. Vacation leave shall be requested as far in advance as possible and is subject to CEFIA's operating needs.
2. Pre-schedule all absences, if possible. You should attempt to schedule all absences (including late arrivals and early departures) in advance with your supervisor. Pre-scheduled and approved use of sick and other types of leave, such as vacation, a doctor's visit or a funeral, will not be counted as an unscheduled occasion of absence.
3. Unscheduled absences. If it is not possible to pre-schedule an absence (including a late arrival or early departure), you must:
   - notify your supervisor within a ½ hour of the start of the work day;
   - give the reason for the absence; and
   - give an estimate of how long the absence will be.
   - If the absence is continuous or lengthy, notify your supervisor on a daily basis, or as otherwise required by your supervisor.
4. Exhaustion of sick leave accruals. If you are absent because of illness or injury, but have exhausted your sick leave accruals, you must:
   - For each absence, have your physician complete a state medical certificate form explaining the reason for your absence, and submit the completed form to Human Resources.
   - If you wish to use other accrued leave in place of your exhausted sick leave, you must make such a request in writing and submit it to your supervisor or to Human Resources with the completed medical certificate form.
   - If you fail to follow this procedure, you will be charged with an unscheduled occasion of absence and unauthorized leave for the day.
   - If you have exhausted all other accrued leave time in addition to your sick leave time, you will be charged with unauthorized leave for the day.
5. Extended Leaves. If you will be absent for an extended period of time because you are sick or injured, you must
   - Obtain a medical certificate form from Human Resources
   - Have the form completed by the treating physician stating the reason for the absence and your anticipated return to work date; and
   - Return the form to Human Resources at the time you return to work.

Telecommuting

Telecommuting is a management option that allows an employee to work at home or an alternate work site; it is not an employee entitlement. Telecommuting does not change the hours of work. An employee may be considered for this option when the following minimum criteria are met:

1. In most instances, the employee must have completed their introductory period and have been performing his/her current job duties for at least 60 days.
2. The employee has requested to telecommute by filling out a telecommuting agreement which will outline the terms and conditions of their telecommuting arrangement.
3. CEFIA has determined that the employee's job can be readily and effectively completed at an alternate site.
4. CEFIA determines that the employee's absence from the office is not detrimental to office operations, overall productivity, the working conditions of other employees, or services to clients and customers.
5. The employee's performance has been satisfactory or better.
6. The employee agrees to abide by the guidelines of the Telecommuting Policy.

The following guidelines for telecommuting are to be followed in accordance with each employee's individual telecommuting agreement:

~~SECTION 3 WAGES AND SALARY ADMINISTRATION~~

1. Each employee must specify a regular telecommuting day on their telecommuting agreement including hours to be worked per day, start time, end time, breaks, lunch periods, and duration if this is implemented on a project basis.
2. If an employee would like to telecommute in the case of inclement weather, they must have a signed "inclement weather" telecommuting agreement on file.
3. Telecommuting is not an entitlement. If business needs dictate the employee's physical presence in the office, the employee is required to report to work.
4. In order to meet the business needs of the agency, an employee may request an adjustment to the telecommuting schedule outlined in this agreement. No adjustment may be made without prior supervisory approval

Overtime and Overtime Pay

Under the federal Fair Labor Standards Act (FLSA), employees who are covered by FLSA shall be paid time-and-one-half for all hours worked in excess of 40 hours per week. Each position at CEFIA is determined to be exempt or non-exempt in consultation with the President, the Chief of Staff, the Manager, Human Resources and CEFIA's attorneys. Exempt employees will not receive any overtime pay. Non-exempt employees are paid based on the number of hours actually worked and are eligible for overtime pay. Overtime pay will be paid at the rate of one and one-half times (1½) the non-exempt employee's regular rate of pay for all time worked in excess of 40 hours per week. Overtime pay is based on actual hours worked. Thus, if a non-exempt employee is absent during a week when overtime hours have occurred, the absent hours reported will not be considered hours worked in determining a time and one-half overtime payment. An accurate record of non-exempt regular and overtime hours must be maintained for purposes of pay. Time sheets are to be signed by the staff member and by their supervisor and then submitted to Human Resources for processing.

Merit Compensation

On an annual basis, the President may recommend for approval by the Board of Directors an allocation of funds for merit compensation increases for the staff. A maximum percentage salary increase will be set by the President for those employees with exceptional performance evaluations. Employees shall be compensated according to job performance as determined through the performance management process as administered by CEFIA.

SECTION 4 TYPES OF LEAVE

Vacation Policy

Vacation is not earned in any calendar month in which an employee is on leave of absence without pay more than five working days. ~~**The amount of annual**~~ Regular full-time employees will accrue and must use vacation time ~~**earned will be based on years of service according to**~~in accordance with the following ~~**formula**~~schedule:

Years of Service	Vacation Earned	Must Use Annually
0 - 2 years	15 days per year	10 days
2 - 10 years	20 days per year	15 days
Over 10 years	25 days per year	20 days

The maximum number of vacation days an employee will be eligible to earn annually will be 25 days. ~~All employees will be required to take at least 10 or 15 vacation (15 or 20 for employees with over 10 years of service) days per year.~~ Generally an employee may not take more than four (4) consecutive weeks at one time in one year. Under extraordinary circumstances, the President and/or his designee may grant exceptions.

All employees will be limited to a maximum carryover annually of 5 days. The maximum aggregate carryover permitted for employees hired after January 1, 1998, including the current years allowed shall be 30 days. In extraordinary circumstances, such as unusual work circumstances, deadlines, or demands, the President may increase the allowable annual carryover to ten (10) days. The additional time that is carried over must be used during the next calendar year, in addition to all other vacation time the employee will accrue during that calendar year. In cases where vacation carryover in excess of 30 days is allowed with prior approval of the President, the employee's vacation balance will be automatically reduced to the maximum aggregate carryover of 30 days and all unused vacation time will be forfeited.

Vacation time will not be advanced under any circumstances. If an employee wishes to take vacation time, but does not have accrued time available, they may request to take unpaid leave. Such leave may be granted at the discretion of the employee's supervisor and or/ the department head. Vacation time is paid at the employee's base pay rate and can be taken when earned. Vacation time earned is credited to an employee on a monthly basis based upon the schedule presented above.

*Note – Once an employee is at the maximum vacation balance of 30 days, they must utilize all of their annual accruals or forfeit them.

Accrual Period

Vacation days are accrued on a monthly basis. Employees begin to accrue vacation days the first full month after their date of hire.

Scheduling

To the extent possible, and with sufficient advance notice, vacations will be scheduled as requested by the employee provided that staffing requirements be met as determined by the supervisor. The supervisor will settle conflicts between employees with regard to desired vacation schedules.

A written or electronic request should be filled out by the employee and approved by the Supervisor. Whenever possible, if requesting less than one week of vacation, the request should be presented three days prior to the time requested and if requesting one week or more the request should be presented and approved at least three weeks prior to leave.

Compensatory Time

The President and/or his designee may grant compensatory time for extra time worked by exempt employees, excluding members of the senior management team, for these unique situations provided it conforms to the following criteria:

1. As a general rule, exempt employees at CEFIA work 40 hours per week. However, these employees are expected to work the number of hours necessary to get the job done. There are some occasions that require an exempt employee to work a significant number of extra hours in addition to the normal work schedule. This does not include the extra hour or two a manager might work to complete normal work assignments in a normally scheduled workday.
2. The exempt employee must receive **written authorization in advance** to work extra time by the President and/or his designee in order to record the extra hours as compensatory time. The authorization must include the employee's name and outline the reason(s) for compensatory time. Proof of advance authorization must be retained in the employee's personnel file for audit purposes.
3. The amount of extra time worked must be significant in terms of total and duration and **occur on weekends or state holidays**.
4. Extra time worked must be completed at an approved work location.
5. Compensatory time shall not accumulate by omitting lunch hours or other changes that do not extend the exempt employee's normal workday.
6. Compensatory time shall not accumulate for travel or commuting purposes.
7. The number of extra hours worked and the compensatory time taken must be recorded on the appropriate time sheet and maintained by CEFIA. In no case shall an exempt employee be permitted to take compensatory time before it is earned.
8. All compensatory time earned January 1 through June 30 will expire on December 31 of the same year, and compensatory time earned July 1 through December 31 will expire on June 30 of the following year. All compensatory time balances will be set to zero on these dates. Any time not used by these dates will not be available.
9. In no event will compensatory time be used as the basis for additional compensation and shall not be paid as a lump sum at termination of employment.
10. No more than 8 hours can be earned in a twenty-four hour period.

Personal Leave

All CEFIA full time employees are granted three days paid personal leave each calendar year for purposes not covered by vacation or sick leave. Personal days do not require prior approval of the employee's supervisor. Personal time may not be accumulated or carried over to the next calendar year. Employees will not be compensated for unused personal time upon termination of employment. Personal leave days for part time employees will be pro-rated.

General Leave of Absence

Occasionally, an employee may request time off without pay for reasons not covered by any of the other policies. In these cases the employee should submit a written request for a leave of absence to their manager with a copy to the President and/or his designee. The request should clearly state the reason for the request and provide any supporting information to aid in the approval decision. The reason, and the requested length of the leave, will be considered by the President in his/her decision as to whether the employee's medical and other insurance benefits should continue during the leave, if approved. The decision will also be influenced by any limitations imposed by individual insurers.

Bereavement Leave

CEFIA will grant an employee up to five consecutive workdays off in the event his or her immediate family member dies. If a death occurs while the employee is on vacation, five days absence with pay may be granted in lieu of the employee's vacation period. The immediate family is defined as an employee's spouse, parent, brother, sister, child, grandparent, grandchild, in-law, legal guardian or permanent resident of the employee's household. Additional time may be granted if approved by the supervisor, and charged against vacation or personal time. Employees should notify their supervisor as soon as possible if they have a need for bereavement leave.

Sick Leave

Full-time employees earn 10 sick leave days per year. Part time employees earn sick leave according to the same schedule as full-time employees, but prorated according to their standard part-time hours per week. Sick time is not earned in any calendar month in which an employee is on leave of absence without pay more than five working days.

Sick leave is intended for use in situations such as the following:

- **Family illness - the event of a critical illness or severe injury to a member of the employee's immediate family in which the assistance of the employee is required.**
- **Medical Appointments – for medical, dental, eye examinations, or treatment for which arrangements cannot be made outside of working hours**
- **Other bereavement - up to three days per calendar year to attend the funeral of persons other than those of the employees' immediate family.**

Terminating employees will not be compensated for the balance of unused sick leave except in the case of retiring employees. Qualified retirees will receive payment for one-quarter of accumulated unused sick leave up to a maximum of 60 days.

Sick Leave - Medical Certification Or Examination

CEFIA may require certification of illness from an employee's physician or a medical examination with another physician to verify the need for continued absence. To be certain that an employee's health permits his or her safe return to work, CEFIA may require medical certification or an examination by a physician regarding fitness for duty.

An acceptable medical certificate, signed by a licensed physician or other health care provider, will be required to substantiate time off if the medical/sick leave:

- **Consists of more than five consecutive working days.**
- **Is to be applied contiguous to, or in lieu of time taken off as vacation.**
- **Recurs frequently or habitually, and the employee has been notified.**
- **When the employee's presence at work will expose others to a contagious disease.**

Sick Leave Bank

The CEFIA Sick Leave Bank is a pool of sick days that has been established by employees of CEFIA who have made a donation of their accumulated sick days. The Bank is available to members to draw up to ten (10) eight- hour sick days per year in the unfortunate event that they experience a qualified illness or injury.

~~SECTION 4 TYPES OF LEAVE~~

Sick Leave Bank members will receive benefits in the form of paid sick leave if all of the following requirements are met:

- the member has a medical condition that prevents them from working that has been verified by a Medical Certificate OR a member's immediate family member has a medical condition that has been verified by a Medical Certificate and requires the Sick Leave Bank member's care;
- the member has been out on approved medical leave (paid or unpaid) as described above for at least two consecutive weeks;
- the member has exhausted all of their sick, personal leave and compensatory time and vacation time in excess of 30 days;
- the member has not been disciplined for an absence-related reason for the past 12 months; however a committee comprised of HR and Management may waive this requirement;
- the member has completed a Sick Leave Bank Withdrawal Request Form and it has been approved by human resources;

All requests for utilization of the sick leave bank must be in accordance with the Sick Leave Bank Policy. Please contact Human Resources for a complete copy of the sick leave bank policy.

Family Medical Leave

Purpose

This policy establishes guidelines for leave available to employees of CEFIA under the federal Family and Medical Leave Act of 1993 ("FMLA") and highlights relevant provisions of Connecticut law.

Eligibility

Employees who have worked at CEFIA for at least twelve (12) months, and who have worked at least 1,250 actual work hours during the twelve (12) months immediately preceding the start of a leave, are eligible for unpaid leave under the FMLA. ("Hours worked" does <u>not</u> include time spent on paid or unpaid leave). Employees must have worked at CEFIA for at least six (6) months to be eligible for family/medical leave under Connecticut law.

Reasons for Leave

Leaves under either the state family/medical leave or federal FMLA or a combination of the acts may be taken for the following reasons:

- **The birth of employee's child or adoption of a child by the employee (both).**
- **The placement of a foster child with the employee (federal only).**
- **The "serious illness" (state) or "serious health condition" (federal) of a child, spouse or parent of an employee.**
- **The "serious illness" (state) or "serious health condition" (federal) of the employee.**

Family Medical Leave Documentation Requirement

The following documents must be submitted in support of an FMLA request:

- **Birth of child:** "Employee Request" (Form HR-1) and Medical Certificate (Form P-33A-Employee) indicating the pre-delivery disability period (if applicable), delivery date and post-partum disability period (if applicable).

SECTION 4 TYPES OF LEAVE

- **Adoption:** (both state and federal) or foster care (federal only) of child: "Employee Request" (Form HR-1) and letter from the adoption/foster care agency confirming the event and its effective date.
- **Serious illness/health condition of child, spouse or parent:** "Employee Request" (Form HR-1) and Medical Certificate (Form P-33B-Caregiver).
- **Serious illness/health condition of employee:** "Employee Request" (Form HR-1) and Medical Certificate (Form P-33A-Employee) (only if employee is on paid or unpaid leave for more than five days).

Length of Leave

Under federal FMLA, employees are entitled to 12 weeks of unpaid leave in a twelve-month period. Under state family/medical leave, employees are entitled to a maximum of twenty-four (24) weeks of unpaid leave within a two-year period. The state entitlement is applied **after** the employee has exhausted any sick leave accruals that may be applicable. The state policy allows the substitution of personal leave and vacation accruals; however, this will not extend the 24-week entitlement period.

The 12-month entitlement period for family or medical leave is measured from the initial date of an employee's first leave under this policy, until the end of the applicable 12 or 24-month period. **For leaves eligible under both the FMLA and state family/medical leave, the entitlement periods will run concurrently.**

Requests for Leave

Requests for a family or medical leave must be submitted to Human Resources at least thirty (30) days before the leave is to commence, if possible. If thirty (30) days notice is not possible, please submit your request as soon as practicable under the circumstances.
For leaves taken because of the employee's or a family member's serious health condition, the employee must submit a completed medical certification form before the leave begins, if possible. This form may be obtained from Human Resources. If advance certification is not possible**,** the employee must provide the medical certification within fifteen (15) calendar days of the employer's request for the medical certification. Failure to submit a certification, or submission of an incomplete certification, may delay the use of FMLA leaves, or result in denial of such leave.

Requests for Leave

If an employee takes leave to care for his or her own serious health condition, immediately upon return to work the employee must provide medical certification that the health condition which created the need for the leave no longer renders the employee unable to perform the functions of the job. This certification must be submitted to Human Resources.

Use of Paid Leave

Employees have the option of substituting their accrued paid personal leave and accrued paid vacation for any unpaid portions of federal FMLA taken for any reason other than the employee's own serious health condition. However, where the leave is for the employee's own serious health condition, accrued paid sick leave shall be substituted for unpaid portions of federal FMLA prior to the employee electing the substitution of accrued paid personal and accrued paid vacation leave. The amount of unpaid leave entitlement is reduced by the amount of paid leave that is substituted.

Medical Insurance and Other Benefits

During approved FMLA and/or state family/medical leaves of absence, CEFIA will continue to pay its portion of medical insurance premiums for the period of unpaid family or medical leave. The employee must continue to pay their share of the premium and failure to do so may result in loss of coverage. If the employee does not return to work after expiration of FMLA leave, the employee will be required to reimburse CEFIA for payment of medical insurance premiums during the family or medical leave, unless the employee does not return because of a serious health condition or other circumstances beyond the employee's control.

Employees who have state-sponsored group life insurance will be billed directly for the same amount they contributed prior to the leave. In the case of any other deductions being made from paychecks (disability insurance, life insurance, deferred compensation, credit union loans, etc.), employees must deal directly with the appropriate vendor to discuss payment options.

During a leave, an employee shall not accrue employment benefits such as seniority, pension benefit credits, sick, or vacation leave. However, employment benefits accrued by the employee up to the day on which the leave begins, which remain unused at the end of the leave, will not be lost upon return to work. Leave taken under this policy does not constitute an absence under CEFIA's attendance policy.

Reinstatement

Except for circumstances unrelated to the taking of a family/medical leave, an employee who returns to work following the expiration of a family/medical leave is entitled to return to the job held prior to the leave or to an equivalent position with equivalent pay and benefits. In cases involving the serious health condition of an employee, CEFIA will require the employee to produce a fitness-for-duty report on which the physician has certified the employee is able to return to work. This requirement protects the employee, co-workers and the public from the negative consequences that can result when an individual returns to work before being medically ready to do so. Therefore, employees who are notified of the need for a fitness-for-duty certification will not be allowed to return to work without it.

Military Leave

Military leave with pay for required military training is available to members of the National Guard or Reserve components of the Armed Forces. Required military leave must be verified through the submission of a copy of the appropriate military orders to Human Resources. A maximum of three (3) weeks per calendar year is allowed for annual field training.

When an employee is ordered to duty at the expiration of his/her field training, as evidenced by special orders, he/she shall receive additional time off with pay provided the period of absence in any calendar year shall not exceed thirty (30) days. No such employee shall be subjected, by reason of such absence, to any loss or reduction of vacation or holiday privileges.

Extended Military Leave (Induction)

Any employee who shall enter the Armed Forces shall be entitled to a leave of absence without pay for the time served in such service, plus ninety (90) days. An employee who leaves employment for the purpose of entering the Armed Forces of the United States shall be reinstated to their former position and duties, providing he/she apply for return to employment within ninety (90) days after receiving a certificate of satisfactory service from the Armed Forces.

~~SECTION 4 TYPES OF LEAVE~~

This section shall not apply to any employee who has been absent from his/her employment for a period of more than three (3) years in addition to war service or compulsory service and the ninety (90) day period provided for because of voluntary reenlistment.

Jury Duty

CEFIA recognizes that every citizen has an obligation to perform jury duty when required. CEFIA encourages cooperation of its employees with this important civic duty.

If an employee is notified to appear in court to qualify to serve as a juror, the staff member must inform Human Resources by presenting the notice in advance of the court appearance date. The employee will receive time off to serve and will receive his/her regular salary during the period of jury service.

Failure to provide such notice will result in CEFIA charging that time to either personal or vacation leave.

On any day during which the employee's attendance on the jury is not required, he/she shall report to work as usual. On any day in which the court releases jurors before 1:00 p.m., the employee is expected to report to work for the balance of the day.

Holidays

Holiday time off will be granted to all full-time regular employees on the 12 holidays listed below. Part-time employees will be paid only if they are scheduled to work on the date that the holiday falls and their pay for the holiday shall be pro-rated based on their part-time schedule. Temporary employees after ninety (90) days will receive holiday pay if normally scheduled to work on the day of the week on which the holiday falls.

If a recognized holiday falls during an eligible employee's paid absence (e.g. vacation or sick leave), holiday pay will be provided instead of the paid time off benefit that would otherwise have applied.

Paid holidays at CEFIA are as follows:

New Year's Day	Independence Day
Martin Luther King's Birthday	Labor Day
Lincoln's Birthday	Columbus Day
Washington's Birthday	Veteran's Day
Good Friday	Thanksgiving Day
Memorial Day	Christmas Day

Inclement Weather

When traveling in snow presents a significant danger to staff and clients, cancellations and late openings for the State of Connecticut will be announced on WTIC-AM 1080 or on-line at the Connecticut Department of Emergency Management and Homeland Security website. The President and/or his designee will inform department managers about any early closing times established during the day.

On inclement weather mornings when no cancellation or late openings have been announced, all employees (except those with an approved inclement weather telecommuting agreement) are expected to make a reasonable effort to be at work on time. Any employee who is unable to get to work is expected to notify their supervisor promptly and will have to utilize their personal leave accruals. Failure to notify your supervisor will be treated as an unexcused absence. Those employees with an approved inclement weather telecommuting agreement shall be subject to the terms and conditions of that agreement.

In the event of a situation where our offices will be closed because of a power outage, the following steps will be taken:

1. We will notify the local media that our offices are closed so we can be added to the official "cancellation list" on television and radio.

2. We will implement a "telephone tree" where we will attempt to contact employees via telephone in the event our offices are closed unexpectedly.

3. If you have any questions as to whether our offices are open during a large power outage, please call (860) 257-2366, extension 411. If there is a message that "Circuits are busy" and it doesn't roll over to normal voicemail, you can assume there is no power at our offices and you should not report to work.

4. If necessary, we may communicate a conference call number and a time to call in for a teleconference. We will attempt to communicate this information via the "telephone tree". This conference call will be used to provide information to staff and to arrange continuity of operations in the event of a major emergency.

Community Service Days

Each employee may take up to one paid workday per year to perform community service. Prior approval by the employee's supervisor is required. The community service must be for 501 c 3 or equivalent non-profit organizations. The purpose of this policy is to encourage a range of community service activities by CEFIA employees. This day with pay will not be charged against any leave balance of the employee. Prior to the date of community service, each employee must provide a written request to their supervisor. ~~The Manager,~~ Human Resources will determine whether the proposed service and organization meets the intent of the policy. A letter from the organization will be required as documentation of participation.

SECTION 5 EMPLOYEE BENEFITS

Employees of CEFIA are eligible to participate in the medical, dental and retirement benefits offered to employees of the State of Connecticut. In addition, there are certain benefits offered by CEFIA that are available to our employees. A summary of these benefits follows.

Workers' Compensation

All employees are covered under the State of Connecticut Workers' Compensation insurance program. This program covers any injury or illness sustained in the course of employment that requires medical, surgical, or hospital treatment. CEFIA pays the full premium for this coverage. There is no cost to the employee.

Employees who sustain work-related injuries or illnesses should inform their supervisor immediately. No matter how minor an on the job injury may appear, it is important that it be reported immediately. Consistent with applicable state law, failure to report an injury within a reasonable period of time could jeopardize your claim. Supervisors are responsible for calling **MedInsights** at (800) 828-2717 toll-free as quickly as possible, to report any work-related injury sustained by an employee. Supervisors must provide **MedInsights** with the employee's name, home address, home telephone number, description of the injury, and the date and place the injury occurred. Supervisors should also notify Human Resources and the President as quickly as possible of any on the job injury sustained by an employee.

Neither CEFIA nor the insurance carrier will be liable for the payment of benefits for injuries sustained during an employee's voluntary participation in any recreational, social or athletic activity sponsored by CEFIA after normal working hours.

Medical Insurance

Employees become eligible for coverage in a comprehensive health insurance program on the first day of the first full month of employment. Enrollment is limited to the date of hire or open enrollment periods (normally the month of May) as outlined by the employer. The details of the plan options and their coverage will be explained by Human Resources and are listed in the explanatory booklets provided by the insurer. A portion of the cost of the medical insurance for dependents must be covered by employee contributions.

Dental Insurance

Employees become eligible for coverage in a dental insurance program on the first day of the first full month of employment. The details of this insurance coverage will be explained by Human Resources and are listed in the explanatory booklet provided by the insurer.

Deferred Compensation

The Deferred Compensation Plan, created in accordance with Section 457 of the Internal Revenue Code, allows you to defer money earned during your peak earning years and receive its value later when you may be in a lower tax bracket. Amounts you elect to defer are before tax dollars and any interest earned or any gains on these dollars are allowed to accumulate without federal income tax obligations until you receive your money.

Participation in the Plan is voluntary. It is your decision, which should be made after considering all options, as well as your plans for the future. A Deferred Compensation Plan is not intended for savings and investments of a short-term nature since monies deferred are generally not available until you separate from State service. For more information regarding deferred compensation, contact Human Resources.

~~SECTION 5 EMPLOYEE BENEFITS~~

Retirement Plan

Employees of CEFIA are provided retirement benefits under the State of Connecticut Retirement Plan~~.~~ (SERS). The benefits provided by the plan are described in the Summary Plan Description given to all eligible employees.

Dependent Care Assistance Program

CEFIA employees are eligible to participate in the State of Connecticut Dependent Care Assistance Program (DCAP). With DCAP you have the opportunity to deposit a portion of your pay into a Dependent Care Spending Account. These dollars are deducted on a pre~~-~~-tax basis and are used to reimburse you for eligible dependent care expenses. These "pre-tax" dollars are exempt from federal and state income taxes.

When you contribute pre-tax dollars to a reimbursement account, you lower your taxable income; therefore, you pay fewer taxes and increase your spendable income. To receive more information, contact Human Resources.

~~Lincoln National~~ Life ~~and ADD~~ Insurance

Upon employment, CEFIA provides life insurance coverage at no cost to the employees that work at least 30 hours per week. In the event of an employee's death, life insurance benefits are payable to the person he/she has named as beneficiary. Other benefits such as dismemberment, loss of sight, continuation of insurance are explained in the group certificate. All eligible employees will receive a certificate showing the face value of the policy upon receipt of the application by the insurance company. The amount of coverage is equal to two times the employee's annual salary up to a maximum of $150,000 worth of coverage.

Group Life Insurance

Upon date of hire, employees can elect to participate in group life insurance offered by the State of Connecticut. Employees become eligible for coverage under the State of Connecticut group life insurance plan after six months of employment. The details of this coverage will be explained by Human Resources and are listed in the plan booklet provided by the insurer. The cost of this option is fully borne by the employee.

Supplemental Group Life Insurance

The State of Connecticut also offers supplemental group life insurance to employees whose gross annual income is at least $45,000. New employees are eligible for this insurance after six months of employment. This benefit is available for present employees to be initiated or increased during open enrollment, which is usually in May. The cost of this option is fully borne by the employee.

Other Insurance

~~Colonial Life Insurance offers accident/sickness benefits as well as life~~ There are several options for insurance~~. The employee bears~~ available to our employees through the ~~total cost~~State of ~~coverage.~~Connecticut. Human Resources will provide updates on these options periodically. Please contact Human Resources for further information.

Disability Insurance

CEFIA~~, Incorporated~~ provides short-term and long-term disability insurance coverage for all full time employees. Disability coverage for new employees will commence on the first day of the second full month of employment. Please refer to your certificate booklet for full details, limitations and provisions of the plan.

Connecticut Higher Education Trust Program

CEFIA employees are eligible to participate in the State of Connecticut's Higher Education Trust Program, Connecticut's 529 College Savings Program (CHET). With CHET, you have the opportunity to deposit a portion of your pay into a higher education savings account. These dollars are deducted on a pre~~-~~-tax basis and are "pre-tax" dollars are exempt from federal and state income taxes. To receive more information, contact Human Resources.

Employee Assistance Program

The Employee Assistance Program offers assistance to employees having problems of a personal nature that may affect job performance. Services are also available for family members. Some examples of such problems would be drug or alcohol abuse, marital or family difficulties, or other situations that might have an adverse effect on an employee's emotional health. Participation in the program is confidential and free. It will generally include private consultation with a trained counselor who will advise the employee on what services are appropriate to their need. The counselor will normally refer the employee to qualified providers of treatment or counseling, and advise the employee on what services are or are not covered by their health insurance. Any employee needing assistance should contact ~~Pathways, 674 Prospect Avenue, Hartford,~~UCONN EAP at 860-679-2877 or toll-free (in CT~~ 06105.~~) 800-852-4392. The ~~hotline number~~UCONN EAP website is ~~(860) 233-6220.~~http://www.hr.uconn.edu/employee_assistance.html

Participation in the EAP program does not excuse employees from complying with normal agency policies or from meeting normal job requirements during or after receiving EAP assistance. Nor will participation in the EAP prevent CEFIA from taking disciplinary action against any employee for performance problems that occur before or after the employee's seeking assistance through the EAP.

The EAP program is there for you and is totally confidential and voluntary.

Credit Union

CEFIA employees may participate in the Connecticut State Employee's Credit Union. Payroll deductions may be arranged. For more information, telephone CSE Credit Union, Inc~~.,~~., 84 Wadsworth Street, Hartford, CT 06106, (860) 522-5388 (Savings) or (860) 522-7147 (Loans). An employee can open an account by completing an application card and a payroll deduction authorization form, which are available in Human Resources. A check or money order made payable to the Connecticut State Employee's Credit Union must accompany the application and the normal processing time is four (4) weeks.

A change in deduction form may be obtained from Human Resources for employees wishing to stop their deductions. This form must be submitted to CSECU, Inc. The change will take approximately four (4) weeks to become effective.

Other Payroll Deductions

Payroll deductions may be made for U.S. Savings Bonds and the Connecticut State Employees Campaign for charitable giving. Automobile insurance and homeowner's insurance can also be arranged through payroll deduction utilizing a program established by the State of Connecticut. For more information, contact Human Resources.

Direct Deposit

Direct deposit of paychecks to the banking institution of your choice is available. Forms are available from Human Resources. Upon termination of employment, a final paycheck will be issued and not deposited directly.

SECTION 5 EMPLOYEE BENEFITS

Benefits Continuation (Cobra)

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) gives employees and their qualified beneficiaries the opportunity to continue health insurance coverage under CEFIA's health plan when a "qualifying event" would normally result in the loss of eligibility. Some common qualifying events are resignation, termination of employment, or death of an employee; a reduction in an employee's hours or a leave of absence; an employee's divorce or legal separation, and a dependent child no longer meeting eligibility requirements.
Under COBRA, the employee beneficiary pays the full cost of coverage at CEFIA group rates plus an administrative fee. CEFIA will provide each employee with a written notice describing rights granted under COBRA when the employee becomes eligible for coverage under the health insurance plan.

Continuing Education Assistance

Any full time regular employee who has satisfactorily completed six months of service (and receives a rating of "meets expectations" or higher as a result of their six month review) and is continuing his/her education in a job related area, or in an area that will assist the employee in upward mobility or promotional opportunities shall be eligible to receive tuition assistance as follows: For credit courses at accredited institutions of higher education, 100% of the cost of tuition and laboratory fees up to a maximum of $400 per credit taken for undergraduate courses and $750 per credit for graduate courses. There will be a maximum dollar limit of $10,000 tuition assistance per employee per fiscal year. The employee must maintain an overall rating of "meets expectations" during the annual review process in order to continue to be eligible for assistance under this program.

Requests for tuition assistance must be in writing and will be reviewed and approved by the employee's department head and the President and/or his designee based on individual merits. Management will consider the relevance of the program to the employee's current position, job responsibilities and promotional path prior to approval of the tuition assistance request. The employee must maintain a grade point average (GPA) of C for undergraduate courses and B for graduate courses to continue receiving tuition assistance under this program. If an employee's GPA falls below these minimums, further eligibility for tuition assistance will be suspended until the required GPA is achieved.

Employees interested in applying for tuition assistance under this program should obtain a "Continuing Education Assistance Form" from the Human Resources department and follow the steps below to assure prompt tuition assistance.

1. Complete the Continuing Education Assistance Form and submit it, along with a written request for tuition assistance to your immediate supervisor.
2. The request will be reviewed and if appropriate, approved by your department head and the President
3. Once approved and subsequent to enrollment in the program, submit a copy of course registrations, invoices and any other related documents to the Human Resources Administrator for review and payment approval.
4. Upon completion of the semester, The Human Resources Administrator will require a copy of all grades. Failure to do so may render you ineligible for tuition assistance for future course. Employees are financially responsible to reimburse CEFIA for payments made on their behalf under this program if they resign from their employment with CEFIA within (6) months of the signed date on the most recent consent authorization section of the Continuing Education Assistance Form.
5. Employee Tax Liability: CEFIA follows the current IRS guidelines pertaining to annual reporting of employee educational benefits. Employees should consult with their tax advisor regarding this matter.

~~SECTION 5 EMPLOYEE BENEFITS~~

Training

All employees of CEFIA are encouraged to take advantage of any job-related training opportunities that will enhance their job performance. CEFIA will pay the cost of any training deemed necessary for its employees.

The following is the procedure for signing up for and attending training.

1. The supervisor and employee will work together to develop a training plan for the employee based on the requirements of the job and the employees specific training needs.
2. The employee initiates a training request form and forwards it to their supervisor for approval.
3. The supervisor determines if the training is necessary, job-related, and if there is adequate office coverage for the employee to attend the training.
4. The employee attends the training and receives a certificate or attendance confirmation.
5. Upon return to the office, the employee forwards a copy of that certificate or attendance confirmation to Human Resources to be added to the personnel file.
6. The employee is responsible for sharing information learned at training that might be useful to other staff. The employee is also responsible for utilizing or practicing the subject material (i.e. computer training) and will be held accountable for the training material.

In addition, there are several training programs mandated for our employees by the State of Connecticut – sexual harassment prevention, diversity training, workplace violence prevention training and ethics training. Human Resources will work with employees to ensure they attend these mandatory training sessions.

SECTION 6 TRAVEL AND ENTERTAINMENT POLICY

~~SECTION 6 TRAVEL AND ENTERTAINMENT POLICY~~

Travel and Entertainment Policy

This policy provides guidelines and establishes procedures for employees incurring business travel and entertainment expenses on CEFIA 's behalf.

Our objective is to provide employees with a reasonable level of services and comfort while traveling on CEFIA business. In order to accomplish this objective all employees must have a clear understanding of the policies and procedures for business travel and entertainment.

Responsibility and Enforcement

The employee is responsible for complying with the travel and entertainment policy.
An expense report form must be completed by the employee within 30 days of incurring the expense to request reimbursement for travel and entertainment expenses.

The employee's supervisor is responsible for reviewing and approving expense reports prior to their submission.

CEFIA assumes no obligation to reimburse employees for expenses that are not in compliance with this policy or are not submitted within 30 days of incurring the expense.

Who to Call About Travel Policy Questions

Any questions, concerns, or suggestions regarding this travel policy should be directed to the Finance Department.

Airline Class of Service

All domestic air travel must be in Coach class.
Employees are expected to use the lowest reasonable airfare available.

Upgrades for Domestic Air Travel

Upgrades at the expense of CEFIA are **NOT** permitted. Upgrades are allowed at the employee's personal expense.

Unused/Voided Airline Tickets

Unused airline tickets or flight coupons must never be discarded or destroyed as these documents may have a cash value. To expedite refunds, unused or partially used airline tickets must be returned immediately to the designated department employee. Do not send unused tickets to the airlines, or include them with expense reports.

Lodging

Employees are entitled to stay in a single room with a private bath. Employees may accept room upgrades to suites or executive floor rooms if the upgrade does not result in additional cost to CEFIA.

Room Guarantee / Cancellation and Payment Procedures

It is the responsibility of the employee to cancel the room prior to the deadline if business needs require a change in travel plans (cancellation deadlines are based on the local time of the property). Employees should request and record the cancellation number for potential billing disputes.

~~SECTION 6 TRAVEL AND ENTERTAINMENT POLICY~~

Rental Car

Rental Car Guidelines

- Employees may rent a car at their destination when:
- It is less expensive than other transportation modes such as taxis, airport limousines and airport shuttles.
- Entertaining customers.
- Employees may reserve rental cars in advance if that is the most reasonable and cost effective means of transportation.

Rental Car Categories

CEFIA reimburses the costs of Compact or Intermediate class rental cars. Employees may book a class of service one-level higher when:

- Entertaining customers.
- The employee can be upgraded at no extra cost to CEFIA.
- Transporting excess baggage such as booth displays.
- Pre-approved medical reasons preclude the use of smaller cars.

Rental Car Insurance

Employees should decline all insurance coverage when renting a car for CEFIA use as CEFIA has suitable coverage in our general liability policy to cover these situations.

RENTAL CAR CANCELLATION PROCEDURES

Employees are responsible for cancelling rental car reservations. Employees should request and record the cancellation number in case of billing disputes. Employees will be held responsible for unused car rentals that were not properly cancelled.

Returning Rental Cars

Every reasonable effort must be made to return the rental car:

- **To the original city unless pre-approved for a one-way rental.**
- **Undamaged (i.e., no bumps, scratches or mechanical failures).**
- **On time, to avoid additional hourly charges.**
- **With a full tank of gas.**

Reimbursement for Personal Car Usage

Employees will be reimbursed for business usage of personal cars on a fixed scale as determined by CEFIA's mileage allowance. The mileage allowance is updated once a year in January and follows the mileage allowance set by the Internal Revenue Service. When working out of the office or out of town, any commute time clocked which is less than your normal daily commute is not reimbursable. Employees will not be reimbursed for any repairs to their personal car even if these costs result from business travel. To be reimbursed for use of their personal car for business, employees must provide on their expense report:

- **Purpose of the trip.**
- **Date and location.**
- **Receipts for tolls, parking.**

Ground Transportation to and from Terminals

The most economical mode of transportation should be used to and from airports and bus and rail terminals when the employee is not accompanying a customer. The following modes of transportation should be considered:

- **Public transportation (buses, subways, taxis).**
- **Hotel and airport shuttle services.**
- **Personal car.**

Personal/Vacation Travel

Combining Personal With Business Travel

Personal vacation travel may be combined with business travel provided there is no additional cost to CEFIA. Corporate credit cards must **NOT** be used to pay for personal/vacation travel.

Spouse / Companion Travel

A spouse or other individual may accompany an employee on a business trip at the employee's expense. CEFIA will not reimburse travel and entertainment expenses incurred by a spouse or other individual accompanying an employee on business unless:

- **There is a bona fide business purpose for taking the spouse or other individual.**
- **The expense incurred would otherwise be reimbursable; and**
- **There is prior approval from the President.**

Telephone Usage

Business Phone Calls

Employees will be reimbursed for using their personal cell phone or home phone for business phone calls that are reasonable and necessary for conducting business. Expenses must be substantiated with the original telephone bill. The finance department maintains a cell phone reimbursement policy. If you are contemplating using a cell phone for business purposes on a regular basis, contact the finance department to obtain a copy of the policy.

Airphone Usage

Employees will be reimbursed for using an airphone only in an emergency or if critical business issues necessitate its use.

Travel Insurance Coverage

Expenses for additional travel insurance coverage will not be reimbursed.

Meals and Entertainment

Personal Meal Expenses

Personal meals are defined as meal expenses incurred by the employee when dining alone on an out-of-town business trip. Employees will be reimbursed for personal meals according to actual and reasonable cost incurred.

Business Meal Expenses

Business meals are defined as those taken with clients, prospects or associates during which a specific business discussion takes place. Employees will be reimbursed for business meal expenses according to actual and reasonable cost.

Business Meals Taken With Other Employees

Employees will be reimbursed for business-related meals taken with other employees only in the following circumstances:

- When a client is present.
- When, for confidentiality reasons, business must be conducted off CEFIA premises.
- When traveling together for business.

Meal costs for social occasions, such as employee birthdays; secretary's day, etc. are not classified as business meals or entertainment expenses.

Entertaining Customers

Entertainment expenses include events that include business discussions, which take place during, immediately before or immediately after the event, are eligible for reimbursement for entertaining customers, with the prior approval from the President~~.~~.

Tipping

Tips included on meal receipts will be reimbursed. Any tips considered excessive will not be reimbursed. As a general rule, employees should not tip more than 15% to 20% of the cost of the meal.

Other types of tips for porters, maid service, etc. should be reasonable.

Payment for Meals and Entertainment

When more than one employee is present at a business meal, the most senior level employee should pay and expense the bill.

Documentation Requirements

A receipt must be submitted with the expense report for any individual meal or entertainment expense. If a receipt is lost or destroyed, the President or Vice President Finance and Administration must approve the expense. In addition, for business meals and entertainment expenses, the following documentation is required and must be recorded on the expense report:

- Names of individuals present, their titles and company name.
- Name and location of where the meal or event took place.
- Exact amount and date of the expense.
- Specific business topic discussed.
- In the case of entertainment events, the specific time the business discussion took place (i.e. before, during or after the event).

Corporate Charge Card

The President and/or his designee must approve the issuance of a corporate charge card.

~~SECTION 6 TRAVEL AND ENTERTAINMENT POLICY~~

Personal Use of Corporate Charge Card

Corporate charge cards are intended for business use. Corporate charge cards must NOT be used for personal expenses and use of the corporate charge card for personal expenses will result in termination of the card.

Reporting Lost / Stolen Cards

A lost or stolen corporate charge card must be reported to the card issuer and the Vice President of Finance and Administration as soon as the employee discovers it is missing. Statistics on stolen charge cards indicates that unauthorized use of stolen cards is greatest in the first few hours after the theft.

Expense Reporting

An expense report form is required to be completed to request reimbursement for incurred eligible travel and entertainment expenses.

The expense report form is located under Templates in the Shared Drive.. The form will automatically calculate mileage reimbursements, total expenses by day and by type and calculate the net amount due the employee.

The expense report is to be completed and submitted for reimbursement in a timely manner. Expense reports should be submitted within one week of incurring the expense. CEFIA will assume no obligation to reimburse employees for expenses that are not submitted within 30 days of incurring the expense.

The type of expense and dollar amount must be separated on a **daily basis**. For example: a hotel bill may include meals, lodging and telephone expenses. Each category must be split and entered in the appropriate space on the expense report form with expenses allocated for each travel day.

Approval / Authorization Process

All expense reports must be approved by the employee's immediate supervisor and then forwarded to the Finance Department. The President's expense report will be approved by the Vice President Finance and Administration. **Individuals approving expense reports are responsible for ensuring:**

- The correctness, reasonableness and legibility of entries.
- Applicable receipts are attached.
- Charges are consistent with policy and were incurred for business purposes.
- Expenses are adequately explained.
- The expense report is signed by the employee.

In accordance with present rules and guidelines, charges that are questionable should be discussed with the employee and resolved **before** the expense report is approved.

Expense Report Review

The Finance Department will review each employee expense report for:

- Approval signatures.
- Business purpose.
- Correct totals.
- Supporting documentation and receipts.
- Policy compliance.

~~SECTION 6 TRAVEL AND ENTERTAINMENT POLICY~~

The Finance Department will not reimburse any expense that is not in compliance with CEFIA's travel and entertainment policy.

Examples of Acceptable Documentation:

- Air/Rail - original passenger coupon.
- Hotel - hotel folio plus charge card receipt or other proof of payment.
- Car Rental - rental car agreement plus charge card receipt or other proof of payment.
- Meals/Entertainment – charge card receipt or cash register receipt.
- Receipts for all miscellaneous expenses over $10.00.

Receipts must include the name of the vendor, location, date and dollar amount of the expense. When a receipt is not available, a full explanation of the expense and the reason for the missing receipt is required.

Incorrect or Incomplete Expense Reports

Expense reports that are incorrect or incomplete will be returned to the employee for corrective action and may result in delay or non-reimbursement of specific items. Violating CEFIA policy or altering of receipts can result in disciplinary action up to and including termination.

Employees Will Not Be Reimbursed for the Following Items:

- **Airline club membership dues.**
- **Airline headsets.**
- **Airline drinks.**
- **Airline or personal insurance.**
- **Annual fees for personal credit card.**
- **Barbers and hairdressers.**
- **Birthday lunches.**
- **Car washes.**
- **Cellular phone repairs, except for corporate cell phones.**
- **Child care.**
- **Clothing (i.e. socks, pantyhose, etc.).**
- **Expenses for travel companions/family members.**
- **Expenses related to vacation or personal days while on a business trip.**
- **Flowers or gifts for employees or customers (unless approved by the President or a Vice President).**
- **Gum, candy or cigarettes.**
- **Health club facilities, saunas, massages.**
- **Hotel movies.**
- **Hotel room refrigerator items.**
- **Hotel laundry and valet services unless the trip exceeds five consecutive days.**
- **Interest or late fees incurred on a personal credit card.**

~~SECTION 6 TRAVEL AND ENTERTAINMENT POLICY~~

- **Loss/theft of cash advance money or Company-paid airline tickets.**
- **Loss/theft of personal funds or property.**
- **Magazines, books, newspapers, subscriptions.**
- **Mileage for travel between home and office/work site.**
- **"No show" charges for hotel or car service.**
- **Optional travel or baggage insurance.**
- **Parking or traffic tickets.**
- **Personal accident insurance.**
- **Personal entertainment, including sports events.**
- **Personal toiletries.**
- **Pet care.**
- **Postage costs, postcards (sent to fellow employees).**
- **Shoe shine.**
- **Short term airport parking (except for 1 day trips only**
- **Unexplained or excessive expenses which are not within the intent of CEFIA policy will not be reimbursed.**

All employees must review this policy and sign the acknowledgement form found in the Appendix and return it to Human Resources.

SECTION 7 GENERAL RULES OF CONDUCT

~~SECTION 7 GENERAL RULES OF CONDUCT~~

General Rules of Conduct

To ensure orderly operations and provide the best possible work environment, CEFIA expects employees to follow rules of conduct that will protect the interests and safety of all employees and the organization. Although it is not possible to list all the forms of behavior that are unacceptable, the following are examples of infractions that may result in disciplinary action, up to and including termination of employment:

- Theft or inappropriate removal or possession of property of CEFIA, clients or other employees.
- Dishonesty or misrepresenting, falsifying or providing misleading records including, but not limited to, employment applications or resumes, time keeping records, client records, expense requests, etc.
- Working under the influence of alcohol or illegal drugs.
- Possession, distribution, manufacturing, sale, transfer, or use of alcohol or illegal drugs in the work place, while on duty.
- Fighting, wrestling, horseplay, or threatening violence in the workplace.
- Insubordination or other disrespectful conduct including, but not limited to, refusal to perform assigned work.
- Refusal to do assigned work, use of obscene or vulgar language, or other disrespectful conduct.
- Taking any action detrimental to CEFIA, fellow employees, clients or visitors.
- Unsafe behavior and/or violation of safety or health rules.
- Sexual or other unlawful or unwelcome discrimination or harassment.
- Possession of dangerous or unauthorized materials, such as explosives or firearms, in the workplace.
- Excessive absenteeism, tardiness, or any absence without notices.
- Unauthorized use of telephones, mail system, or other employer-owned equipment for personal use or other unauthorized operation.
- Sleeping, loafing, failure to demonstrate a professional behavior in carrying out assigned tasks.
- Soliciting, gambling, taking orders, selling tickets, collecting or contributing money for any unauthorized cause.
- Engaging in outside business activities that conflict with CEFIA's interests or interfere with proper performance of job duties.
- Failure to report a work-related injury immediately.
- Unauthorized use or the willful damage, abuse or destruction of CEFIA property or the property of others.
- Violation of CEFIA's personnel policies and/or rules.
- Unsatisfactory work performance.

The examples listed above are not intended to cover all situations that may result in disciplinary action, but are only intended to be guidelines as to what are considered improper standards of work conduct. Also, this policy does not alter the at-will nature of an employee's employment with CEFIA.

If any employee's behavior or interactions jeopardize positive working relationships with clients, and render the employee unable to fulfill the responsibilities of his/her position, or place CEFIA at risk of liability, the employee will be subject to review and possible disciplinary actions.
It is important for all employees to conduct themselves in a way that is fair to each other and to our common objective of delivering quality services.

Personal Appearance

The nature of our business at CEFIA puts us in frequent contact with clients and the public. We enjoy an excellent reputation among the energy community in Connecticut. While there are many reasons for this reputation, one of the ways to help maintain it is for all staff to present a professional image to the community. It is important that they have confidence in the staff, and the staff members have confidence/pride in themselves when transacting business. To help present this image and foster public confidence, staff members must dress appropriately for their work assignments and use common sense and good judgment in their appearance. Employees with questions regarding what is deemed appropriate dress for his/her work assignments should discuss this with his/her supervisor. CEFIA reserves the right to determine individual compliance with the policy in all questionable cases.

Personal Appearance Guidelines

Staff will wear clean and well-maintained attire appropriate to the type of work they do. Shoes are required and must also be well-maintained. Good grooming is required.
Formal business attire may be expected for internal and external events such as board meetings, hearings, presentations, and meetings.

Business casual attire (ties are optional) is acceptable for all other occasions.
In compliance with this policy, the following are examples of unacceptable attire:

- torn, patched/faded clothing
- athletic wear, e.g. sneakers, shorts, t-shirts, skorts, etc.
- halter tops
- tube tops
- rubber soled flip flops
- blue denim clothing (unless on a designated “Jeans for Charity” Day)
- shorts (any pant or slack that ends above the knee)
- shirts with slogans or large letter advertising

Freedom from Harassment

CEFIA is committed to treating its employees with dignity and respect. All employees have a right to be free from racial or ethnic slurs, unwelcome sexual advances, or any other verbal or physical conduct that constitutes harassment. CEFIA is committed to providing a work environment that is free of discrimination and unlawful harassment.

Sexual harassment is unlawful under federal and state law. The CEFIA statement on Sexual Harassment and the Equal Employment Opportunity Commission “Guidelines on Discrimination Because of Sex” provide that unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when:

- Submission to such conduct is made either explicitly or implicitly a term or condition of an individual’s employment.
- Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting that person.
- Such conduct has the purpose or effect of unreasonably interfering with an individual’s work performance or creating an intimidating, hostile, or offensive working environment.

Actions, words, jokes, or comments based on an individual’s sex, race, ethnicity, age, religion, or any other legally protected characteristics will not be tolerated. As an example, sexual harassment (both overt and subtle) is a form of employee misconduct that is demeaning to

~~SECTION 7 GENERAL RULES OF CONDUCT~~

another person, undermines the integrity of the employment relationship, and is strictly prohibited.

Sexual, racial, ethnic, or other unlawful harassment of employees by supervisory or non-supervisory employees of CEFIA, or by non-employees (including clients) will not be tolerated. All members of CEFIA management and supervision have the explicit responsibility to take immediate corrective action to prevent any sexual, racial, ethnic or other harassment.

Any employee who wishes to report an incident of unlawful harassment should promptly report the matter to his or her supervisor. If the supervisor is unavailable or the employee prefers to report the incident to someone other than the supervisor, he or she should immediately contact the Human Resources Administrator or any other available manager.

Anyone engaging in unlawful harassment will be subject to disciplinary action, up to and including termination of employment.

Sexual Harassment

Title VII of the Civil Rights Act of 1964, which is a federal law and Connecticut law, prohibit sexual harassment. CEFIA will not tolerate sexual harassment in the workplace. No employee-either male or female-should be subject to unwelcome verbal or physical conduct that is sexual in nature or shows hostility to the employee because of the employee's gender. Sexual harassment does not refer to occasional compliments of a socially acceptable nature. It refers to behavior that is not welcome, that is personally offensive, that debilitates morale, and that, therefore, interferes with work effectiveness.

Management Responsibility

Management at all levels of CEFIA is responsible for preventing sexual harassment in the workplace. This responsibility includes immediately reporting conduct by anyone, whether a coworker, supervisor, or non-employee, that may constitute sexual harassment, even if the conduct was sanctioned and regardless of how awareness of conduct was gained.

Prohibition Against Sexual Harassment

CEFIA strictly enforces a prohibition against sexual harassment of any of its employees. Sexual harassment prohibited by state and federal law and by this policy includes the following conduct:

- Unwelcome verbal or physical conduct of a sexual nature when submission to such conduct is made either an explicit or implicit term or condition of any individual's employment (such as promotion, training, timekeeping, overtime assignments, leaves of absence); or
- Unwelcome verbal or physical conduct of a sexual nature when submission to or rejection of such conduct by an individual is used as the basis for employment decisions; or
- Unwelcome verbal or physical conduct of a sexual nature when the conduct has the purpose or effect of substantially interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment; or
- Unwelcome verbal or physical non-sexual conduct that denigrates or shows hostility toward a person because of his or her gender when the conduct has the purpose or effect of substantially interfering with an individual's work performance, or creating an intimidating, hostile, or offensive work environment.
- Sexual harassment is a form of sexual discrimination, and neither sexual harassment nor discrimination will be tolerated.

SECTION 7 GENERAL RULES OF CONDUCT

Examples of Conduct Prohibited By This Policy Include:

- Offering or implying an employment-related reward (such as a promotion or raise) in exchange for sexual favors or submission to sexual conduct;
- Threatening or taking a negative employment action (such as termination, demotion, denial of a leave of absence) if sexual conduct is rejected;
- Unwelcome sexual advances or repeated flirtations;
- Graphic verbal commentary about an individual's body, sexual prowess or sexual deficiencies;
- Sexually degrading or vulgar words to describe an individual;
- Leering, whistling, touching, pinching, brushing the body, assault, coerced sexual acts, or suggestive, insulting, or obscene comments or gestures;
- Asking unwelcome questions or making unwelcome comments about another person's sexual activities, dating, personal or intimate relationships, or appearance;
- Conduct or remarks that are sexually suggestive or that demean or show hostility to a person because of that person's gender (including jokes, pranks, teasing, obscenities, obscene or rude gestures or noises, slurs, epithets, taunts, negative stereotyping, threats, blocking of physical movement);
- Displaying or circulating pictures, objects, or written materials (including graffiti, cartoons, photographs, pinups, calendars, magazines, figurines, novelty items) that are sexually suggestive or that demean or show hostility to a person because of that person's gender;
- Retaliation against employees complaining about such behaviors;
- Harassment consistently targeted at only one sex, even if the content of the verbal abuse is not sexual;
- Sexually suggestive or flirtatious letters, notes, e-mail, or voice mail

This policy covers all employees. CEFIA will not tolerate, condone or allow sexual harassment whether engaged in by fellow employees, supervisors, and associates or by outside clients, opposing counsel, personnel or other non-employees who conduct business with this agency.

General Harassment

Actions, words, jokes or comments based on an individual's sex, race, ethnicity, age, religion or any other legally protected characteristic will not be tolerated. Such conduct can unreasonably interfere with work performance and create an intimidating, hostile and offensive work environment.

We expect all employees to consider at all times the effect your words and actions may have on those with whom you work. While you may feel that your behavior is harmless, it is the way your words and actions are perceived by others that counts.

Please do not assume that the agency is aware of a harassment situation. It is in your best interest and your responsibility to bring your complaints and concerns to management's attention so that the issue may be resolved.

Complaint Process

Should you ever experience any job harassment problem, please exercise the steps in our agency Grievance Procedure (outlined in Section 7 of this handbook), or at your option, you may directly contact Human Resources. You may expect prompt and concerned reaction to your problem. Any employee engaging in unlawful harassment will be subject to disciplinary action, up to and including termination.

Sanctions

Any employee found to have engaged in sexual harassment or sexual discrimination will be subject to appropriate discipline, up to and including discharge.

No Retaliation

This policy also prohibits retaliation against employees who bring sexual harassment charges or assist in investigating charges. Retaliation in violation of this policy may result in discipline up to and including termination. Any employee bringing a sexual harassment complaint or assisting in the investigation of such a complaint will not be adversely affected in terms and conditions of employment, nor discriminated against or discharged because of the complaint.

All employees must review this policy and sign the acknowledgement form found in the Appendix and return it to Human Resources.

Confidential Disclosure Policy

Instructions: Please read this Confidential Disclosure Policy form carefully, then sign and return this form to Human Resources.

I understand that in connection with my work for CEFIA, I may be exposed to or given confidential or proprietary information belonging to CEFIA and others, including, but not limited to, information concerning trade secrets, business, products, finances, personnel information, and plans of CEFIA or CEFIA's clients, portfolio companies and applicants, (the Confidential Information). Without limitation, examples of Confidential Information are: drawings, manuals, notebooks, reports, models, inventions, formulas, processes, machines, compositions, computer programs, accounting methods, financial information, business and marketing plans and information systems.

Some of the Confidential Information may belong to or relate to "publicly held" companies and may include "inside information" which is not available to the public.
My employment by CEFIA creates a relationship of special confidence and trust between me and CEFIA with respect to the Confidential Information.

I agree as follows:

1. I will not, either during or subsequent to my employment by CEFIA, (1) publish or otherwise disclose Confidential Information except to persons who may from time to time be designated by CEFIA as proper recipients of such Confidential Information or (2) use the Confidential Information (including any inside information) either for the benefit of myself or for the benefit of anyone other than CEFIA. If I have any questions regarding whether any information is Confidential, I will ask my supervisor for instructions and will not disclose such information unless otherwise instructed by my supervisor.
2. The Confidential Information will remain at all times the property of CEFIA or the rightful owners thereof notwithstanding its disclosure to me.
3. I will promptly disclose to CEFIA all materials, innovations, studies, writings or other works created or developed by me as a result of tasks assigned to me by CEFIA or exposure to the confidential Information ("Work Product"). I agree that all ("Work Product") shall be the sole property of CEFIA and that CEFIA shall be the sole owner of all copyrights and other intellectual property rights related thereto. I hereby assign to CEFIA any and all rights which I may have or acquire in any Work Product and agree to assist CEFIA in every way (but at CEFIA's expense) to obtain or enforce copyrights and other interests in the Work Products as CEFIA may desire.
4. Upon termination of my employment with CEFIA or whenever requested by CEFIA, I will promptly deliver to CEFIA all Work Product and all documents and other tangible embodiments of the Confidential Information and any copies thereof.

Confidential Disclosure Policy

This agreement supersedes and replaces any existing agreement between CEFIA and me relating generally to the same subject matter. It may not be modified or terminated, in whole or in part, except in writing signed by an authorized representative of CEFIA. Discharge of my undertakings in this agreement shall be an obligation of my executors, administrators, or other legal representatives or assigns.

All employees must review this policy and sign the acknowledgement form found in the Appendix and return it to Human Resources.

Computer Use Policy

Purpose

~~**Personal Use**~~

Your computer is a CEFIA resource and is subject to the same rules as other CEFIA resources. ~~Use~~The purpose of ~~your~~this policy is to ensure that employees understand the guidelines governing computer ~~for~~and other electronic communications (including tablet computers and mobile phone) use with regard to Internet access, email, other electronic communications, software licensing, security and personal use, in particular.

This policy cannot provide rules and guidance to cover every possible situation. Instead it is designed to express CEFIA's philosophy and set out the general principles that employees should apply when using company computers and technology. These policies apply to all CEFIA employees and staff (consultants, third-party contractors and administrators).

This policy does not cover health and safety issues.

Issues not directly addressed in this policy or in some other written form are to be decided by HR and/or CEFIA management should the need(s) and situation(s) arise. Further policy documents are forthcoming to cover specific areas of acceptable use as technology is deployed.

Unless otherwise stated, violation of these policies may result in disciplinary action, up to and including termination and/or legal action.

General

EFIA provides employees and staff with personal computers (PCs), printers and other computer equipment as necessary to perform their job. Employees should not expect the latest hardware or software releases to be provided unless there is a business ~~is prohibited. Personal use includes anything not related to your job~~reason to do so.

CEFIA encourages the use of email, voicemail, online services, the Internet and Intranet as they can make communication more efficient and effective. In addition, they can provide valuable sources of information about vendors, customers, competitors, technology and new products and services.

Everyone connected with the organization should remember that electronic media and services provided by the company are company property and their purpose is to facilitate and support company business. Data stored and/or accessed on company equipment, regardless of origin, purpose, or design should also be considered to be within, at ~~CEFIA. CEFIA~~ least, company purview, oversight and audit rights. The company reserves the right to access~~, review, read, monitor, edit, delete, and print, any files,~~ data~~, electronic mail, or other information or material which is created, communicated, accessed, or stored by any user on any of CEFIA's electronic information resources.~~ of any sort, stored or located on company provided equipment.

The following are examples of **non-business** related activities that are prohibited:

- Streaming music or video.
- Shopping.

~~SECTION 7 GENERAL RULES OF CONDUCT~~

- Booking a vacation.
- Using instant messaging.
- Viewing personal pictures over the web.
- Downloading unauthorized computer software or pornographic materials.

E-Mail

All employees and staff are supplied with a company email address and the means by which to access their account. These details are provided by CEFIA as part of our IT orientation process. E-mail messages are considered public records and are subject to the Freedom of Information Act. Furthermore, e-mail, both incoming and outgoing, is not confidential and is monitored by the Information Technology Department. All e-mail correspondence is saved on the network backup solution and is easily retrievable. You should take great care to scrutinize what you include in an e-mail message. E-mail messages may exist on the system indefinitely and may be recoverable even after you have deleted the message.

All employees must create and use a business email signature, based on the approved template that is generated by the marketing department. Instructions and format of the signature are located under IT Tech Tips in public folders.

~~The following~~All non-company email services, such as Gmail, Hotmail, Yahoo, etc. are ~~misuse~~never to be used for company purposes. If third-party email services must be used, it will be provisionally and under direct supervision of the ~~email system.~~ IT department. Never is an employee or staff member to use a personal email account to correspond with clients.

Electronic media (email, web browsers, etc.) must not be used for knowingly transmitting, retrieving or storage of any communication that:

- Is discriminatory
- Is harassing or threatening
- Is derogatory to any individual or group
- Is obscene or pornographic
- Is defamatory
- Is engaged in any purpose that is illegal or contrary to CEFIA's policy or business interests
- Contains unencrypted personal information
- Contains unencrypted intellectual property

Further, all forms of mass email (including 'virus warnings', 'good luck' and similar messages) are unacceptable unless for an approved business purpose.

The transmission of user names, passwords, or other information related to the security of CEFIA's computers is prohibited. If a password protected file absolutely must be emailed, the password should be sent in a separate email from the document or communicated in another manner.

Employees should avoid sending unnecessary informational emails to large parts or all of the organization. However, we recognize the business need for companywide emails, but there will be a strictly monitored and governed use of such behavior and practice. Failure to comply with these guidelines could result in disciplinary action.

~~**E-mail of a personal nature sent within the organization or to outside individuals.**~~

~~**Forwards / chain mail.**~~

~~**Jokes / cartoons / videos.**~~

~~**Remarks of a discriminatory, abusive, profane, threating, racist, sexist nature.**~~

~~**Solicitations for donations or events (unless authorized by management).**~~

~~**Infringement on copyrights or trademark rights of the company or other organizations.**~~

~~**Misrepresentation of oneself or the company.**~~

~~**Additionally, users shall not open misaddressed e-mail, or send anonymous e-mail messages.**~~

Email Disclaimer

An email disclaimer is automatically added through our exchange server to the end of all e-mail being sent outside the office. Do not add your own disclaimer to messages. The company disclaimer is as follows:

NOTICE TO RECIPIENT: This e-mail is (1) subject to the Connecticut Freedom of Information Act and (2) may be confidential and is for use only by the individual or entity to whom it is addressed. Any disclosure, copying or distribution of this e-mail or the taking of any action based on its contents, other than for its intended purpose, is strictly prohibited. If you have received this e-mail in error, please notify the sender immediately and delete it from your system.

External email and participation in online forums

Employees should be aware that any messages or information sent using the company systems are statements identifiable and attributable to the company. Thus, an email carries the same weight in law as a letter written on company stationery.

Employees should note that even with a disclaimer, as described above, a connection with the company still exists and a statement could be imputed legally to CEFIA. Therefore, no one should rely on disclaimers as a way of insulating CEFIA from the comments and opinions that are contributed to forums or communicated in emails. Instead, discussions must be limited to matters of fact and expressions of opinion should be avoided while using company systems or a company-provided account. Communications must not reveal information about company processes, techniques, trade secrets, or confidential information and must not otherwise violate this or other company policies.

Employees should not send file attachments by email in situations where there is any potential for the compromise of company secrets or in relation to litigation. Be aware, files from many word processing packages, including Microsoft Word, retain information related to previous versions of the document that can later be retrieved.

Electronic calendars and voicemail

It is CEFIA policy that all employees keep their electronic calendars up to date (using Microsoft Outlook) and that calendars can be read by supervisors. When a meeting or event needs to be kept confidential, it should be marked as 'private' with the appropriate program functionality.

It is CEFIA policy that all employees with email and/or voicemail keep their "out of office assistant" or pre-recorded greetings up-to-date. In particular, during periods of absence from the office, these greetings should provide the individual with information indicating when the employee will receive a message or information about an alternative contact.

My Documents

The "My Documents" folder is to be used as a work-in-progress location. This is the only place you are allowed to store documents on the PC. Once items in this folder are deemed completed they should be moved to the proper location within the department's folders on the server. Your my documents folder is located on the server, synchronized with your PC on logon and logout. The size of this folder is limited to 350 mb

Creation of folders and files on your PC is prohibited, except within your "My Documents" folder.

Illegal & Prohibited Activities

Use of your computer for an illegal purpose is prohibited. Illegal activities include violations of local, state and/or federal laws and regulations. Connecticut General Statutes, section 53a-251 establishes the crime of "Computer Crime." A person can be charged with a computer crime for such things as:

- Unauthorized access to a computer system.
- Theft of computer services.
- Interruption of computer services.
- Misuse of computer services.
- Destruction of computer equipment.

A computer crime violation can range from a Class B Felony (1 to 20 years in prison and up to $20,000 fine) to a Class B Misdemeanor (up to 6 months in prison and up to $1,000 fine) depending on the amount of money or damage involved.

CEFIA strives to maintain a workplace free of harassment and sensitive to the diversity of its employees. Therefore, CEFIA prohibits the use of any of its systems, including the computers and the e-mail system in ways that are disruptive, offensive to others, or harmful to morale. For example, the display or transmission of sexually explicit images, messages, and cartoons is not allowed. Other such misuse includes, but is not limited to, ethnic slurs, racial comments, off-color jokes, or anything that may be construed as harassment or showing disrespect for others.

It is recognized that employees do not have complete control over all incoming e-mail that is sent to CEFIA. However, it is the responsibility of every employee to monitor incoming e-mail and request cessation of inappropriate, voluminous, unprofessional or disruptive e-mail.

Software

~~Use of~~It is CEFIA policy that only licensed software that ~~was preinstalled on your computer or~~is legally owned by the company may be used. All use of unlicensed software ~~later approved~~is expressly forbidden, unless written pre-approval by IT and ~~installed on your computer by the Information Technology Department is permissible.~~ management. However, you are not allowed to install any software on any company hardware. All software must be approved and installed by the Information Technology Department. As always, proper documentation of licensing is required.

~~All use of software must pertain to CEFIA business only. No copying of software is permitted.~~

~~No use of any recreational games on company hardware is permitted.~~

~~Prior to use, the Information Technology Department must scan all computer media received from outside CEFIA for viruses. No personal software may be brought in or used on CEFIA systems.~~

~~No company software may be installed on personal hardware.~~

In order to implement this policy, CEFIA maintains a central register containing physical licenses for the software install on its computers. Where no physical manifestation of a license exists, a written record of the license purchase is kept with a reference to the relevant invoice. It is the responsibility of the IT support organization to maintain this license repository.

Free or shareware programs should not be installed on company computers due to the risk of virus infection and other side effects without approval from IT. Where installed, they are only exempt from the central license recording provided the software clearly identifies itself as free.

Hardware

~~All use of hardware must pertain to CEFIA business only. No personal use of this equipment is permitted.~~

~~No personal hardware may be used on CEFIA systems.~~

Employees issued portable (laptop, tablet) computers must take reasonable precautions. When out of the office the computer should always be under direct control of the employee or out of sight in a secure location. CEFIA may take other security measures including, but not limited to, computer tracking hardware/software, security cables, and/or hard drive encryption.

- Personal use of the company phone system should be kept to a minimum.

- Presentation laptops and LCD projectors must be reserved in the ~~CEFIA~~CI device calendars.
- All laptop users must carry their device in an adequately padded laptop case. Laptop sleeves, totebags and any other uncushioned bags are ~~not acceptable~~unacceptable.

~~Equipment may not be rearranged on your desk without assistance by the IT Staff.~~

- Printers must be handled with care. If a jam or other issue occurs and you cannot quickly fix the issue, the IT Staff should be contacted to resolve the issue.

Standard Configuration

Standard hardware and software configurations are used wherever possible to provide the best levels of reliability for the company network and computers. Other benefits of the standard configuration include the rapid replacement of faulty equipment with spare parts, the tracking of software licenses (as described in the preceding section) and the ability to plan for the implementation of new projects.

The configuration of company computers should not be changed in any way without the prior agreement of CEFIA management. In particular, new hardware devices, new software and upgrades to existing software should only be installed under the guidance of CEFIA's IT staff.

Data Security

All employees and staff (consultants, third-party contractors, and administrators) are assigned a network user name and password when they join the company. The network will force employees and staff to change their password at regular intervals, the interval being determined by the network administrator. The network administrator will also impose other restrictions, such as password length and complexity requirements.

Employees must select network passwords that cannot be easily guessed or that appear in a standard dictionary. If it is necessary to create a written record of a password, that record should never be stored near the employee's desk and never associated with the employee's user name. In general, passwords should be memorized and not recorded in writing.

Employees must password-protect all smartphones, tablets and other mobile devices that are paid for by CEFIA or contain sensitive or confidential business information.

SECTION 7 GENERAL RULES OF CONDUCT

Privacy

CEFIA respects your desire to work without the company being overbearing with respect to monitoring and control. However, detailed electronic records about your use of the PC, the network, email and Internet are created, but not routinely reviewed by the company.

While the company does routinely gather logs for most electronic activities, they will typically be used for the following purposes:

- Cost analysis
- Resource allocation
- Optimum technical management of information resources
- Production analysis
- Detecting patterns of use that indicate users may be violating company policies or engaging in illegal activity

CEFIA reserves the right, at its discretion, to review any electronic files, logs and messages to the extent necessary to ensure electronic media and services are being used in compliance with the law, this policy and other company policies. This includes the use of spot checks on Internet (Web) use, network files and email without prior notification or user interaction.

Software tools to identify possible breaches of this policy (e.g. highlighting access to websites with unacceptable content or emails containing abusive language) may be used. The results will be reported to the company management and thoroughly investigated where appropriate.

It should not be assumed that internal or external communications are totally private. Accordingly, particularly sensitive information should be transmitted by other means. Therefore, do not use the company network or mobile devices paid for by CEFIA for personal items that you would not want made public.

Encryption

Only encryption software supplied by CEFIA for purposes of safeguarding sensitive or confidential business information may be used. People who use encryption files stored on a company computer must provide their manager with a sealed hard copy record (to be retained in a secure location) of all the passwords and/or encryption keys necessary to access the files.

Power-on passwords should not generally be used but if they are, they are required to be approved by IT.

Please note: this means that employees must inform their supervisor of any passwords used to protect individual documents.

File Storage

CEFIA creates backup images of all email, server and network file stores. These images are stored in a secure location and can be used in the event of:

- Accidental deletion of important material
- A "disaster" necessitating complete recovery of one or more of the company's systems

Data and other files created during the course of an employee's work should, therefore, be stored on the network.

Personal Use

~~**Mobile Devices and Tablets**~~

~~**Cell Phones/Smart Phones**~~

~~**CEFIA understands the need to keep in touch with others both on a personal and professional level. We ask that you use some common courtesy using cell phones.**~~

~~Company~~ Computers and associated equipment are provided by CEFIA for employee's and staff's business use. The activities on information technology platforms provided by or paid for CEFIA, including computers, networks, internet connections, smartphones, tablets and any mobile devices, may be monitored with or without your knowledge. You should have no expectation of privacy regarding the contents contained within such technology or device.

Only limited, occasional and incidental use for personal, non-business purposes is permissible. However, please be mindful of prohibited activities as described above in General Guidelines (i.e. shopping, music streaming, etc.) Limited, occasional or incidental use is defined as use for less than 15 minutes during a workday.

Use of social networking sites (e.g. Facebook, Twitter, LinkedIn) at any time using company provided computers is strongly discouraged, unless it is for company purposes and/or business. While at work, the impact to company resources can impact business operations, but also opens the device to possible security issues.

Personal laptops, cell phones and other internet-enabled items are permitted to be used; however reasonable restrictions of use may be exercised at HR/management discretion. CEFIA does not provide internet access for public/private use, except on an approved device/user basis. Please advise IT for further detailed instructions before attempting to connect any device to the CEFIA network.

Streaming media (internet Radio, YouTube, Hulu, Pandora, Spotify, etc.) uses significant resources. Please consider the impact of its use and consider using for business purposes only for all devices, including cell phones.

Company locations may provide a freely accessible public WiFi connection that may be used by employees and staff, but CEFIA absolves itself of any and all damage, liability, etc. that arises from the use of third-party networks. It is the policy of CEFIA that if an employee chooses to use these third-party connections that they do so on their break, lunch, or after-hours and do not pursue personal activities during business hours.

Contract and freelance staff
CEFIA will provide agency/temporary, contract/freelance staff with access to computers and the company computer systems for the sole purpose of fulfilling their contractual role with CEFIA. No personal use by these staff of computer and communication facilities provided by CEFIA is permitted at any time.

Viruses/Spyware
All computer viruses/spyware must be reported immediately to IT. IT is responsible for verifying the updating of virus/spyware detection software from time to time and providing detailed guidelines in the event of a major problem. IT will also investigate any infection and must receive the full cooperation of all staff in attempting to identify the source. Any attempt to

~~SECTION 7 GENERAL RULES OF CONDUCT~~

introduce viruses/spyware to the network through malice or negligence will be thoroughly investigated and will be dealt with according to HR guidelines and procedures.

Mobile Devices

It is CEFIA policy that representatives of our organization who are issued a cellular phone understand that phones are issued for business use. It is anticipated that personal as well as business use will occur, however it is your responsibility to remember its intended use. Company-paid phones with data plans must be first approved by your supervisor and proper paperwork filed with Finance. Once this process is complete, the IT department will configure the device to connect to the server to retrieve mail, contacts and your calendar. Levels of reimbursement will be set forth in accordance with CEFIA's Mobile Communications policy~~It is your responsibility to take care of the device and ensure its safety. If it at any time it is lost, stolen, upgraded or you leave CEFIA you must inform IT so that they can wipe the device remotely of company data~~.

It is your responsibility to take care of the device and ensure its safety. If your device is lost or stolen, you must contact IT immediately so it can be remotely wiped of company data.

CEFIA has a zero tolerance policy regarding using a cell phone and other mobile devices while driving. For the safety of our employees and others it is imperative that you pull over and stop at a safe location to dial, receive, text or converse on the cell phone in any way. Please consider the use of hands-free devices as allowed by Connecticut State Law.

Mobile devices equipped with cameras require special attention. No photography should occur where confidential information exists, nor where client information is stored. Areas where personal privacy exists (bathrooms, etc.) should be avoided with such devices entirely. Under no circumstances should photography occur at a client location without their permission.

Tablets

Those who own such devices must have management approval to use them for company business and e-mail synchronization, just as for ~~smart phones.~~ smartphones. Just as for synchronized phones, IT needs to be informed if your device has been lost or put into the wrong hands or if you are getting rid of the device as they need to wipe it of company data.

~~Other Wireless Enabled Devices~~

~~Other devices, such as the iPod Touch, which have wireless capabilities, may be connected to the guest wireless in the office. To use these devices to connect to company email you must have management approval and must follow the same rules as smartphones and tablets.~~.

Company Data

The Information Technology ~~Department~~department is responsible for protecting ~~all~~ company data. This includes all data on the servers, as well as on other devices such as laptops, desktops, mobile devices and multifunction printers. The IT department backs up all data on the servers on a daily, weekly, and monthly schedule and retains this data under the company-approved Backup Policy.

The following are not permitted:

- ~~Backup~~Backing up company data on your own.

~~SECTION 7 GENERAL RULES OF CONDUCT~~

- ~~Have~~Having company data on your personal equipment, this includes the following:
  - Personal PCs laptops or desktops, tablets, smartphones or other mobile devices.
  - Personal USB devices, such as memory sticks, MP3 players, hard drives or other recording devices.
- ~~Send~~Sending company data via e-mail to your or another CEFIA employee's personal email account.
- ~~Access~~Accessing another employee's hardware, computer files or email without prior permission from employee or appropriate manager.
- Sharing your logon password with anyone except ~~for~~ the IT ~~Staff~~staff.
  - The system will ask to reset your password every 90 days.

If you telecommute, all work must be done on company equipment. If you are not using a company-owned laptop, a loaner PC can be arranged through the IT department with proper advanced notice to accommodate your needs. No personal devices may be attached to company hardware without prior approval by the IT department (i.e. printers, hard drives, etc.).

It is ~~permitted~~permissible to transfer items such as presentations and documents to a recording device for the sole purpose of collaboration with approved clients or customers pertaining to company business.

~~Internet Use Policy~~

Access to the Internet at CEFIA is a resource, and use thereof is subject to the same rules as other CEFIA resources. It is the responsibility of the user to make sure that all use of the Internet is authorized, appropriate and to the benefit of CEFIA. Each individual with access to the Internet is responsible for controlling its use. The use of the Internet is a privilege, not a right, which can be revoked at any time.

~~Use of the Internet for personal business is prohibited. Access to the Internet is provided for official business purposes only. It is our intention to prevent users from going to non-business related websites that could potentially download malware without the user's knowledge. We also want to prevent unnecessary Internet use that reduces bandwidth.~~

~~The following are examples of **non-business** related activities that are prohibited:~~

- ~~Streaming music or video.~~
- ~~Shopping.~~
- ~~Booking a vacation.~~
- ~~Using instant messaging.~~
- ~~Viewing personal pictures over the web.~~

~~Social media websites (i.e. Facebook, Twitter, MySpace, Google+, etc.)~~

- ~~Downloading unauthorized computer software or pornographic materials.~~

~~Communication on the Internet is not private and can be monitored by CEFIA. CEFIA systems and all information stored on them is the property of CEFIA. Do~~

~~not send confidential or sensitive information. Do not assume any communication will be read only by the intended recipient. Communication on CEFIA systems shall not contain content that could be considered to be defamatory, offensive, harassing, disruptive, or derogatory. This includes, but is not limited to, sexual comments or images; racial or ethnic slurs, or other comments or images on gender, national origin, religion, political beliefs, or disability that would offend someone.~~

Social Media

These guidelines apply to CEFIA~~–~~ employees, temporary employees and contractors who create or contribute to blogs, wikis, social networks, virtual worlds or any other kind of ~~Social Media~~social media for both professional and personal use.

~~**While everyone is welcome to participate in Social Media, we expect all who participate in online commentary understand and follow these simple but important guidelines. Please keep in mind that our overall goal is simple: to participate online in a respectful, relevant way that protects our reputation and follows the letter and spirit of the law.**~~

~~**Post meaningful, respectful comments- no spam and no remarks that are off-topic or offensive.**~~

~~**Be smart about protecting yourself, your privacy, and CEFIA's confidential information. What you publish is widely accessible and available for a long time, so consider the content carefully.**~~

~~**Never claim nor imply that you are speaking on the company's behalf, unless you are posting on a company owned and approved location and that information has been approved by management.**~~

~~**Do not represent yourself or CEFIA in a false or misleading way. All statements must be true and not misleading; all claims must be substantiated.**~~

~~**Postings cannot include company logos or trademarks unless permission has been asked for and granted.**~~

Overview

Social networks are fundamentally changing the way people communicate, conduct research and make purchasing decisions. As an organization, CEFIA is engaged in these communities as they are appropriate and relevant to our clients and the marketing department has developed a strategy for our Social Media Platform. We encourage you to learn how you can use social media to help us share the exciting things we are doing with our clients, uncover new opportunities and strengthen the perception of CEFIA's staff as innovative professionals—people who work for a company that our clients trust and want to do business with.

Marketing does not exist in a vacuum within the marketing department; every interaction our clients, prospective clients and partners have with us can strengthen or harm our brand. Therefore, social media should not be thought of just as a marketing tool. While it can be a vehicle for organizations to publish content, it can also be a way for the people who make up those organizations to build and maintain relationships with clients and business partners.

You might be thinking "I already know how to use social media. What else do I need to know?" As the lines between personal and business communications become increasingly blurred, there are a few important points we would like you to consider when using social media in the capacity of your job.

SECTION 7 GENERAL RULES OF CONDUCT

1. You don't have to participate if you don't want to.

Unless you are in marketing, using social media is not likely to be an official part of your job role. We respect that some people prefer not to participate in social networking, or are unsure if they want to mix personal and professional networks. Don't worry, there's no pressure to participate.

2. Be honest and transparent about your role.

If you publish something or respond to something about CEFIA, make sure to include your real name and it is understood that you are a CEFIA employee so there is no conflict of interest. There are several easy ways to do this, such as listing CEFIA as your place of employment on your profile, or starting your comment with something like" "Disclaimer: I work for CEFIA", but regardless of your method, your audience will appreciate your transparency.

3. Know what the official lines of communication are and when to defer to them.

There is a significant difference between speaking *about* CEFIA and speaking *on behalf* of CEFIA has official means to publish information when it needs to and only a few people are authorized to do so via social media, the press, or any other venue. On your own blogs or social profiles, you can use simple statements such as "The postings on this site are my own and don't necessarily represent CEFIA's positions, strategies or opinions" to make it clear you are not speaking on behalf of CEFIA.

If you are not authorized to speak on behalf of CEFIA and receive requests for official comments, or are unsure if you should respond to an inquiry, defer to the marketing department.

Social media can be a forum for customers to share negative comments about an organization. CEFIA monitors our social profiles daily and has official means of diffusing and responding to these situations. Our policy is to respond promptly and openly and to take the conversations offline. If you see a negative comment or a situation that concerns you, do not respond directly, but report it to your supervisor and/or marketing and it will be addressed quickly and professionally.

4. Remember our core values and follow our general code of conduct.

You should use your best judgment and consider CEFIA's values of integrity, accountability and professionalism as a guide for your conduct in online communities, just as they are a guide for other professional behavior You are personally responsible for the content you post on any social network. These forums are public, are often searched and indexed and should be treated as though they will be available for public viewing forever. If you aren't sure whether certain content should be published or discussed, ask before you post.

~~SECTION 7 GENERAL RULES OF CONDUCT~~

Know and follow our Code of Conduct, respect all copyright, fair use and financial disclosure laws and never share any confidential or proprietary information belonging to CEFIA or any other organization. Never comment on anything related to legal matters, litigation, or any parties CEFIA may be in litigation with.

Postings must respect copyright, privacy, fair use, financial disclosure, and other applicable laws.

~~Pictures~~ Only marketing may post or authorize the posting of pictures, videos, and other media produced on the business premises or outside events ~~may not be posted.~~

~~Sites cannot be accessed for personal use on company hardware nor can any postings of a personal nature be orchestrated during business hours on company owned personal devices.~~

. CEFIA reserves the right to request that certain subjects be avoided, withdraw certain posts, and remove inappropriate comments. If such employee denies or does not comply, proper legal action will be taken. When in doubt, feel free to run by marketing or human resources.

5. Think before you post.

Use common sense when it comes to verbiage and tone in written online content. While social media is in some cases less formal than traditional business communications, CEFIA uses social media as a professional extension of our business. Do not use ethnic slurs, insults or otherwise inappropriate and unprofessional language that would not be acceptable in the workplace. Respect the privacy of others and avoid potentially inflammatory topics.

Above all else, seek to add value in your participation. Our clients are looking for your information, insight and expert perspective. Bashing competitors and posting negative comments about work, our clients or our partners violates our Code of Conduct and adds nothing positive to an online dialogue. Think before you post and ask yourself if you are making a situation better or worse by doing so. Answering questions, sharing resources and talking about your experiences are a great way to add value.

6. Online activities should not interfere with your job.

Social media, like, the Internet, can quickly change from a worthwhile tool to a distraction. Make sure your online activities do not interfere with your job or your commitments to our clients. In addition, social media sites may not be accessed on company hardware for personal reasons.

All employees must review these policies and sign the Information Technologies Policies acknowledgement form found in the Appendix and return it to Human Resources.

~~SECTION 7 GENERAL RULES OF CONDUCT~~

Solicitation and Distribution

All CEFIA employees are entitled to the opportunity to perform their work without being bothered or disturbed. Accordingly, we have adopted the following solicitation and distribution rule.

Non-Employees

Anyone who is not an employee of CEFIA is prohibited from soliciting or distributing literature on CEFIA premises at any time.

Employees

The CEFIA Solicitation and Distribution policy as it relates to current employees is as follows:

- Employees may not engage in solicitation or distribution of literature during working time. "Working time" means actual working time during the workday and includes both the working times of an employee doing the soliciting or of an employee being solicited. Working time does not include lunch periods, work breaks, or any other period in which employees are not on duty.
- Employees may not distribute literature concerning matters other than those directly related to CEFIA business in work areas at any time.
- Employees may not engage in verbal solicitation or distribution of literature at any time in those areas normally frequented by clients carrying on CEFIA business.

Bulletin Boards

Bulletin boards are important as communications tools to alert you to CEFIA programs and activities. The posting of written solicitations of any kind on bulletin boards is restricted. Only notices relating to CEFIA sponsored activities may be posted on bulletin boards. These bulletin boards display important information, and employees should consult them frequently for:

- Employee announcements.
- Internal memoranda.
- Job openings.
- Organization announcements.
- Workplace Violence Policy Memorandum

~~SECTION 7 GENERAL RULES OF CONDUCT~~

~~DATE: December 16, 2011~~

~~TO: CEFIA Staff~~

~~FROM: Bryan Garcia, President~~

~~RE: **Workplace Violence Policy**~~

~~Attached~~VIOLENCE IN THE WORKPLACE PREVENTION POLICY SUMMARY

Below is ~~a copy of a~~CEFIA's policy concerning workplace violence and prohibiting weapons and dangerous instruments in the workplace. ~~This policy was prepared at the direction of the Governor and is effective immediately.~~

The policy is consistent with what has been called a "Zero Tolerance" approach. Violence or the threat of violence by or against any employee of the State of Connecticut, including CEFIA, is unacceptable and will subject the perpetrator to serious disciplinary action and possible criminal charges.

CEFIA is committed to providing its employees a safe and healthy work environment, free from intimidation, harassment, threats and/or violent acts.

The worksite is any location, either permanent or temporary, where an employee performs any work-related duty. This includes but is not limited to the building and the surrounding perimeter, including the parking lot. It includes all state-owned and leased space, including vehicles and any location where state business is conducted.

According to the National Institute for Occupational Safety and Health (NIOSH), workplace violence is defined as:

"any physical assault, threatening behavior or verbal abuse occurring in the work setting. It includes, but is not limited to beatings, stabbings, suicides, shootings, rapes, near suicides, psychological traumas such as threats, obscene phone calls, an intimidating presence, and harassment of any nature such as being followed, sworn at, or shouted at."

There is no such thing as a "joke" when dealing with this subject. It is not funny when employees speak about "going postal", "getting" another employee or anything remotely similar.

Do not ignore violent, threatening, harassing, intimidating, or other disruptive behavior. If you observe or experience such behavior by anyone on Authority premises, whether he or she is a CEFIA employee or not, report it immediately to a supervisor or manager.

The cooperation of all CEFIA staff is needed to implement this policy effectively and maintain a safe working environment.

~~State of Connecticut~~

~~**Workplace Violence Prevention Policy**~~

~~**Issued by Governor John G. Rowland**~~

~~August 1999~~

CEFIA

VIOLENCE IN THE WORKPLACE PREVENTION POLICY

The State of Connecticut ~~adopts~~has adopted a statewide zero tolerance policy for workplace violence. Connecticut Innovations fully supports this policy and recognizes the right of its employees to work in a safe and secure environment that is characterized by respect and professionalism.

~~Therefore, except~~

Prohibited Conduct

Except as may be required as a condition of employment~~—~~:

No employee shall bring into any state worksite any weapon or dangerous instrument as defined herein.

No employee shall use, attempt to use, or threaten to use any such weapon or dangerous instrument in a state worksite.

No employee shall cause or threaten to cause death or physical injury to any individual in a state worksite.

In addition, Connecticut Innovations prohibits all conduct, either verbal or physical, that is abusive, threatening, intimidating or demeaning.

Definitions

"Weapon" means any firearm, including a BB gun, whether loaded or unloaded, any knife (excluding a small pen or pocket knife), including a switchblade or other knife having an automatic spring release device, a stiletto ~~or any knife with the blade of four or more inches~~, any police baton or nightstick or any martial arts weapon or electronic defense weapon.

"Dangerous instrument" means any instrument, article, or substance that, under the circumstances, is capable of causing death or serious physical injury.

~~Violation~~**Confiscation of** ~~the above~~**Weapons and Dangerous Instruments**

Any weapon or dangerous instrument at the worksite will be confiscated and there is no reasonable ~~work rules shall subject the~~ expectation of privacy with respect to such items in the workplace.

Reporting Procedures

~~SECTION 7 GENERAL RULES OF CONDUCT~~

Emergency Situations: Any employee ~~to disciplinary action up to and including discharge.~~

~~Any employee,~~ who ~~fears for their personal~~believes that there is a serious threat to his/her safety or ~~for~~ the safety of others ~~in situations~~ that ~~require~~requires immediate attention~~,~~ should **~~call police at~~** contact **9-911**.

~~Contact your~~ The employee must also contact his/her **immediate supervisor** or the **Human Resources** at **~~ext.~~**extension 356 ~~for non-emergency situations.~~or 861.

Please note that when 9- 911 is dialed from a hard line, the local police authority will respond. When dialing from a cell phone, 911 will connect you directly to the nearest State Police Troop.

~~SECTION 7 GENERAL RULES OF CONDUCT~~

Non-Emergency Situations: any employee who feels subjected to or witnesses violent, threatening, harassing, or intimidating behavior in the workplace should immediately report the incident or statement to his/her supervisor or manager or Human Resources.

Supervisors/Managers Responsibilities: Any manager or supervisor who receives a report of violent, threatening, harassing, or intimidating behavior shall immediately contact the Human Resources Office so that office may evaluate, investigate, and take appropriate action.

Investigation and Corrective Action

CEFIA will promptly investigate all reports or alleged incidents of violent, threatening, harassing or intimidating behavior.

All employees ~~**must review**~~are expected to cooperate fully in all such investigations.

Any employee suspected of violating this policy ~~**and sign the acknowledgement form**~~may be placed immediately on administrative leave pending the results of the investigation.

If the claims of violent, threatening, harassing or intimidating conduct are substantiated, or if it is found ~~**in the Appendix and return it to Human Resources.**~~that the employee has otherwise violated this policy, the employee will be dealt with through the appropriate disciplinary process, and may be subject to discipline up to and including dismissal from CEFIA.

Where the situation warrants, CEFIA will request that the appropriate law enforcement agencies become involved in the investigation of the matter, and CEFIA may seek prosecution of conduct that violates the law.

Enforcement of the Policy

This policy will be prominently posted for all agency employees.

CEO

Formatted: Font: 11 pt

~~SECTION 7 GENERAL RULES OF CONDUCT~~

Disciplinary Procedure

CEFIA believes each employee should be treated and respected as an individual. Therefore, employee misconduct is approached in a case-by-case manner. Some infractions are more serious than others are and an employee's lengths of service, work record and prior conduct are all important in determining the proper disciplinary action. It is our general practice to use progressive disciplinary counseling procedures between the employee and their immediate supervisor in which the supervisor will explain the charges and allow the employee to explain their position. In all phases of the disciplinary procedure, CEFIA will make reasonable efforts to give the employee the opportunity to make their position clear, orally or in writing. Some serious incidents of misconduct may require immediate discharge from employment, but whenever possible, misconduct will be approached with counseling before termination of employment is considered. The primary purpose of discipline is remedial, not punitive. When possible and appropriate the steps of progressive discipline will be as follows:

1. A verbal (oral) warning giving clear guidelines for corrective action and potential consequences.
2. A written warning with the infraction and required corrective action specified.
3. A written reprimand is issued when the employee has been warned and the problem behavior has not been corrected.
4. A suspension without pay serves as the last resort prior to discharge.
5. A demotion results when an employee is willing but unable to perform assigned duties.
6. A termination of employment usually follows prior disciplinary steps or for a serious rule violation.

When disciplinary action is required upon the recommendation of the Supervisor, the President and/or his designee may elect a written reprimand, suspension without pay demotion, disciplinary probation, or dismissal. The President and/or his designee may take any such disciplinary action after the evaluation process determines that an employee's performance and/or conduct is unacceptable, taking any mitigating circumstances into account. A record of the written reprimand or documentation of other disciplinary action will be made a permanent part of the employee's personnel file.

Management reserves the right to enter into any level of disciplinary action or termination based upon the severity of the offense requiring discipline and the employee's past work record. This policy in no way alters the at-will employment policy; the employee or CEFIA may terminate the employment relationship at any time and for any reason.

Employment Termination

Termination of employment is an inevitable part of personnel activity within any organization, and many of the reasons for termination are routine. Below are examples of some of the most common circumstances under which employment is terminated:

Resignation

Employment termination initiated by an employee who chooses to leave CEFIA voluntarily.

Discharge

Employment termination initiated by CEFIA.

Layoff

Involuntary employment termination initiated by CEFIA for non-disciplinary reasons.

Retirement

Voluntary retirement from active employment status initiated by the employee.

Exit Interview

CEFIA will generally schedule exit interviews at the time of employment termination. The exit interview will afford an opportunity to discuss such issues as employee benefits, conversion privileges, repayment of outstanding debts to CEFIA, return of CI-owned property, and assuring that necessary assignments are completed. Suggestions, complaints, and questions can also be voiced.

Employee benefits will be affected by employment termination in the following manner. All accrued, vested benefits that are due and payable at termination will be paid. Some benefits may be continued at the employee's expense if the employee so chooses. The employee will be notified in writing of the benefits that may be continued and of the terms, conditions, and limitations of such continuance

Grievance Procedure

Supervisors are responsible for being accessible and for regularly discussing working conditions, job performance, or any other concern an employee has about his/her job at CEFIA making reasonable efforts to address problems and concerns. Our success depends upon maintaining clear and open communication with employees. It is of utmost importance to respond to complaints, problems, or anything employees deem unfair or unacceptable. Each employee should feel free to discuss any complaint or problem with their immediate supervisor. This initial step in the grievance procedure is informal to encourage a quick resolution. No employee will be penalized or discriminated against for bringing up a problem or registering a grievance regardless of the nature of the complaint.

Grievances Not Involving Discrimination Or Sexual Harassment

If an employee has a grievance that remains unresolved in informal discussions with their supervisor, they should make a scheduled, recorded appointment with their supervisor to discuss the problem. The employee and supervisor should keep a written record of this discussion.

If a settlement satisfactory to both parties cannot be reached, the employee and their supervisor should submit the grievance in writing to the President and/or his designee, attaching their written records of the meeting. The President and/or his designee will schedule a meeting with the employee and the supervisor within five (5) working days of receipt of the grievance. A written record of this meeting will also be kept, and the President and/or his designee will render a decision within three (3) working days after the meeting.

In the event the employee is not satisfied with the decision of the President and/or his designee, they may request a hearing before the Board of Director's Budget and Operations Committee. The decision of the Budget and Operations Committee shall be final.

~~SECTION 7 GENERAL RULES OF CONDUCT~~

Grievances Involving Discrimination Or Sexual Harassment

Any employee who feels they would like counseling about possible violations of CEFIA affirmative action or anti-harassment policies, or any state or federal statutes related to Equal Employment Opportunity (EEO), Affirmative Action (AA), or Sexual Harassment should contact Human Resources. This counseling will be kept confidential and no related information will be released except upon signed consent of the employee or as necessary for CEFIA to comply or fulfill its obligations under federal or state law. Human Resources will provide information on state, federal agencies and CEFIA resources available to employees who wish to pursue a grievance regarding discrimination.

If a grievance involves sexual harassment by the employee's supervisor, or if there are other circumstances that make it impossible for the employee to initially address a grievance directly to the supervisor, he/she may schedule the initial meeting with the President and/or his designee. If the employee's supervisor is the President and/or his designee, the grievance may be directed to the Budget and Operations Committee.

Grievance Procedure Contacts

CHRO and EEOC
Separate and independent from the above process, the complainant may file written complaints of discrimination with:

The Connecticut Commission on Human Rights and Opportunities (CHRO)
21 Grand St, Hartford, CT 06106
Phone: (860) 541-3400

The Equal Employment Opportunity Commission (EEOC)
150 Causeway St, Boston, MA. 02114
Phone (617) 565-3214

Department of Justice (DOJ)
Office on the Americans with Disabilities Act
Civil Rights Division, P.O. Box 66118, Washington, D.C. 20507
Phone (202) 514-0301.

Employees may also file complaints with any other agencies, state, federal or local, including the United States Department of Labor, Wage and Hour Division, that enforce laws concerning discrimination in employment. Employees should be aware that there are statutes of limitations that require complaints be filed by a certain time period or the employee may forfeit his or her rights. Employees may inquire further with the respective agency.

No individual who files a complaint, or who cooperates or testifies in the investigation of a complaint, shall be unlawfully retaliated against for the exercising of their legal rights.

~~SECTION 7 GENERAL RULES OF CONDUCT~~

Whistleblower Policy

Any person having knowledge of corruption, unethical practices, violation of state laws or regulations, mismanagement, gross waste of funds, abuse of authority, or danger to the public safety occurring within CEFIA or in a related contract with CEFIA may disclose such matter to any member of the Audit Compliance and Governance Committee of CEFIA or the state Auditors of Public Accounts. A person disclosing such information is known in lay terms as a "whistleblower." A whistleblower should feel free to report such information without fear of retaliation.

No CEFIA officer or employee, may take or threaten to take any personnel action against a whistleblower who is an employee of CEFIA in retaliation for disclosing such information. Whistleblowers protection applies to any CEFIA employee who discloses such information:

(1) to any employee of the Auditors or of the Attorney General;
(2) To any member of the Audit, Compliance and Governance committee of CEFIA;
(3) to an employee of the state or quasi-public agency that employs the person who retaliated or threatened retaliation;
(4) to an employee of a state agency pursuant to a mandated reporter statute; or,
(5) in the case of a large state contractor, to an employee of the contracting state agency concerning information about a large state contract.

A CEFIA employee who believes he or she is the subject of retaliation for "whistleblowing" may file a "whistleblower retaliation complaint" with the Chief Human Rights Referee at the CHRO's Office of Public Hearings not later than thirty (30) days after the employee learns of the specific incident giving rise to the claim (i.e., the personnel action threatened or taken against him/her). An employee who believes that he or she has been retaliated against should contact a private attorney to discuss his/her rights. The Attorney General cannot provide legal advice or counsel.

CEFIA's guidelines for making whistleblower complaints are set forth below.

- File a written complaint or verbal complaint with the CEO and/or the Ethics Officer, and or the CEFIA Audit, Compliance, and Governance Committee. Employees may also choose file a written complaint or make a telephone complaint with the Auditors of Public Accounts. All complaints should be filed in writing with the Auditors of Public Accounts, 210 Capitol Avenue, Hartford, CT 06106, or by telephone: Toll Free within Connecticut: (800) 797-1702 or Locally: (860) 240-5305. If the employee wishes to remain anonymous, they may.
- Whistleblower complaints will be referred to the CEFIA Audit, Compliance, and Governance Committee for review. That committee will serve as the primary contact between CEFIA and the Auditors of Public Accounts.

Employees can visit Auditors of Public Accounts website for more information about filing a complaint. In addition, employees may visit the Commission on Human Rights and Opportunities website for information regarding the processes and procedures in the administration of whistleblower retaliation complaints.

SECTION 8 HEALTH AND SAFETY

~~SECTION 8 HEALTH AND SAFETY~~

Health and Safety

Each employee is expected to share our commitment to a safe workplace. This obligation means that safe working habits and principles must be followed. All employees are expected to exercise common sense and good housekeeping practices. For the sake of all our employees and clients, safety concerns must be taken seriously. Every employee is expected to take a proactive role in providing a safe workplace. Horseplay or other unsafe activity is prohibited. Every employee must report any injury, no matter how slight, immediately to his or her supervisor. Such reports are necessary to initiate any necessary emergency procedures, to comply with workers compensation laws, and to initiate insurance and workers compensation benefits procedures.

First-aid kits containing items needed for most minor first-aid situations are maintained throughout the building. All employees should make a note of their locations. Each employee is expected to exercise safe working habits and reasonable caution in all work activities. Any unsafe condition must be reported immediately to the appropriate supervisor. Employees who violate safety standards, who cause hazardous or dangerous situations, or who fail to report, or where appropriate, remedy such situations, may be subject to disciplinary action.

Policy On Life-Threatening and Communicable Diseases

This policy provides guidance for dealing with work situations involving employees, who have life-threatening and communicable diseases, including but not limited to:

- Acquired Immune Deficiency Syndrome (AIDS);
- Human Immunodeficiency Virus (HIV) infection;
- HIV-related illness as defined by the Connecticut General Statutes Section l9a-58 1; or
- Any other life-threatening and communicable disease.

Non-Discrimination

CEFIA does not unlawfully discriminate against qualified individuals with life-threatening and communicable diseases in any terms or conditions of employment.

It is our policy that individuals with life-threatening and communicable diseases will be treated with the same compassion and consideration given to any employee with a health problem. No person will be treated differently in the workplace as a result of having or being perceived as having such a disease.

No ~~Hiv~~H.I.V. Or Aids Testing

Present or prospective employees will not be required to submit to an AIDS or HIV-related test as a condition of hiring or continued employment.

Ability To Work

CEFIA recognizes that employees with life-threatening and communicable diseases may require a reasonable accommodation to perform their job duties. It is CEFIA's policy to accommodate these employees by allowing them to work as long as they are able to perform their essential job functions, with or without reasonable accommodation, provided that medical evidence indicates that their conditions do not pose a direct threat to themselves or others.

Employee Health and Safety

CEFIA also recognizes its obligation to provide a safe and healthy work environment for all employees. Therefore, CEFIA may obtain appropriate medical direction, when necessary, to ensure that an employee's condition does not pose a significant risk of substantial harm to him/herself or to other employees or customers of the Agency.

According to the best medical evidence available to date, casual workplace contact with employees who have AIDS or who have been exposed to HIV will not result in transmission to others. Employees are expected to work with co-workers and any other individuals who have these conditions that do not pose a significant risk of harm. Employees who have unwarranted fears of exposure will not be allowed to refuse to work with individuals affected by HIV/AIDS or any other communicable disease. In addition, it is unacceptable for employees to spread rumors regarding situations involving HIV/AIDS or any other life-threatening and communicable disease where such rumors may affect the privacy, dignity and well-being of others. Behavior of this nature will not be tolerated at CEFIA.

Confidentiality

All employee records or information regarding life-threatening and communicable diseases will be confidentially maintained in the Human Resources Office in a secure area, apart from the employee's personnel file.

Information Specific To H.I.V./Aids

The identity of any employee with HIV or AIDS will remain confidential. HIV and AIDS-related information will not be disclosed without the written consent of the employee. Any unauthorized disclosure by an employee is strictly prohibited by the Connecticut General Statutes and may result in disciplinary action. This policy is intended to be consistent with the Connecticut HIV/AIDS Testing and Confidentiality Law of 1989 (C.G.S. §§ 19a-585 through 19a-592).

Drug and Alcohol Policy

CEFIA is committed to maintaining a substance-free, healthful, and safe work environment. To promote this goal employees are required to report to work in appropriate mental and physical condition to perform their jobs in a satisfactory manner. Employees are forbidden to use, possess, consume, manufacture, distribute, purchase, sell, or be under the influence of alcohol, illegal drugs, or controlled substances during working hours, whether on the premises, or representing or conducting the business of CEFIA elsewhere. Reporting to work under the influence of alcohol or illegal drugs, or being in possession of alcoholic beverages or illegal drugs on CEFIA's premises will not be tolerated. Such conduct is also prohibited during non-working time to the extent that, in CEFIA's opinion, it impairs an employee's ability to perform on the job or threatens the reputation or integrity of CEFIA.

The legal use of physician prescribed, or legal over-the-counter drugs is permitted on the job if it does not impair an employee's ability to perform the essential functions of the job effectively and in a safe manner that does not endanger other employees or clients. Any employee taking any legal or prescribed drugs known to have possible side effects that affect or impair judgment, coordination, or other senses, or that might adversely affect the employee's ability to perform normal work in a safe and productive manner, must notify his or her supervisor or other manager before commencing work. Information provided by the employee concerning the use of medication will be treated in a confidential manner. If CEFIA has reasonable cause to believe an employee is adversely affected by the use of a drug or medication such that a threat is posed to the safety of the employee, other persons, or to property, the employee may be denied

~~SECTION 8 HEALTH AND SAFETY~~

permission to continue working pending further investigation. The investigation will be conducted expeditiously, with the resulting information treated confidentially to the extent possible.

An employee whose job performance has deteriorated through the use of alcohol and/or drugs to the extent that termination of employment is being considered may opt to enter an approved treatment facility of their choice. Upon successful completion of treatment, the employee may be permitted to resume normal employment.

Employees must give notification in writing to Human Resources within five (5) calendar days of any drug conviction for violation of a criminal drug statute if the violation occurred in the workplace. Employees who have substance abuse problems are encouraged to participate in a rehabilitation program prior to any disciplinary action. If an employee chooses not to undergo rehabilitation, CEFIA will take disciplinary action consistent with state law and regulation within 30 calendar days of receiving notice of the conviction. A conviction means a finding of guilt including a plea of nolo contendere, or the imposition of a sentence by a judge or jury in any federal or state court.

Violations of any part of this policy may lead to disciplinary action, up to and including immediate termination of employment. Such violations may also have legal consequences.

Smoking Policy

The health and well-being of staff and visitors to CEFIA are primary concerns of management. The Environmental Protection Agency has released a report officially concluding that second hand smoke is a Class A human carcinogen. It is also known that second hand smoke causes respiratory illness and is suspected to be even more dangerous in its link with heart problems. In order to protect the health of those who use our building, smoking or other use of tobacco products is prohibited in any offices or work areas within CEFIA. Smoking is permitted only out-of-doors.

Emergency Procedures Manual

Emergencies can occur at any time, and we need to be prepared to handle such situations to minimize injury and damage. The following information is designed to assist you in preparing for and handling an emergency.

Emergency Phone Numbers

Rocky Hill Police	**9-911** or **258-7640** (Routine calls)
Rocky Hill Fire	**9-911** or **258-7603** (Routine calls)
Health Emergencies	**9-911 or dial 500 to page and assemble the first responders team to the announced area.**

Medical

Medical Emergency Procedures for Staff

Page the Response Team by:

- Picking up the hand set
- Press the paging button on the bottom row, last button. (this is marked Paging)
- Press any # key three times and SPEAK LOUD AND CLEAR AND SAY:

"Attention, Response Team, Emergency in (location)".
"Attention, Response Team, Emergency in (location)".
(Give location and repeat the announcement twice).

If the person is unconscious, not responsive, seriously injured or in apparent serious distress, immediately after paging response team, dial 9-911.
(This will always be a personal judgment call and do not worry about calling unnecessarily). Please use the **house phone (not cell)** if possible as this triggers an in-house and police alert.

Paging button is FOR EMERGENCIES ONLY.

Response Team Actions (fyi)

Always know that if YOU are in distress and call 911 an immediate alert goes to the reception area, IT and the police. Do not hesitate to use this in an emergency.

1. Response Team Members will go directly to code red location. Follow trained response.
2. All team members of the **RESPONSE TEAM** respond to the location immediately.
3. In route to location, pick-up **AED unit --portable 1st Aid Kit** --notebook and Emergency Bag. All found next to the mailboxes and in file cabinet under AED unit.
4. If 9-911 has not yet been called, CEFIA trained staff will decide whether or not to call **9-911** directly or ask someone to do so and report the nature of the emergency and location. (Best to call in the presence of the victim if at all possible so information can be relayed to EMTs.)

~~SECTION 8 HEALTH AND SAFETY~~

One or two Response Team members will assess the situation and take the lead in providing necessary response. Remaining team members will provide the following:

1. Set up AED for use, if needed. Bring notebook in drawer and Emergency Bag.
2. Prepare for CPR relief, if needed. 3-to 5 minutes is desired.
3. Provide Privacy/Crowd Control, request non-response team personnel to evacuate the area until all is clear.
4. Meet and Direct medical personnel to emergency location.
5. Once the Emergency Medical Team (EMT) has arrived the duties and responsibilities will be transferred to them. They may take AED with them.
6. Provide necessary information and any other support needed by the EMT.
7. Contact necessary family member(s) of victim. (List at AED location)
8. See that victim is accompanied to ER when applicable.
9. Provide follow up report to Human Resources.

Medical Emergency Procedure for Front Desk Personnel

Should you receive a call for medical assistance from any staff member, please use the following procedure:

1. **Page the Response Team by dialing 500 which enacts the paging system**
   "Attention, all response team personnel, there is a code RED in ___."

   (Give location and repeat the announcement twice).
2. Response team members will go directly to red code location and follow trained response instructions. If possible while in route to location, pick-up AED unit and portable First Aid Kit located by the mailboxes next to the front lobby.
3. Response team evaluates situation and does one or all of the following:
   a. Call 911
   b. Call Front Desk
   c. Team will activate procedure for 911.
4. Keep lines open for further communication.
5. Have a list of all family emergency numbers for staff available.
6. Notify Human Resources that there is an emergency.

Fire

In order to minimize property damage and possible loss of life, familiarize yourself with the building's fire prevention system. **Know the location of fire alarm pull stations and fire extinguishers. In addition familiarize yourself with the instructions on the extinguishers.**

WHEN THE FIRE ALARM IS HEARD:

- EVERYONE SHOULD IMMEDIATELY STOP WHAT THEY ARE DOING.
- EVACUATE THE BUILDING IN A CALM, ORDERLY MANNER TO A CENTRAL LOCATION AT LEAST 300 FEET FROM THE BUILDING.
- Do Not Stop to Gather Belongings.
- Follow Emergency Exit Signs to Exit Building.
- Check offices and cubicles as you leave your area.
- Sign-in roster should be picked up and taken to company gathering place.
- ALL DEPARTMENTS AND TENANTS GATHER DIRECTLY AT THE FAR RIGHT SIDE OF THE PARKING LOT (CLOSEST TO BROOK STREET). IF FRONT EXIT IS BLOCKED AND YOU MUST EXIT FROM THE REAR OF THE BUILDING, TRAVEL AROUND THE BUILDING AND HEAD TO THAT AREA. PLEASE REMAIN IN A GROUP. FIRE MARSHALL NEEDS HEAD COUNT IMMEDIATELY.
- DEPARTMENT SUPERVISORS TAKE A HEAD COUNT WHEN ALL CLEAR SIGNAL RECEIVED FROM FIRE MARSHALL SUPERVISORS WILL GIVE INSTRUCTIONS TO REENTER BUILDING.

Note: When moving into exit areas in an emergency situation, before going through the door, put your hand against it to feel for heat—there could be a fire on the other side. If the door feels cool proceed with caution. If the door feels hot, use an alternate escape route.

Fire procedures

If you should spot a fire follow these suggested guidelines:

1. If the fire is minor (wastebasket, ashtray, etc.) extinguish if possible. However, do not take risks! Your personal safety comes first!
2. If the fire cannot be immediately brought under control without personal risk, isolate or contain if possible by closing the door to the fire area.
3. Call the Fire Department at **9-911** or **258-7603**
   a. Give building name: CEFIA .
   b. Give building address and intersection: **~~865~~845 Brook Street, Rocky Hill.**
   c. Give CEFIA~~-~~' telephone number **563-5851.**
   d. Give location and extent of fire.
4. Pull the fire alarm pull station so that evacuation can begin.
5. If trapped by flame or heat:
   a. If possible, telephone the fire department and request immediate assistance.
   b. Close doors separating you from the source of heat or flame.
   c. Break glass window if necessary in order to escape.
   d. Remember that both **heat and smoke rise**—air near the floor will be cleaner and cooler. Crouch down or crawl to exits.

Fire drills

Fire drills need to be conducted once a year according to town codes. The fire department will be directly involved so that they can test the fire alarm system and see if fire evacuation procedures are being followed.

Supervisors will be designated as the fire safety captains for their area.

Fire safety captains

Joe Casparino serves as our Fire Safety Captain and will help coordinate evacuation efforts. The captains' responsibilities include:

1. An awareness of employees in their area/office who are present that day so that all are accounted for after evacuating.
2. Knowledge of any employees with handicaps or disabilities which should be considered in an emergency.
3. Awareness of an up-to-date evacuation route from their area or office.
4. Checking of restrooms, conference rooms, smoking rooms or other areas which are not immediately visible to ensure that they are also evacuated.
5. Reporting any problems or special circumstances to Fire Warden.
6. Ensuring that people are exiting from the building in a calm and orderly fashion.

IN THE EVENT OF AN EMERGENCY, JOE CASPARINO WILL IMMEDIATELY NOTIFY CEFIA 's PRESIDENT, CHIEF OF STAFF AND/OR SENIOR MANAGEMENT TEAM.

~~SECTION 8 HEALTH AND SAFETY~~

Housekeeping

Please inspect your space regularly and remove any items that could start or contribute to a fire or be a safety hazard. The following guidelines should be adhered to:

1. Do not allow accumulation of trash or waste material that is flammable.
2. Flammable materials or chemicals should not be stored within five feet of exit doors.
3. The wall and ceiling space around emergency and exit light fixtures should be kept clear.
4. The area surrounding electrical equipment should be free of clutter to provide for adequate air circulation.
5. Coffee makers and oven units are potential sources of fire. The last person leaving the building should check to be sure that they are turned off.

Gas Leaks

Due to the proximity of the office park to the Connecticut Natural Gas Storage Facility on the Rocky Hill/Cromwell line, we have occasionally found that a gas odor permeates the area when they are purging their lines. However, if at any time you detect a gas odor, it is important to assume that it's a potential leak and to take proper precautions as follows:

1. **DO NOT** turn on or adjust anything electrical in nature or anything which could cause a spark or flame (light switches, thermostats, lighters, etc.)
2. Call the facilities manager.
3. Evacuate the premises.

How To Handle Anthrax and Other Biological Agent Threats

Many facilities in communities around the country have received anthrax threat letters. Most were empty envelopes; some have contained powdery substances. The purpose of these guidelines is to recommend procedures for handling such incidents.

Do Not Panic

1. Anthrax organisms can cause infection in the skin, gastrointestinal system, or the lungs. To do so, the organism must be rubbed into abraded skin, swallowed, or inhaled as a fine, aerosolized mist. Disease can be prevented after exposure to the anthrax spores by early treatment with the appropriate antibiotics. Anthrax is not spread from one person to another person.
2. For anthrax to be effective as a covert agent, it must be aerosolized into very small particles. This is difficult to do, and requires a great deal of technical skill and special equipment. If these small particles are inhaled, life-threatening lung infection can occur, but prompt recognition and treatment are effective.

How to handle a suspicious unopened letter or package marked with threatening message such as "anthrax":

1. Do not shake or empty the contents of any suspicious envelope or package.
2. **PLACE** the envelope or package in a plastic bag or some other type of container to prevent leakage of contents. Plastic bags and/or containers are available in the kitchen.
3. If you do not have a container, then **COVER** the envelope or package with anything (e.g., clothing, paper, trashcan, etc.) and do not remove this cover.
4. **LEAVE** the room and **CLOSE** the door, or section off the area to prevent others from entering. Keep others away.
5. **WASH** your hands with soap and water to prevent spreading any powder to your face.
6. Contact ~~**Suzanne Kaswan ext. 356** or **Bonnie Greenwell ext. 344**~~**Human Resources**. They will take the necessary steps to report the incident to the proper authorities.

~~SECTION 8 HEALTH AND SAFETY~~

7. **LIST** all persons who were in the room or area when this suspicious letter or package was recognized. This list will be given to both the local public health authorities and law enforcement officials for follow-up investigations and advice.

How to handle an envelope with powder and powder spills out onto surface:

1. **DO NOT** try to **CLEAN Up** the powder. **COVER** the spilled contents immediately with anything (e.g., clothing, paper, trashcan, etc.) and do not remove this cover!
2. Then **LEAVE** the room and **CLOSE** the door, or section off the area to prevent others from entering. Keep others away.
3. **WASH** your hands with **soap and water** to prevent spreading any powder to your face.
4. Contact ~~**Suzanne Kaswan ext. 356** or **Bonnie Greenwell ext. 344**~~**Human Resources.** They will report the incident to the proper authorities.
5. **REMOVE** contaminated clothing as soon as possible and place in a plastic bag, or some other container that can be sealed. This clothing bag should be given to the emergency responders for proper handling. Plastic bags and/or containers are available in the kitchen.
6. SHOWER with soap and water as soon as possible. DO NOT USE BLEACH OR OTHER DISINFECTANT ON YOUR SKIN.
7. **LIST** all persons who were in the room or area, especially those who had actual contact with the powder. This will be given to both the local public health authorities so that proper instructions can be given for medical follow-up, and to law enforcement officials for further investigation.

What to do if you suspect a room has been contaminated by aerosolization-

(For example: a small device was triggered, a warning was received that the air-handling system is contaminated, or a warning was received that a biological agent was released in a public space.)

1. Turn off local fans or ventilation units in the area.
2. **LEAVE** area immediately.
3. **CLOSE** the door, or section off the area to prevent others from entering. Keep others away.
4. Contact ~~**Suzanne Kaswan ext. 356** or **Bonnie Greenwell ext. 344**~~**Human Resources**. They will then report the incident to the proper authorities.
5. **SHUT** down air handling system in the building, if possible.
6. **LIST** all persons who were in the room or area. This list will be given to both the local public health authorities so that proper instructions can be given for medical follow-up, and to law enforcement officials for further investigation.

How to identify suspicious packages and letters:

Some characteristics of suspicious packages and letters include the following:

- Excessive Postage
- Handwritten or poorly typed addresses
- Incorrect titles
- Title, but no name
- Misspellings of common words
- Oily stains, discoloration or odor
- No return address
- Excessive weight
- Lopsided or uneven envelope

How to identify suspicious packages and letters continued:

- Protruding wires or aluminum foil
- Excessive security material such as masking tape, string, etc.
- Ticking sound
- Marked with restrictive endorsements, such as "Personal" or "Confidential"
- Shows a city or state in the postmark that does not match the return address

Bomb Threats

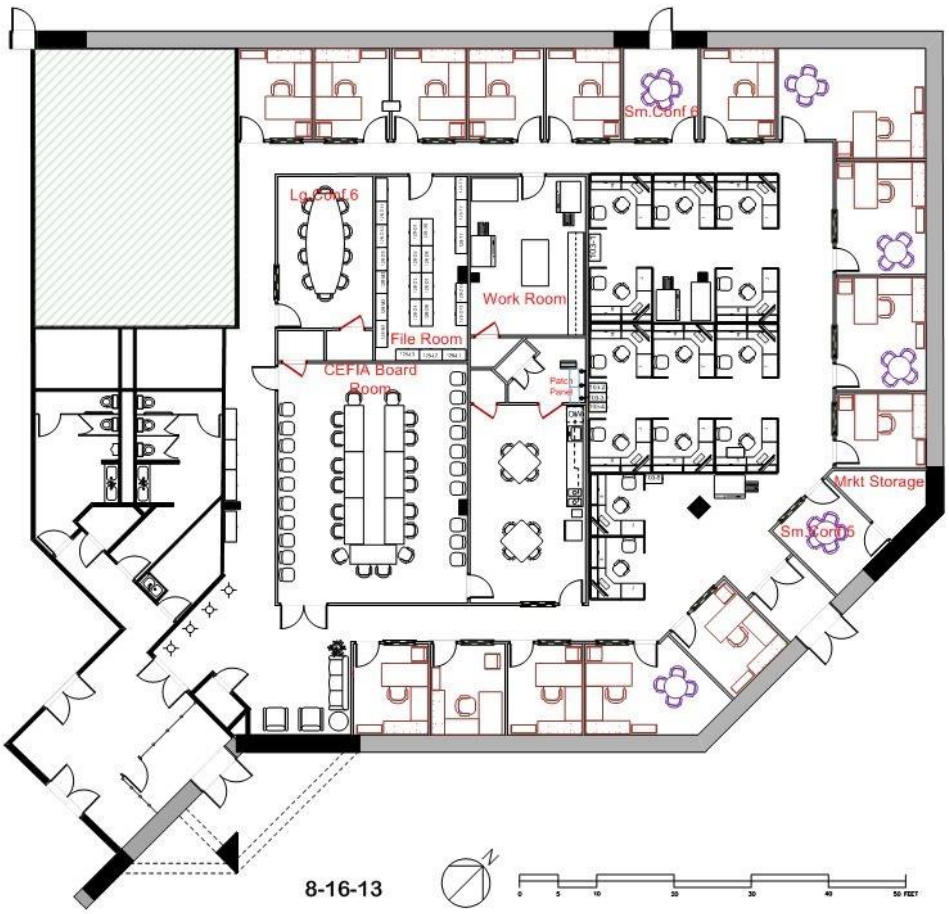
In the event of a bomb threat, evacuating people from the potential danger area is the highest priority. In the event of the receipt of a bomb threat, try to remember as many of the following details as possible:

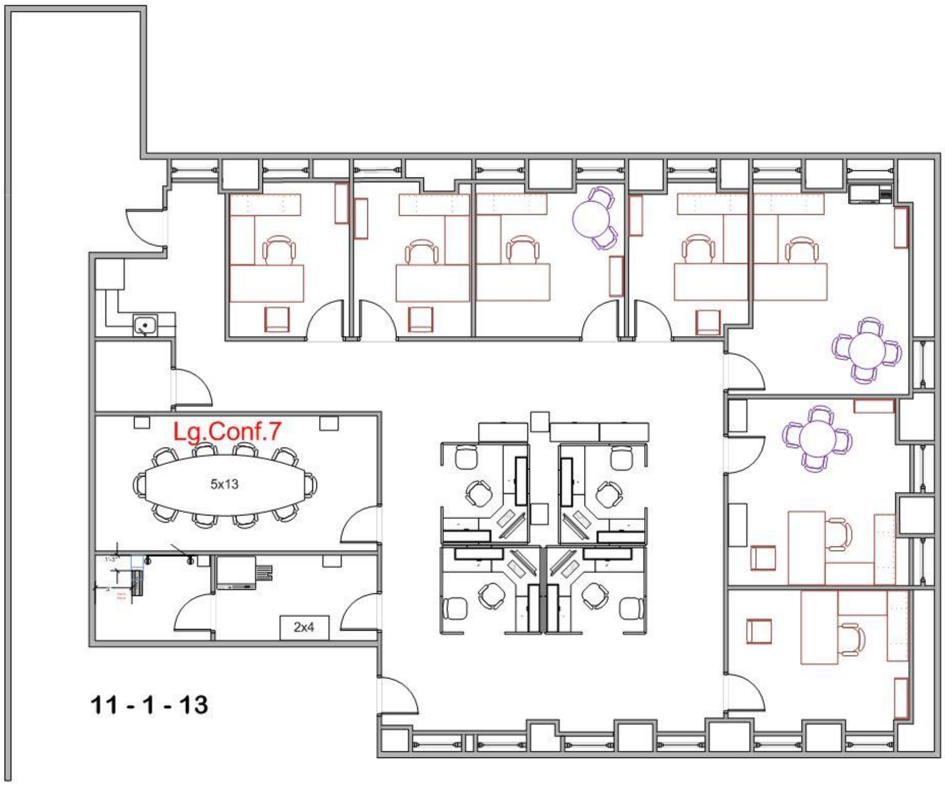
1. Time call received
2. Time call terminated
3. Exact words of caller
4. Time to explode
5. Location of bomb (if given)
6. Description/type of bomb (if given)
7. Why was it placed?
8. Description of voice (male, female, deep, high, accents, etc.)
9. Background sounds (traffic, machinery, music, voices, etc.)

Then immediately call: Police (**911** or **258-7640**); Fire Department (**911** or **258-7603**). Immediately call **Administrative Services ext. 391 ~~Joe Casparino~~IT ext. 365**. Explosives can be concealed in any type of container and in any location. Any suspicious item must not be touched and should be considered dangerous. Alert police of anything out of the ordinary, and do not turn on or adjust anything electrical in nature (i.e. - thermostats, light switches, radios, etc.)

It is policy that everyone evacuates the building immediately!

CEFIA Fire Exits




Lg.Conf.7
5x13
2x4
11 - 1 - 13

~~SECTION 8 HEALTH AND SAFETY~~

In Case of Emergency: Questions and Answers for Employees

What happens if I can't reenter the building?

The Emergency Operations Team (correct name) including the President when available will assess the immediate damage and will inform the President or designee of what to expect. You may be asked to assemble at a nearby building for further instruction.

How will I know when and where to go back to work?

CEFIA has designated a Team Leader (George Bellas – Vice President Finance and Administration) for implementing its Business Continuation Plan. This team leader will contact you at home and let you know when and where to return for work. If the business disruption is a serious one, it may take up to 30 days for all staff to return. A small number of employees who handle critical business functions may be asked to report to work immediately in a different office location.

What should I do if a reporter approaches me?

If a member of the press approaches you, please refrain from commenting about the incident or your personal reaction to what has occurred. It is natural that any business – disrupting incident may result in press coverage, and the Director of Government and External Relations is the designated CEFIA representative to keep the news media informed and answer questions. Please refer any such inquiries to that designee.

The signature page for CEFIA's Emergency Procedures is in the Appendix. All employees must review and sign the policy in the Appendix and return it to Human Resources.

APPENDIX AND FORMS

Employee Acknowledgement form

The Employee Handbook describes important information about CEFIA, and I understand that I should consult my supervisor or the Manager, Human Resources regarding any questions not answered in the Handbook.

Since the information, policies, and benefits described here are necessarily subject to change, I acknowledge that revisions to the Handbook may occur. All such changes will be communicated through official notices and I understand that revised information may supersede, modify, or eliminate existing policies. Only the President of CEFIA, consistent with the Bylaws of CEFIA~~,~~, has the authority to approve any revisions to the policies in this Handbook, which shall be done in writing.

Furthermore, I acknowledge that this Handbook is neither a contract of employment nor a legal document. It is understood that nothing in this Handbook or any other policy or communication changes the fact that employment is at will for an indefinite period unless terminated at any time by CEFIA or me. Accordingly, either CEFIA or I can terminate the relationship at any time and for any reason.

I have received the Handbook and understand that it is my responsibility to read and comply with the policies contained in this Handbook and any revisions made to it. Should the content of this Handbook be changed, I understand that CEFIA may require a written acknowledgement from me that I have received and understand the change.
I understand that this signed statement of acknowledgement will be retained in my personnel file.

______________________________ ________________________
Employee's Signature Date

____
Print Employee Name

Harassment Policy

I hereby acknowledge that I have reviewed the Sexual Harassment Policy in Section 7 of the Employee Handbook. I hereby acknowledge that I have read and understand this policy. By signing below, I agree to abide by this Policy. I also acknowledge that any infractions will result in disciplinary action, up to and including termination.

______________________________________ ____________________________

Employee's Signature Date

____

Print Employee Name

Travel and Entertainment Policy

I hereby acknowledge that I have reviewed the Travel and Entertainment Policy in Section 6 of the Employee Handbook. I hereby acknowledge that I have read and understand this policy. By signing below, I agree to abide by this Policy. I also acknowledge that any infractions will result in disciplinary action, up to and including termination.

_____________________________________ ___________________________

Employee's Signature Date

____

Print Employee Name

State of Connecticut Workplace Violence Prevention Policy
~~**Issued by Gov. John Rowland – August 1999**~~

I hereby acknowledge that I have read and understand the Workplace Violence Prevention Policy in Section 7 of the Employee handbook. By signing below, I agree to abide by the Policy. I also acknowledge that any infractions will result in disciplinary action, up to and including termination.

______________________________ ______________________
Employee's Signature Date

____
Print Employee Name

CEFIA's Emergency Procedure Signature Page

I hereby acknowledge that I have read and understand the Emergency Procedures Manual in Section 8 of the Employee handbook. By signing below, I agree to abide by the Policy. I also acknowledge that any infractions will result in disciplinary action, up to and including termination.

Employee's Signature

Date

Print Employee Name

Confidential Disclosure Policy

I hereby acknowledge that I have read and understand the Confidential Disclosure Policy in Section 7 of the Employee handbook. By signing below, I agree to abide by the Policy. I also acknowledge that any infractions will result in disciplinary action, up to and including termination.

This agreement supersedes and replaces any existing agreement between CEFIA and me relating generally to the same subject matter. It may not be modified or terminated, in whole or in part, except in writing signed by an authorized representative of CEFIA. Discharge of my undertakings in this agreement shall be an obligation of my executors, administrators, or other legal representatives or assigns.

______________________________	______________________________
Employee's Signature	Date

____

Print Employee Name

Information Technologies Policies

I hereby acknowledge that I have read and understand the Information Technologies Policies in Section 7 of the Employee handbook. By signing below, I agree to abide by the Policies. I also acknowledge that any infractions will result in disciplinary action, up to and including termination.

Employee's Signature Date

Print Employee Name

<u>CEFIA Request for Training</u>

***Name*____**

***Class Requested*____**

***Date of Class*____**

***Location of Class*____**

***Class is being offered by:*____**

***Requestor's Signature*____**

***Supervisor's Approval*____**

***Today's Date*____**

***Signature*____**

Suzanne Kaswan
~~Manager~~Vice President, Human Resources

APPLICATION FOR PARTICIPATION IN THE CEFIA SICK LEAVE BANK

I understand that as a permanent employee of CEFIA that has completed my introductory period, I may elect to choose to participate in a sick leave bank that is outlined in CEFIA Sick Leave Bank Policy. I understand that if I do not elect to participate within 30 days of completing my introductory period, I may only elect to participate during the annual open enrollment period.

I understand that if I elect to participate in the Sick Leave Bank, I will contribute the hourly equivalent of one day towards the Sick Leave Bank, and if the Sick Leave Bank falls below an adequate number of hours, I may be required to make an additional contribution to the Bank at a later date.

Employee Name:______

Telephone: ____

Title: ____

Qualifying Event

I completed by introductory period on______________________

I am enrolling during open enrollment on _________

****

______I elect participation in the Connecticut Innovations Sick Leave Bank.

______I reject participation in the Connecticut Innovations Sick Leave Bank.

Signature: ____________________________

Date: ____________________________

CEFIA.
Continuing Education Assistance Policy Form

1. Identification

Name____________________________________ SS #________________________

Home Address: ____

Current Title:______________________________ Current Dept: ________________

2. Educational Information

School___________________________Semester____________Year____________

Degree: Certificate______ Assoc.______ Bach.______ Grad.______

Program: _______________________ Expected Matriculation: __________

HR Dept Use:

Course Name: Course No. Date Reimbursed: Grade

____
____
____

(Attach supporting documentation)

3. Consent and Authorization

I consent to the reporting of my grades in the above named course(s) to CEFIA. As of the date of this application, I hereby signify my intention to remain an employee of CEFIA for a period of not less than six months following completion of course(s). I further agree that if I voluntarily terminate my employment with CEFIA prior to the six month period and I have received reimbursement, I will repay CEFIA any funds extended to me under this program over the past six months.

I also understand that any additional tax liability related to these courses will be my responsibility and that CEFIA shall not be responsible for any such liability.

Signature ________________________________ Date __________________

4. Approvals

The employee identified above is authorized by CEFIA to pursue the program indicated above. Under this authorization, CEFIA will reimburse the employee for these courses in accordance with its Continuing Education Assistance Policy.

Supervisor ____________________________ Date ________________

Executive Director ___________________________ Date ________________

CEFIA

Telecommuting Agreement

This *Telecommuting Agreement* specifies the conditions applicable to an arrangement for performing work at an alternate work site on a regular basis. All employees that telecommute, even occasionally (i.e. inclement weather) must have a signed and approved Telecommuting Agreement on file with Human Resources. The *Agreement* becomes effective on _________ *(date)* and will remain in place as long as it meets the business needs of the organization. Either party can terminate the *Agreement* at any time. On-site workspace will be provided to the returning employee as soon as appropriate accommodations can be arranged. . Please remember that telecommuting is not an option for some jobs – there are certain positions that require face to face interaction in the office. Prior to completing a telecommuting agreement, you should discuss with your supervisor whether your job duties can be performed remotely.

1. Telecommuting employees must have a set schedule of regular telecommuting days. **In order to meet the business needs of the agency, an employee may request an adjustment to the telecommuting schedule outlined in this agreement. No adjustment may be made without prior supervisory approval. The supervisor has the right to revoke telecommuting privileges based on performance and/or business needs.**

To facilitate ease in communication, the telecommuting schedule is defined as follows: Please indicate start time, end time, breaks, lunch periods, and duration if telecommuting is for a specific project basis.

Monday	Tuesday	Wednesday	Thursday	Friday	Inclement Weather and/or As Needed Basis*

*Inclement Weather and/or As Needed Basis requires individual supervisory approval for each occurrence.

Telecommuting may also be permitted on an as-needed basis with the approval of your supervisor if a valid business need exists for the agency. The employee must have an approved telecommuting agreement on file with Human Resources.

2. Telecommuting site information:
Address: ____
____
____

Phone #______________ Fax # ______________ E-mail ______________________
Cell Phone #_______________

3. Salary, job responsibilities, benefits, work status, and the amount of time worked per day or pay period will not change while telecommuting unless otherwise specified in writing. Since the employee's telecommuting space is considered an extension of ***CEFIA's*** workspace, the company's liability for job-related accidents will continue during the understood and approved telecommuting hours. The employee will maintain a designated workspace. Workers' Compensation coverage is limited to this workspace as opposed to adjacent areas, e.g. other areas of the home.

4. Duties and assignments authorized to be performed at the telecommuting site are the following:
   ____
   ____
   ____

   Management will establish with the employee the means of assessing the quality and quantity of work performed at the telecommuting site, integrating these into established performance objectives. Management reserves the right to assign work as necessary at either the regular or the telecommuting site.

5. Identify any aspects of your current role that will not be able to be performed at the telecommuting site. Describe how you plan to compensate for these duties/responsibilities (e.g. faxes, phone coverage, etc.)

   ____
   ____
   ____

6. Recognizing that effective communication is essential for a telecommuting arrangement to be successful, the following methods and times of communicating are agreed upon. Specify how such communication will occur, including items such as backup & emergency contacts, time frames, phone, fax, beeper, email, face-to-face etc. In addition, employees shall forward their company phones to their home telephones or cell phones while telecommuting.
   ____
   ____
   ____

7. The employee agrees to remain accessible during designated work hours, and understands that management retains the right to require that the employee come into the regular work-site when a business need arises. Employees must indicate their telecommuting days on their Outlook calendar. Advance notice will be given whenever possible. In addition, employee will report to the traditional worksite for regularly scheduled meetings and time-periods pre-determined by management for purposes of education, communication, etc. In the event of equipment failure, loss of remote access capability or other system problems, employee will report to the traditional work site until the problem is resolved unless otherwise directed.

8. Describe your proposed telecommuting location:
   A. The physical location in your home where your work space will be located
   B. When choosing your workspace please ensure the following:
      a. Adequate electrical power and power outlets, workspace and access pathways
      b. Ergonomic lighting, seating work surfaces, and other work – related resources
      c. Power cord, work-related tools, filing equipment, office equipment and items stored in overhead shelves or bins are safely arranged and secured.
      d. Reasonable in-place safeguards to prevent family members from getting hurt within the telecommuters work's area; prevent loss or theft of the employer's proprietary data and equipment and protect the confidentiality of matters related to the telecommuter's work.

9. Also, make a detailed inventory of employer owned equipment that you will be utilizing in your telecommuting workspace. Regarding space and equipment set-up and maintenance, the following is agreed upon: Specify purchase source e.g. purchase/ lease/loan, set-up, maintenance, provision of supplies, insurance arrangements, etc. for each piece of equipment, furniture, phone, etc.

10. Employee will not subcontract or perform non-company work using its equipment, materials, information or anything else made available for the express purpose of performing work as defined in this Agreement.

11. Any hardware or software purchased by CEFIA remains its property and will be returned at the conclusion of the telecommuting arrangement. Employee agrees to protect all company equipment against unauthorized or accidental access, use, modification, destruction, or disclosure. Employee agrees to report to management instances of loss, damage, or unauthorized access immediately. Company-owned software is not to be duplicated except as formally authorized. Company information, whether stored electronically or as hard copy, remains the property of CEFIA; all work produced and products developed while telecommuting, remain the property of the company. CEFIA equipment at the telecommuting site will not be used for personal purposes or by anyone else at the telecommuting site. Employees may check email via webmail on home computers, but may not edit any attachments on any computer that is not issued by CI. Management reserves the right to make unscheduled inspections of the telecommuting premises, equipment and software to ensure compliance with all aspects of policies, procedures and agreements.

    Employee agrees to maintain a safe, ergonomically correct, and secure work environment, and agrees to allow management access to telecommuting site to assess safety and security, upon reasonable notice.

12. Employee agrees to report work-related injuries to the supervisor and appropriate departments immediately. Employee agrees to hold the company harmless for injury to any non-employee at the telecommuting site.

13. Employee accepts responsibility for tax consequences, if any, of this arrangement, and for conformance to any local zoning regulations.

14. Employee agrees that dependent care responsibilities during agreed-upon telecommuting time periods, or other times as required by business need, will in no way impact work performance, quality, or attainment of goals and objectives.

15. Viewing or sharing in any way of company information, documentation or work product by any unauthorized person (e.g. family member, neighbor, etc.) will be cause for disciplinary action, up to and including termination.

16. Employee understands that all obligations, responsibilities, terms and conditions of employment with ***CEFIA*** remain unchanged, except those obligations and responsibilities specifically addressed in this Agreement.

I hereby affirm by my signature that I have read this *Telecommuting Agreement*, and understand and agree to all of the provisions found in it. The *Telecommuting Agreement* itself is not a contract of employment and may not be construed as one. I understand that I am accountable to all previous confidentiality agreements, policies and procedures of the company. The *Telecommuting Agreement* does not create an express or implied contract or promise of employment for a definite term. Telecommuters, as all ***CEFIA*** employees, are employed 'at will' and as such may be terminated at any time and for any reason, with or without notice.

________________________/______ ________________________/______
Employee Date Manager Date

_______________________/_______
Chief of Staff Date

THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY ETHICAL CONDUCT POLICY

I. Introduction

Ethical conduct is a core value of The Clean Energy Finance and Investment Authority (CEFIA) and all employees and officials of CEFIA are expected to maintain the highest professional standards in the conduct of their duties. In particular, each person is responsible for, and should become familiar with, the Code of Ethics for Public Officials. A copy of the "Guide to the Code of Ethics for Public Officials" is attached here. You may also access both the Code and the guide on the Office of State Ethics website at www.ct.gov/ethics by clicking on "Public Information".

II. Code of Ethics Compliance

Principle provisions of the Code of Ethics for Public Officials include:

- **GIFTS -** In general, state employees are prohibited from accepting gifts from anyone doing business with, seeking to do business with, or directly regulated by the state employee's agency or department or from persons known to be a registered lobbyist or lobbyist's representative. There are also restrictions on gifts between state employees in certain circumstances. (See the "Guide to the Code of Ethics for Public Officials" and Statutory References below, Sections 1-79(e) and 1-84(m).)
- **FINANCIAL BENEFIT -** A state employee is prohibited from using his/her office or non-public information obtained in state service for the financial benefit of the individual, certain family members, or that of an associated business.
- **OUTSIDE EMPLOYMENT -** A state employee may not accept outside employment which will impair his/her independence of judgment as to official state duties or which would induce the disclosure of confidential information. Generally, outside employment is barred if the private employer can benefit from the state employee's official actions.
- **FINANCIAL DISCLOSURE -** Certain state employees are required to file a financial disclosure statement with the State Ethics Commission. This statement will be considered public information.
- **RECUSAL OR REPORTING IN CASE OF POTENTIAL CONFLICTS –** The Code of Ethics requires that public officials and state employees avoid potential conflicts of interest. If a public official or state employee would be required to take official action that would affect a financial interest of such public official or state employee, certain family members or a business with which they are associated, they must excuse themselves from the matter or prepare and file a sworn written statement explaining why continued involvement in the matter would be on an objective basis and in the public interest despite the potential conflict. (See Statutory References below, Section 1-86(a).)

III. Additional CEFIA Policies

CEFIA expects that, in addition to complying with all provisions of the Code of Ethics for Public officials, employees and officials will:

- Protect the confidential information to which CEFIA has access;

- Avoid actual or potential conflicts of interest;
- Neither interfere with nor solicit contracts on behalf of any person;
- Avoid, in the case of employees, outside employment which may compromise or interfere with the ability to perform duties for CEFIA; and
- For those employees subject to the requirements of C.G.S. 1-83(a), submit the Statement of Financial Interests disclosure documents to the Office of State Ethics in a timely manner.

For the same reasons, and in order to maintain public confidence and avoid even an appearance of impropriety

- CEFIA employees and members of their immediate families are prohibited from investing in companies that receive financial assistance from CEFIA; and
- If an application for financial assistance from CEFIA is received from a business with which a CEFIA employee is associated, or in which such employee or an immediate family member has a direct financial interest, such employee, whether or not he or she expects to be involved in the processing or consideration of such application, shall notify the President of such business association or financial interest and such employee shall be sequestered from all information, discussions, actions and other activities related to such application. For this purpose, a business with which such employee is associated has the same meaning assigned in Section 1-79 of the Code of Ethics to the phrase "business with which he is associated". (See Statutory References below, Section 1-79(b).)

For these purposes, CEFIA may post a "restricted list" of companies in which employees may not invest and may require employees to disclose outside business interests. The rules of conduct in these matters may also be covered in more detail in the CEFIA Handbook.

IV. Post-State Employment Restrictions

Employees leaving The Clean Energy Finance and Investment Authority are required to comply with the Code of Ethics provisions pertaining to post-state employment, which are commonly known as the "revolving door" provisions. For example, there are restrictions on accepting employment with a party to certain contracts (which would include contracts relating to investments or other financial assistance) if the employee or official were involved in the negotiation or award of the contract, and restrictions on representing other parties before CEFIA during the one-year period following departure from state service. Employees should familiarize themselves with the statutes pertaining to post-state employment. They can be found at C.G.S. Section 1-84a and 1-84b. (See Statutory References below.) You may access these statutes on the Office of State Ethics website at www.ct.gov/ethics by clicking on "Statutes and Regulations". A summary of these requirements is included in the "Guide to the Code of Ethics for Public Officials and State Employees" attached to this ethics policy.

Before an employee leaves the employment of The Clean Energy Finance and Investment Authority, an exit interview will be conducted by our Ethics Liaison Officer. The purpose of this exit interview will be to individually review potential issues relating to post-Clean Energy Finance and Investment Authority employment.

V. Other Matters

The Board of The Clean Energy Finance and Investment Authority continues to have well justified faith in the integrity of and ethical conduct of employees and officials of The Clean Energy Finance and Investment Authority. It is understood however, that breaches of this ethics policy may require disciplinary action, including but not limited to dismissal from CEFIA, in addition to sanctions provided by state law. Such sanctions are to be applied as appropriate with the approval of the Clean Energy Finance and Investment Authority Board of Directors.

It is the responsibility of each employee and official to inquire of the Ethics Liaison Officer or the Office of State Ethics at 860.566.4472 should any question arise concerning his or her conduct.

VI. Statutory References

Sec. 1-79. Definitions. The following terms, when used in this part, shall have the following meanings unless the context otherwise requires:

(b) "Business with which he is associated" means any sole proprietorship, partnership, firm, corporation, trust or other entity through which business for profit or not for profit is conducted in which the public official or state employee or member of his immediate family is a director, officer, owner, limited or general partner, beneficiary of a trust or holder of stock constituting five per cent or more of the total outstanding stock of any class, provided, a public official or state employee, or member of his immediate family, shall not be deemed to be associated with a not for profit entity solely by virtue of the fact that the public official or state employee or member of his immediate family is an unpaid director or officer of the not for profit entity. "Officer" refers only to the president, executive or senior vice president or treasurer of such business.

(e) "Gift" means anything of value, which is directly and personally received, unless consideration of equal or greater value is given in return. "Gift" shall not include:

(1) A political contribution otherwise reported as required by law or a donation or payment as described in subdivision (9) or (10) of subsection (b) of section 9-601a;

(2) Services provided by persons volunteering their time, if provided to aid or promote the success or defeat of any political party, any candidate or candidates for public office or the position of convention delegate or town committee member or any referendum question;

(3) A commercially reasonable loan made on terms not more favorable than loans made in the ordinary course of business;

(4) A gift received from (A) an individual's spouse, fiancé or fiancée, (B) the parent, brother or sister of such spouse or such individual, or (C) the child of such individual or the spouse of such child;

(5) Goods or services (A) which are provided to a state agency or quasi-public agency (i) for use on state or quasi-public agency property, or (ii) that support an event, and (B) which facilitate state or quasi-public agency action or functions. As used in this subdivision, "state property" means (i) property owned by the state or a quasi-public agency, or (ii) property leased to a state agency or quasi-public agency;

(6) A certificate, plaque or other ceremonial award costing less than one hundred dollars;

(7) A rebate, discount or promotional item available to the general public;

(8) Printed or recorded informational material germane to state action or functions;

(9) Food or beverage or both, costing less than fifty dollars in the aggregate per recipient in a calendar year, and consumed on an occasion or occasions at which the person paying, directly or indirectly, for the food or beverage, or his representative, is in attendance;

(10) Food or beverage or both, costing less than fifty dollars per person and consumed at a publicly noticed legislative reception to which all members of the General Assembly are invited and which is hosted not more than once in any calendar year by a lobbyist or business organization. For the purposes of such limit, (A) a reception hosted by a lobbyist who is an individual shall be deemed to have also been hosted by the business organization which he owns or is employed by, and (B) a reception hosted by a business organization shall be deemed to have also been hosted by all owners and employees of the business organization who are lobbyists. In making the calculation for the purposes of such fifty-dollar limit, the donor shall divide the amount spent on food and beverage by the number of persons whom the donor reasonably expects to attend the reception;

(11) Food or beverage or both, costing less than fifty dollars per person and consumed at a publicly noticed reception to which all members of the General Assembly from a region of the state are invited and which is hosted not more than once in any calendar year by a lobbyist or business organization. For the purposes of such limit, (A) a reception hosted by a lobbyist who is an individual shall be deemed to have also been hosted by the business organization which he owns or is employed by, and (B) a reception hosted by a business organization shall be deemed to have also been hosted by all owners and employees of the business organization who are lobbyists. In making the calculation for the purposes of such fifty-dollar limit, the donor shall divide the amount spent on food and beverage by the number of persons whom the donor reasonably expects to attend the reception. As used in this subdivision, "region of the state" means the established geographic service area of the organization hosting the reception;

(12) A gift, including but not limited to, food or beverage or both, provided by an individual for the celebration of a major life event **[Not an available exception; see Section 1-84(m) below]**;

(13) Gifts costing less than one hundred dollars in the aggregate or food or beverage provided at a hospitality suite at a meeting or conference of an interstate legislative association, by a person who is not a registrant or is not doing business with the state of Connecticut;

(14) Admission to a charitable or civic event, including food and beverage provided at such event, but excluding lodging or travel expenses, at which a public official or state employee participates in his official capacity, provided such admission is provided by the primary sponsoring entity;

(15) Anything of value provided by an employer of (A) a public official, (B) a state employee, or (C) a spouse of a public official or state employee, to such official, employee or spouse, provided such benefits are customarily and ordinarily provided to others in similar circumstances;

(16) Anything having a value of not more than ten dollars, provided the aggregate value of all things provided by a donor to a recipient under this subdivision in any calendar year shall not exceed fifty dollars; or

(17) Training that is provided by a vendor for a product purchased by a state or quasi-public agency which is offered to all customers of such vendor.

Section 1-84 Prohibited Activities

(m) No public official or state employee shall knowingly accept, directly or indirectly, any gift, as defined in subsection (e) of section 1-79, from any person the official or employee knows or has reason to know: (1) Is doing business with or seeking to do business with the department or agency in which the official or employee is employed; (2) is engaged in activities which are directly regulated by such department or agency; or (3) is prequalified under section 4a-100. No person shall knowingly give, directly or indirectly, any gift or gifts in violation of this provision. For the purposes of this subsection, the exclusion to the term "gift" in subdivision (12) of subsection (e) of section 1-79 for a gift for the celebration of a major life event shall not apply. Any person prohibited from making a gift under this subsection shall report to the State Ethics Commission any solicitation of a gift from such person by a state employee or public official.

Section 1-84a. Disclosure or use of confidential information by former official or employee

No former executive or legislative branch or quasi-public agency public official or state employee shall disclose or use confidential information acquired in the course of and by reason of his official duties, for financial gain for himself or another person.

Sec. 1-84b. Certain activities restricted after leaving public office or employment

(a) No former executive branch or quasi-public agency public official or state employee shall represent anyone other than the state, concerning any particular matter (1) in which he participated personally and substantially while in state service, and (2) in which the state has a substantial interest.

(b) No former executive branch or quasi-public agency public official or state employee shall, for one year after leaving state service, represent anyone, other than the state, for compensation before the department, agency, board, commission, council or office in which he served at the time of his termination of service, concerning any matter in which the state has a substantial interest. The provisions of this subsection shall not apply to an attorney who is a former employee of the Division of Criminal Justice, with respect to any representation in a matter under the jurisdiction of a court.

(f) No former public official or state employee (1) who participated substantially in the negotiation or award of (A) a state contract valued at an amount of fifty thousand dollars or more, or (B) a written agreement for the approval of a payroll deduction slot described in section 3-123g, or (2) who supervised the negotiation or award of such a contract or agreement, shall accept employment with a party to the contract or agreement other than the state for a period of one year after his resignation from his state office or position if his resignation occurs less than one year after the contract or agreement is signed.

(g) No member or director of a quasi-public agency who participates substantially in the negotiation or award of a contract valued at an amount of fifty thousand dollars or more, or who supervised the negotiation or award of such a contract, shall seek, accept, or hold employment with a party to the contract for a period of one year after the signing of the contract.

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

OPERATING PROCEDURES

PURSUANT TO

Section 16-245n of the
Connecticut General Statutes

Adopted December 16, 2011

I. DEFINITIONS

Definitions of terms used in these Operating Procedures are as stated in the Authority's Bylaws or in Section 16-245n of the General Statutes.

Clean Energy Project: An activity that (i) promotes investment in clean energy; (ii) fosters the growth, development, and commercialization of clean energy sources and related enterprises; (iii) stimulates demand for clean energy and deployment of clean energy sources that serve end use customers in this state; or (iv) supports the development of advanced technologies that reduce energy use from traditional sources. For purposes of this definition, "clean energy" has the meaning as provided in Connecticut General Statutes § 16-245n(a), as may be amended from time to time.

II. GENERAL PURPOSES

The general purposes of the Clean Energy Finance and Investment Authority shall be as prescribed in Section 16-245n of the General Statutes, and in a resolution of purposes adopted by the Board pursuant to Section 16-245n(d)(1) of the Connecticut General Statutes, including implementation of the Comprehensive Plan (all together referred to in these Operating Procedures as "the purposes of the Authority").

III. GOVERNANCE

The Authority, a quasi-public authority of the State of Connecticut, shall be governed by a Board of Directors comprised of a number and appointed in a manner as prescribed in Section 16-245n(e) of the General Statutes. The affairs of the Board shall be conducted in accordance with applicable law, the Authority's Bylaws, and such policies with respect to corporate governance as may be adopted by the Board.

IV. ADMINISTRATION

The affairs of the Authority shall be administered in accordance with applicable law, the Bylaws, these Operating Procedures and other administrative policies as may be adopted by the President in consultation with the Board. The Board shall appoint a President and such other officers as provided in the Bylaws. Under the direction of the Board, such officers shall conduct the business of the Authority and shall have such authority as is conferred by applicable law, the Bylaws, these Operating Procedures, and the Board. References in these Operating Procedures to approval by the Board shall mean and include approval by the Board or by any duly constituted committee thereof authorized to act on behalf of the Board pursuant to the Bylaws of the Authority.

V. ADOPTION OF ANNUAL OPERATING BUDGET AND PLAN OF OPERATION

Sixty (60) days prior to the close of each fiscal year, the President shall cause to be prepared a suggested Annual Operating Budget for the forthcoming fiscal year, which shall also comprise the Annual Plan of Operation. The suggested Annual Operating Budget for the forthcoming fiscal year shall be considered by the Board prior the close of the then current fiscal year, modified if deemed necessary, and adopted to be effective beginning the first day of the forthcoming fiscal year.

Any expenditure that exceeds the amount annually budgeted for a specific line item in the Annual Operating Budget by an amount greater than ten thousand dollars ($10,000) shall require the approval of the Board.

The Annual Operating Budget shall incorporate the Authority's Annual Plan of Operation by specifying operating, programmatic, investment, and other expenses for the forthcoming fiscal year.

VI. COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION

The Authority may seek to qualify as a Community Development Financial Institution under Section 4702 of the United States Code. If approved as a Community Development Financial Institution, then the Authority would be treated as a qualified community development entity for purposes of Section 45D and Section 1400N(m) of the Internal Revenue Code.

VII. PERSONNEL POLICIES

All employees shall be exempt from the classified service and shall have all rights and benefits provided by applicable law. Grade classifications for each job title shall be established by the President, subject to Board approval.

Hiring & Promotions: The President shall, in accordance with the Authority's Bylaws, establish a schedule of positions and total staffing levels for the Authority. The schedule of positions shall describe the signature authority, if any, of each position. The President, acting on behalf of the Board, may from time to time fill any position on such schedule of positions and within such total staffing levels, except as may otherwise be provided in the Bylaws or any applicable resolution of the Board. The creation of any new Director-level position shall require the separate approval of the Board. For these purposes, "Director-level" means an Authority staff position one level under the officers in the Authority's staff organizational chart.

Whenever possible, the Authority shall maintain an identifiable career path for each class of positions on the schedule of positions approved by the Board. If the President determines it to be appropriate, then a current employee's position may be reclassified to another position within said career path. New positions approved by the Board and existing positions that become available as a result of a current employee vacating such position shall be posted internally and, if the President determines it to be appropriate, then publicly advertised in a manner reasonably designed to reach a range of possible applicants. A current employee shall be eligible for reclassification or promotion to an existing or new position only if such employee has at least six (6) months of service with the Authority and meets the minimum qualifications for such position.

Notwithstanding any other provision of this section or any employee handbook or other personnel policies of the Authority, the position of the President, the manner of the conduct of any search for qualified applicants for such position, and the terms and conditions of employment in such position, including matters of compensation, dismissal, and severance, shall be in the discretion and subject to the approval of the Board. Hiring and promotion shall in all cases be in accordance with the Authority's Affirmative Action Plan and applicable statutes.

Compensation and Benefits: The Board shall establish and may from time to time modify reasonable compensation plans and employee benefits programs and policies as the Board determines to be necessary or appropriate to attract and retain qualified employees and carry out the Authority's statutory mission, including:

1. a compensation plan, which shall consist of sufficient salary grades to provide such compensation rates as may be determined to be necessary or desirable for all job classifications within the Authority, and which may include an incentive compensation program for all jobs classifications;

2. an employee benefits program, which may include, but is not limited to, vacation days, holidays, sick days, group health, life, and disability insurance, tuition reimbursement,

length of service awards and other benefits, including eligibility criteria and benefit levels;

3. a performance evaluation system, which may be used to determine merit increases in salary and incentive compensation levels;

4. policies with respect to compensatory time, flex-time, and telecommuting;

5. policies with respect to severance pay and benefits;

6. policies with respect to business and travel reimbursement; and

7. other reasonable compensation and employee benefits programs and policies as the Board determines to be necessary and appropriate to attract and retain qualified employees.

The President shall be empowered to administer the Authority's compensation plan and employee benefit programs and policies as approved by the Board, and shall have the authority to approve performance evaluations, determine merit increases and incentive compensation payments, and carry out such other duties and responsibilities as appropriate within the overall salary and employee benefits administration plan, except that performance evaluations and determination of merit or other salary increases and bonus payments for the position of President shall be reserved to the Board or the committee of the Board with responsibility for matters of compensation. The President has the authority to establish and modify certain employee policies involving workplace flexibility that do not in the aggregate have an adverse financial impact on the Authority. The Board shall review the Authority's compensation plan and employee benefit programs a part of its annual review of the Authority's Operating Budget and Plan of Operation.

Dismissal: Employment with the Authority is at-will, which means that either the employee or the Authority may terminate the relationship at any time and for any reason, with or without cause. The President may impose any level of disciplinary action, including termination, based upon the severity of the offense requiring discipline and the employee's past work record. This in no way alters the at-will employment policy.

<u>Coordination with and Administration by Connecticut Innovations, Incorporated</u>: To the extent permitted by any contract for administrative support and services between the Authority and Connecticut Innovations, Incorporated, personnel policies, compensation plans, and benefit programs and polices of the Authority may be coordinated and/or combined with, and administered by, Connecticut Innovations, Incorporated, subject to appropriate cost sharing.

VIII. PURCHASE, LEASE, ACQUISITION POLICY FOR REAL AND PERSONAL PROPERTY

The Authority, acting through the President or another duly authorized officer, shall have the authority to invest in, acquire, lease, purchase, own, manage, hold, and dispose of real and personal property, and to lease, convey, or deal in or enter into agreements with respect to such real and personal property, on any terms necessary or incidental to the carrying out of the purposes of the Authority.

<u>Procurement Procedures</u>: The Authority may purchase, lease, or acquire real and personal property on a bid, negotiated, or open-market basis, including through a sole-source procurement or in such other manner as the President determines to be appropriate and in the best interests of the Authority in the circumstances, provided that in the case of any contract or agreement for the

purchase, lease, or acquisition of real or personal property requiring an expenditure by the Authority in excess of seventy-five thousand dollars ($75,000), wherever possible bids or proposals shall be solicited from at least three (3) qualified parties. The requirements of this subsection shall not be applicable to transactions entered into by the Authority primarily for the purpose of providing financial assistance pursuant to Articles XII, XIII and XIV of these Operating Procedures. To the extent permitted by any contract for administrative support and services between the Authority and Connecticut Innovations, Incorporated, space, systems, supplies and other property, goods or services necessary for the business operations of the Authority may be provided by Connecticut Innovations, Incorporated, subject to appropriate cost sharing, and in such cases the procurement procedures of Connecticut Innovations, Incorporated shall apply thereto.

IX. CONTRACTING FOR PROFESSIONAL SERVICES

The Authority, acting through the President or another duly authorized officer, shall have the authority to engage accountants, attorneys, appraisers, financial advisers, investment advisors, underwriters, investment managers, investment bankers, brokers, architects, construction managers, engineers, and other consultants and professionals on any terms necessary or incidental to the carrying out of the purposes of the Authority. In the absence of a conflict of interest, such consultants and professionals may be those also providing services to Connecticut Innovations, Incorporated.

Procurement Procedures: Contracts for professional services shall be awarded by the Authority in such manner, including on the basis of a sole-source procurement, as the Board determines to be appropriate and in the best interests of the Authority in the circumstances, provided that (i) for such contracts requiring an expenditure by the Authority up to and including seventy-five thousand dollars ($75,000) over a period of one (1) fiscal year, the President has sole approval authority; (ii) for such contracts requiring an expenditure by the Authority over seventy-five thousand dollars ($75,000) and up to and including one hundred fifty thousand dollars ($150,000) over a period of one (1) fiscal year, the President and the Chairperson must both approve the expenditure; and (iii) for such contracts requiring an expenditure by the Authority of over one hundred fifty thousand dollars ($150,000), such contract shall, whenever possible, be awarded on the basis of a process of competitive negotiation where proposals are solicited from at least three (3) qualified parties. To the extent permitted by any contract for administrative support and services between the Authority and Connecticut Innovations, Incorporated, professional services may also be provided by consultants and professionals selected by and under contract to Connecticut Innovations, Incorporated, subject to appropriate cost sharing. The provisions of Section 1-127 of the General Statutes shall apply to the engagement of auditors by the Authority.

X. STATE CONTRACTING REQUIREMENTS

Any solicitation of bids or proposals by the Authority, and any award of a contract by the Authority, shall be subject to all state procurement and contracting requirements applicable to quasi-public agencies of the state, including without limitation the following to the extent applicable in the circumstances:

- Section 9-612 of the General Statutes, as amended, relating to campaign contributions by state contractors and their principals and related notices to state contractors and prospective state contractors;
- Section 4-252 of the General Statutes relating to affidavits as to gifts from contractors under certain large state contracts;
- Section 4a-81 of the General Statutes relating to affidavits with respect to consulting fees;
- Section 3-13l of the General Statutes relating to the prohibition of finder's fees in connection with investment transactions;
- Section 3-13j of the General Statutes relating to the disclosure of third party fees attributable to investment services contracts;
- Section 4-61dd of the General Statutes relating to whistleblower protections; and
- Section 4a-60 and 4a-60a of the General Statutes relating to non-discrimination in state contracting and documentation of contractor adoption of a corporate policy supporting the non-discrimination agreements and warranties required by Sections 4a-60 and 40a-60a.

XI. FUNDING SOURCES AND PROCEDURES OF GENERAL APPLICABILITY TO FINANCIAL ASSISTANCE

Funding sources specifically authorized by the Statute include, but are not limited to:

Funding Sources:

(i) Funds repurposed from existing programs providing financing support for clean energy projects, provided any transfer of funds from such existing programs shall be subject to approval by the General Assembly and shall be used for expenses of financing, grants, and loans;

(ii) Any federal funds that can be used for the purposes specified in Section 16-245n(c) of the General Statutes;

(iii) Charitable gifts, grants, and contributions, as well as loans from individuals, corporations, university endowments, and philanthropic foundations;

(iv) Earnings and interest derived from financing support activities for clean energy projects backed by the Authority;

(v) If and to the extent that the Authority qualifies as a Community Development Financing Institution under Section 4702 of the United States Code, then funding from the Community Development Financing Institution Fund administered by the United States Department of Treasury, as well as loans from and investments by depository institutions seeking to comply with their obligations under the United States Community Reinvestment Act of 1977; and

(vi) The Authority may enter into contracts with private sources to raise capital. The average rate of return on such debt or equity shall be set by the Board.

<u>Procedures of General Applicability to Financial Assistance</u>:

(a) For clean energy projects, the amount to be financed by the Authority and other nonequity financing sources cannot exceed eighty per cent (80%) of the cost of developing and deploying such projects.

(b) For energy efficiency projects the amount to be financed by the Authority and other nonequity financing sources cannot exceed one hundred per cent (100%) of the cost of financing such projects.

(c) The Authority may assess reasonable fees on its financing activities to cover its reasonable costs and expenses, as determined by the Board.

(d) The Authority shall make information regarding the rates, terms, and conditions for all of its financing support transactions available to the public for inspection, including formal annual reviews by both a private auditor conducted pursuant to Section 16-245n(f)(2) of the General Statutes and the Comptroller, and providing details to the public on the Authority's Web site; provided that public disclosure shall be restricted for patentable ideas, trade secrets, proprietary or confidential commercial or financial information, disclosure of which may cause commercial harm to a nongovernmental recipient of such financing support and for other information exempt from public records disclosure pursuant to Section 1-210 of the General Statutes.

(e) Any entity that receives financing for a clean energy project from the Clean Energy Fund (Fund) shall provide the board an annual statement, certified as correct by the chief financial officer of the recipient of such financing, setting forth all sources and uses of funds for such project in such detail as may be required by the Authority. The Authority shall maintain any such audits for not less than five (5) years. Residential projects for buildings with one to four dwelling units are exempt from this and any other annual auditing requirements, except that residential projects may be required to grant their utility companies' permission to release their usage data to the Authority.

XII. FINANCIAL ASSISTANCE—GRANTS, LOANS OR LOAN GUARANTEES, DEBT AND EQUITY INVESTMENTS

The procedures in this section are generally applicable to the award of grants, loans or loan guarantees, and debt and equity investments for clean energy projects when the Board determines that one of the following methods be used in the selection and award process: (1) competitive selection and award, (2) programmatic selection and award, or (3) strategic selection and award. The factors to be considered in choosing the appropriate selection and award method, and the general procedures to be followed in each such case are set forth below.

Competitive Selection and Award

Applicability: Competitive selection and award shall be the preferred method when the Board determines that it is appropriate in the circumstances to invite and consider proposals for a particular clean energy project or projects in a competitive process under an established schedule and pursuant to formal qualification and selection criteria so that proposers and proposals may be evaluated fairly and thoroughly on a comparative basis.

Issuance of RFP: A request for proposals (RFP) shall be published or distributed in a manner that the Authority determines will promote broad participation in the competitive process. Deadlines for particular stages in the competitive selection process will be set forth in the RFP. Notice of the RFP shall be posted on the Web site of the Authority, may be published in one or more major daily newspapers published in the State, and may also be posted on the Web site of the Connecticut Department of Administrative Services. The

RFP itself shall also be posted on the Web site of the Authority and shall be mailed to or otherwise made available to interested parties in a reasonable manner.

Eligibility: Each RFP shall be ~~authorized by resolution of the Board and~~ issued pursuant to guidelines established by the Authority consistent with ~~such Board authorization~~the Authority's Comprehensive Plan and Annual Operating Budget. Such guidelines shall at a minimum set forth: (1) proposer qualification requirements, (2) project eligibility criteria, (3) the nature and amount of financial assistance available from the Authority under the program, (4) the principal selection criteria, (5) any mandatory terms and conditions under which such funding is available, (6) applicable application, processing, or other program fees, and (7) the process by which proposals will be considered and acted upon. Such guidelines may be modified, in whole or in part, from time to time and at any time by the Authority, consistent with the authorizing resolution of the Board.

Selection Criteria: Selection criteria shall include, as applicable, (1) the eligibility of the proposer; (2) the proposer's qualifications and experience; (3) the financial feasibility of the project, including the availability and firmness of required financing; (4) the cost-effectiveness of the project; (5) the technological characteristics of the project, including the potential for technological improvements and advancements; the project's operational feasibility and commercial applicability; (6) the jobs created by the project; (7) the environmental benefits stemming from the project; and (8) the contributions to be made by the project toward the statutory purposes of the Authority and the furtherance of the Comprehensive Plan. Other selection criteria may be established for any RFP, and any weighting of selection criteria shall be in the discretion of the Authority ~~acting pursuant to the authorizing resolution of the Board~~as provided in such RFP. If appropriate in the circumstances, then an RFP may be first issued as a request for qualifications, following which those respondents found to be qualified are invited to respond to a final RFP.

Selection Process: The selection process shall be designed to provide for a fair and thorough evaluation of each eligible and qualified proposal, and shall be described in the RFP. The selection process may include the use of a review or scoring team, which may include members of any advisory committee, members of the staff of the Authority, and independent members with relevant industry, academic, or governmental experience. No member of any such review or scoring team shall have any financial or other personal interest in any proposed project. Any such review or scoring team shall act in an advisory capacity only and shall not constitute a committee or subcommittee of the Board, and the members of any such review or scoring team shall not be deemed to be public officials as a result of their service thereon. If the Authority determines that the responses to the RFP have been insufficient in number or quality to achieve the objectives of a competitive selection and award process or otherwise determines it to be in the best interest of the Authority, then the RFP may be extended, withdrawn and reissued, or cancelled at any time.

Selection Decision: One or more proposers may be selected for the purpose of entering into negotiations, if applicable, with respect to a project. Such selection shall be made by the Authority ~~acting pursuant to the authorizing resolution of the Board~~ after taking into account the established selection criteria, any report or recommendation by staff of the Authority, the report of any review or scoring team, and the results of any review and recommendation by any advisory committee to the Board, applied on an equitable basis. If more than one proposal is selected, then they may be ranked in order of preference, which ranking may be based on the recommendation of staff of the Authority, such advisory committee, or the review or scoring team.

Notification to Proposers; Effect of Selection: All proposers shall be promptly notified of the results of the selection process. Such results may also be posted on the Web site of the Authority. Any such selection and notification is solely for the purpose of qualification for possible negotiation and does not constitute a financing commitment or the award of a contract.

Negotiation: The Authority may enter into good faith negotiations with one or more of the selected proposers at such time and in such order as the Authority may determine in its discretion consistent with the ~~authorizing resolution of the Board~~terms of the RFP. The commencement of such negotiations does not signify a commitment to provide financial assistance or to enter into a contract with a proposer. Either the proposer or the Authority may terminate such negotiations at any time for any reason. The Authority reserves the right to enter into negotiations with any other proposer at any time. Such negotiations shall not be limited to the scope or terms of the proposal but may include such other matters or different terms as the Authority may determine to be in the best interests of the Authority~~, acting pursuant to the authorizing resolution of the Board~~.

Award: Upon mutual agreement regarding the terms and conditions of the financial assistance, the Authority and the selected proposer may enter into a contract which memorializes the agreed-upon terms and conditions subject to all necessary Authority approvals, including the Board or a duly authorized committee of the Board.

Fees and Expenses: The Authority may impose reasonable application, processing, or similar fees in connection with the submission and processing of proposals, and may require, as a condition of negotiation with any selected proposer, that such proposer agree to pay costs incurred by the Authority, including fees and disbursements of the Authority's counsel, consultants, and other professional advisors. Any pre-established application, processing, or other program fees shall be set forth in the RFP.

State Contracting Requirements: Any RFP shall be subject to, and any definitive financing or contracting documents shall include, such provisions as may be required by applicable laws or executive orders, including with respect to non-discrimination and affirmative action.

Other Terms and Conditions: Any RFP may be subject to and include such other terms and conditions, not inconsistent with the requirements of these procedures, as the Authority may determine in its discretion to be appropriate and in the best interests of the Authority~~, consistent with the authorizing resolution of the Board~~.

Programmatic Selection and Award

Applicability: Programmatic selection and award shall be the preferred method when the Board determines that it is appropriate in the circumstances to invite applications on a continuing or periodic basis for clean energy projects with identified characteristics and to consider such applications under pre-established program-based qualification, eligibility, and selection criteria, but that it is not necessary or appropriate to evaluate such applications on a comparative basis as part of a competitive RFP process. Any such program may be discontinued, suspended, extended, or expanded at any time by the

Board based on its determination of what is appropriate and in the best interests of the Authority.

Program Guidelines: Each such program shall be authorized by resolution of the Board and operated and administered by the Authority pursuant to program guidelines established by the Authority consistent with such Board authorization, which shall at a minimum set forth: (1) applicant qualification requirements, (2) project eligibility criteria, (3) the nature and amount of financial assistance available from the Authority under the program, (4) the principal selection criteria, (5) any mandatory terms and conditions under which such funding is available, (6) the application process, including a standard application form, (7) applicable application, processing, or other program fees, and (8) the process by which applications will be considered and acted upon. Such program guidelines may be modified, in whole or in part, from time to time and at any time by the Authority, consistent with the authorizing resolution of the Board. A general description of each such program, including the applicable program guidelines, and all such modifications, if any, shall be posted on the Web site of the Authority.

Approval; Terms and Conditions of Award: Applications shall be subject to the approval of the Board, or of the President or other officer of the Authority if and to the extent so authorized in the authorizing resolution of the Board, after taking into account any report or recommendations of the staff of the Authority or an advisory committee, if applicable. Financial support for a project under any such program shall be in such amount, and shall be subject to such project-specific terms, conditions, and requirements, as may be determined by the Authority within the limits established by the authorizing resolution of the Board and consistent with the program guidelines.

~~Timing of Consideration; Notice of Approval or Disapproval: While the processing time for applications may vary considerably based on the specific requirements of each program, applicants for financial assistance available under an Authority program will receive notice of approval or disapproval within one hundred twenty (120) days of the submission of a complete application (including receipt of such additional information as the Authority may reasonably request in order to complete its application review). Failure to act on a completed application within such one hundred twenty (120) day period shall be deemed disapproval. Such one hundred twenty (120) day period may be extended at the request of either the Authority or the applicant with the consent of the other.~~

Fees and Expenses: The Authority may impose reasonable application, processing, or similar fees in connection with the submission and processing of proposals, and may require, as a condition of negotiation with any selected proposer, that such proposer agree to pay costs incurred by the Authority, including fees and disbursements of the Authority's counsel, consultants, and other professional advisors. Any pre-established application, processing, or other program fees shall be set forth in the applicable program guidelines.

Strategic Selection and Award

Applicability: While the utilization of an open and public process, either competitive or programmatic, for awards from the Authority is anticipated most often to be in the best interest of the Authority and is to be strongly preferred, there are nevertheless recognized to be certain circumstances in which, based on special capabilities, uniqueness of the opportunity, urgency of need, cost, and similar factors, the public interest and the strategic mission of the Authority is best served by direct participation by the Authority in, and funding of, a particular clean energy project outside of an existing program and absent a competitive process of selection and award. Such strategic selection and award method may be utilized upon an affirmative resolution, adopted by a two-thirds majority of the members of the Board present at a meeting of the Board, determining that the advantages of strategic selection and award clearly outweigh the general public interest in an open and public process based on a finding that at least three (3) of the following characteristics are present and are of predominant importance to the Authority:

a. <u>Special Capabilities</u>: The opportunity is presented by a party with exceptional experience, expertise, or availability, or holding patent or other proprietary rights of special value to the Authority.

b. <u>Uniqueness</u>: The opportunity is one-of-a-kind by virtue of location, high visibility, and leverage with other already committed public or private funding or similar unique attributes.

c. <u>Strategic Importance</u>: The opportunity has exceptionally strong compatibility with the mission of the Authority, including the jobs created by the project or the environmental benefits stemming from the project, or offers the Authority an organizational role, participation in governance, a formative or other key role in the industry, high funding leverage potential, broad market reach, exceptional educational or public relations value, or similar special strategic advantages important to the Authority.

d. Urgency and Timeliness: There is an urgent need to act on the opportunity as a result of public exigency or emergency, or a strategically important opportunity would become unavailable as a result of delay, or it would take an unacceptable length of time for a similar opportunity to reach the same level of readiness.

e. Multiphase Project; Follow-on Investment: The opportunity relates to the next phase of a multiphase proposal or the expenditure is necessary to support or protect an existing the Authority investment or initiative.

Other Requirements: Awards made by strategic selection and award shall to the extent applicable be otherwise subject to the same procedures set forth with respect to competitive selection and award under the headings “Negotiation”, “Award”, “Fees and Expenses”, “State Contracting Requirements”, and “Other Terms and Conditions”.

XIII. ISSUING AND RETIRING BONDS, BOND ANTICIPATION NOTES, AND OTHER OBLIGATIONS OF THE AUTHORITY

The Board shall approve the issuance and retirement of all bonds, bond anticipation notes, and other obligations of the Authority. Such approval may include, but not be limited to, their form, denominations, maturities, rates, prices, public or private sales, and other provisions important or necessary for their issuance or retirement, including the payment of all expenses, premiums, and commissions in connection therewith.

XIV. SURPLUS FUNDS

Surplus funds generated through the sale of bonds, bond anticipation notes, or other obligations of the Authority, to the extent not needed for the payment of interest and principal due on any payment of said bonds, bond anticipation notes, or other obligations, if any accrued by the Authority, shall be withdrawn and transferred to the Authority's Operating Account at such times as is permitted under applicable resolutions for the bonds, bond anticipation notes, or other obligations to be used for any lawful purposes of the Authority.

XV. PERIODIC REVIEW; AMENDMENT OF PROCEDURES

At least annually, the Audit, Compliance, and Governance Committee of the Board shall meet to review and discuss the matters addressed by these Procedures and, if deemed necessary, to make recommendations for amendment of these Procedures to Board. Amendments to these Procedures shall be effective only upon adoption of such amendments by a two-thirds vote of the Board.

* * *

845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: The Board of Directors of the Clean Energy Finance and Investment Authority

From: George Bellas (VP Finance)

CC: Bryan Garcia (President and CEO), Bert Hunter (EVP and CIO), Mackey Dykes (Chief of Staff)

Date: April 16, 2014

Re: Executive Summary – February 2014 CEFIA Financial Package

---

Statement of Income, General Operations and Program Expenses

Revenues for the period totaled $30,228,000 compared to a budget of $26,750,800. During the month of December a RGGI auction was held and CEFIA's share of the proceeds from the auction included $5,973,900 to be used for energy efficiency projects. To date CEFIA has received $ 10,229,100 in RGGI auction proceeds of which $ 4,255,200 will be used to fund renewable energy projects and the remaining $5,973,900 to fund energy efficiency projects through the CPACE program. Currently proceeds from RGGI auctions are approximately $3,000,000 greater than anticipated for this fiscal year. Utility customer assessments proceeds received to date were $159,000 greater than budgeted. See page seven for a further analysis of utility customer assessments. To date CEFIA has earned $268,800 in interest income on project loans, primarily the Bridgeport Fuel Cell Park project, CPACE loans and on advances to CT Solar Lease 2 LLC to fund operations and maintain a reserve account. Interest on these advances had not been budgeted for in the FY14 budget but will be addressed when the FY15 budget is prepared. Other income is approximately $43,000 greater than anticipated primarily due to payments received as a result of the decommissioning of a gasification project.

Expenses associated with the general operations of CEFIA totaled $1,416,000 compared to a budget of $1,621,600 for the period. Generally expenses for operations are in line with budget. Operating expenses by line item are within $5,000 of the budgeted amount or under budget. Expenses associated with supporting CEFIA's programs and projects totaled $4,839,700 compared to a budget of $5,142,000. Generally expenses for program administration are in line with budget. Expenses by line item are within $5,000 of the budgeted amount or under budget. Overall operating expenses for both general operations and program administration are $6,255,800 compared to a budget of $6,763,600 resulting in a favorable variance of $507,800 (8%).

Statement of Assets and Cash Flows

Net assets as of February 28th are $110,464,900, an increase of $11,348,300 from June 30th. The increase in net assets is attributable to CEFIA's new direction which focuses on financing residential and commercial renewable energy and energy efficiency projects with loan and lease products as opposed to a direct grant model which had been employed in the past. See page two for an analysis of changes in net assets for the period. To date $4,133,200 has been returned to the State Treasurer under legislation enacted at the end of fiscal year 2013. CEFIA must remit an additional $2,066,800 to the State Treasurer by the end of this fiscal year. Unrestricted cash balances of $69,452,600 increased $1,656,200 since the end of fiscal 2013. Page four presents a cash flow analysis and an analysis of contingent liabilities and unfunded commitments associated with major programs as of February 28th which will utilize CEFIA's available unrestricted cash balance.

Other Schedules

The statement of program investments and guarantees on page five presents the status of loan commitments that CEFIA has entered into for various programs. Of the $ 38,153,400 in approved commitments to date, $15,967,800 has been funded leaving $ 22,185,600 to be funded with available cash. CPACE is the largest of the programs with $ 19,628,600 in commitments. The CPACE board approved warehouse facility is $40,000,000. The statement of incentives, grants and rebates on page six lists outstanding commitments to be funded for various programs. As of February 28th $22,278,300 remains to be funded. The residential solar PV investment program incentives are a significant portion of this balance totaling $15,153,500. The loan loss reserve and interest rate buy-down analysis on page eight breaks out the volume of loans and leases by program supported by federal ARRA grant monies made available to CEFIA through DEEP. To date the ARRA loan loss reserve supports 104 loans and leases with underlying principal of $1,610,400. Volume is expected to increase significantly as the CEFIA Solar Loan I and Solar Lease 2 programs ramp up. In addition, CEFIA has utilized $26,300 of ARRA funds for interest rate buy down programs associated with the energy efficiency loan program. The consolidated balance sheet for special purpose entities (SPE's) on page nine presents the financial position of CEFIA's SPE's, CT Solar Lease 2 LLC, CEFIA Solar Services, Inc. CEFIA Solar Loan I LLC and CEFIA Holdings LLC, through February 28th . These entities have been established to support CEFIA's Solar Loan I and Solar Lease 2 programs. Both programs have recently begun to ramp up operations. Currently $ 248,600 in residential solar loans has been funded by CT Solar Loan I LLC and $ 416,200 in PV systems has been purchased by CT Solar Lease 2 LLC for its lease program.

Clean Energy Finance and Investment Authority

Financial Analysis

Table of Contents

For the eight months ended February 28, 2014

Clean Energy Finance and Investment Authority

Comparison of FY 2014 Budget to Actual

Statement of Income - General Operations and Program Expenses

For the eight months ended February 28, 2014

(000's)

	Actual FY2014 Gen. Ops	Actual FY2014 Programs	Actual FY2014 Total	Budget FY2014 Gen. Ops	Budget FY2014 Programs	Budget FY2014 Total	(Under) Over Budget	%
Income								
Utility customer assessments	$ 19,209.4	$ -	$ 19,209.4	$ 19,050.0	$ -	$ 19,050.0	$ 159.4	1%
RGGI auction proceeds	$ 10,229.1	$ -	$ 10,229.1	$ 7,215.0	$ -	$ 7,215.0	$ 3,014.1	42%
Interest on bank deposits	$ 61.9	$ -	$ 61.9	$ 68.0	$ -	$ 68.0	$ (6.1)	(9%)
Interest on project loans & SPV advances	$ 268.8	$ -	$ 268.8	$ -	$ -	$ -	$ 268.8	
Interest income-Solar Lease Notes,net of fees	$ 70.6	$ -	$ 70.6	$ 73.0	$ -	$ 73.0	$ (2.4)	(3%)
Grant income (N2N/Sunshot)	$ -	$ 275.8	$ 275.8	$ -	$ 275.8	$ 275.8	$ -	0%
Other income	$ 112.5	$ -	$ 112.5	$ 69.0	$ -	$ 69.0	$ 43.5	63%
Total revenues:	$ 29,952.2	$ 275.8	$ 30,228.0	$ 26,475.0	$ 275.8	$ 26,750.8	$ 3,477.2	13%
Expenses								
Compensation & Benefits:								
-Salaries & Wages-CEFIA employees	$ 366.1	$ 1,645.5	$ 2,011.6	$ 391.4	$ 1,758.5	$ 2,149.9	$ (138.3)	(6%)
-Salaries & Wages-CI shared services	$ 257.2	$ -	$ 257.2	$ 286.9	$ -	$ 286.9	$ (29.7)	(10%)
-Employee Benefits-CEFIA employees	$ 270.2	$ 1,214.5	$ 1,484.7	$ 291.2	$ 1,308.0	$ 1,599.1	$ (114.4)	(7%)
-Employee Benefits-CI shared services	$ 207.5	$ -	$ 207.5	$ 231.5	$ -	$ 231.5	$ (24.0)	(10%)
-Temporary employees	$ 0.9	$ -	$ 0.9	$ 15.0	$ 20.0	$ 35.0	$ (34.1)	(98%)
Consulting and professional fees								
- Legal	$ 29.1	$ 124.0	$ 153.1	$ 30.0	$ 124.0	$ 154.0	$ (0.9)	(1%)
- Municipal fees	$ -	$ 0.5	$ 0.5	$ -	$ 0.5	$ 0.5	$ -	0%
- Consulting fees	$ 40.0	$ 439.6	$ 479.6	$ 40.0	$ 439.6	$ 479.6	$ 0.0	0%
- Project inspection fees	$ -	$ 146.3	$ 146.3	$ -	$ 146.3	$ 146.3	$ -	
Marketing/External relations	$ 103.0	$ 778.6	$ 881.6	$ 150.0	$ 778.6	$ 928.6	$ (47.0)	(5%)
EM&V	$ -	$ 105.0	$ 105.0	$ -	$ 105.0	$ 105.0	$ -	
Rent and location related expenses								
-Rent/Utilities/Maintenance	$ 23.3	$ 104.8	$ 128.1	$ 29.0	$ 129.0	$ 158.0	$ (29.9)	(19%)
-Telephone/Communications	$ 5.5	$ 24.9	$ 30.4	$ 7.6	$ 34.4	$ 42.0	$ (11.6)	(28%)
-Depreciation FF&E	$ 12.4	$ 55.9	$ 68.3	$ 12.4	$ 55.9	$ 68.3	$ -	0%
Office, computer & other expenses								
-Office expense/leases	$ 8.8	$ 39.7	$ 48.5	$ 10.4	$ 46.6	$ 57.0	$ (8.5)	(15%)
-Computer operations	$ 5.0	$ 115.7	$ 120.8	$ 7.2	$ 125.7	$ 132.9	$ (12.1)	(9%)
-Training/education/subscriptions	$ 29.6	$ 14.9	$ 44.5	$ 34.0	$ 20.0	$ 54.0	$ (9.5)	(18%)
-Travel,meetings & related expenses	$ 30.4	$ 30.0	$ 60.4	$ 45.0	$ 50.0	$ 95.0	$ (34.6)	(36%)
-Insurance	$ 26.9	$ -	$ 26.9	$ 40.0	$ -	$ 40.0	$ (13.1)	(33%)
Subtotal:	$ 1,416.0	$ 4,839.7	$ 6,255.8	$ 1,621.6	$ 5,142.0	$ 6,763.6	$ (507.8)	(8%)
Grant expenses(N2N)	$ -	$ 241.2	$ 241.2	$ -	$ 241.2	$ 241.2	$ -	
Interest Rate Buydowns	$ -	$ 26.2	$ 26.2		$ 26.2	$ 26.2	$ -	
Financial Incentives-Grants & Rebates	$ -	$ 2,161.3	$ 2,161.3	$ -	$ 2,161.3	$ 2,161.3	$ -	
Total expenses:	$ 1,416.0	$ 7,268.4	$ 8,684.5	$ 1,621.6	$ 7,570.7	$ 9,192.3	$ (507.8)	(6%)
FY14 revenues over FY14 expenses:			$ 21,543.5			$ 17,558.4	$ 3,985.1	
Fin. Incen.:Grants/Rebates Paid - Pre FY14 commitments:			$ (6,062.4)					
Revenues over expenses:			$ 15,481.1					

Clean Energy Finance and Investment Authority
Statement of Revenues, Expenses
and Changes in Net Assets
For the eight months ended February 28, 2014
(000's)

Total Net Assets	**6/30/2013**		$ 99,116.6
FY 2014 expenses over income:			21,544.5
Utility customer assessments	19,209.4		
Interest income	401.3		
RGGI auction proceeds	10,229.1		
Grant income	275.8		
Other income	112.5		
		30,228.0	
Compensation	(3,961.4)		
Consulting and professional fees	(632.7)		
Marketing/External relations	(881.6)		
Project Inspection fees	(146.3)		
EM&V	(105.0)		
Rent and location related expenses	(226.8)		
Office, computer & other expenses	(301.0)		
		(6,254.8)	
Interest Rate Buydowns - New Programs	(26.2)		
Residential Solar PV rebates	(2,161.3)		
		(2,187.5)	
NOTE: Subtotal, Recurring Programs		21,785.7	
Federal Grants	(241.2)		
NOTE: Subtotal, Non-Recurring/Special Programs		(241.2)	
Expenditures grants and rebates approved prior to FY14			$ (6,062.4)
PROGRAM GOAL 1 PROJECT 150 & PRE DEVELOPMENT PROGRAM		$ (1,500.00)	
Residential Solar PV Investment Program (Section 106,PA 11-80)		(1,994.3)	
CI&I On Site Generation - Solar PV		(714.4)	
CI&I On Site Generation -Fuel Cell		(831.6)	
Geo Thermal, Solar Thermal and Hot Water Projects		(521.5)	
CI&I ON SITE GENERATION PROGRAM - FEASIBILITY STUDIES		(50.0)	
Operational Demonstration Program		(62.3)	
CHP Pilot		(258.1)	
Education & Outreach Programs		(130.2)	
Transfer to State of Connecticut			(4,133.20)
Other			$ (0.6)
Total Net Assets	**2/28/2014**		$ 110,464.9

Clean Energy Finance and Investment Authority
Financial Analysis
For the eight months ended February 28, 2014
Statement of Net Assets
(000's)

	Final 6/30/2013	YTD 2/28/2014	Budgeted 6/30/2014
Assets			
Current assets			
Cash and cash equivalents (Unrestricted)	$ 67,796.4	$ 69,452.6	$ 11,006.9
Utility receivables	$ 2,604.8	$ 3,341.1	$ 2,200.0
Accounts receivable	$ 1,941.5	$ 59.4	$ 1,200.0
Other current assets	$ 243.4	$ 163.8	$ 200.0
Total current assets	$ 72,586.1	$ 73,016.9	$ 14,606.9
Noncurrent assets			
Investments			
Promissory notes - solar lease program V1 ,net of reserve	$ 11,240.2	$ 10,836.8	$ 10,496.8
Promissory notes - solar lease program V2,net of reserve	$ 2,300.0	$ 2,300.0	$ 2,185.0
Promissory notes - solar loan program ,net of reserve	$ -	$ 285.0	$ 2,937.4
Promissory notes - WIN LISC program,net of reserve	$ -	$ -	$ 1,800.0
Promissory notes - Campus Efficiency NOW program ,net of reserve	$ -	$ 183.2	$ 900.0
Promissory notes - Energy Efficiency Loan programs,net of reserve	$ -	$ 75.0	$ 4,750.0
Promissory notes - CPACE program	$ 86.0	$ 6,906.8	$ 24,296.2
Promissory notes - Alpha/Op/Feas. Demo programs	$ 100.0	$ 657.0	$ 667.5
Promissory notes - Grid tied program program,net of reserve	$ 3,581.5	$ 6,025.8	$ 6,570.0
Promissory notes - AD/CHP programs	$ -	$ -	$ 2,500.0
Promissory notes - Solar PV Capital Competition program	$ -	$ -	$ 1,000.0
Promissory notes - Micro Grid program,net of reserve	$ -	$ -	$ 4,500.0
Equity Investment/Solar Lease program	$ -	$ 295.8	$ 4,500.0
Investment in CEFIA Holdings, LLC	$ 99.0	$ 99.0	$ -
Equity/Debt investments (pre FY13)	$ 1,000.0	$ 1,000.0	$ 2,000.0
Investments-REC's	$ 1,217.5	$ 1,217.5	$ 1,500.0
Furniture,Equipment & L/H Improvements	$ 362.5	$ 316.4	$ 200.0
Due From CT Solar Lease 2 LLC - ARRA Funds for LLR(restricted)	$ 3,500.0	$ 3,500.0	$ 3,500.0
Cash and cash equivalents (restricted)	$ 4,859.7	$ 5,043.1	$ 7,874.5
Total non current assets	$ 28,346.4	$ 38,741.3	$ 82,177.4
Total assets	$ 100,932.4	$ 111,758.2	$ 96,784.3

	Final 6/30/2013	YTD 2/28/2014	Budgeted 6/30/2014
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$ 1,422.9	$ 875.4	$ 4,000.0
Custodial account	$ 360.0	$ 360.0	$ -
Deferred Revenue	$ 33.0	$ 58.0	$ -
Total libilities	$ 1,815.9	$ 1,293.4	$ 4,000.0
Net Assets:			
Investment in capital assets	$ 362.5	$ 316.4	$ 200.0
Restricted	$ 8,143.7	$ 8,543.1	$ 11,374.5
Unrestricted	$ 90,610.4	$ 101,605.4	$ 81,209.8
Total Net Assets	$ 99,116.5	$ 110,464.8	$ 92,784.3
Total Liabilities and Net Assets	$ 100,932.4	$ 111,758.2	$ 96,784.3

Clean Energy Finance and Investment Authority

Statement of Cash Flows

As of February 28, 2014

(000's)

	Actual Month of 2/28/2014	Actual YTD 2/28/2014	Budget Fiscal Year 6/30/2014
Cash flows from operating activities			
CASH IN:			
Proceeds from utility customer assessments	2,245.2	18,473.1	$ 27,600.0
Proceeds from RGGI auctions	2,550.0	6,196.0	$ 5,900.0
Proceeds from RGGI additional sources	5,973.9	5,973.9	$ 12,800.0
Proceeds from grants	-	348.5	$ 300.0
Proceeds from RECs/other income	3.0	416.4	$ 150.0
Proceeds from Interest on deposits,investments, solar lease nc	81.8	220.7	$ 260.0
CASH OUT:			
Expenditures General and Program Administration	(592.1)	(6,397.6)	$ (10,500.0)
Expenditures federal grants (N2N)	(1.2)	(320.2)	$ (300.0)
Expenditures grants and rebates approved prior to FY14	(227.8)	(5,536.0)	$ (8,000.0)
Expenditures grants and rebates -other programs	(748.4)	(3,145.0)	$ (5,100.0)
Expenditures residential solar lease PV program- rebates	-	-	$ (4,750.0)
Expenditures-Credit Enhancement IRB	(0.4)	(24.4)	$ -
Net cash (used by)/provided by operating activities	$ 9,283.9	$ 16,205.5	$ 18,360.0
Cash flows from investing activities			
LOAN RECOVERY			
Return of principal on solar lease V1 promissory notes	58.5	460.0	$ 720.0
Proceeds from residential solar loan program	-	-	$ 75.0
	58.5	460.0	795.0
LOAN DISBURSEMENTS			
AD/CHP programs	-	(150.0)	$ (2,500.0)
Alpha & Op Demo programs	(187.0)	(512.0)	$ (1,335.0)
Campus Efficiency NOW program	-	(183.2)	$ (875.0)
CPACE program	(1,719.8)	(6,784.7)	$ (25,000.0)
Energy Efficiency Loan programs	-	(75.0)	$ (5,000.0)
Grid tied program	-	(2,375.0)	$ (3,500.0)
Micro Grid program	-	-	$ (5,000.0)
Advance to CT Solar Loan I - Residential loan program	-	(285.0)	$ (2,803.9)
Solar PV Capital Competition	-	-	$ (1,000.0)
WINN LISC program	-	-	$ (1,875.0)
	(1,906.8)	(10,365.0)	(48,888.9)

Clean Energy Finance and Investment Authority

Statement of Cash Flows

As of February 28, 2014

(000's)

	Actual Month of 2/28/2014	Actual YTD 2/28/2014	Budget Fiscal Year 6/30/2014
EQUITY INVESTMENTS			
Commercial solar lease (MUSH) program	-	-	(675.0)
Residential solar lease SHW program	-	-	(225.0)
Residential solar lease PV program	(125.7)	(295.8)	(3,600.0)
	(125.7)	(295.8)	(4,500.0)
Net cash used by investing activities	$ (1,974.0)	$ (10,200.7)	$ (52,593.9)
Cash flows from capital activities			
Purchase of furniture,equipment & software	-	$ (31.8)	$ (25.0)
Net cash used in operating,investing and capital activities	7,310.0	5,973.0	$ (34,258.9)
State of Connecticut Cash Sweep	(516.7)	(4,133.3)	$ (6,200.0)
Cash and cash equiv., Beginning of Period	67,702.4	72,656.1	$ 62,840.3
Cash and cash equiv., End of Period	$ 74,495.7	$ 74,495.7	$ 22,381.4
UNRESTRICTED CASH:	$ 69,452.6	$ 69,452.6	$ 11,006.9
RESTRICTED CASH:	$ 5,043.1	$ 5,043.1	$ 11,374.5
	$ 74,495.7	$ 74,495.7	$ 22,381.4

CASH: February 28,2014 before restricted cash and future transfers to State of CT:	**$ 74,495.7**
CASH: Restricted Federal, State and Private Foundation grant funds:	**$ (5,043.1)**
Remaining transfers to be made to State of Connecticut Treasurer	**$ (2,067.0)**
CASH: February 28, 2014 before unfunded commitments/ Board allocations/cash needed for ops:	**$ 67,385.6**
Unfunded financial incentives for specific commercial & residential projects:	
CPACE program-	**$ (12,722.0)**
Solar PV program-	**$ (17,128.0)**
AD/CHP program-	**$ (4,500.0)**
Low to moderate income housing-	**$ (2,000.0)**
Fuel Cells-	**$ (1,363.0)**
Capital competition-	**$ (1,000.0)**
Clean Energy Business Solutions-	**$ (750.0)**
Other programs-	**$ (4,582.0)**
Board approved allocations of unrestricted cash to fund on going programs & projects:	
Available CPACE warehouse facility-	**$ (20,371.0)**
Future equity investment in lease program-	**$ (7,200.0)**
Other programs-	**$ (7,515.0)**
Projected cash (used by)/ provided by operations through fiscal year end:	**$ 6,120.0**
CASH: February 28, 2014 after restrictions and unfunded commitments and Board allocations:	**$ (5,625.4)**

Clean Energy Finance and Investment Authority

Statement of Program Investments & Guarantees

As of February 28, 2014

Contract Date	Approval Date	Loan No.	Issuer	Project	Approved Commitment	Investment/ Advances to date	Reserve	Current Valuation	Interest Rate	Termination/ Maturity Date
CPACE Construction Loan Program-Total Board Commitment $40,000,000-Available $20,371,424										
9/3/2013	02/15/13	CPACE-001	Main Street Ventures LLC	Construction Loan	$ 1,992,976	$ 263,872	$ -	$ 263,872	5.5%	TDB
4/1&8/13/2013	4/30/2013	CPACE-002	Elite Development Group	Construction Loan	$ 559,950	$ 352,000	$ -	$ 352,000	4.5%	TDB
6/17/2013	04/30/13	CPACE-003	Bushnell Memorial Hall	Construction Loan	$ 384,016	$ -	$ -	$ -	5.0%	TDB
	4/30&7/2/2013	CPACE-004	Bridgeport International Academy	Construction Loan	$ 603,662	$ -	$ -	$ -	5.0%	TDB
11/1/2013	06/21/13	CPACE-005	Danbury YMCA	Construction Loan	$ 87,938	$ 87,938	$ -	$ 87,938	5.5%	TDB
7/22/2013	06/21/13	CPACE-006	Walnut Hutley LLC	Construction Loan	$ 145,000	$ 132,550	$ -	$ 132,550	5.5%	TDB
6/28/2013	06/24/13	CPACE-007	Identification Products Corp.	Construction Loan	$ 107,556	$ 107,566	$ -	$ 107,566	5.5%	TDB
7/22/2013	07/02/13	CPACE-008	ICH, Inc.	Construction Loan	$ 325,000	$ 247,125	$ -	$ 247,125	5.5%	TDB
10/24/2013	07/02/13	CPACE-009	80 Lamberton Road LLC	Construction Loan	$ 1,818,486	$ 1,207,509	$ -	$ 1,207,509	5.5%	TDB
9/3/2013	07/02/13	CPACE-010	MK Simsbury Group	Construction Loan	$ 674,566	$ 664,033	$ -	$ 664,033	5.5%	TDB
9/1/2013	07/02/13	CPACE-011	MK Roscommon Group	Construction Loan	$ 2,513,915	$ 2,368,427	$ -	$ 2,368,427	5.5%	TDB
12/4/2013	07/02/13	CPACE-012	290 Pratt LLC	Construction Loan	$ 1,790,847	$ -	$ -	$ -	5.5%	TDB
9/13/2013	08/26/13	CPACE-013	True Value Hardware	Construction Loan	$ 259,000	$ 259,000	$ -	$ 259,000	5.5%	TDB
10/25/2013	09/03/13	CPACE-014	Larson Ace Hardware	Construction Loan	$ 148,500	$ 45,990	$ -	$ 45,990	5.5%	TDB
11/19/2013	09/03/13	CPACE-015	Crest Mechanical (Norwich)	Construction Loan	$ 350,000	$ 255,000	$ -	$ 255,000	5.5%	TBD
12/20/2013	09/03/13	CPACE-016	WB Staebler Properties	Construction Loan	$ 386,345	$ -	$ -	$ -	5.5%	TDB
12/11/2013	10/19/13	CPACE-017	Sweetland Realty (22 Waterville Rd.)	Construction Loan	$ 419,346	$ 406,193	$ -	$ 406,193	5.5%	TDB
11/14/2013	10/19/13	CPACE-018	ISCT Realty (29 Trefoil Dr.)	Construction Loan	$ 1,001,298	$ 473,524	$ -	$ 473,524	5.5%	TDB
3/13/2014	11/15/13	CPACE-020	Sofia's Plaza(North Rd East Wd.)	Construction Loan	$ 750,000	$ -	$ -	$ -	5.5%	TDB
3/13/2014	11/15/13	CPACE-020A	Sofia's Plaza(Prospect Hill East Wd.)	Construction Loan	$ 750,000	$ -	$ -	$ -	5.5%	TBD
	12/20/13	CPACE-021	YMCA(West Main,Meriden)	Construction Loan	$ 372,466	$ -	$ -	$ -	5.5%	TBD
3/19/2014	12/20/13	CPACE-022	Bourdon Acres(Tuttle Rd,Middletown)	Construction Loan	$ 1,500,000	$ -	$ -	$ -	5.5%	TBD
	12/20/13	CPACE-023	Khima LLC(Hartford Tpk,Vernon)	Construction Loan	$ 850,000	$ -	$ -	$ -	5.5%	TBD
	12/20/13	CPACE-024	EllenvilleAssoc(Bank St,Waterbury)	Construction Loan	$ 523,311	$ -	$ -	$ -	5.7%	TBD
	12/20/13	CPACE-025	InfinityVII(Day Hill Rd,Windsor)	Construction Loan	$ 829,399	$ -	$ -	$ -	6.0%	TBD
3/25/2014	12/20/13	CPACE-026	Shagbark(East Haddam)	Construction Loan	$ 485,000	$ -	$ -	$ -	5.0%	TBD
			Various Projects	Accured Interest to Date	$ -	$ 36,024	$ -	$ 36,024		
					$ 19,628,576	$ 6,906,750	$ -	$ 6,906,750		

Clean Energy Finance and Investment Authority

Statement of Program Investments & Guarantees

As of February 28, 2014

Contract Date	Approval Date	Loan No.	Issuer	Project	Approved Commitment	Investment/ Advances to date	Reserve	Current Valuation	Interest Rate	Termination/ Maturity Date
Fuel Cell Project Financing										
3/5/2013	12/21/2012	FCE-001	Fuel Cell Energy, Inc.	Development of Bridgeport Fuel Cell Park	$ 5,873,188	$ 5,873,188	$ -	$ 5,873,188	5%	3/31/2026
3/5/2013	12/21/2012	FCE-001	Fuel Cell Energy, Inc.	Accrued Interest to Date	$ -	$ 152,594	$ -	$ 152,594		
					$ 5,873,188	$ 6,025,782	$ -	$ 6,025,782		
Anaerobic Digester Financing										
	9/13/2013	AD-001	Greenpoint Energy Partners LLC	Development of Anaerobic Facility in the City of Ansonia	$ 4,500,000	$ -	$ -	$ -	2%	TDB
					$ 4,500,000	$ -	$ -	$ -		
Energy Efficiency Financing of Low to Moderate Income Housing										
8/13/2013	2/15/2013		LISC/WinnDevelopment Co LP	Comibination of loan participation and interest repayment guarantees foe energy efficiency upgrades to low and moderate income housing	$ 2,000,000	$ -	$ -	$ -	TDB	TDB
					$ 2,000,000	$ -	$ -	$ -		
Feasiblity Study Loans										
2/15/2013	2/15/2013	FEA - 001	Nu Power Thermal LLC	Bridgeport District Energy System	$ 89,000	$ 89,000	$ -	$ 89,000	0%	2/13/2018
	8/19/2013	FEA-002	Distributed Sun LLC	Micro grid Project, Great Pond Windsor	$ 49,501	$ -	$ -	$ -		
					$ 138,501	$ 89,000	$ -	$ 89,000		
Energy Efficiency Financing										
9/13/2012	7/27/2012	GU-001	Greener U/Campus Efficiency Now	Energy efficiency financing to Colleges and Universities in the CT Conference of Independent Colleges -available for projects	$ 194,907	$ -	$ -	$ -	IRR of 7%	TBD Project by Project
			Projects:	University of New Haven	$ 305,000	$ 183,243	$ -	$ 183,243		
				University of Hartford	$ 500,093	$ -	$ -	$ -		
					$ 1,000,000	$ 183,243	$ -	$ 183,243		
Capital Competition Financing										
	7/19/2013	CC-001	SunGen Capital Management	Residential PV Financing without the use of Rebates or PBIs.	$ 1,000,000	$ -	$ -	$ -	TBD	TBD
					$ 1,000,000	$ -	$ -	$ -		

Clean Energy Finance and Investment Authority

Statement of Program Investments & Guarantees

As of February 28, 2014

Contract Date	Approval Date	Loan No.	Issuer	Project	Approved Commitment	Investment/ Advances to date	Reserve	Current Valuation	Interest Rate	Termination/ Maturity Date
SHW Financing										
12/9/2013	10/10/2013	SHW - 001	Two Roads Brewery	Commercial SHW Loan	$ 75,000	$ 75,000	$ -	$ 75,000	2%	12/9/2018
					$ 75,000	$ 75,000	$ -	$ 75,000		
Alpha Program										
8/28/2012		13-50100-2	Anchor Science, LLC	Development of nanomaterial for thermal energy management in	$ 150,000	$ 135,000	$ -	$ 135,000	6% or Prime +1%	8/28/2022
8/9/2012		13-50100-1	Apollo Solar, Inc.	Development of solar smart grid inverter.	$ 150,000	$ -	$ -	$ -	6% or Prime +1%	8/9/2022
					$ 300,000	$ 135,000	$ -	$ 135,000		
Op Demo Program (1)										
8/8/2007		ODP-001	Mechatronic Energy Systems, LLC	Low Head Run-of the-River Hydro Turbine Technology Project,	$ 557,134	$ 501,421	$ (501,420)	$ 1	TBD	8/7/2017
4/5/2010		ODP-003	LiteTrough, LLC	Concentrated Solar Water Heater Technology,Milford,CT	$ 81,000	$ 31,380	$ (31,379)	$ 1	4.25%	4/4/2020
6/28/2010		ODP-004	Avalence, LLC	High pressure multipurpose electrolyer technology, Hamden,CT	$ 500,000	$ 350,000	$ (349,999)	$ 1	TBD	6/27/2020
3/1/2013	1/8/2013	ODP-005	New England Hydropower Co.,LLC	Demonstration of commercial viability of company's small hydropower	$ 500,000	$ 50,000	$ -	$ 50,000	TBD	TBD
5/1/2013	1/8/2013	ODP-006	RPM Sustainable Technologies, Inc.	Innovative processing equipment for biofuels production.	$ 500,000	$ 383,000	$ -	$ 383,000	TBD	TBD
					$ 2,138,134	$ 1,315,801	$ (882,798)	$ 433,003		
Pre Development Program (1)										
4/30/2009		PD-002	Chestnut Hill BioEnergy CT, LLC	Biomass generation project, Waterbury,CT	$ 500,000	$ 237,245	$ (237,244)	$ 1	4.25%	TBD
02/19/09		PD-003	BNE Energy Inc.	Colebrook Wind - Phase I	$ 119,625	$ 119,625	$ (119,624)	$ 1	4.25%	TBD
02/19/09		PD-004	BNE Energy Inc.	Prospect Wind - Phase I	$ 102,375	$ 102,375	$ (102,374)	$ 1	4.25%	TBD
06/24/10		PD-005	BNE Energy Inc.	Colebrook Wind - Phase II	$ 380,375	$ 380,375	$ (380,374)	$ 1	4.25%	TBD
06/24/10		PD-006	BNE Energy Inc.	Prospect Wind - Phase II	$ 397,625	$ 397,625	$ (397,624)	$ 1	4.25%	TBD
					$ 1,500,000	$ 1,237,245	$ (1,237,240)	$ 5		
				Project Loans:	$ 38,153,399	$ 15,967,821	$ (2,120,038)	$ 13,847,783		
				Unfunded:		$ 22,185,578				

(1) Due to the nature of the Pre Development and Op Demo Loans, the loans are currently fully reserved for.

Clean Energy Finance and Investment Authority

Statement of Program Investments & Guarantees

As of February 28, 2014

Contract Date	Approval Date	Loan No.	Issuer	Project	Approved Commitment	Investment/ Advances to date	Reserve	Current Valuation	Interest Rate	Termination/ Maturity Date

CEFIA Guarantees

Commitment Date	Lender/Equity Holder		Max. Amount
6/28/2013	Firstar Development LLC	Guarantee of performance obligations of CEFIA Solar Service Inc under Solar Lease 2 program	$ 4,000,000
8/13/2013	Webster Bank	Energy installer line of credit	TBD

Clean Energy Finance and Investment Authority
Statement of Incentives, Grants and Rebates
As of February 28, 2014
(000's)

Program	Pre FY14 Programs: Commitments Outstanding 6/30/2013	Fundings YTD FY14	Withdrawn	Commitments Outstanding 2/28/2014
Pre FY13				
Project 150	$ 1,500.0	$ (1,500.0)	$ -	$ -
Commercial Solar (for profit)	$ 1,658.3	$ (244.3)	$ -	$ 1,414.0
Commercial Solar (not for profit/government)	$ 1,515.9	$ (470.1)	$ -	$ 1,045.8
Fuel Cell program	$ 2,194.9	$ (831.6)	$ -	$ 1,363.3
CI&I On Site Generation -Feasibility Studies	$ 130.0	$ (50.0)	$ -	$ 80.0
Residential Solar PV Investment Program (non PBI) Pre FY13	$ 147.5	$ (47.9)	$ -	$ 99.6
Residential Solar PV Investment Program (FY12 PBI - to be paid out in current & future years)	$ 776.8	$ (44.3)	$ -	$ 732.5
Solar Thermal/Geothermal/Solar Hot Water Programs	$ 1,033.6	$ (521.5)	$ -	$ 512.1
Operational Demonstration & Alpha Programs	$ 213.4	$ (62.3)	$ -	$ 151.1
Education & Outreach Programs	$ 204.8	$ (65.7)	$ -	$ 139.1
Subtotal Pre FY13	$ 9,375.3	$ (3,837.9)	$ -	$ 5,537.4
FY13				
CHP Pilot	$ 934.5	$ (258.1)	$ -	$ 676.4
Residential Solar PV Investment Program (non PBI) FY13	$ 2,194.2	$ (1,645.7)	$ -	$ 548.5
Residential Solar PV Investment Program (FY13 PBI - to be paid out in current & future years)	$ 4,312.0	$ (256.3)	$ -	$ 4,055.7
Education & Outreach -CTHSS	$ 363.4	$ (64.4)	$ -	$ 299.0
Subtotal FY13	$ 7,804.1	$ (2,224.5)	$ -	$ 5,579.6
	$ 17,179.4	$ (6,062.4)	$ -	$ 11,117.0

Program	FY 14 Programs: FY14 Budget	FY14 Commitments	Fundings YTD FY14	Withdrawn	Commitments Outstanding 2/28/2014
Maintain					
Clean Energy Communities	$ 550.0	$ 737.0	$ (42.8)	$ -	$ 694.2
Community Innovation Grants	$ 75.0	$ 2.3	$ (2.3)	$ -	$ -
Project Opportunities/Strategic Investment Fund	$ 500.0	$ -	$ -	$ -	$ -
Statutory					
(to be paid out in current and future years)					
Residential Solar PV Investment Program (Non PBI)	$ 9,200.0	$ 6,777.5	$ (2,116.0)	$ -	$ 4,661.5
Residential Solar PV Investment Program (PBI)		$ 4,242.6	$ (0.1)	$ -	$ 4,242.5
Residential Solar PV Investment Program (PBI - Solar Lease 2)		$ 813.2	$ -	$ -	$ 813.2
Anaerobic Digestor Pilot	$ 1,000.0	$ -	$ -	$ -	$ -
CHP Pilot	$ 2,000.0	$ -	$ -	$ -	$ -
Commercial & Industrial					
Solar PV Capital Competition (REC Purchases)	$ 525.0	$ -	$ -	$ -	$ -
Clean Energy Business Solutions	$ 3,000.0	$ 750.0	$ -	$ -	$ 750.0
	$ 16,850.0	$ 13,322.6	$ (2,161.3)	$ -	$ 11,161.3
			$ (8,223.7)		$ 22,278.3

Clean Energy Finance and Investment Authority
Financial Analysis
Utility Customer Assessment Analysis
For the eight months ended February 28, 2014
(000's)

	FY 14 Actual	FY14 Budget	(Under) Over FY 14
July	$ 2,820.2	$ 2,650.0	$ 170.2
August	$ 2,659.2	$ 2,850.0	$ (190.8)
September	$ 2,375.3	$ 2,400.0	$ (24.7)
October	$ 1,957.7	$ 2,150.0	$ (192.3)
November	$ 1,996.9	$ 2,000.0	$ (3.1)
December	$ 2,236.7	$ 2,250.0	$ (13.3)
January	$ 2,732.0	$ 2,450.0	$ 282.0
February	$ 2,431.4	$ 2,300.0	$ 131.4
March	$ -	$ 2,250.0	
April	$ -	$ 2,250.0	
May	$ -	$ 1,850.0	
June	$ -	$ 2,200.0	
Total assessments:	$ 19,209.4	$ 27,600.0	$ 159.4
			0.8%

Clean Energy Finance and Investment Authority
ARRA Funds - Financial Analysis
Loan Loss and Interest Rate Buydown Outlays
Inception through February 28, 2014

Loan Loss Reserve	Institution	(6/2013-2/2014) No of Loans Supported	(6/2013-2/2014) Loans Supported - $	Loan Loss Reserve	(6/2013-2/2014) No of Loan Writeoffs	(6/2013-2/2014) Loan Writeoffs -$	(6/2013-2/2014) No of Loans Fully Repaid	(6/2013-2/2014) Loans Fully Repaid - $
Energy Efficiency Loan Programs (CE Financial Innovation Program)								
Agreement Date								
02/28/13	Core Plus FCU	31	$ 278,753.00	$ 22,500.00	-	$ -	-	$ -
04/13/13	Eastern Savings Bank	10	$ 133,372.00	$ 22,500.00	-	$ -	-	$ -
09/05/13	Liberty Bank	1	$ 10,500.00	$ 68,750.00				
05/20/13	(Ion) Naugatuck Savings Bank	11	$ 125,639.00	$ 22,500.00	-	$ -	-	$ -
04/23/13	Nutmeg State FCU	14	$ 218,645.40	$ 22,500.00	-	$ -	-	$ -
04/12/13	Patriot National Bank	15	$ 192,375.00	$ 68,750.00	-	$ -	-	$ -
05/22/13	Thomaston Savings Bank	1	$ 25,000.00	$ 22,500.00	-	$ -	-	$ -
08/14/13	Union Savings Bank	-	$ -	$ 22,500.00	-	$ -	-	$ -
	Sub total Energy Efficiency Loan Program:	83	984,284.40	272,500.00	-	$ -	-	$ -
CT Solar Loan I (CE Financial Innovation Program)								
03/26/13	CEFIA (Administered by Sungage)	10	$ 209,876.00	$ 300,000.00	-	$ -	-	$ -
	Sub total Cozy Loan Program:	10	$ 209,876.00	$ 300,000.00	-	$ -	-	$ -
Cozy loan Program (CE Financial Innovation Program)								
03/26/13	The Housing development Fund	0	$ -	$ 360,000.00	-	$ -	-	$ -
	Sub total Cozy Loan Program:	-	$ -	$ 360,000.00	-	$ -	-	$ -
Solar Lease 2 Program (CE Financing Program)								
06/28/13	CEFIA Solar Lease 2 LLC	11	$ 416,245.0	$ 3,500,000.00	-	$ -	-	$ -
		11	$ 416,245.0	$ 3,500,000.00	$ -	$ -	-	$ -
	Total - All Programs:	104	$ 1,610,405.40	$ 4,432,500.00	-	$ -	-	$ -

Interest Rate Buydown Reserve	Institution	(6/2013-2/2014) No of Loans Supported	(6/2013-2/2014) Loans Supported - $	(6/2013-2/2014) IRB Reserve	(6/2013-2/2014) No of Loan Writeoffs	(6/2013-2/2014) Loan Writeoffs -$	(6/2013-2/2014) No of Loans Fully Repaid	(6/2013-2/2014) Loans Fully Repaid - $
Energy Efficiency Loan Programs (CE Financial Innovation Program)								
Agreement Date			**Total Reserve for Program:**	$ 320,000.00				
05/17/13	Core Plus FCU	31	$ 278,753.00	$ (7,564.61)	-	$ -	-	$ -
07/18/13	Eastern Savings Bank	10	$ 133,372.00	$ (3,209.84)	-	$ -	-	$ -
09/05/13	Liberty Bank	1	$ 10,500.00	$ (314.48)	-	$ -	-	$ -
06/03/13	Ion (Naugatuck Savings Bank)	11	$ 125,639.00	$ (3,255.68)	-	$ -	-	$ -
05/14/13	Nutmeg State FCU	14	$ 218,645.40	$ (5,975.21)	-	$ -	-	$ -
05/25/13	Patriot National Bank	15	$ 192,375.01	$ (4,998.57)	-	$ -	-	$ -

Clean Energy Finance and Investment Authority
ARRA Funds - Financial Analysis
Loan Loss and Interest Rate Buydown Outlays
Inception through February 28, 2014

Loan Loss Reserve		(6/2013-2/2014) No of Loans	(6/2013-2/2014) Loans	Loan	(6/2013-2/2014) No of Loan	(6/2013-2/2014) Loan	(6/2013-2/2014) No of Loans	(6/2013-2/2014) Loans Fully
08/02/13	Quinnipiac Bank	3	$ 29,850.00	$ (710.44)	-	$ -	-	$ -
05/22/13	Thomaston Savings Bank	1	$ 25,000.00	$ (278.60)				
08/14/13	Union Savings Bank	-	$ -	$ -	-	$ -	-	$ -
	Sub total Energy Efficiency Loan Program:	86	$ 1,014,134.41	$ 293,692.57	-	$ -	-	$ -

Cozy loan Program (CE Financial Innovation Program)

Agreement Date								
		Total Reserve for Program:		$ 50,000.0	-	$ -	-	$ -
03/26/13	The Housing Development Fund		$ -	$ -	-	$ -	-	$ -
	Sub total Cozy Loan Program:		$ -	$ 50,000.0	-	$ -	-	$ -

ARRA Used for LLR:	$ 4,432,500.00
ARRA Funds Used for IRB:	$ 370,000.00
Total ARRA Outlays:	$ 4,802,500.00
CE Financial Innovation Program:	$ 1,302,500.00
CE Energy Financing Program:	$ 3,500,000.00
	$ 4,802,500.00

Clean Energy Finance and Investment Authority
Consolidated Balance Sheets for Special Purpose Entities
As of February 28, 2014

	CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	CEFIA Solar Loan I	CEFIA Holdings LLC	Consolidation Entries	Total
ASSETS						
Cash - Unrestricted	176,861	373	97,879	109,289	-	384,402
Cash - Restricted	4,635,497	-	-	4,223	-	4,639,720
Receivables	-	80,000	1,017	-	(80,000)	1,017
Prepaid Insurance	15,297	-	-	-	-	15,297
Residential Solar Loans	-	-	248,635			248,635
Residential Solar Leases	416,245			-		416,245
Investment in affiliates	-	124,470	-	100	(124,570)	-
Due from affiliates	-	3,500,000		6,417,216	(9,917,216)	-
Total Assets	5,243,900	3,704,843	347,531	6,530,828	(10,121,786)	5,705,316
LIABILITIES						
Accounts Payable- PV Systems				167,661		167,661
Lease Prepayments	129,739	-	-	4,235	-	133,974
Other Liabilities	141,799	-	-	818	(80,000)	62,617
Due to CEFIA	88,318	-	200,000	6,180,751		6,469,069
Due to affiliates	6,132,996	3,635,370	148,850	-	(9,917,216)	-
CAPITAL						
CEFIA capital account	-	-	-	99,000		99,000
CI capital account	-	-	-	1,000		1,000
Firstar Development capital account	236,594	-	-	-	-	236,594
CEFIA Solar Services capital account	124,470	-	-	-	(124,470)	-
Common Stock	-	100			(100)	-
Cummulative net income/loss	(1,610,016)	69,373	(1,319)	77,363	-	(1,464,599)
Total Capital and Liabilities	5,243,900	3,704,843	347,531	6,530,828	(10,121,786)	5,705,316

845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: Board of Directors

From: Bryan Garcia, President and CEO

Date: April 17, 2014

Re: Update from the President

Given the length of our agenda and the lack of time available for the April 25, 2014 Board of Directors meeting, I felt that the Update from the President would be best handled through a memo. This memo provides a quick update on several key areas of importance that I would have discussed with the CEFIA BOD, including:

1. Champion of Change Award – Jessica Bailey
2. General Fund Transfers and RGGI Allowance Proceeds
3. Legislative Session
4. Lead by Example
5. Green Bank Movement

If we have time left at the end of the meeting, then we will discuss these items in the "Other Business" section of our agenda.

If anyone has any questions, comments, or concerns, please let me know.

Champion of Change
It is always rewarding when your staff get externally recognized for the hard work that they do and the measurable results that they deliver to society. In last month's Hartford Business Journal's "Connecticut Green Guide," Jessica Bailey was recognized as a "Green Warrior" for getting deals done. And today she is being recognized by the White House and President Obama as a Champion of Change.

Jessica Bailey is being recognized by the White House as a Solar Deployment "Champion of Change" for her work through C-PACE and the promotion of solar power. The Champion of Change Award honors ordinary Americans that are doing extraordinary things in their communities to out-innovate, out-educate, and out-build the rest of the world. We all know that Jessica is nothing short of extraordinary and it is awesome that President Obama is honoring her for her leadership and commitment to environmental protection.

At this special event, Jessica spoke about her work combating climate change and advancing a clean energy future for Connecticut and the country. She spoke about Governor Malloy's creation of the nation's first green bank and its administration of a statewide C-PACE program and how it is attracting private investment in clean energy deployment. She also acknowledged the urgency of addressing the climate problem and getting back to work so that she won't have to tell her children to wait for a planet that is worthy of their future.

Congratulations JB!

General Fund Transfers and RGGI Allowance Proceeds

Per Public Act 13-184 Sections 106 and 107, CEFIA is to transfer $6.2 million in FY 2014 and $19.2 million in FY 2015 to the General Fund. Through February, CEFIA has transferred $4.1 million to the General Fund, and has $2.1 million left to transfer in FY 2014.

In conjunction with the transfer to the General Fund, CEFIA receives additional allowance proceeds for energy efficiency through the Regional Greenhouse Gas Initiative (RGGI). To date, CEFIA has received $9.6 million of the $25.4 million in RGGI allowance proceeds for energy efficiency – see Table 1.[1] These proceeds are going towards the financing of deeper energy efficiency upgrades through the C-PACE program.

Table 1. RGGI Allowance Proceeds Allocated to CEFIA for Energy Efficiency

Auction No.	Auction Date	RGGI Allowance Proceeds
22	12/04/13	$5,973,878
23	03/10/14	$3,628,785

The next RGGI auction is scheduled for June 4, 2014.

RGGI allowance proceed revenues are being received according to plan in order to cover the General Fund transfers in FY 2014 and FY 2015.

Legislative Session

There are three priority pieces of legislation that CEFIA identified at the outset of the legislative session that are set forth in Senate Bill 357.

- **Connecticut Green Bank** – S.B. 357 "An Act Concerning Revisions to Energy Statutes," includes the change of CEFIA's name from the Clean Energy Finance and Investment Authority to Connecticut Green Bank.

- **C-PACE and Micro Grids** – S.B. 357 "An Act Concerning Revisions to Energy Statutes," includes our recommendation to allow micro grid financing into C-PACE. The policy also includes that CEFIA conduct a study on R-PACE (Residential Property Assessed Clean Energy) to discern whether or not it can be implemented in Connecticut in the future.

- **OBR and Cost Recovery** – S.B. 357 "An Act Concerning Revisions to Energy Statutes," includes a provision for cost recovery for the electric and gas distribution companies for the on bill repayment program.

S.B. 357l has received a Joint Favorable from the Energy and Technology Committee on March 18, 2014 and was referred to the Environment Committee on April 9, 2014. Staff concern is that

[1] Note that this does not include the funds CEFIA receives for renewable energy from RGGI.

our legislation also includes other items not related to CEFIA that do not have bipartisan support (i.e., appliance and building standards, and undergrounding and excavation for utility services.)

There are also other pieces of legislation that have arisen over the course of the legislative session that CEFIA has taken an interest in, including:

- **Return of the Transfer to the General Fund** – H.B. 5413 "An Act Concerning Funds for the Public, Educational, and Governmental Programming Education Technology Investment Account and CEFIA," would rescind the budget bill passed in FY 2014 and FY 2015 that transfers funds from CEFIA to the General Fund in the amount of $25.4 million. The bill has been forwarded on to the Appropriations Committee on April 8.

- **Community Clean Energy** – S.B. 353 "An Act Concerning the Development of Class I Renewable Source Projects," includes provisions that would create a shared community pilot program with DEEP and the electric distribution companies similar to a solar garden or community solar except it would be for Class I resources. The bill is on the Senate calendar for a vote.

- **Anaerobic Digester Report** – S.B. 404 "An Act Concerning Renewable Energy Credits for Trash-to-Energy Facilities and Requiring a Report on Anaerobic Digestion Technologies," includes provisions for CEFIA to produce a report. We are working with the CGA to amend the provision since per Section 103 of Public Act 11-80, CEFIA has to produce a report on the anaerobic digester pilot program we are currently running. The bill is on the Senate calendar for a vote.

The CEFIA legislative team is working hard to ensure that our key legislative priorities are being supported and eventually passed.

Lead by Example

Through the leadership of Commissioners Smith and Klee, the CEFIA team met with Secretary Barnes to discuss how we can help the state attract more private investment in its "Lead by Example" efforts. Per PA 11-80, the state has an energy consumption reduction target of twenty percent by 2018. Through the use of bond funds as well as energy savings performance contracts, the state can upgrade its buildings with energy improvements. There are several large projects – totaling $100 million – that are wrapping up their investment grade energy audits and seeking financing to move forward. Through the direction of Secretary Barnes at OPM, we are working with the Attorney General, Treasurer, and staff at DAS, DEEP, and OPM to develop a pathway forward in attracting private investment to support the state's efforts.

I want to thank Commissioner Smith for setting up the meeting, Andy Brydges for preparing us for the meeting, and Bert Hunter for working everyone through the opportunity to attract private investment and to set a pathway for what it will take to get us from start to finish.

Green Bank Movement

The Brookings Institution and the Coalition for Green Capital held a "Green Bank Academy" on February 6-7, 2014 in Washington, D.C. Given Connecticut establishing the first green bank at the state level in the country, CEFIA played a prominent role in the academy. In attendance were 10 states from across the country interested in advancing green banks.[2] Several notable speakers presented during the academy, including: Commissioner Dan Esty of DEEP,

[2] For more information on the Green Bank Academy, go to http://greenbankacademy.com/

Congressman Chris Van Hollen, Richard Kauffman of New York State, and John MacWilliams from the U.S. Department of Energy.

Following the Green Bank Academy, several states followed up with CEFIA to learn more about our experiences establishing and implementing a green bank, including California, Maryland, Minnesota, New Hampshire, New Jersey, New York, and Vermont. Alongside these states, we have also been approached by other territories or groups interested in advancing a green bank model, including China, Inter-American Development Bank (i.e. Latin America), Organization for Economic Cooperation and Development, and the U.S. Congress.

The "Green Bank Act of 2014" is a federal bill to be released by Congressmen Van Hollen (MD) and Himes (CT) in the U.S. House of Representatives. The bill would capitalize a federal green bank that would provide low-interest and long-term loans to states with green banks. CEFIA worked to gain the support of the Connecticut Congressional Delegation, and it is likely that Senators Murphy and Blumenthal will release a companion bill in the Senate.

STATE OF CONNECTICUT

April 1, 2014

To: George Jepsen, Attorney General
Denise Nappier, Treasurer

From: Ben Barnes, Secretary

Cc: Catherine Smith, Commissioner – Department of Economic and Community Development
Robert Klee, Commissioner – Department of Energy and Environmental Protection
Mr. Andy Brydges – Director – Clean Energy Finance and Investment Authority

RE: **Assistance Request – Moving Forward with Lead by Example and Energy Savings Performance Contracting for State Facilities**

Attorney General Jepsen and Treasurer Nappier:

As you know, Governor Malloy is committed to continuing to advance the state's efforts on energy efficiency and clean energy.

To that end, Commissioner Smith, Commissioner Klee, and I are supporting the efforts being made to reduce energy consumption in state facilities through the "Lead by Example" (LBE) program. In the past, we have used bond funds to finance energy improvement projects at several agencies. Going forward, given the level of work that needs to be done across the state, we hope to be able to leverage our state funds with private sector funding to stretch our resources and achieve more of our goals, more quickly.

We are aware that there may be issues associated with this type of financing, including those pertaining to the sovereignty clause as it would apply to tax exempt lease purchasing for financing. We would like to suggest that our teams work together to identify and consider these issues as well as follow-up with AAG Jose Salinas and Bettina Ferguson at the Treasurer's Office to work through these issues. Your staff have been making important contributions to these efforts that are greatly appreciated. I would ask that we have our staffs look into the issue to see what can be done to push forward with attracting private investment.

I am asking Andy Brydges, who is copied on this memo, to follow-up with your staff to work to identify the issues of concern and determine the options we have for moving forward.

We look forward to working with you to make progress and improve the energy performance of our state facilities.

Best regards,

Benjamin Barnes

Ben Barnes

ENERGY INNOVATION
POLICY & TECHNOLOGY, LLC

#. 415.799.2176
e. info@energyinnovation.org
w. energyinnovation.org

WORKING PAPER: STATE GREEN BANKS FOR CLEAN ENERGY

Hallie Kennan

January 2014

EXECUTIVE SUMMARY

The purpose of state green banks is to use public funds and authority to lower the cost and increase the amount of private financing for clean energy technology. State green banks are initially capitalized using existing government sources, such as state programs, federal grants, systems benefit charges, and greenhouse gas allowance proceeds. These funds are then used strategically to lever greater private investment in clean energy and energy efficiency, effectively multiplying the impact of public dollars while making use of private sector expertise.

One of the most useful and flexible structures for state green banks has been as a quasi-governmental state-level financial institution that offers low-cost finance opportunities for clean energy projects. The bank may use a variety of financing tools, such as direct loans and co-investing, on-bill financing, property-assessed clean energy (PACE) programs, credit enhancements, and bonds. One objective of state green banks is to become self-sustaining; for this reason, state green banks intend to prioritize the use of financing tools that will generate returns, rather than offering grants or rebates. State green banks are complementary to federal clean energy incentives, such as tax credits, as these incentives help attract the private investors with which state green banks seek to partner.

State green banks can address gaps in the "finance supply chain" that the private sector cannot easily address on its own. They do not face some of the temporal and financial constraints that may limit private sector investment choices. For example, state green banks have greater flexibility to explore and test untried financing structures than do private investors. Similarly, they can arrange deals whose benefits accrue more to its partners than itself. As a result, state green banks not only improve upon existing financing arrangements, but also create entirely new tools and financing arrangements for clean energy projects.

Several states have already authorized or implemented state green banks. Connecticut established the Clean Energy Finance and Investment Authority (CEFIA) in 2011, making it the longest running state green bank. This paper discusses the goals, structure, and functions of a state green bank, with particular consideration of Connecticut's CEFIA as a case study. The paper concludes with a list of the strengths and weaknesses of state green banks as a policy tool to accelerate clean energy deployment.

WORKING PAPER: STATE GREEN BANKS FOR CLEAN ENERGY

By Hallie Kennan[1]

INTRODUCTION

In recent years, policymakers and think tanks have made several proposals as to how the federal government could establish a financing authority that would provide support for renewable energy. In 2009, the Senate and House each considered bills to create a Clean Energy Deployment Administration, a federal entity that would offer a suite of investment vehicles and credit enhancements to help clean energy technologies bridge the "commercialization gap."[1] While both bills were passed in their respective congressional houses, neither was eventually signed into law. The following year, the Coalition for Green Capital recommended the establishment of an Energy Independence Trust to act as a federally chartered clean energy finance institution.[2] Similarly, the American Energy Innovation Council proposed the New Energy Challenge Program in their 2010 report, "The Business Plan," the aim of which was to accelerate advanced energy technologies to commercial scale through finance opportunities.[3] These suggestions also failed to materialize.

Due to the lack of progress at the federal level, policymakers have since turned their attention to the idea of state-level financing authorities, also known as state green banks or clean energy finance banks, as an alternate means of funding the deployment of commercially available clean energy and energy efficiency technologies. This paper discusses the goals, structure, and functions of a state green bank, with particular consideration of Connecticut's Clean Energy Finance and Investment Authority (CEFIA) as a case study. The paper closes with a list of the strengths and weaknesses of state green banks as a policy tool to accelerate clean energy deployment.

OVERVIEW OF STATE GREEN BANKS

A state green bank can be structured in several ways. One of the most useful and flexible options is to structure the bank as a quasi-governmental state-level financial institution that offers low-cost finance opportunities for clean energy projects. State green banks are initially capitalized using existing government sources, such as state programs, federal grants, systems benefit charges, and greenhouse gas allowance proceeds. These funds are strategically used to lever greater private sector investment in clean energy and energy efficiency, effectively multiplying the impact of public dollars. The bank may use a variety of financing tools, such as direct loans and co-investing, on-bill financing, property-assessed clean energy (PACE) programs, credit enhancements, and bonds.[4] One objective of state green banks is to become self-sustaining; for this reason, state green banks are intended to prioritize the use of financing tools that will generate returns, rather than offering grants or rebates.[5] State green banks are complementary to federal clean energy incentives, such as tax credits, since these incentives help attract the private investors with which state green banks seek to partner.

PURPOSE OF STATE GREEN BANKS

The purpose of state green banks is to use public funds and authorities to lower the cost and increase the amount of private financing for clean energy technology. State green banks use a combination of loans and credit enhancements to leverage greater private financing and to multiply the impact of public dollars – essentially leading to more clean energy deployment using less ratepayer or taxpayer resources.

Beyond simply offering loans with advantageous interest rates, state green banks can address gaps in the "finance supply chain" that the private sector cannot easily address on its own. They do not face some of the temporal and financial constraints that may limit private sector investment choices. For example, state green banks have greater flexibility to explore and test untried financing structures than do private investors. Similarly, a state green bank can arrange deals whose benefits accrue more to its partners than to itself. As a result, state green banks not only improve upon existing financing arrangements, but also create entirely new tools and financing arrangements for clean

[1] Hallie Kennan is the Research Associate at Energy Innovation: Policy and Technology LLC. This working paper was funded by the American Energy Innovation Council and edited by Jason Burwen.

energy projects.

State green banks can also help overcome structural market barriers that impede the widespread commercial deployment of clean energy technologies. The full society-wide benefits of many clean energy technologies (e.g. improved public health from emissions reduction) are not monetized and are thus not represented in market prices. Similarly, the society-wide costs of competing dirty or less-efficient alternatives are not born by producers or consumers and are thus not represented in market prices either. As a result, even proven and commercially available clean energy technologies can remain relatively expensive compared to less clean alternatives, which impedes widespread deployment. A state green bank can provide the necessary support and incentives to help these technologies bridge this 'diffusion and deployment gap' and scale up to become competitive in the market (see Figure 1).

Lastly, a state green bank can act as a unified entity that consolidates like-minded, but currently disjointed, clean energy programs. Many states support renewable energy and energy efficiency through a variety of state programs, policies, and funds. By establishing a single, cohesive finance authority that connects existing programs and sources of funding, state green banks take a more holistic approach to the issue of clean energy finance.

State green banks invest in projects according to two economic rules of thumb:

1) To permit private firms to offer electricity or energy efficiency deals that benefit consumers – State green banks seek to fund projects that benefit both the economy and the environment. The ratio of environmental to economic benefits varies across projects. Thus, when making a financing decision, a state green bank often must decide between funding projects that offer relatively greater environmental benefits or relatively greater economic benefits. One rule that green banks strive to follow is to only fund projects that provide an economic benefit to energy consumers. Thus, a clean project that increases the net cost of power to consumers, or an efficiency measure that will not pay for itself in energy savings within its lifetime, is unlikely to receive support from a state green bank.

2) Use as little public money as is necessary to catalyze private investment – While public funds should always be spent judiciously, the more compelling reason for minimizing public funds is because "there's no way public capital is going to accomplish the great move to the power platform; it costs too much money."[6] Adequate financing to transform the U.S. energy sector will require investment in the range of trillions of dollars, and it is unlikely that federal or state governments will be willing or able to spend and manage this amount of money. Government funds need to strategically maximize the private sector role in offering investment opportunities for clean energy and efficiency programs.

A simple scenario demonstrates the latter point. The Brattle Group developed a model intended to highlight the potential impact of introducing green bank loans to the capital structure of solar photovoltaic (PV) installations.[7] Under certain assumptions (listed in Table 2 of Appendix A), this model estimates that the levelized cost of solar energy from a typical rooftop PV system in Connecticut would decrease 22 percent (from $0.21/kWh to $0.163/kWh) in a scenario where private debt matches green bank debt—that is, under a leverage ratio of 1:1. Using green bank debt would, therefore, make rooftop solar PV energy cost-competitive with Connecticut's average retail price for electricity in the residential sector ($0.174/kWh) and nearly cost-competitive in the commercial sector ($0.146/kWh).[8] At the same time, green bank funds can enable this technology cost scenario without being the sole provider of support—thereby minimizing the use of public funds. Other scenarios in the model demonstrate that green bank debt can help reduce the cost to government of state incentives, reduce Renewable Energy Credit[9] prices, and help developers achieve their targeted return values. (See Table 3 in Appendix A for more detail on the model's scenarios and results.)

CURRENT STATUS OF STATE GREEN BANKS

There is no universal model for state green banks in the United States. Four states have already announced or established their own green banks:

- Connecticut – In 2011, Connecticut created the Clean Energy Finance and Investment Authority (CEFIA), the first state green bank in the U.S. CEFIA is the most well-established and experienced green bank in the country. Therefore, CEFIA is used as a case study in this report.

- New York – In January 2013, Governor Cuomo announced the establishment of the NY Green Bank with a target capitalization of $1 billion.[10] New York State Energy Research and Development Authority (NYSERDA), a public benefit corporation designed to help New York achieve its energy goals, is in charge of organizing and managing NY Green Bank. The bank will redirect a portion of its energy efficiency portfolio standards, renewable portfolio standards, and system benefit charges funds to inspire private investment. NY Green Bank aims to focus its activity on bonds, loans, and credit enhancements, decreasing the state's reliance on subsidies to achieve its clean energy goals. In December 2013, Governor Cuomo announced $210 in initial funding for the Bank, with $165 in uncommitted funds that were redirected from other programs, and $45 million from Regional Greenhouse Gas Initiative (RGGI) auction returns. The Bank plans to open for business in early 2014.[11]

- Vermont – In 2013, Governor Shumlin signed into law House Bill H.395 to establish the Vermont Clean Energy Loan Fund (VCELF), which would consolidate clean energy programs that currently exist under the Vermont Economic Development Authority (VEDA). H.395 allows VEDA to establish a credit facility of up to $10 million from the State Treasury to support sustainable energy loan programs, and an additional $6.5 million to support residential energy efficiency loans.[12] VCELF will support projects in renewable energy, agricultural energy, energy efficiency, and small business conservation.[13]

- Hawaii – In July, Governor Abercrombie signed into law Senate Bill 1087, which authorizes the combination of bonds and on-bill repayment to finance clean energy infrastructure in Hawaii.[14] This bill creates a green infrastructure loan fund, which is capitalized by low-interest bonds financed by utility tariffs and purchased by private investors. Funds will be lent to open up opportunities for clean energy, energy efficiency, and demand response technology in homes and businesses.[15]

Several other states are considering legislation to establish green banks:

- California – In February of 2013, Senator De León introduced Senate Bill 798, which would establish the California Green Infrastructure Bank.[16] Lieutenant Governor Gavin Newsom has suggested that this bank could be largely funded by allowances from the state's cap-and-trade program. Auctions of cap-and-trade permits have already generated $200 million, which must be reinvested in emissions-reducing activities and programs.[17]

- Maryland, Illinois, Pennsylvania, Washington, and Rhode Island are also at various stages of proposing and approving legislation for green banks.[18]

CASE STUDY: CONNECTICUT'S CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY (CEFIA)

ABOUT CEFIA

CEFIA is a quasi-public financing authority that provides financial support to clean energy projects in the state of Connecticut. CEFIA's goal is to attract and deploy private capital to finance clean energy projects in Connecticut so that clean energy may be affordable and accessible to all consumers. It aims to transition support programs away from grants and rebates, and toward low-cost financing tools that will earn a return for the bank and private investors while helping to scale up deployment of renewable energy resources.[19]

HISTORY AND GOVERNANCE

CEFIA's predecessor organization, the Connecticut Clean Energy Fund (CCEF), was established in 2000 as the state's first clean energy funding entity. When CEFIA was created in 2011, it absorbed CCEF to ease its transition and ensure that it would have the staff and resources to begin operations immediately. It also expanded CCEF's clean energy definition and project scope to include financing energy efficiency projects, alternative-fuel vehicles and infrastructure, storage, and other areas. In addition to CCEF, CEFIA has partnered with Connecticut's Department of Energy and Environmental Protection (DEEP), the Connecticut Bankers Association, AFC First Financial Corporation, SmartPower, and other public, private, and non-profit groups to capitalize on existing sources of talent and resources within the state.[20]

CEFIA is overseen by a Board of Directors whose members have both public- and private-sector backgrounds and are appointed by the governor and political leaders in the legislature.[21] The Board's role is to oversee and approve CEFIA's Comprehensive Plan, policies, programs, and funding. Because CEFIA's budget is not controlled by the state of Connecticut, it is the Board's task to determine levels of funding for the projects and programs that CEFIA manages.

Connecticut Innovations, Inc. (CI), a quasi-public economic development bank, provides administrative support and services to CEFIA.[22] Although CI's objectives are similar to CEFIA's, CI focuses on providing early-stage funding (i.e. clean tech investing) as well as mentoring, management, and market support to Connecticut's technology companies, as opposed to CEFIA's "green bank" focus on financing the deployment of commercially available technologies. Financing opportunities for energy projects at CI are mainly available through their Eli Whitney Fund and Clean Tech Fund.[23]

CEFIA'S SCOPE AND CHARACTERISTICS

CEFIA's programs support projects that focus specifically on clean energy. (See Table 1 in the appendix for a list of qualifying clean energy technologies.)

Types of projects funded: CEFIA generally funds projects that use proven technologies that have existing, yet limited, deployment opportunities, rather than technologies that are still in early development or demonstration stages. Proven technologies are lower-risk, meaning they are less likely to lead to loan defaults by project owners and more likely to generate a return for private investors relative to other pre-commercial clean energy projects. CEFIA is authorized to finance up to 80 percent of clean energy project investments and up to 100 percent of energy efficiency project investments, although the bank aims to provide "a tranche of the debt financing wherever possible and not 100 percent of the loan" for all of its investments.[24] As CEFIA programs develop and demonstrate success, private investors are likely to offer increasing proportions of finance to clean energy project deals. In its last fiscal year, CEFIA's efforts have attracted over $180 million in private investment, establishing a private-to-public capital ratio of approximately 9:1 – meaning every $1 of the bank's funds has generated about $9 of private investment.[25] CEFIA has reduced the use of its proceeds toward grants from 80 percent to 33 percent. Over 50 percent of funds are now invested in loans and leases, and about 15 percent are invested in credit enhancements (i.e. loan loss reserves). This shift is intended to recover ratepayer (or taxpayer) contributions for further reinvestment in the clean energy economy of the state.

Financing tools offered: Examples of financing tools include direct lending and co-lending, on-bill financing (coming April 1, 2014), credit enhancements, and commercial property-assessed clean energy (C-PACE) programs. Direct lending provides a loan directly to the renewable energy or energy efficiency project. Direct loans may come solely from the state green bank if commercial lenders are unwilling to step in on certain projects, or they may share costs by partnering with private lenders to help finance a project. This second option is known as co-lending and has the advantage of providing opportunities for projects that would not exist if the private bank had to be responsible for providing the entire loan amount. On-bill financing is an example of a lower-risk loan because it is repaid directly through the property's utility bill, which has systematically lower rates of non-payment than other bills. A C-PACE program provides loans for energy efficiency and renewable energy projects that are repaid over time through a charge on the property tax bills – or a benefit assessment.[26] Credit enhancement tools, like loan loss reserves and loan guarantees, help lower the cost of capital and reduce risk for private investors.

BUDGET HIGHLIGHTS

Operating Revenues:[27] In 2012, CEFIA received over $40 million from the following sources:

- Ratepayer surcharge on utility bills ($0.001/kWh) –$27 million
- Returns from RGGI auctions –$2 million
- State grant revenue from federal Department of Energy programs –$10 million
- Interest on solar lease notes and short-term investments –$750,000
- Other sources –$250,000

In the future, CEFIA may seek to qualify as a community development financial institution (CDFI) and accept federal CDFI funds. CEFIA may also raise capital by issuing bonds and has access to $50 million of Connecticut's special capital reserve fund (SCRF).

The State's 2014–2015 Biennium Budget, passed by the House and Senate, included a provision that redirects a portion of CEFIA's net assets to the state's General Fund to help close Connecticut's budget deficit. Based on the budget bill's text, it will transfer $6.2 million for FY 2014 and $19.2 million by FY 2015. After talks with the governor, legislature, and industry stakeholders in June 2013, CEFIA's president and CEO, Bryan Garcia, stated that the bank will receive a larger allocation of the state's RGGI revenue to compensate for these budget transfers. This revenue will be used to finance energy efficiency projects. Ultimately, CEFIA aims to reduce its reliance on public funds and develop long-term, sustainable capitalization through its portfolio of loans and investments.

RISK MANAGEMENT

CEFIA utilizes a variety of mechanisms, particularly reserves and credit enhancements, to manage and reduce its risk. In doing so, CEFIA attracts private investors to clean energy projects. As CEFIA makes more financial transactions, creating a larger sample and longer track record, it will be able to better estimate how much risk it needs to take and adjust its risk management activities (such as reserve rates or payback timescales) accordingly.

Interest Rate Buydown (IRB):[28] One tool to better ensure that loan payments are made in full and on time is an interest rate buydown (IRB). CEFIA plans to offer a limited-time promotional IRB with its residential Smart-E Loan program, in which it will pay the interest on loans for up to the first six months. By diverting a portion of funds from the program's loan loss reserve, CEFIA can provide nearly $200,000 in promotional IRBs. Because this credit enhancement is a limited-time offer, it incentivizes lenders and borrowers to participate in the Smart-E Loan program early on. In addition to mitigating risk, the IRB serves to ensure that homeowners are cash-flow positive. This means that, from day one, the energy savings accrued from an energy improvement project more than compensate for the debt service payments on a monthly basis.

Liquidity Reserve: CEFIA helps smooth the timing of initial payments to project developers in order to reduce risk and encourage greater investment. For example, repayment schedules of new commercial and industrial PACE (C-PACE) projects are attached to semi-annual property tax collections. As a result, initial C-PACE payments may be delayed, which in turn adversely affect payback to investors. CEFIA is able to consider offering coverage for some of the initial payments of C-PACE projects so that capital providers do not face the financial consequences of these payment losses. Statutorily, CEFIA collects 18 percent on the C-PACE payments that are past due as default interest; as a result, this rate penalty should induce all but the most financially impaired building owners to repay C-PACE obligations, encouraging private capital to fund these projects. Investment risk is reduced by ensuring that first payments are covered on time, which makes investors more likely to get involved in CEFIA programs and finance C-PACE projects.

Loan Loss Reserve:[29] CEFIA offers loan loss reserves to banks and other lenders through a variety of its programs. For its Smart-E Loan program, CEFIA covers losses amounting to up to 7.5 percent of loans that local credit unions and community banks may encounter on residential clean energy projects. This reserve, however, is not available until the lender has covered losses amounting to up to 1.5 percent of its loans. CEFIA believes these lenders should be able to handle a small percentage of losses, especially because loans are made to those with FICO credit scores above 680 and lenders expect a portion of their loan portfolio to go into default and eventually result in write-offs. This "first-loss" burden encourages banks to perform proper due diligence on their lending model in an effort to minimize portfolio losses. Making the banks responsible for covering small, initial losses keeps them honest in the lending transaction and breaks the habit of turning to government first when a private sector loss occurs. Since government is in the second loss position, rather than the first, this type of risk management tool is more appealing to CEFIA than others such as loan guarantees.

As another example, one of CEFIA's more recent programs, the Solar Lease II Program, has received $3.5 million from federal American Reinvestment and Recovery Act funding to go toward a loan loss reserve to cover any residential defaults. This reserve allows CEFIA to tolerate a much higher default rate than is currently experienced (around 0.5 percent), given that the majority of customers approved for Solar Lease loans have FICO credit scores above 700. The form of loan loss reserve in this instance is an example of how CEFIA can engineer a higher debt service coverage ratio for senior debt, which increases the willingness of senior lenders to participate in transactions. The Solar Lease II program demonstrates the first ever leveraged and syndicated residential lease facility.

SELECTED PROGRAMS[30, 31]

CEFIA has funded a variety of energy efficiency or renewable energy projects. Some examples of its most recent or successful programs are provided below. (A list of CEFIA's other programs is included in Appendix B.)

› *Dominion Bridgeport Fuel Cell Park*: CEFIA provided a $5.8 million working capital loan to support the development of a $65 million 15-MW fuel cell park on a remediated brownfield in a distressed municipality. The project – the largest fuel cell in the Americas – is a partnership between Dominion Energy Resources and Fuel Cell Energy. The project, part of CEFIA's Project 150 – an initiative to increase the state's renewable energy capacity by 150 MW,[32] is supported by a long-term power purchase agreement and renewable energy credit purchase agreement.[33]

› *Residential Solar Investment Program (RSIP)*: CEFIA subsidizes direct homeowner solar system purchases, as well as the leases offered by third-party solar PV system installers, in order to make PV systems more affordable. Through this program, CEFIA aims to install at least 30 MW of solar PV by 2022 using public dollars for no more than one-third of total investment.[34] As of December 2013, over 2,300 projects have been approved, which will produce approximately 18,400 renewable energy credits to help the state fulfill its Renewable Portfolio Standard requirement for 2014.[35] Homeowners who choose to purchase a solar PV system may qualify for the Expected Performance-Based Buydown (EPBB) incentive, which provides a rebate based on major design characteristics of the system, such as panel type, tilt, and shading. The incentive is currently offered at $1.25/W for systems less than 5 kW, and $0.75/W for systems between 5 and 10 kW. Homeowners may also lease a solar PV system by entering into a contract with a third-party owner. A Performance-Based Incentive (PBI) is paid to the third-party owner based on the performance of their system, and the energy generated by the system reduces the homeowner's monthly electricity bill. As of January 2014, the incentive offers a 6-year PBI of $0.180/kWh for systems less than 10 kW.[36] Incentives have already declined by 30 percent since they were first established in 2012, and will decline another 20 percent in 2014 as CEFIA's funding is shifted toward its financing programs. Nearly $75 million of capital has been invested in residential rooftop solar PV as a result of the RSIP in 22 months, which has led to the deployment of more than 16 MW of clean energy through residential solar PV installations. It should be noted that CEFIA owns the renewable energy credits as a result of the RSIP and intends to sell them into Connecticut's Class I RPS market.

- *Commercial & Industrial Property Assessed Clean Energy (C-PACE)*: C-PACE enables businesses to access lower-cost, long-term financing for clean energy and energy efficiency improvements by placing a voluntary assessment on their property tax bill. The energy improvements are paid for over time, and costs are transferred to the new owner if the property is sold. Capital for these improvements can be provided by private third-party entities, which means government financing is not necessarily required.[37] Typical projects that qualify for this program include high efficiency lighting, upgrades to heating, ventilation, and air conditioning (HVAC) systems, and renewable energy systems installation. Connecticut's C-PACE program is the first statewide program of its kind in the country. It revolutionizes PACE programs in that it allows third-party leases and power purchase agreements to participate, making it easier for commercial properties to finance the installation of solar power systems.[38] C-PACE's first deal, a lighting retrofit and solar project at a shopping plaza, came into fruition in early April 2013.[39] Nearly 90 other C-PACE projects, totaling approximately $40 million in CEFIA support, have been planned.[40] CEFIA has approved over $15 million in C-PACE financing since the program began in early 2013.[41] As a result of the unsettled national landscape for residential PACE resulting from policy positions by the Federal Housing Finance Agency, Connecticut's program includes only non-residential properties (i.e., excludes single family homes and structures of four or fewer dwelling units.[42]

- *Smart-E Loans*: One of CEFIA's most recent programs, the Smart-E Loan program was created using a credit enhancement (loan loss reserve) to attract low-interest, long-term financing from local credit unions and community banks. These lenders offer loans at rates ranging from 4.49 percent (for a 5-year loan) to 6.99 percent (for a 12-year loan) to homeowners. To fund the program, $2.5 million was repurposed from the American Recovery and Reinvestment Act State Energy Program, with the intention to attract $28 million in private investment (for a leverage ratio of 11:1). The Smart-E Loan finances measures that are consistent with Connecticut's Comprehensive Energy Strategy[43] – including renewable energy and energy efficiency, as well as natural gas conversions, EV recharging stations, and healthy homes measures like asbestos removal, lead abatement, mold remediation, etc. The goal of the program is to make clean energy financing quick, easy, and accessible to residential customers through streamlining the loan and rebate process and keeping fees to a minimum. The loans are "technology agnostic," with more than 40 eligible energy technologies from which residential customers can choose to use for an energy efficiency or renewable energy project.[44] Over 85 percent of Connecticut's residential market can access Smart-E Loans.[45]

- *Solar Lease II Program*: CEFIA's newest program builds upon the framework originally provided by CCEF's first Solar Lease program, which ran from 2008 until 2011. Solar Lease II provides a public-private leasing option for solar power on residential and commercial properties in Connecticut. US Bank is the tax equity investor, with First Niagara Bank, Webster Bank, Liberty Bank, and Peoples United Bank providing debt capital, and the insurance provider, Assurant, playing a key role in offering an "all-in-one" insurance and warranty management program. Solar Lease II is expected to support 1,500 residential solar PV systems, 400 residential solar thermal systems, and 40 commercial solar systems over the next two years, with an estimated capacity of 14 MW from solar PV systems and 4,600 MMBtu from solar hot water systems.[46] Due to the structure of its underwriting requirements, the program will be accessible to approximately 85 percent of Connecticut homeowners and is expected to generate a nine percent internal rate of return for ratepayers.[47] In FY 2013, this program received approximately $61 million in capital, the majority of which went toward investment in residential solar PV projects.

Since July 2012, CEFIA has transitioned away from programs dealing with technology innovation, workforce development, formal education, and subsidies (other than for residential solar PV). These programs do not fit within the "green bank" model of low-cost financing and credit enhancements that CEFIA has adopted. Instead, the bank intends to focus its efforts toward low-cost financing of the deployment of commercially available technology, per the requirements set forth through Public Act 11-80 when CEFIA was first established.

THE FUTURE OF CEFIA

CEFIA is entering its third year of operation. Having established a framework and developed several initial programs, CEFIA is now emphasizing program execution and attracting more interest from investors and project developers.

As CEFIA's programs continue to develop, it will experience fewer sunk costs (such as initial start-up costs or unsuccessful programs) and will thus be able to direct more money to revenue-generating activities. Gradually, the market will need fewer (or no) incentives or subsidies as new finance tools, private capital, and declining installation costs encourage more private investment. Bert Hunter, CEFIA's Chief Investment Officer, mentions that this is not expected to happen any time in the near future. He believes that it may take up to a decade before CEFIA reaches the point at which clean energy can be effectively deployed entirely by the private sector and without any green bank assistance.[48]

Fundamentally, while state green banks have the opportunity to promote lower cost financing for clean energy, their ultimate goal is to step back and allow the market to become the main actor in these transactions. CEFIA's role is thus likely to evolve over time. Its goal has always been to make clean energy finance an attractive investment for banks and other private sector investors. CEFIA can help the private sector understand new investments and deal types and become acclimated in the clean energy space. Once they are comfortable with these transactions, it is anticipated that private investors will increase their lending, which will presumably lower the yield requirements over time. Similarly, once banks and other private investors fully understand the programs that CEFIA has developed and observe a positive track record, they will presumably take on more of the financial responsibilities initially handled by CEFIA. At that point, CEFIA will be able to let the private sector take over the main financing role using these tools and begin to develop new tools for other clean energy investment opportunities.

Measures of Success: CEFIA has identified a number of metrics that will be used to measure the success of its programs as they develop beyond their first few years. The core list of metrics is as follows:[49]

- Amount of clean energy produced per dollar of ratepayer funds invested;
- Amount of energy saved per dollar of ratepayer funds invested;
- Total dollars of investment in clean energy;
- Ratio of private capital to public and ratepayer funds;
- Ratio of public and ratepayer funds invested in subsidies versus financing programs; and
- Installed and levelized cost of clean energy resources.

During FY 2013, CEFIA attracted more than $180 million of private finance through its use of $40 million of ratepayer funds. Half of ratepayer funds were distributed in the form of loans or leases, which are expected to be paid back over time. This investment led to the deployment of nearly 30 MW of clean energy. Through the establishment of CEFIA's programs and activities in FY 2013, nearly 3,000 jobs will be created and approximately 500,000 tons of CO2 emissions will be avoided over the projects' lifetimes.[50, 51]

CEFIA aims to be a transparent entity and will continue to report the results of its programs as the data come in from transactions. If private investors can see data that demonstrate CEFIA's success in achieving high returns, low default rates, and increased clean energy installation, they will be more willing to enter a partnership and invest in its programs. In the future, CEFIA aims to attract investment from non-conventional sources, such as donations from foundations or through crowd-funding.

OTHER STATE GREEN BANK MODELS

In addition to the CEFIA model, there are two other green bank models that have been widely discussed and considered for implementation by other states:

1) State Clean Energy Financing Authority[52]

Under this model, the clean energy investment fund would attach to an already existing state authority. The bank would be a part of state government, rather than being quasi-independent. Since it would act as a not-for-profit entity, it would likely be unable to offer rates of return high enough to attract private investment in its projects. In this case, a separate entity could be established to raise private funds and partners for the bank. California and

Michigan already have environmental and economic development authorities to which a clean energy financing authority could attach.

Because it would build on an existing entity, this bank model would have the ability to start functioning almost immediately using existing staff, funding, and resources. However, establishing two separate entities (one for state government financing, one for private financing) could require more time, money, and bureaucratic involvement than making one financing authority that includes both the public and private sectors.

2) Infrastructure and Clean Energy Finance Bank[53]

Under this model, a clean energy investment fund would attach to an existing infrastructure bank. Both clean energy projects and general infrastructure projects (e.g. roadways, flood control measures, etc.) would be financed by the combined state bank. The California Infrastructure and Economic Development Bank is an example of the type of entity whose responsibilities could be expanded to encompass clean energy projects.

Similar to the first model, attaching a clean energy financing authority to an existing bank would have a more immediate community impact by being able to draw upon existing staff and resources. However, clean energy projects are different than infrastructure projects. Trying to align one financing authority to fund both types of projects may not be effective. For example, clean energy projects tend to be smaller and generate revenue, while infrastructure projects tend to be larger and provide a public good that is widely distributed. To account for these differences, the bank may need to establish two separate divisions, each with its own balance sheets and management teams. This could lead to challenges when determining how to appropriate funds, resources, and staff for each division.

BENEFITS OF STATE GREEN BANKS

Greatly reduces uncertainty in clean energy support

After initial establishment, a state green bank can eventually become self-supporting, particularly if it prioritizes the use of revenue-generating finance mechanisms such as loans. In contrast, mechanisms that require continual political action can be inconsistent and unreliable. For example, the Production Tax Credit (PTC) requires periodic renewal, and occasionally expires prior to this. Congressional action is required for every renewal, creating uncertainty for clean energy project economics and stifling development. While a state green bank's structure or goals could be changed through legislative action, they need no continuing action or appropriations in order to maintain their operations once they become financially self-sustaining, which greatly reduces any policy-related risk to developers.

State green banks are thus most vulnerable to policy risks in the years prior to becoming financially self-sustaining. As mentioned earlier, in June 2013 the Connecticut legislature passed a budget transferring significant funds from CEFIA, which would have greatly reduced operations.[54] Although the state has since arranged for alternative sources of funding to make up for these transfers,[55] such events illustrate the vulnerability of state green banks to policy uncertainty in the early period of their establishment.

Leverages private capital and expertise with limited public funds

By leveraging private investor funds with limited government funds, state green banks are able to increase their scope and lending capability. Several energy finance entities estimate that CEFIA can attract private investment if its programs are able to provide a rate of return between six and ten percent.[56] Additionally, if both public and private parties involved conduct due diligence, more careful analysis of projects' credit-worthiness may reduce the rate of default. Furthermore, if the green bank uses the private investor as the loan administrator, it would save the green bank from having to perform loan processing and servicing functions itself. A private lender, such as a commercial bank, may be more capable of performing these administrative functions.[57]

Abundance of methods to reduce risk to investors
State green banks help to reduce risk for initial private investors by using a variety of financing mechanisms. In addition, offering a variety of finance tools opens up the opportunity of funding for a diverse set of clean energy projects, each of which may have specific payback characteristics. State green banks have the added advantage of not requiring immediate return on investments in order to continue operating, which means they can experiment with their mechanisms to ensure they implement only effective ones. For example, state green banks can experiment with novel mechanisms such as total return swaps (a contract in which one party makes payments on a set rate, while another party makes payments based on return of an underlying asset, thus transferring the asset's credit risk and market risk)[58] or standby purchase agreements (an agreement between the issuer of a security and its underwriters in which the underwriters are responsible for any unsold portion of the issue, transferring the risk of the unsold portion from the issuer to the underwriters).[59]

Understanding of states' environments, needs, and goals
States may have a better understanding of their own clean energy industry's requirements and capabilities than the federal government. States vary both environmentally and politically. Resource potentials for renewable energy and energy efficiency differ based on geography. For example, air conditioning energy consumption is far greater in some states than others, and solar resources vary substantially both across and within states. Policies and standards, such as building codes and public utility commission regulations, also differ by state. For these reasons, state green banks may be better able to tailor activities to the specific economic, environmental, and regulatory conditions of their state than equivalent federal programs. By identifying the individual needs of a state, a green bank can apply optimal solutions to resolve unique local issues.

Bipartisan support
The concept of state green banks has received strong bipartisan support. For example, CEFIA was approved almost unanimously, passing 36-0 in the Connecticut Senate and 139-8 in the House.[60] New York's Green Bank bill was also passed with significant bipartisan support.[61] State green banks may therefore be less subject to legislative gridlock than some of the more partisan financing policies, and they may have more consistent political support once established.

DRAWBACKS TO STATE GREEN BANKS

Vulnerability to a decline in federal support[62]
State green banks can work with or without federal programs to support clean energy, but they are most effective when they build upon what is offered by federal government. For example, many of the potential private investors in clean energy projects are encouraged by tax credits or subsidies, which are provided at the federal level. If these incentives are eliminated, it will reduce the private investor appetite for clean energy investment that state green banks aim to leverage. Furthermore, state governments themselves often receive clean energy funding directly from the federal government, which can affect the feasibility of state green banks. As previously mentioned, the American Recovery and Reinvestment Act (ARRA) of 2009 provided each state with millions (and in some cases, billions) of dollars to support clean energy and energy efficiency programs; CEFIA is making use of such funds to support its program offerings.

Tension between objectives
Typical finance banks focus on achieving economic goals and objectives. However, clean energy banks' objectives include an environmental component. While economic and environmental goals need not be incompatible, often the investment that maximizes environmental benefits will not be the same investment that maximizes economic benefits, and there are trade-offs to be made. When choosing the types of programs to create or projects to fund, the bank must ask itself, "Is it clean enough to merit funding from a clean energy bank?" or alternatively, "Is it cheap enough to attract the necessary private investment?" Private investors place some limit on a green bank's choices, as they only bring to green banks those projects that would not generate a large enough return to be funded wholly by private capital. (If a project offers a high enough return at low enough risk, private investors will wish to capture

100% of that project's benefits for themselves.) Therefore, the projects that green banks fund will typically be ones that would not be economically viable for private investors on their own. However, among those projects that green banks offer to fund, there are still distinctions between those that will be better economically and those that will be better environmentally.

There are two ways a finance authority may handle this tension. It may choose to prioritize one objective over the other, though this could be problematic if private investors or other funding sources (philanthropies, for example) are supportive of the subordinate objective and cut off investment until their goals are prioritized. The finance authority may also attempt to find a 'middle ground' between both objectives, identifying reasonable environmental and economic goals that can work in concert with one another. However, by not choosing a strong set of objectives on which to focus, the bank's activities and programs may end up being less effective than desired.

Insufficient scale
It is unclear what impact state-level finance institutions can make on the energy sector as a whole, given the scale of funds they are able to commit. The four state green banks currently authorized together would offer just over $1 billion in resources if fully capitalized. Moreover, state efforts will be particular to their own clean energy needs and capabilities, and their activities may not prove replicable across jurisdictions. Ideally, these state-level programs and the projects they fund could catalyze the wider commercialization of clean energy technologies. Without that take up, though, the contribution by the state green bank and its private partners will be insignificant with respect to real transformation of the energy industry.

CONCLUSIONS

One of the greatest benefits of the state green bank model is its ability to leverage investment from and share costs with private investors. This, in addition to offering return-generating financing tools, allows for the most efficient and least risky use of public and private funds. While other state authorities may offer credit enhancements or other measures to lower risk, state green banks set themselves apart by utilizing a revolving fund, meaning that programs aim to eventually be self-sustaining, eventually requiring no additional outside capital. Moreover, because they are able to afford more risk than the private sector, state green banks have the potential to experiment with a variety of finance mechanisms, not only improving upon existing ones, but developing entirely new tools for the market to work to adopt in subsequent years through the green banks' help.

Despite these key characteristics, the effectiveness of state green banks will be hindered without continued government support for clean energy at the federal level. The federal government's policies, incentives, and resources are an existing structure upon which state green banks build their operations. As tailored entities that fit within their own regional contexts, state green banks offer a complement to a larger suite of federal policy efforts, not a substitute. While state green banks have potential to accomplish clean energy goals on a localized level, the U.S. will still need a big picture framework for the transformation of our energy system.

APPENDIX A: FIGURES AND TABLES

FIGURE 1. GRAPHIC OF THE CLEAN ENERGY 'DEPLOYMENT GAP'

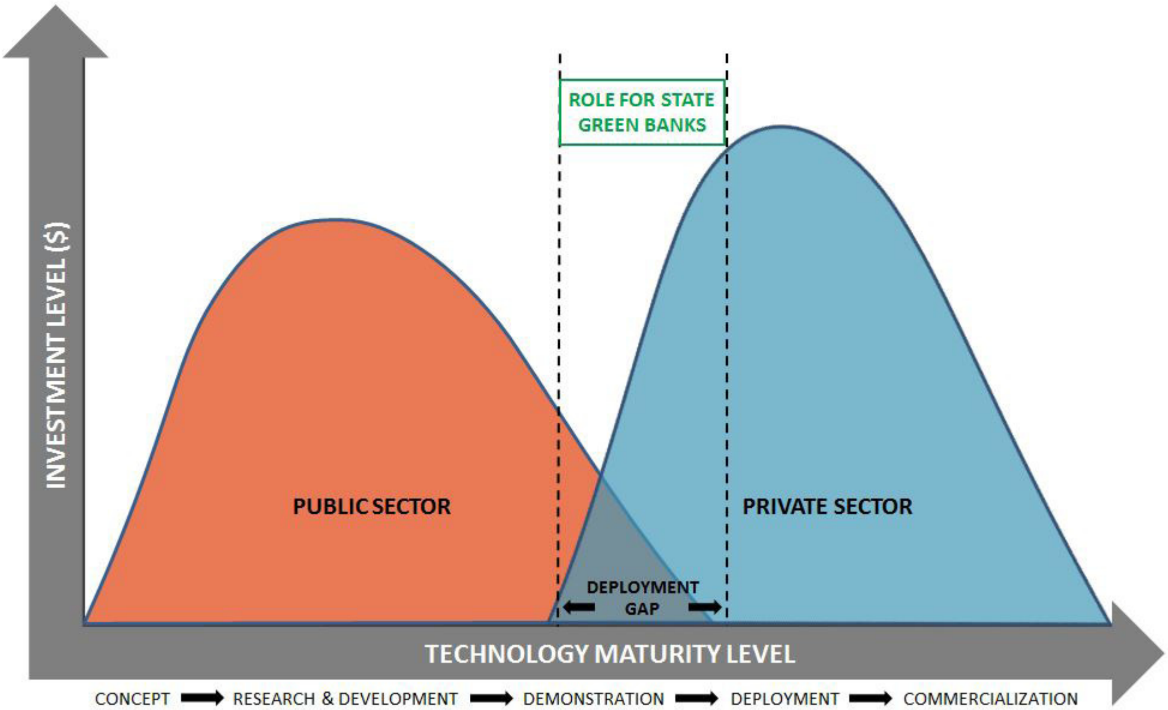


TABLE 1. QUALIFIED CLEAN ENERGY TECHNOLOGIES, AS LISTED IN SECTION 16-245N(A) OF THE CONNECTICUT GENERAL STATUTES[63]

› Solar photovoltaic energy	› Hydrogen conversion technologies
› Solar thermal	› Biomass conversion technologies
› Geothermal energy	› Alternative fuels
› Wind	› Waste heat recovery systems
› Ocean thermal energy	› Thermal storage systems
› Wave or tidal energy	› Financing of energy efficiency projects
› Fuel cells	› Storage technologies
› Landfill gas	› Distribution technologies
› Hydropower	› Manufacturing technologies
› Hydrogen production	› Electric Vehicles, Hybrid Electric Vehicles, and Alternative Fuel Vehicles and infrastructure projects

Clean energy also includes other energy resources and emerging technologies with commercialization potential and do not involve combustion of coal, petroleum and petroleum products, municipal solid waste, or nuclear fission.

TABLE 2. LIST OF ASSUMPTIONS FOR ROOFTOP SOLAR PV 'GREEN BANK' FINANCING MODEL

- Aggregate portfolio of 20MW
- Installed cost of $4.5/Watt

- 25-year underlying project life
- Operating costs modeled at $27/kW-Year
- Annual degradation modeled at 0.5%
- State incentives modeled at $0.225/kWh for 6 years
- Renewable Energy Credits modeled at $0.030/kWh under 15-year contract
- Developer equity return: 15%
- Tax equity return: 12%
- Commercial debt interest: 6%
- Total leverage: 40%

TABLE 3. RETAIL COST ($/KWH) AS A FUNCTION OF GREEN BANK DEBT AND INSTALLED COST:

System Installed Cost ($/kW)	% Debt in Capital Structure				
	0% green bank 40% commercial	10% green bank 30% commercial	20% green bank 20% commercial	30% green bank 10% commercial	40% green bank 0% commercial
$4.50	0.210	0.187	0.163	0.140	0.117
$4.00	0.174	0.154	0.133	0.112	NA
$3.50	0.139	0.121	0.103	0.085	NA
$3.00	0.103	0.088	0.072	0.057	NA

Assumptions:

- Project investment is 40% debt and 60% equity
- Commercial debt has 6% interest
- Tax equity targets a 12% return and developer equity targets a 15% return
- Aggregate portfolio of 20 MW
- 25-year project life
- Regional capacity factors applied per National Renewable Energy Laboratory data
- Annual degradation modeled at 0.5%
- State incentives modeled at $0.225/kWh for 6 years
- Renewable Energy Credits modeled at $0.03/kWh under financeable 15-year contract

APPENDIX B: LIST OF CEFIA PROGRAMS

- *U.S. Department of Energy's SunShot Initiative Rooftop Solar Challenge* – While the SunShot Initiative Rooftop Solar Challenge program is offered by the Department of Energy (DOE) and not CEFIA, it has been included in this section because it has supported several of CEFIA's programs. The overall goal of the SunShot Initiative Rooftop Solar Challenge is to help make solar energy cost-competitive with other energy sources by 2020. One of CEFIA's solar energy programs, Sun Rise New England – Open for Business received $481,500 in funding from the Rooftop Solar Challenge, and aims to reduce costs associated with solar PV.[64] In November 2013, CEFIA joined the Clean Energy States Alliance, Massachusetts, New Hampshire, Rhode Island, and Vermont in the New England Solar Cost-Reduction Partnership. The Partnership is funded by $1.5 million under the second round of DOE's Sunshot Initiative Rooftop Solar Challenge.

- *Solarize CT:* CEFIA is partnering with Connecticut cities and towns in establishing a pilot program that "encourage[s] the adoption of residential solar photovoltaic (PV) systems by deploying a coordinated education, marketing and outreach effort, combined with a tiered pricing structure that provides increases savings to home-owners as more people in one community go solar." Solarize CT originally partnered with four municipalities for the program's pilot phase: Durham, Fairfield, Portland, and Westport. Within these four communities, more solar has been adopted in the first five months of the pilot project than was adopted in the seven years prior. Due to its success, four more communities were added in the program's second phase: Bridgeport, Canton, Coventry, and Mansfield/Windham.[65] As of November 2013, the solar installation campaign had been implemented in nine Connecticut towns, with 22 more community campaigns in the process. Through a $1.8 million grant from the U.S. Department of Energy through the Solar Energy Evolution Diffusion Study (SEEDS) grant, Yale University, New York University, and SmartPower are studying the program.[66] In total, more than 2,300 residential solar system contracts have been approved within the last 22 months.[67]

REFERENCES

1 Clean Energy Deployment Administration: Hearing Before the Committee on Energy and Natural Resources. 112th Congress. 5/3/11. http://www.gpo.gov/fdsys/pkg/CHRG-112shrg66579/pdf/CHRG-112shrg66579.pdf

2 "Summary of Energy Independence Trust Legislation". Coalition for Green Capital. http://bit.ly/1d1ok7t

3 "The Business Plan". American Energy Innovation Council. 2010. http://americanenergyinnovation.org/wp-content/uploads/2012/04/AEIC_The_Business_Plan_2010.pdf

4 Berlin, Ken et al. "State Clean Energy Finance Banks: New Investment Facilities for Clean Energy Deployment". Brookings-Rockefeller. Sept 2012. http://www.brookings.edu/~/media/research/files/papers/2012/9/12%20state%20energy%20investment%20muro/12%20state%20energy%20investment%20muro.pdf

5 Berlin et al., 2012. p. 3.

6 Interview with Reed Hundt. Coalition for Green Capital 6/13/13.

7 Mudge, Bob and Murray, Ann. "Overview of Rooftop Solar PV 'Green Bank' Financing Model". Clean Energy Finance and Investment Authority; Coalition for Green Capital. 2011. http://www.ctcleanenergy.com/Portals/0/Overview%20of%20Rooftop%20Solar%20PV%20Model%2011713v2.pdf

8 "Table 5.6.B. Average Retail Price of Electricity to Ultimate Customers by End-Use Sector". Energy Information Agency. Nov 2013. http://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_06_b

9 A Renewable Energy Credit (REC) is a certificate that is issued for each Megawatt-hour of energy generated from renewable sources or for each Megawatt-hour of energy conserved through installation of energy efficiency practices. More information about Connecticut's (REC) can be found at http://www.ctenergyinfo.com/dpuc_renewable_energy_credits.htm

10 "Governor Cuomo Proposes $1 Billion New York Green Bank". ENS Newswire. 1/10/13. http://ens-newswire.com/2013/01/10/governor-cuomo-proposes-1-billion-new-york-green-bank/

11 "Governor Cuomo Announces $210 Million Initial Capitalization to Jump Start New York Green Bank". New York State Energy Research and Development Authority. 12/19/13. http://www.nyserda.ny.gov/About/Newsroom/2013-Announcements/2013-12-19-Governor-Cuomo-Announces-Capitalization-to-Jump-Start-Green-Bank.aspx

12 "No. 87. An act relating to the establishment of the Vermont Clean Energy Fund (H.395)". LegiScan. 5/13/13. http://www.leg.state.vt.us/docs/2014/Acts/ACT087.pdf

13 Rothstein, Peter. "Vermont Summit and New Legislation Focus on Financing Clean, Efficient Energy". New England Clean Energy Council. 6/26/13. http://www.cleanenergycouncil.org/blog/2013/06/26/vermont-summit-and-new-legislation-focus-on-financing-clean-efficient-energy/

14 "SB 1087: Relating to Green Infrastructure". OpenStates.org. 2013. http://openstates.org/hi/bills/2013%20Regular%20Session/SB1087/

15 Friedrich, Kat. "Hawaii Announces New Solar Financing Program". Clean Energy Finance Center. 5/2/13. http://www.cleanenergyfinancecenter.org/2013/05/hawaii-announces-new-solar-financing-program/

16 "SB 798: California Green Infrastructure Bank Act". OpenStates.org. 2013. http://openstates.org/ca/bills/20132014/SB798/

17 Marois, Michael B. "California Cap-and-Trade Funds Proposed for Green Bank". Bloomberg. 3/18/13. http://www.bloomberg.com/news/2013-03-19/california-cap-and-trade-funds-proposed-for-green-bank.html

18 Private communication with Ken Berlin. Coalition for Green Capital 9/10/13.

19 "Progress Through Partnerships: Annual Report Fiscal Year 2012". Clean Energy Finance and Investment Authority. 2012. http://www.ctcleanenergy.com/annualreport/

20 "Progress Through Partnerships: Annual Report Fiscal Year 2012".

21 Hundt, Reed et al. "State Clean Energy Finance Banks: New Investment Facilities for Clean Energy Deployment". Yale Center for Business and the Environment. 1/24/13. http://cbey.yale.edu/uploads/Blueprint/Jan%2024%20Webinar%20Presentation-FINAL-01-24.pdfhttp://cbey.yale.edu/uploads/Blueprint/Jan%2024%20Webinar%20Presentation-FINAL-01-24.pdf

22 "Clean Energy Finance and Investment Authority Financial Statements". Marcum LLP. 6/30/12. http://www.ctcleanenergy.com/Portals/0/CEFIA%20FY12%20Audited%20Financial%20Statements.pdf

23 "CI Funding". Connecticut Innovations. 2013. http://www.ctinnovations.com/FundingOpportunities.aspx.

24 Berlin et al., 2012. Private financing is not considered mandatory for energy efficiency projects because CEFIA's board believes that lack of up-front capital is the primary barrier to homeowners and businesses for energy efficiency retrofits and the default risk of such projects is considered low.

25 Garcia, Bryan et al. "Memo: Connecticut's "Green Bank" at Work – FY 2013 Results". Clean Energy Finance and Investment Authority. 10/11/13. http://ctcleanenergy.com/Portals/0/board-materials/4_Connecticuts%20Green%20Bank%20at%20Work_FY%202013%20Results_Memo_101113.pdf

26 Berlin et al., 2012. p. 13.

27 "Clean Energy Finance and Investment Authority Financial Statements". 2012.

28 Lieberman, Ali. "Memo: Smart-E Interest Rate Promotion". Clean Energy Finance and Investment Authority. 4/30/13. http://www.ctcleanenergy.com/Portals/0/board-materials/5_Promotional%20IRB_Smart-E%20Loan_Memo_043013.pdf

29 Private communication with Bert Hunter and Ben Healey. Clean Energy Finance and Investment Authority. 9/19/13.

30 "Comprehensive Plan FY 2013 through FY 2015".

31 "Progress Through Partnerships: Annual Report Fiscal Year 2012".

32 "Supplying Clean Energy to Electric Distribution Companies". Clean Energy Finance and Investment Authority. 2013. http://ctcleanenergy.com/default.aspx?tabid=97

33 Burgeson, John. “Largest Fuel Dungeon Era Plant in NA Dedicated in Bridgeport”. Connecticut News. 5/5/13. http://www.ctnewsfeed.com/bridgeport/largest-fuel-cell-generation-plant-in-na-dedicated-in-bridgeport/

34 Velocci, 2012.

35 “Market Watch Report: Residential Solar Investment Program”. Clean Energy Finance and Investment Authority. 1/3/14. http://www.energizect.com/sites/default/files/uploads/Residential_Solar_Investment_Program_Market_Watch_Report_January_3_2014.pdf

36 “Residential Solar Incentives”. Clean Energy Finance and Investment Authority. 2013. http://www.ctcleanenergy.com/YourHome/ResidentialSolarInvestmentProgram/ResidentialSolarIncentives/tabid/617/Default.aspx

37 “About C-PACE”. Energize Connecticut. 2013. http://www.c-pace.com/site/page/view/about

38 Copithorne, Brad. “Combining Solar And PACE In Connecticut: A Potential Game Changer For Commercial Properties”. Environmental Defense Fund. 7/19/13. http://blogs.edf.org/energyexchange/2013/07/19/combining-solar-and-pace-in-connecticut-a-potential-game-changer-for-commercial-properties/

39 Rivard, Nicole. “City celebrates state’s first C-PACE clean energy project”. Norwalk Citizen. 4/3/13. http://www.norwalkcitizenonline.com/news/article/City-celebrates-state-s-first-C-PACE-clean-energy-4401588.php

40 Private communication with Bert Hunter and Ben Healey. Clean Energy Finance and Investment Authority. 9/19/13.

41 “Connecticut Commercial Property Owner Sets the PACE”. Clean Energy Finance and Investment Authority. 11/4/13. http://www.ctcleanenergy.com/NewsEvents/PressRoom/tabid/118/ctl/ViewItem/mid/1364/ItemId/287/Default.aspx?SkinSrc=/Portals/_default/Skins/subpages/subpage_level0

42 Private Communication with Bert Hunter and Ben Healey. Clean Energy Finance and Investment Authority. 9/17/13.

43 “Connecticut’s Comprehensive Energy Strategy”. Deparment of Energy and Environmental Protection. 2/19/13. http://www.ct.gov/deep/cwp/view.asp?a=4120&q=500752

44 “About Energize Connecticut’s Smart-E Loans”. Clean Energy Finance and Investment Authority. 10/2/13. http://www.ctcleanenergy.com/Portals/0/1%20%20Smart-E%20Contractors%20Info%20Sheet%20V10022013.docx

45 Garcia, Bryan. “Memo: EEB Positions, Objectives, and Criteria for Financing – CEFIA Baseline for the Smart-E Loan”. Clean Energy Finance and Investment Authority. 4/13/13. http://www.ctcleanenergy.com/Portals/0/board-materials/4_EEB_CEFIA%20Residential%20Financing%20Programs_Smart-E%20Loan_Memo_041013.pdf

46 “CEFIA Establishes Solar Leasing Public-Private Partnership Providing Open Access to Private Capital for Clean Energy”. Clean Energy State Alliance. 7/1/13. http://www.cleanenergystates.org/about-us/member-news/newsitem/cefia-establishes-solar-leasing-public-private-partnership-providing-open-access-to-private-capital-for-clean-energy

47 “Clean Energy Finance and Investment Authority Board of Directors: Minutes – Special Meeting”. Clean Energy Finance and Investment Authority. 6/26/13.
http://www.ctcleanenergy.com/Portals/0/board-materials/06-26-13%20CEFIA%20Board%20Minutes.pdf

48 Private communication with Bert Hunter and Ben Healey. Clean Energy Finance and Investment Authority. 9/17/13.

49 “Comprehensive Plan FY 2013 through FY 2015”.

50 Garcia et al., 10/11/13.

51 Estimate for job gains includes both direct and indirect jobs. Calculations for realized emissions avoided include the Residential Solar Investment Program, Combined Heat and Power Program, and Dominion Fuel Cell Park. Calculations for estimated future emissions avoided include Solar Lease II program, Solar Loan program, and Smart-E Loan program.

52 Berlin et al., 2012. p. 11.

53 Berlin et al., 2012. p. 11.

54 Spiegel, Jan Ellen. “Budget cuts to green bank irk enviros and concern solar industry.” The CT Mirror. June 3, 2013. http://www.ctmirror.org/story/budget-cuts-green-bank-irk-enviros-and-concern-solar-industry

55 “Budget Resolution Will Replenish CEFIA Funds.” Press Release. June 6, 2013. http://www.reeba.org/system/wp-content/uploads/CEFIA-Press-Release.pdf

56 Berlin et al., 2012. p. 10.

57 Berlin et al., 2012. p. 14.

58 “Total Return Swap”. Investopedia. 2013. http://www.investopedia.com/terms/t/totalreturnswap.asp

59 Farlex Financial Dictionary. “Standby Agreement”. The Free Dictionary. 2012. http://financial-dictionary.thefreedictionary.com/Standby+Agreement

60 Berlin, Ken. “Creating State Green Banks: How New Ways to Finance Clean Energy and Energy Efficiency Projects Can Reduce the Cost of Clean Energy and Replace Expiring Federal Credits and Subsidies”. Coalition for Green Capital. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&ved=0CEQQFjAD&url=http%3A%2F%2Fwww.stateinnovation.org%2FEvents%2FEvent-Listing%2FPolicy-Directors-Annual-Meeting-2011%2F3-1-4---BERLIN---Creating-State-Green-Banks.aspx&ei=rlBCUceTN6jgyQHx4oH4AQ&usg=AFQjCNHJvCCYZ7_qhDY60LJxcJvSXDTi-HA

61 “Governor Cuomo Proposes $1 Billion New York Green Bank”. 1/10/13.

62 Berlin et al., 2012. p. 5.

63 “Connecticut General Statutes 16-245n – Renewable Energy Investment Fund created; charge assessed against electric customers to fund Investment Fund; purpose”. LawServer Online, Inc. 2013. http://www.lawserver.com/law/state/connecticut/ct-laws/connecticut_statutes_16-245nhttp://www.lawserver.com/law/state/connecticut/ct-laws/connecticut_statutes_16-245n

64 “Progress Through Partnerships: Annual Report Fiscal Year 2012”.

65 “About Solarize”. Solarize Connecticut. 2013. http://solarizect.com/about-solarize/

66 “U.S. Department of Energy Grant Award Validates Success of Solarize Connecticut Program”. Solarize Connecticut. 7/16/13. http://solarizect.com/us-department-of-energy-grant-award-validates-success-of-solarize-connecticut-program/

67 Singer, Stephen. “Solar Power Gets Massive Boost in Connecticut as States Continue to Support Green Energy Push”. The Huffington Post. 11/29/13. http://www.huffingtonpost.com/2013/11/29/solar-power-connecticut-green-energy_n_4359785.html?utm_hp_ref=green

Aspen Institute Congressional Program[1]
February 6, 2014
Capitol Room S-115 in Washington, D.C., 20036

Connecticut's Green Bank
National Implications for Public-Private Partnerships on Clean Energy

PUBLIC REMARKS

Welcome

Thank you Bill for that warm welcome.

I want to say what an honor it is to have been invited to be a part of the Aspen Institute's Congressional Program – to talk about what is happening with Connecticut's Green Bank and the national implications that has for public-private partnerships on clean energy.

I would like to acknowledge Jessica Bailey of the Clean Energy Finance and Investment Authority who joins me here today – she is someone who played a major role in Connecticut's formation of its green bank and who is leading the way on Commercial and Industrial Property Assessed Clean Energy.

And I would also like to recognize the members of the Connecticut delegation who are with us here this morning – whose steadfast support of clean energy has demonstrated that Connecticut is indeed still revolutionary.

- Senator Richard Blumenthal
- Dan DeSimone, Director of the Washington, DC Office for Governor Malloy

Thank you all for joining us today.

History of Clean Energy Innovation in Connecticut

I wanted to start-off my remarks this morning with a look back on the history of clean energy innovation in Connecticut. The reason I want to do this is because each and

[1] Attendees at the breakfast included Rep. Earl Blumenauer (D-OR), Senator Richard Blumenthal (D-CT), Senator Sherrod Brown (D-OH), Rep. Susan Davis (D-CA), Rep. Lloyd Doggett (D-TX), Rep. Sam Farr (D-CA), Rep. Phil Gingrey (R-GA), Rep. Richard Hanna (R-NY), Rep. Marcy Kaptur (D-OH), Rep. Donald Payne, Jr.(D-NJ), Rep. David Price (D-NC), Rep. Chris Van Hollen (D-MD), and Dan DeSimone, Director of the Washington, DC Office for Governor Malloy.

every one of our states has a piece of this important history of clean energy in our country. And I would like for us to think about the question of "what is the role of government in advancing clean energy – in our communities, our states, and our nation?"

Daniel Halladay[2] was an innovator from Coventry, Connecticut who is credited in the wind industry history books[3] for having patented the first self-governing windmill that adjusted itself to the direction of the wind while controlling its own speed. The Halladay Standard Windmill was purchased by thousands of farmers and ranchers on the plains and prairies of our country. In the early 1860's, Halladay left Connecticut to Illinois because the Civil War was disrupting his supply chain and he went to where there was a market for his windmills. So he set-up shop manufacturing the windmill in Batavia. Batavia, also known as the "Windmill City" during the second industrial revolution is located outside of Chicago – the "Windy City".

Colonel Albert Pope[4] was an entrepreneur from Hartford, Connecticut who licensed bicycle patents from European companies only to manufacture and sell thousands of them in the United States. As a result of his wealth from selling bicycles, in the late 1800's he manufactured the first 500 electric vehicles employing more than 10,000 people at the Pope Manufacturing Company. Colonel Pope felt that electric vehicles were cleaner, less noisy, and easier to use than the automobile propelled by the internal combustion engine. Pope who was latter in his years when he took-up electric vehicle manufacturing, was impressed by a young Henry Ford who frequently visited his plant in Hartford where a renaissance of interchangeable parts was happening in the manufacturing industry.

As someone responsible for advancing clean energy in Connecticut, when I hear about the stories of Daniel Halladay and Colonel Albert Pope the question I ask is "how would providing consumers with easier access to affordable capital to finance clean energy play a role in ensuring that manufacturing jobs could be kept in our state?" If GE Capital or GMAC offered loan or lease financing to consumers for the Halladay Standard Windmill or the Columbia Electric Vehicle, respectively, would the situation have been different and could manufacturing of those clean energy technologies have been maintained in Connecticut? I don't know the answer to that question, but we are faced with history again today with respect to fuel cell technology in Connecticut.

Each one of our states had or has a Daniel Halladay or Colonel Albert Pope story. What is the role of government – local, state, and national – to support technology

[2] Daniel Halladay – The Remarkable Connecticut Inventor I'll Bet You Never Heard of by John Guy LaPlante (September 29, 2011)
[3] Wind Energy in America: A History by Robert W. Righter (2008)
[4] Colonel Albert Pope and His American Dream Machines by Stephen B. Goddard (2000)

entrepreneurs and developers to advance the clean energy economy? In an era of limited public funds – taxpayer and ratepayer dollars – government must do a better job using those resources to leverage public funds to attract private investment in clean energy in our states. Government must use its power to enable an environment for clean energy to grow – to create a playing field for private sector competition. Government must not create a clean energy market that is reliant on the taxpayer to pay the bill, but instead draw in the investment from the private sector to finance clean energy. It must do so quickly to improve the competitiveness of our businesses, to advance economic development in our communities, to achieve energy independence from foreign energy sources for our nation, and to abate the emissions of greenhouse gases causing global climate change.

Emergence of the Green Bank Movement – Political Philosophy

As a result of delivering on these important policy objectives and the roles that states play to support clean energy, we are beginning to see the emergence of state-level green banks.[5]

So what exactly is a green bank?

Green banks take several forms based on each state's unique circumstances. They can be an independent quasi-public corporation like Connecticut, a portion of one or more authorities can be repurposed, or a new or existing infrastructure bank can be created or used. Green banks essentially combine scarce public resources with private sector funds and then leverage those funds to finance clean energy technologies and projects.[6]

Green banks are capitalized using existing public sources – state programs, federal grants, system benefit charges, greenhouse gas emission allowance proceeds, and other sources. Green banks can support technology advancement or clean tech, or like Connecticut, they can enable clean energy finance. The low-cost long-term financing that green banks make available will reduce clean energy projects' dependence on expiring grants, tax credits, and other subsidies to lower the cost of these projects enough to make them cost-competitive with conventional technologies.

What is the political philosophy of a green bank?

The political philosophy of a green bank is grounded in several bipartisan principles:

1. **Establish Energy Policy Priorities** – provide consumers with access to cheaper, cleaner and more reliable sources of energy is a win-win-win situation;

[5] State Clean Energy Finance Banks: New Investment Facilities for Clean Energy Deployment by Ken Berlin, Reed Hundt, Mark Muro, and Devashree Saha. Brookings-Rockefeller Project on State and Metropolitan Innovation (September 2012).

[6] State Green Banks for Clean Energy by Hallie Kennan of Energy Innovation (Working Paper – January 2014)

2. **Be Technology Agnostic** – government should not be in the business of "picking winners" – it should establish broad energy policy priorities as noted, and put in place mechanisms for the market to compete to deliver on those priorities;

3. **Provide Upfront Capital** – a combination of public and private funds can provide consumers with easy access to affordable capital to cover the upfront costs of clean energy – they don't have to come up with the capital themselves;

4. **Transition Away from Subsidies** – whether public and/or private funds are used, the money is paid back over time as endless access to subsidies are no longer viable, and a bridge to a self-sustaining private market requires demonstration of the debt service payments being less than the energy savings that the clean energy project is providing; and

5. **Leverage Private Investment** – in an era where the availability of public funds is limited and becoming more and more scarce, leveraging private dollars using limited taxpayer funds for clean energy must be a priority.

Green banks earn the support from bankers associations to environmental groups, labor unions and consumer advocates to business and industry associations. By following these principles, green banks receive bipartisan support and deliver on a 21st century approach to advancing the clean energy economy.

Today starts a two-day Green Bank Academy here in Washington, D.C. co-hosted by the Brookings Institute and the Coalition for Green Capital, with participation from eleven states, including:

- California
- Connecticut
- Hawaii
- Illinois
- Kentucky
- Maryland
- Massachusetts
- Minnesota
- New Hampshire
- New York
- Washington

The Green Bank Academy is a hands-on meeting of state energy and finance leaders to learn how green bank principles can be applied to achieve state energy goals and increase multi-state coordination and collaboration. From Hawaii to New England, we are seeing the emergence of green banks in our states.

Connecticut's Green Bank

So let me tell you about Connecticut's green bank.

In July of 2011, through the leadership of Governor Dannel P. Malloy and bipartisan support from the Connecticut General Assembly, the first state-level green bank was formed through an act of legislation.

The Clean Energy Finance and Investment Authority – Connecticut's green bank – has the following goals:

1. Attract and deploy private capital to finance the clean energy policy goals of the state;
2. Lower the cost of clean energy to make it more accessible and affordable to consumers; and
3. Transition the clean energy industry reliance on grants, rebates and subsidies and move it towards low-cost long-term financing.

The current support structure for clean energy is fiscally unsustainable – states would have to spend billions of dollars on subsidies to support technically feasible or economically viable clean energy projects. The implementation of Connecticut's Comprehensive Energy Strategy will require billions of dollars of investment – and taxpayers will not be footing the bill, but instead we will be working hard to attract private capital and achieve high leverage multiples to implement this plan.

Financing projects is a more fiscally sustainable solution that can replace subsidies over time while supporting the implementation of the state's energy policies. Whether it is providing a second loss reserve to local credit unions and community banks to offer low-interest and long-term financing for homeowners to convert from oil to gas, upgrade their heating equipment, insulate their ceilings and walls, install solar photovoltaic systems on their roofs and EV recharging stations in their garages through the Smart-E Loan or working with local municipalities to establish a clean energy benefit assessment on properties that will help attract low-interest and long-term financing of energy improvements for like window replacements, heating, ventilation, and air conditioning upgrades, energy management systems, and fuel cells for commercial and industrial businesses through Commercial Property Assessed Clean Energy, Connecticut's green bank uses limited public resources to attract private sector investment.

In Connecticut, we are faced with the highest cost for electricity in the "lower 48". The state has endured 5 major storms in 2 years and unacceptable power outages. I can speak from personal experience having been a Peace Corps Volunteer in the Former Soviet Union – losing power often means losing heat and hot water. The storms that Connecticut citizens have endured in recent years and the subsequent power outages remind me of the days the power plants weren't working on the steppe and in the frigid winters of Kazakhstan – where you had to layer on your clothes and warm showers were impossible to come by for days at a time. Those kinds of conditions are simply unacceptable for Americans. We need to provide consumers with access to cheaper, cleaner, and more reliable sources of energy, and green banks are an important mechanism to support this policy goal.

In only the second year of operation, Connecticut's green bank attracted over $180 million of private investment using $40 million of taxpayer funds - $20 million of those funds will be coming back to us because they were in the form of loans and leases instead of grants and subsidies delivering a 10:1 leverage ratio of private to public funds. We deployed nearly 30 MW of clean energy. Now Connecticut isn't California or Texas, but this is almost the same amount of clean energy in one year as was done in the prior decade. We helped finance the second largest fuel cell park in the world, on a remediated brownfield, in a distressed municipality, using a technology manufactured in Connecticut. We worked with community, state, regional and national banks to attract $85 million of capital to provide consumers with easy access to affordable capital to finance their clean energy needs. As a result, we created over 1,200 jobs in manufacturing, construction, and servicing and reduced over 250,000 tons of carbon dioxide emissions over the life of the clean energy projects.

This all translates into cheaper, cleaner, and more reliable sources of energy for Connecticut, more jobs and local economic development for our communities, and increased environmental protection. Connecticut's green bank is building on the vision of Governor Malloy and the elected officials in Hartford to make steady progress toward a vibrant clean energy economy. We are deploying more clean energy quickly and more efficiently using public funding than ever.

What Can Washington, DC Do – Create a U.S. Green Bank

So what can Washington, D.C. do to support state green banks?

There are a number of things that federal government agencies are doing – that they should continue to do like:

- **SunShot Initiative** – the U.S. Department of Energy's competitive grant "race to the top" rooftop solar challenge to lower the installed costs of clean energy to make it more accessible and affordable to consumers; and

- **SEEAction Network** – the DOE and Environmental Protection Agency's state energy efficiency action network to scale-up the deployment of cost-effective energy efficiency across the country.

Competing for federal sources of funds and providing states with technical assistance are always useful contributions, but we need a national energy plan to establish the key priorities for our country. Once that plan and its associated policies are established, we can then go about the business of attracting private investment to help us meet that plan – that is how Connecticut is doing it.

What about creating a U.S. Green Bank? The U.S. Department of Treasury could capitalize a U.S. Green Bank that would work with states like those I mentioned – and those that will soon come onboard.

The U.S. Green Bank would be an energy or infrastructure bank that would provide low-cost long-term capital to states to finance clean energy, energy efficiency, and infrastructure projects – including transportation, waste, and water infrastructure. Financing support would include credit enhancements and other tools that would reduce the financial barriers to the deployment of clean energy.

The focus of the U.S. Green Bank would be to increase private investment in the domestic production of clean energy and to scale-up its deployment by orders of magnitude beyond what we see occurring today. The U.S. Green Bank could support the implementation of a multiyear national energy plan and/or a greenhouse gas emissions reduction strategy.

The goals of a U.S. Green Bank would be to expand the accessibility and affordability of clean energy to American consumers so as to:

- Achieve energy independence from foreign energy sources and increase our global competitiveness;

- Abate climate change by increasing the deployment of zero or low carbon energy sources;

- Realize job creation through the construction and operation of clean energy projects; and to

- Foster the long-term domestic manufacturing capacity in clean energy.

As states are finding, there are many ways to capitalize a green bank.

Perhaps the issuance of Green Bonds by the Department of Treasury with low-interest rates and long-term maturities could play a role. This harkens back to the days of U.S. War Bonds and the Victory War Bond Campaign where bonds were a loan to the government to help finance the war effort. More than 85 million Americans – nearly half the population at that time – purchased over $185 billion worth of bonds. It indeed was the "Greatest Investment on Earth" – now let's invest again in the Earth.

There are many creative ways for Washington, D.C. to take the lessons learned from states across the country to raise funds and capitalize a green bank.

<u>From History to the Present – Connecticut is Still Revolutionary</u>

So, in closing, I want to return back to where I started my remarks off by relating to how each and every one of our states has a stake in the clean energy economy. This isn't just about U.S. competitiveness, but it is also about state competitiveness.

Dr. Bernard Baker was a scientist and entrepreneur from Bethel, Connecticut who was president and CEO of the Energy Research Corporation. This company today is known as Fuel Cell Energy from Danbury, Connecticut – a leader in the research, manufacturing, and deployment of stationary fuel cells. This company has manufactured and installed the largest fuel cell power plant in the world – a 60 MW power plant in South Korea – and the second largest – a 15 MW power plant in Bridgeport, Connecticut on a reclaimed brownfield in a distressed municipality. Fuel Cell Energy employs more than 500 people in Connecticut and growing, and will soon be opening up a manufacturing plant in South Korea that will manufacture 100 MW of fuel cells a year.

When history looks back on the 2000's in Connecticut, I hope that the lessons learned of Daniel Halladay and Colonel Albert Pope aren't the same as Dr. Bernard Baker. Will Connecticut's green bank be able to provide consumers – commercial and industrial buildings and critical facilities like schools and hospitals – with easier access to affordable capital so that they can receive cheaper, cleaner and more reliable sources of energy?

Clearly, state governments have a role to play in advancing the clean energy economy. As I have tried to convey, Connecticut is still revolutionary – not only on clean energy, but now with clean energy finance and the green bank. We all need to tap into that spirit of innovation, that steadfast commitment to our united states, and lead by example. Public-private partnerships on clean energy do have national implications. And green banks are a bipartisan way forward to turn potential into progress.

Thank you for having me here today to be a part of the Aspen Institute's Congressional Program.

I am interested in hearing your thoughts and answering your questions.

845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

February 24, 2014

Honorable Chris Van Hollen
United States House of Representatives
Capitol Hill Office
1707 Longworth H.O.B.
Washington, D.C. 20515

Re: Comments on Draft Federal Green Bank Legislation

Congressman Van Hollen:

On behalf of the Clean Energy Finance and Investment Authority – Connecticut's Green Bank – I want to commend you for your leadership in advancing legislation that would create a federal green bank. Your passionate remarks at the recent Green Bank Academy in Washington, D.C., were inspiring and demonstrate that there is indeed a role the federal government can play to support states in advancing their clean energy economies.

My staff has reviewed a draft and outline of your legislation that was provided to us by the Coalition for Green Capital.

Based on our experience of being the first state-level green bank, below are our comments with regards to the draft legislation you are proposing:

- **Matching Funds** – the federal green bank should be able to loan matching funds to state green banks – stay away from formula funding for states (i.e. Qualified Energy Conservation Bonds);

- **Non-Appropriation Language** – include non-appropriation language that prevents states that receive funds from the federal green bank from being able to use them in the future for non-energy and infrastructure related purposes (i.e. budget deficit reduction);

- **Standardization** – incentivize states or other entities receiving funds from the federal green bank to work towards the standardization of contracts and conformity across state lines and a willingness to share data on at least loan repayment and energy savings performance; and

- **Minimize Federal Requirements** – as was evidenced by the challenges presented by the federal requirements imposed on states through the use of American Recovery and Reinvestment Act stimulus funding, minimizing federal requirements on states (i.e. NEPA, Davis Bacon, etc.) and deferring to state policies and practices would be more welcomed.

Connecticut's Green Bank has energized the state's clean energy economy. By leveraging limited taxpayer resources to attract multiples of private capital more clean energy can be deployed to achieve greater public benefits as your legislation identifies. In Connecticut, for every $1 of public funds being used, $10 is being invested in cheaper, cleaner, and more reliable sources of energy while creating jobs and supporting local economic development. This has led to record amounts of clean energy being deployed, including the second largest fuel cell park in the world using technology manufactured in our state.

We look forward to continuing to work with you and your staff to create a federal green bank to achieve the same results across the country.

Thank you for the opportunity to provide comments on your draft legislation.

Best regards,

Bryan T. Garcia
President and CEO

Cc: Senator Richard Blumenthal
Senator Chris Murphy
Representative Joe Courtney
Representative Rosa DeLauro
Representative Elizabeth Esty
Representative Jim Himes
Representative John Larson
Dan DeSimone

[DISCUSSION DRAFT]

MARCH 12, 2014

113TH CONGRESS
2D SESSION

H. R. ______

To establish the Green Bank to assist in the financing of qualified clean energy projects and qualified energy efficiency projects.

IN THE HOUSE OF REPRESENTATIVES

Mr. VAN HOLLEN introduced the following bill; which was referred to the Committee on ______________________________

A BILL

To establish the Green Bank to assist in the financing of qualified clean energy projects and qualified energy efficiency projects.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. CAPITALIZATION, METHOD OF CAPITAL STOCK PAYMENTS, ISSUANCE OF GREEN BONDS.

Chapter 31 of title 31, United States Code, is amended by adding after section 3102 the following new section:

"§ 3102A. Green Bonds

"(a) INITIAL CAPITALIZATION.—The Secretary of the Treasury shall issue bonds (in this section referred to as 'Green Bonds') in the amount of $10,000,000,000 on the credit of the United States to acquire capital stock of the Green Bank (established under section 9801 of this title), of which not more than $200,000,000 shall be used for costs that the Green Bank incurs for its first year in order to provide loans, loan guarantees, debt securitization, insurance, portfolio insurance, and other forms of financing support or risk management for qualified clean energy projects and qualified energy efficiency projects (as such terms are defined under such section). Stock certificates evidencing ownership in the Green Bank shall be issued by the Green Bank to the Secretary of the Treasury, to the extent of payments made for the capital stock of the Green Bank.

"(b) FUTURE CAPITALIZATION.—Upon the request of the Bank, the Secretary of the Treasury shall issue additional Green Bonds on the credit of the United States to acquire additional capital stock of the Green Bank in an aggregate amount not to exceed $50,000,000,000 outstanding at any one time.

"(c) DENOMINATIONS AND MATURITY.—Green Bonds shall be in such forms and denominations, and shall mature within such periods, as determined by the Secretary of the Treasury.

''(d) INTEREST.—Green Bonds shall bear interest at a rate not less than the current average yield on outstanding market obligations of the United States of comparable maturity during the month preceding the issuance of the obligation as determined by the Secretary of the Treasury.

''(e) GUARANTEED.—Green Bonds shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such guaranty shall be expressed on the face of each bond.

''(f) LAWFUL INVESTMENTS.—Green Bonds shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof.''.

SEC. 2. GREEN BANK.

Title 31, United States Code, is amended by adding the following new chapter at the end thereof:

"CHAPTER 98—GREEN BANK

"§ 9801. Green Bank

''(a) SHORT TITLE.—This section may be cited as the 'Green Bank Act of 2014'.

"(b) PURPOSES.—The purposes of this section are as follows:

"(1) To evaluate and coordinate financing for qualified clean energy projects and qualified energy efficiency projects.

"(2) To provide loans, loan guarantees, debt securitization, insurance, portfolio insurance, and other forms of financing support or risk management to qualified clean energy projects and qualified energy efficiency projects.

"(3) To facilitate—

"(A) efficient tax equity markets for qualified clean energy projects; and

"(B) the financing of long-term clean energy purchasing by governmental and non-governmental not-for-profit entities.

"(4) To foster—

"(A) the development and consistent application of transparent underwriting standards, standard contractual terms, and measurement and verification protocols for qualified clean energy projects and qualified energy efficiency projects;

"(B) the creation of performance data that enables effective underwriting, risk management, and pro-forma modeling of financial performance of qualified clean energy projects and qualified energy efficiency projects to support primary financing markets and stimulate development of secondary investment markets for clean energy projects and energy efficiency projects; and

"(C) the level of financing support for qualified clean energy projects and qualified energy efficiency projects necessary to advance vital national objectives, including—

"(i) achieving energy independence from foreign energy sources;

"(ii) abating climate change by increasing zero or low carbon electricity generation and transportation capabilities;

"(iii) realizing energy efficiency potential in existing infrastructure;

"(iv) easing the economic effects of transitioning from a carbon-based economy to a clean energy economy;

"(v) achieving job creation through the construction and operation of qualified clean energy projects and qualified energy efficiency projects;

"(vi) fostering long-term domestic manufacturing capacity in the clean energy and energy efficiency industries; and

"(vii) complementing and supplementing other clean energy and energy efficiency legislation at the Federal or State level.

"(c) DEFINITIONS.—In this section:

"(1) BANK.—The term 'Bank' means the Green Bank established under subsection (d).

"(2) BOARD.—The term 'Board' means the Board of Directors of the Bank.

"(3) CLEAN ENERGY PROJECT.—The term 'clean energy project' means any electricity generation, transmission, storage, heating, cooling, transportation, distribution, industrial process, or manufacturing project whose primary purpose is the deployment, development, or production of an energy system or technology that avoids, reduces, or sequesters air pollutants or anthropogenic greenhouse gases, including the following:

"(A) Solar.

"(B) Wind.

"(C) Geothermal.

"(D) Biomass.

"(E) Hydropower.

"(F) Ocean and hydrokinetic.

"(G) Fuel cell.

"(H) Advanced battery.

"(I) Carbon capture and sequestration.

"(J) Next generation biofuels from nonfood feedstocks.

"(K) Nuclear.

"(4) ENERGY EFFICIENCY PROJECT.—The term 'energy efficiency project' means any project, technology, function, or measure that results in the reduction of energy use required to achieve the same level of service or output prior to the application of such project, technology, function, or measure, or substantially reduces greenhouse gas emissions relative to emissions that would have occurred prior to the application of such project, technology, function, or measure.

"(5) GREEN BOND.—The term 'Green Bond' means a bond issued pursuant to section 3102A of this title.

"(6) QUALIFIED CLEAN ENERGY PROJECT.—The term 'qualified clean energy project' means a clean energy project that—

"(A) is carried out domestically within the territorial borders of the United States;

"(B) stays current on interest and debt payment obligations;

"(C) pays wages in accordance with subchapter IV of chapter 31 of title 40, United States Code (commonly referred to as the Davis-Bacon Act);

"(D) if for nuclear power, is funded by the Bank only after all other existing Federal financial support has been expended; and

"(E) satisfies any other conditions established by the Bank and published in the Federal Register.

"(7) QUALIFIED ENERGY EFFICIENCY PROJECT.—The term 'qualified energy efficiency project' means an energy efficiency project, including smart grid technologies and functions characterized in section 1301 of the Energy Independence and Security Act of 2007 and end-use technologies for efficiency gains in new construction and across existing infrastructure that—

"(A) is carried out domestically within the territorial borders of the United States;

"(B) stays current on interest and debt payment obligations;

"(C) pays wages in accordance with subchapter IV of chapter 31 of title 40, United States Code (commonly referred to as the Davis-Bacon Act); and

"(D) satisfies any other conditions established by the Bank and published in the Federal Register.

"(8) STATE CLEAN ENERGY FINANCING INSTITUTION.—The term 'State clean energy financing institution' means an independent entity, quasi-independent entity, or an entity within a State agency or financing authority established by a State to—

"(A) provide low-cost or long-term financing support or credit enhancements, including loan guarantees and loan loss reserves, for qualified clean energy projects or qualified energy efficiency projects; and

"(B) create liquid markets for these projects including warehousing and securitization, or take other steps to reduce financial barriers to the deployment of existing and innovative clean energy and energy efficiency projects. State clean energy financing institutions may enter into partnerships with private entities.

"(d) GREEN BANK.—

"(1) ESTABLISHMENT OF CORPORATION.—There is established a corporation to be known as the Green Bank that shall be wholly owned by the United States.

"(2) INDEPENDENT CORPORATION.—The Bank shall be an independent corporation. Neither the Bank nor any of its functions, powers, or duties shall be transferred to or consolidated with any other department, agency, or corporation of the Government unless the Congress provides otherwise.

"(3) CHARTER.—The Bank shall be chartered for 20 years from the date of enactment of this section.

"(4) GOVERNANCE.—

"(A) BOARD OF DIRECTORS OF THE BANK.—

"(i) IN GENERAL.—The Bank shall be under the direction of a Board of Directors.

"(ii) MEMBERSHIP.—The Board shall consist of 11 members, as follows:

"(I) The Secretary of the Energy or his designee.

"(II) The Secretary of the Treasury or his designee.

"(III) The Secretary of the Interior or his designee.

"(IV) The Secretary of Agriculture or his designee.

"(V) The Secretary of Transportation or his designee.

"(VI) 6 members appointed by the President of the United States including a Chief Executive Officer, 1 member with expertise regarding renewable energy, 1 member with expertise regarding energy efficiency, 1 member with expertise regarding electric utilities, 1 member with expertise regarding consumer affairs, and 1 member with expertise regarding sustainable transportation.

"(iii) QUORUM.—6 members of the Board shall constitute a quorum.

"(iv) BYLAWS.—The Board shall adopt, and may amend, such bylaws as are necessary for the proper management and functioning of the Bank, and shall, in such bylaws, designate the vice-presidents and other officers of the Bank and prescribe their duties.

"(v) TERMS.—The initial terms of the members of the Board shall be 4 years. For terms beginning after the first 4 years following the date of the enactment of this section, the Board shall create staggered terms of 2, 3, and 4 years for members of the Board.

"(vi) VACANCIES.—Any vacancy on the Board shall be filled in the same manner in which the original appointment was made.

"(vii) INTERIM APPOINTMENTS.—Any member appointed to fill a vacancy occurring before the expiration of the term for which such member's predecessor was appointed shall be appointed only for the remainder of such term.

"(viii) REAPPOINTMENT.—Members of the Board may be reappointed for additional terms of service as members of the Board.

"(ix) CONTINUATION OF SERVICE.—Any member of the Board whose term has expired may continue to serve on the Board until the earlier of—

"(I) the date on which such member's successor is appointed; or

"(II) the end of the 6-month period beginning on the date such member's term expires.

"(x) CHAIRMAN.—The Board shall select a Chairman from among its members.

"(B) EXECUTIVE VICE-PRESIDENT.—The Chief Executive Officer shall appoint an Executive Vice-President who—

"(i) shall serve as Chief Executive Officer of the Bank during the absence or disability of, or in the event of a vacancy in the office, of Chief Executive Officer; and

"(ii) shall at other times perform such functions as the Chief Executive Officer may prescribe.

"(C) POLICIES AND PROCEDURES.—At the request of any 2 members of the Board, the Chairman shall place an item pertaining to the policies or procedures of the Bank on the agenda for discussion by the Board. Not later than 30 days after the date such a request is made, the Chairman shall hold a meeting of the Board at which such item shall be discussed.

"(D) CONFLICTS OF INTEREST.—No director, officer, attorney, agent, or employee of the Bank shall in any manner, directly or indirectly, participate in the deliberation upon, or the determination of, any question affecting such individual's personal interests, or the interests of any corporation, partnership, or association in which such individual is directly or indirectly personally interested.

"(5) HIRING AND CONTRACTING AUTHORITY.—

"(A) CONTRACTING.—The Bank may employ or otherwise contract with banks, credit agencies, attorneys, and other third parties at customary commercial rates.

"(B) HIRING.—Notwithstanding any otherwise applicable Federal rules and regulations, the Bank may employ and otherwise contract with employees and provide compensation to such employees at prevailing rates for compensation for similar positions in private industry.

"(6) SUNSET.—

"(A) EXPIRATION OF CHARTER.—The Bank shall continue to exercise its functions until all obligations and commitments of the Bank are discharged, even after its charter has expired.

"(B) PRIOR OBLIGATIONS.—No provisions of this subsection shall be construed as preventing the Bank from—

"(i) acquiring obligations prior to the date of the expiration of its charter which mature subsequent to such date;

"(ii) assuming, prior to the date of the expiration of its charter, liability as guarantor, endorser, or acceptor of obligations which mature subsequent to such date;

"(iii) issuing, prior or subsequent to the date of the expiration of its charter, for purchase by the Secretary of the Treasury or any other purchasers, its notes, debentures, bonds, or other obligations which mature subsequent to such date; or

"(iv) continuing as a corporation and exercising any of its functions subsequent to the date of the expiration of its charter for purposes of orderly liquidation, including the administration of its assets and the collection of any obligations held by the Bank.

"(e) LENDING, FINANCING, EXPENDITURES.—

"(1) IN GENERAL.—The Bank shall establish a program to provide on a competitive basis loans, loan guarantees, debt securitization, insurance, portfolio insurance, and other forms of financing support or risk management, as the Bank determines appropriate, for any qualifying clean energy project or qualifying energy efficiency project.

"(2) REQUIREMENTS.—The Bank may only provide financing support (including loans, loan guarantees, debt securitization, insurance, portfolio insurance, and other forms of financing support or risk management under paragraph (1)) if—

"(A) such support is commercially reasonable and does not exceed 80 percent of the capitalization of the qualified clean energy project or qualified energy efficiency project;

"(B) is secured by the underlying project or such other collateral as the Chief Executive Officer of the Bank determines appropriate; and

"(C) in the judgment of the Chief Executive Officer—

"(i) the private credit market is not providing adequately low-priced financing to enable otherwise credit worthy entities to carry out qualified clean energy projects and qualified energy efficiency projects;

"(ii) such financing support would facilitate construction or expansion of a qualified clean energy project or qualified energy efficiency project at an accelerated rate; and

"(iii) such financing support would stimulate, aid, or otherwise support domestic manufacturing of finished products or component parts used in clean energy projects or energy efficiency projects.

"(3) STATE CLEAN ENERGY FINANCING INSTITUTIONS.—

"(A) CO-FUNDING.—The Bank may co-fund a qualified clean energy project or qualified energy efficiency project with a State clean energy financing institution.

"(B) ESTABLISHMENT.—The Bank may make up to $500,000,000 available to a State through a low-interest loan for the establishment of a State clean energy financing institution if the clean energy financing institution—

"(i) provides at least an equal amount for establishing such institution; and

"(ii) uses funding from the Bank only for the purposes described in this section.

"(4) FINANCING ACTIVITIES.—

"(A) IN GENERAL.—The Bank may facilitate financing transactions in tax equity markets and long-term purchasing of clean energy by governmental and non-governmental not-for-profit entities, to the degree and extent that the Bank determines such financing activity is appropriate and consistent with carrying out the terms of this section.

"(B) SECURITIZATION.—

"(i) AUTHORITY.—The Bank may, upon such terms and conditions as the

Bank considers appropriate, guarantee the timely payment of principal of and interest on securities that are—

"(I) issued by any issuer approved for the purposes of this subparagraph by the Bank; and

"(II) based on and backed by a trust or pool composed of loans made pursuant to this section.

"(ii) FEES.— The Bank may collect from the issuer of a security guaranteed under this subparagraph a reasonable fee for the guarantee under this subparagraph.

"(iii) PAYMENTS.—If an issuer fails to make any payment of principal of or interest on any security guaranteed under this subparagraph, the Bank shall make such payment as and when due, and upon such payment shall be subrogated fully to the rights satisfied by such payment.

"(iv) DEFAULT.—The Bank may, in connection with any guaranty under this subparagraph, whether before or after any default, provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any loan or loans constituting the trust or pool against which the guaranteed securities are issued, and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the loans that constitute such trust or pool shall become the absolute property of the Bank subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool.

"(v) EFFECT OF OTHER LAWS.—No State or local law, and no Federal law (except Federal law enacted expressly in limitation of this subparagraph after the effective date of this subparagraph), shall preclude or limit the exercise by the Bank of—

"(I) its power to contract with the issuer on the terms stated in clause (iv);

"(II) its rights to enforce any such contract with the issuer; or

"(III) its ownership rights, as provided in clause (iv), in the loans constituting the trust or pool against which the guaranteed securities are issued.

"(5) TRUSTS.—The Bank is authorized to create, accept, execute, and otherwise administer in all respects trusts, receiverships, conservatorships, liquidating or other agencies, or other fiduciary and representative undertakings and activities, as appropriate for financing purposes. Instruments issued by the Bank pursuant to this section are, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, exempt securities within the meaning of laws administered by the Securities and Exchange Commission.

"(6) FEES.—The Bank shall assess reasonable fees on its activities, including loans, loan guarantees, insurance, portfolio insurance, and other forms of financing support or risk management it provides so as to cover its reasonable costs and expenses, consistent with the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq., provided the Bank operates as a not-for-profit entity.

"(7) APPROPRIATIONS AND RETENTION OF RECEIPTS.—For purposes of the Federal Credit Reform Act, funds made available to the Green Bank pursuant to section 3102A for carrying out this section are appropriated to the Green Bank for the purposes described in the section. Receipts collected by the Green Bank, consistent with the Federal Credit Reform Act, shall be considered to have been provided in advance in an appropriations act, and shall remain available to the Green Bank until expended.

"(8) ENVIRONMENTAL REVIEW.—In providing any financing support under this section, the Bank may, with the concurrence of the Council on Environmental Quality, adopt by reference and rely on any applicable categorical exclusion or environmental review promulgated by any other Federal Agency pursuant to the National Environmental Policy Act of 1969 (Public Law 91–190).

"(9) IMMUNITY FROM IMPAIRMENT, LIMITATION, OR RESTRICTION.—

"(A) IN GENERAL.—All rights and remedies of the Bank shall be immune from impairment, limitation, or restrictions by or under—

"(i) any law (other than a law enacted by Congress expressly in limitation of this paragraph) that becomes effective after the acquisition by the Bank of the subject or property on, under, or with respect to which the right or remedy arises or exists or would so arise or exist in the absence of the law; or

"(ii) any administrative or other action that becomes effective after the acquisition.

"(B) STATE LAW.—The Bank may conduct its business without regard to any qualification or law of any State relating to incorporation.

"(10) TAXATION.—

"(A) IN GENERAL.—Subject to subparagraph (B), the Bank (including its activities, capital, reserves, surplus and income) shall be exempt from all taxation imposed by any State or local political subdivision of a State.

"(B) REAL PROPERTY.—Any real property of the Bank shall be subject to taxation by a State or political subdivision of a State to the same extent according to the value of the real property as other real property is taxed.

"(11) POWER TO REMOVE; JURISDICTION.—Notwithstanding any other provision of law, any civil action, suit, or proceeding to which the Bank is a party shall be deemed to arise under the laws of the United States, and the United States district courts shall have original jurisdiction. The Bank may, without bond or security, remove any such action, suit, or proceeding from a State court to a United States district court or to the United States District Court for the District of Columbia.

"(12) SPENDING SAFEGUARDS.—

"(A) IN GENERAL.—The Chief Executive Officer of the Bank—

"(i) shall require any entity receiving financing support (including a loan, loan guarantee, debt securitization, insurance, portfolio insurance, and other forms of financing support or risk management) pursuant to this section to report quarterly, in a format specified by the Chief Executive Officer, on such entity's use of such support and its progress fulfilling the objectives for which such support was granted, and the Chief Executive Officer shall make these reports available to the public;

"(ii) may establish additional reporting and information requirements for any recipient of financing support made available pursuant to this section;

"(iii) shall establish appropriate mechanisms to ensure appropriate use and compliance with all terms of any financing support made available pursuant to this section;

"(iv) may, in addition to and consistent with any other authority under applicable law, deobligate financing support made available pursuant to this section to entities that demonstrate an insufficient level of performance, or wasteful or fraudulent spending, as defined in advance by the Chief Executive Officer, and award these funds competitively to new or existing applicants consistent with this section;

"(v) shall create and maintain a fully searchable database, accessible on the Internet (or successor protocol) at no cost to the public, that contains at least—

"(I) a list of each entity that has applied for a loan, loan guarantee, insurance, portfolio insurance, or other forms of financing support or risk management under this section;

"(II) a description of each application;

"(III) the status of each such application;

"(IV) the name of each entity receiving funds made available pursuant to this section;

"(V) the purpose for which such entity is receiving such funds;

"(VI) each quarterly report submitted by the entity pursuant to this section; and

"(VII) such other information sufficient to allow the public to understand and monitor loans, loan guarantees, insurance, portfolio insurance, and other forms of financing support or risk management provided under this section;

"(vi) to the extent practicable, data maintained under clause (v) shall be used to inform private capital markets, including the development of underwriting standards for the financing of clean energy projects and energy efficiency projects;

"(vii) shall make all financing transactions available for public inspection, including formal annual reviews by both a private auditor and the Comptroller General; and

"(viii) shall at all times be available to receive public comment in writing on the activities of the Bank.

"(B) PROTECTION OF CONFIDENTIAL BUSINESS INFORMATION.—To the extent necessary and appropriate, the Chief Executive Officer may redact any information regarding applicants and borrowers to protect confidential business information.

"(13) GUARANTEE.—Except as provided in section 3102A(e) with respect to Green Bonds, financial support provided by the Bank shall not be fully and unconditionally guaranteed by the United States.".

SEC. 3. CONFORMING AMENDMENTS.

(a) TAX EXEMPT STATUS.—Subsection (l) of section 501 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(4) The Green Bank established under section 9801 of title 31, United States Code.".

(b) WHOLLY OWNED GOVERNMENT CORPORATION.—Paragraph (3) of section 9101 of title 31, United States Code, is amended by adding at the end the following:

"(S) the Green Bank.".

(c) CLERICAL AMENDMENTS.—

(1) The table of sections for chapter 31 of title 31, United States Code, is amended by inserting after the item relating to section 3102 the following new item:

"3102A. Green bonds.".

(2) The table of chapters for subtitle VI of title 31, United States Code, is amended by adding at the end the following new item:

"98. Green Bank .... 9801".

SEC. 4. DEFER DEDUCTION OF INTEREST EXPENSE RELATED TO DEFERRED INCOME.

(a) IN GENERAL.—Section 163 of the Internal Revenue Code of 1986 (relating to deductions for interest expense) is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

"(n) DEFERRAL OF DEDUCTION FOR INTEREST EXPENSE RELATED TO DEFERRED INCOME.—

"(1) GENERAL RULE.—In the case of any taxpayer, the amount of foreign-related interest expense allowed as a deduction under this chapter for any taxable year shall not exceed an amount that bears the same ratio to the sum of the foreign-related interest expense for such year and the deferred foreign-related interest expense as the current inclusion ratio.

"(2) TREATMENT OF DEFERRED DEDUCTIONS.—If, for any taxable year—

"(A) the amount that bears the same ratio to the sum of the foreign-related interest expense for such year and the deferred foreign-related interest expense as the current inclusion ratio exceeds

"(B) the foreign-related interest expense for such year, there shall be allowed as a deduction for such year an amount equal to the lesser of such excess and the deferred foreign-related interest expense.

"(3) DEFINITIONS AND SPECIAL RULE.—For purposes of this subsection—

"(A) FOREIGN-RELATED INTEREST EXPENSE.—The term 'foreign-related interest expense' means, for any taxable year, an amount of interest expense for such taxable year allocated and apportioned under sections 861 and 864(e) to income from sources outside the United States which bears the same proportion to such interest expense as the value of all stock held by the taxpayer in all section 902 corporations (as defined in section 909(d)(5)) with respect to which the taxpayer meets the ownership requirements of subsection (a) or (b) of section 902 bears to the value of all assets of the taxpayer which generate gross income from sources outside the United States.

"(B) DEFERRED FOREIGN-RELATED INTEREST EXPENSE.—The term 'deferred foreign-related interest expense' means the excess, if any, of the aggregate foreign-related interest expense for all prior taxable, over the aggregate amount allowed as a deduction under paragraphs (1) and (2) for all prior taxable years.

"(C) VALUE OF ASSETS.—Except as otherwise provided by the Secretary, for purposes of paragraph (3)(A)(i), the value of any asset shall be the amount with respect to such asset used as determined for purposes of allocating and apportioning interest expense under sections 861 and 864(e).

"(D) CURRENT INCLUSION RATIO.—The term 'current inclusion ratio' means, with respect to any domestic corporation which meets the ownership requirements of subsection (a) or (b) of section 902 with respect to one or more section 902 corporations for any taxable year, the ratio (expressed as a percentage) of—

"(i) the sum of all dividends received by the domestic corporation from a section 902 corporation during the taxable year plus amounts includible in gross income under section 951(a) from such section 902 corporation, in each case computed without regard to section 78, divided by

"(ii) the aggregate amount of post-1986 undistributed earnings for the taxable year.

"(E) AGGREGATE AMOUNT OF POST-1986 UNDISTRIBUTED EARNINGS.—The term 'aggregate amount of post-1986 undistributed earnings' means, with respect to any domestic corporation which meets the ownership requirements of subsection (a) or (b) of section 902 with respect to one or more section 902 corporations, the domestic corporation's pro rata share of the post-1986 undistributed earnings (as defined in section 902(c)(1)) of all such section 902 corporations.

"(F) FOREIGN CURRENCY CONVERSION.—For purposes of determining the current inclusion ratio, and except as otherwise provided by the Secretary, the aggregate amount of post-1986 undistributed earnings for the taxable year shall be determined by translating each section 902 corporation's post-1986 undistributed earnings into dollars using the average exchange rate for such year.

"(4) TREATMENT OF AFFILIATED GROUPS.—The current inclusion ratio of each member of an affiliated group (as defined in section 864(e)(5)(A)) shall be determined as if all members of such group were a single corporation.

"(5) APPLICATION TO SEPARATE CATEGORIES OF INCOME.—This subsection shall be applied separately with respect to the categories of income specified in section 904(d)(1).

"(6) REGULATIONS.—The Secretary may prescribe such regulations or other guidance as is necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance providing—

"(A) for the proper application of this subsection with respect to changes in ownership of a section 902 corporation,

"(B) that certain corporations that otherwise would not be members of the affiliated group will be treated as members of the affiliated group for purposes of this subsection,

"(C) for the proper application of this subsection with respect to the taxpayer's share of a deficit in earnings and profits of a section 902 corporation,

"(D) for appropriate adjustments to the determination of the value of stock in any section 902 corporation for purposes of this subsection or to the foreign-related interest expense to account for income that is subject to tax under section 882(a)(1), and

"(E) for the proper application of this subsection with respect to interest expense that is directly allocable to income with respect to certain assets.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning on or after January 1, 2015.

The Green Bank Act of 2014

To establish the Green Bank to assist in the financing of qualified clean energy projects and qualified energy efficiency projects.
March 2014

coalition for green capital

The following is a summary by the Coalition for Green Capital (CGC) of the proposed Green Bank Act of 2014, *to establish the Green Bank to assist in the financing of qualified clean energy projects and qualified energy efficiency projects.* The bill, introduced by Rep. Chris Van Hollen, will build on the success of innovative state models by creating a Federal Green Bank to provide financing for clean energy and energy efficiency projects that use commercialized technology, but cannot deploy at scale due to lack of reasonably priced financing. The Green Bank will address these financing gaps with a number of financial mechanisms in partnership with private investors. The Green Bank will both increase deployment of clean energy and energy efficiency technologies, and facilitate the growth of mature private capital markets that can support the clean economy with reasonably priced finance.

Major Provisions

- Establishes a federal Green Bank, initially supported with $10 billion in "Green Bonds" issued by the Treasury.
- Green Bank will provide loans, loan guarantees, debt securitization, insurance and other forms of financing support or risk management for qualified clean energy and energy efficiency projects
- Green Bank will address "financing gaps" where credit worthy projects are unable to receive adequately low-priced financing from the private capital markets
- By offering financing instead of grants, Green Bank can eliminate a key barrier to adoption – upfront cost of investment – while building a fiscally-sustainable government support structure for clean energy
- Green Bank will use public dollars to draw in private investors by requiring that all projects that receive Green Bank funding also have private investment
- In addition to investment role, purpose of Green bank is to:
    - Foster development of consistent underwriting and contracting standards
    - Collect project performance data to enable effective underwriting and stimulate development of private secondary markets for clean energy investments
    - Help U.S. achieve a level of clean energy investment needed to meet vital national goals such as energy independence and abating climate change
- Green Bank financing will ease economic impacts of transitioning from carbon-based economy to clean energy economy by lowering the price of clean energy for consumers
- Green Bank investments will stimulate industry and job growth, sparking manufacturing and construction around the country
- Green Bank will be authorized to co-fund the creation of state-level Green Banks with a low-interest loan of up to $500 million, offered to any state that will match federal funds and operate under similar principles
- Bill includes tax provisions on deductibility of foreign-related interest expenses as offset to Green Bank cost
- Green Bank will have 20 year charter, and will have maximum capitalization of $50 billion from Green Bonds, which are guaranteed by the United States

Detailed Summary of Provisions

Capitalization

- U.S. Treasury Secretary issues $10 billion in Green Bonds to acquire initial capital stock of the Green Bank. Upon request of the Green Bank, the Treasury Secretary can issue another $40 billion in Green Bonds to capitalize the Green bank.
- $200 million of this initial capital can be used in the Bank's first year to support financing operations.
- The interest rate paid on the Green Bonds will be no less than the current average yield on outstanding market obligations of the U.S. with comparable maturity during the month preceding the issuance of the Green Bonds.
- Green Bonds will be backed by the full faith and credit of the U.S. government.

Green Bank Purpose

- Evaluate and coordinate financing for qualified clean energy and energy efficiency projects
- Provide loans, loan guarantees, debt, securitization, insurance, portfolio insurance, and other forms of financing support or risk management
- Facilitate (A) efficient tax equity markets; (B) financing of long-term clean energy purchasing by government and non-profits.
- Foster (A) consistent and transparent underwriting standards, standard contracts, and measurement & verification protocols; (B) creation of performance data to stimulate development of secondary investment markets; (C) level of financing needed to advance national objectives, including (1) achieve energy independence; (2) abate climate change; (3) realize energy efficiency potential of existing infrastructure; (4) ease the economic effects of transition from carbon-based economy to clean energy economy; (5) achieve job creation through construction and operation of qualified projects; (6) foster long-term domestic manufacturing; (7) complement and supplement other Federal and State clean energy and energy efficiency legislation.

Green Bank Projects

- Clean Energy Project definition includes generation, manufacturing, transportation, transmission and distribution, storage, carbon capture and sequestration and nuclear. Does not include natural gas.
- Named clean energy technologies includes: solar, wind, geothermal, biomass, hydropower, ocean and hydrokinetic, fuel cell, advanced battery, carbon capture & sequestration, next generation biofuels, and nuclear.
- Energy Efficiency Project definition is any project, technology or measure that results in reduction of required amount of energy to achieve same output.
- Energy Efficiency includes smart-grid projects.
- To qualify projects must be within the U.S., comply with Davis-Bacon wage provisions, and nuclear is only supported after all other existing Federal financial support is expended.

Financing Activities

- The Bank will provide on a competitive basis loans, loan guarantees, debt securitization, insurances, portfolio insurance, and other forms of financing support and risk management.
- Financial support offered must be commercially reasonable and cannot exceed 80% of total project capitalization.
- Financial support must be secured by the underlying project.
- Green Bank support provided only (I) if the private credit market is not providing adequately low-priced financing; (II) would facilitate construction or expansion of a project at accelerated rate; and (III) support domestic manufacturing of a product or component used in project.
- Bank may facilitate financing transactions in tax equity markets and long-term purchasing of clean energy by governments and not for profit entities.
- To support securitization, Green Bank may guarantee the timely payment of principal and interest on securities that are based on or backed by a trust or pool composed of loans.

State Matching

- Green Bank may provide up to $500 million in low cost loans to qualifying State Clean Energy Finance Institutions if the state provides matching funds.
- State Clean Energy Finance Institutions qualify for Green Bank support if they provide low-cost or long-term financing support and creates liquid markets, or takes other steps to reduce financial barriers to deployment of existing and innovative projects. State institutions may enter into partnerships with private entities.
- The Green Bank may co-fund a project with a State Clean Energy Finance Institution

Organization Structure

- Green Bank is wholly owned by the U.S., is an independent corporation, and is chartered for 20 years.
- Board of Directors has 11 members – 5 agency heads and 6 presidential appointees that require relevant experience. Agency heads are Secretaries of Energy, Treasury, Interior, Agriculture and Transportation.
- The CEO of the Green Bank is appointed by the President, and the CEO chooses an Executive Vice President.
- Salaries for Green Bank employees will be based on private industry comparables.

Other Provisions

- Green Bank is subject to National Environmental Policy Act, but may rely on categorical exclusions or environmental review done by another agency.
- Green Bank will be subject to detailed spending safeguards and public disclosure provisions, with allowances for redacting confidential business information.
- Green Bank Act includes tax provisions limiting the amount of foreign-related interest expense that can be deducted to account for cost of the Green Bank.

For further information, contact Jeffrey Schub, VP, Coalition for Green Capital, jeff@coalitionforgreencapital.com. The Coalition for Green Capital is a nonprofit 501(c)(3) organization working at the state, federal, and international levels to establish green banks in order to minimize greenhouse gas emissions and maximize deployment of clean energy and energy efficiency.

Clean Energy Finance & Investment Authority
Project Approval Form (under $300,000)

Version 6/23/2013

Project Name: Air Temp Mechanical
Address: 360 Captain Lewis Dr, Southington, CT 06489
Class Code & Desc: 51800 CPACE
Project Code: **Value: $ 139,050.00**

Please describe request in detail. Please attach related memo request or additional exhibits as necessary.
To approve financing for the project detailed herein for the value requested above.

How is this consistent with the Comprehensive Plan and Budget?
C-PACE transaction

Why do you recommend approval?

THE APPROVAL RELEASE FORM MUST ACCOMPANY THE PROJECT APPROVAL FORM

Recommended by:	Genevieve Sherman	Initial & Date: __GRS 3.18.14____
Approved by:	Lucy Charpentier	Initial & Date: _LMC 3/18/2014_____
Approved by:	Mackey Dykes	Initial & Date: __MMD_3/18/14__
Approved by:	Brian Farnen	Initial & Date: BRF 3/18/14
Approved by	Bryan Garcia	Initial & Date: BTG 3/24/14______

865 Brook Street
Rocky Hill, Connecticut 06067-3444
T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Air Temp Mechanical: A C-PACE Project in Southington, CT

Address	360 Captain Lewis Drive, Southington, CT			
Owner	Leone Realty & Development, LLC			
Proposed Assessment	$139,050*			
Term (*years*)	20			
Term Remaining (*months*)	Pending Construction Completion			
Annual Interest Rate	6%			
Annual C-PACE Assessment	$12,031			
Savings-to-Investment Ratio	1.54			
Average Debt-Service Coverage Ratio	1.25x			
Loan-to-Value Ratio	73%**			
Proposed Energy Savings and/or Produced		EE	RE	Total
	Per year (MMBtu)	N/A	186.8	186.8
	Over loan (MMBtu)	N/A	3,736	3,736
Estimated Cost Savings	Per year ($)	N/A	$15,239***	$15,239
	Life Cycle ($)	N/A	$304,777***	$304,777
Objective Function	27.5 kBTU of clean energy produced for each $ of ratepayer capital at risk			
Location	Town of Southington			
Type of Building	2 story light industrial/office			
Year of Build	2008			
Building Size (*total sf*)	12,480			
Served Available Market – within Municipality	0.16%			
Year Acquired by Current Owner	2008			
Appraised Value	$1,150,000			
Status of Mortgage Lender Consent	In Discussion			
Proposed Project Description	Installation of a 45kW solar system			
Est. Date of Construction Completion	Pending closing			
Current Status	Pending CEFIA President and CEO approval			
Energy Contractors	Encon, Inc.			
Additional Comments:	*Includes $4,050 in closing costs **Includes C-PACE assessment and capitalizes value of 1st year energy savings assuming CAP rate of 8.5% ***Excludes est. savings in year 1 from Federal ITC: $40,500			

C-PACE Project Qualification Memo

To: Bryan Garcia

From: Alexandra Lieberman

CC: Jessica Bailey, Bert Hunter and Genevieve Sherman

Date: March 10, 2014

Re: Under $300,000 Staff Approval: Installation of 45kW Solar System at 360 Captain Lewis Drive, Southington, CT

Summary

The 12,480 square foot building at 360 Captain Lewis Drive was originally constructed in 2008 and comprises a light industrial/office space in Southington, CT. The building's sole occupant is Air Temp Mechanical, which is a commercial HVAC contractor owned by Jeff Leone. Leone Realty, also owned by Jeff Leone, is the owner of record for the property.

The proposed investment is a C-PACE transaction under which CEFIA would provide construction financing and a term loan commitment in the amount of $139,050 to support the installation of a 45 kW solar installation.

The contractor for the project will be Encon, Inc., a well-regarded HVAC, building efficiency, and solar energy company headquartered in Stratford, CT. Encon has been in business since 1969 and provides both commercial and residential HVAC and energy solutions. The company is an active C-PACE contractor and has operations in both CT and NY.

The upgrade is projected to save an average of $15,239 per year including energy savings and utility ZREC payments over 15 years, but exclusive of the federal investment tax credit (ITC), which has a tax value worth $37,179.

With 6% financing for 20 years, annual debt service will be $12,031, paid semiannually via the property tax bill. Inclusive of ZRECs, the 30% ITC, and net metering revenues, the SIR is 1.44.

Since the property is owner-occupied, the underlying business has been given substantial weight in the underwriting analysis. The property owner's principal business, which leases the property from its common owner, is in satisfactory financial condition. Income fell slightly in 2013, due to the sale of the company's residential line of service, but has since rebounded with the first seven months of the current fiscal year (which ends in July 2014). With the C-PACE project, assuming an average of 2012-13 income, the average DSCR over the life of the financing is 1.54x, which well exceeds CEFIA's approval threshold. An annual estimated ZREC payment of $5,562 supports DSCR with additional revenue from CL&P.

Additionally, the existing LTV for the property is 70%, with an outstanding mortgage of about $800,000 on an estimated property value of about $1,150,000, based on a 2013 appraisal for TD Bank. The mortgage is held by Thomaston Savings Bank, which has indicated a willingness to consent if the property meets CEFIA's credit underwriting criteria. Assuming a CAP rate of

8.5% applied to the value of the first year's energy savings, the proposed C-PACE financing will increase LTV to 73%, which is within CEFIA's underwriting guidelines. Even assuming no value from the installment, the C-PACE Lien-to-Value ratio would be only 14%, far below CEFIA's guideline of 35%.

Strategic Plan

Is the project proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

The proposed project is a C-PACE transaction, and as such, is part of a statutorily mandated program that is a key component of the CEFIA comprehensive plan and budget for FY 2014. This construction and potential term loan supports that program and consequently is consistent with CEFIA's Comprehensive Plan. Statutorily, CEFIA is permitted to use its resources "…for expenditures that promote investment in clean energy in accordance with [CEFIA's Comprehensive Plan]…."

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the project versus the dollars of ratepayer funds at risk?

Over the 20-year financing term, projected savings are 1,095 MWh, versus $139,050 of ratepayer funds at risk.

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

The construction and term loans will both be set at a fixed 6% over the 20-year term. Ratepayer funds will be paid back in one of the following ways: (a) through a take-out by a private capital provider at the end of construction (project completion); (b) subsequently, when the loan is sold down to a private capital provider; or (c) through receipt of funds from the Town of Southington as it collects the C-PACE benefit assessment from the property owner.

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the project?

$139,050 on a construction and (potentially) term loan basis.

Risk

What is the maximum risk exposure of ratepayer funds for the project?

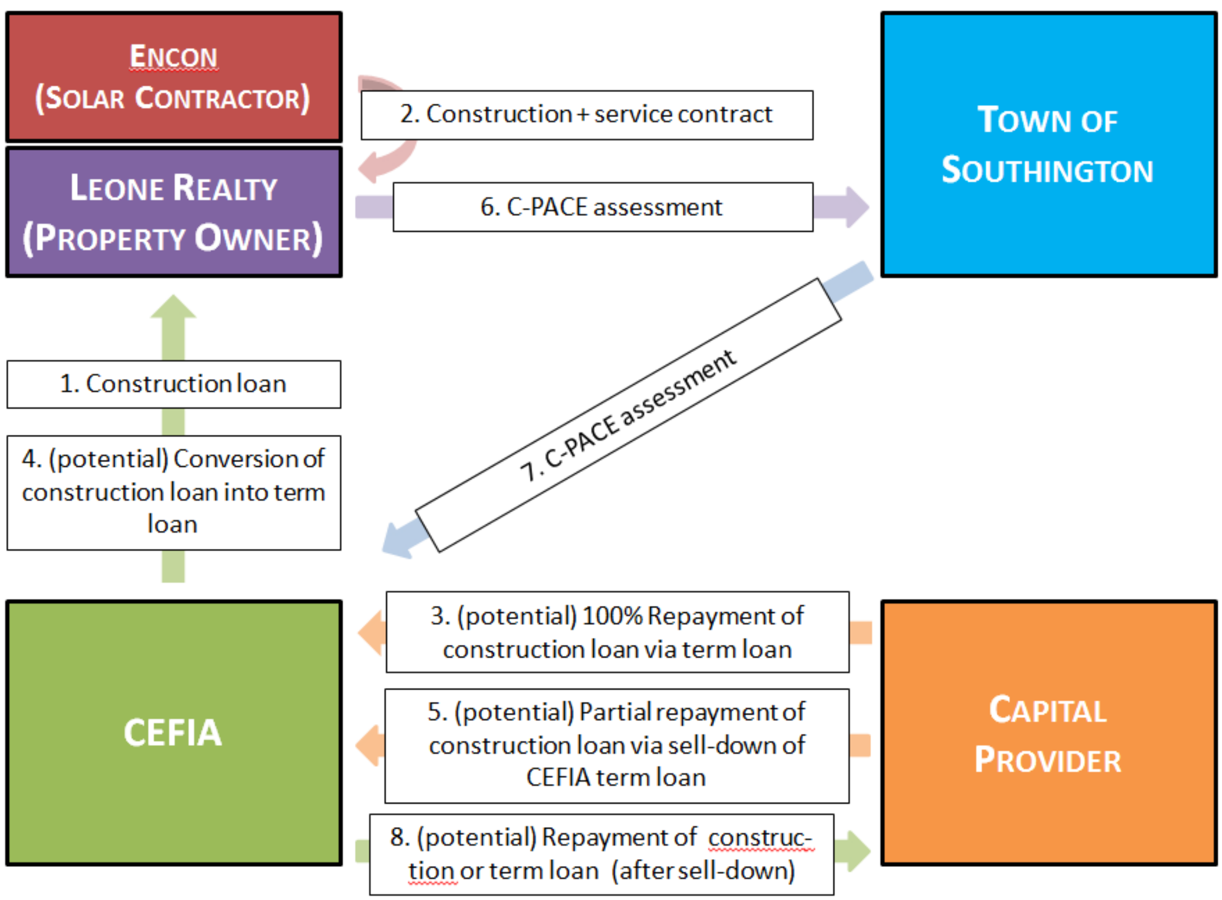
The maximum risk exposure of ratepayer funds will be the $139,050 invested as a construction and (potentially) term loan.

Financial Statements

How is the project investment accounted for on the balance sheet and profit and loss statements?

As funds are advanced, there will be a reduction in the “CEFIA Cash and Cash Equivalents Account” (Current Asset on the Balance Sheet) and a corresponding increase in “Promissory Notes – C-PACE Construction / Term Loan Program” (Non-Current Asset on the Balance Sheet).

Capital Flow Diagram



Target Market

Who are the end-users of the project?

The end-users of the project are the current owner of the property – 360 Captain Lewis Drive, Southington, CT – as well as any future property owners upon transfer of title.

CEFIA Role, Financial Assistance & Selection/Award Process

As the statutorily designated administrator of C-PACE, CEFIA officially launched the program statewide on January 24, 2013. The graphic on the following page illustrates the major tasks that CEFIA staff has accomplished since that kickoff.

Design Program	• Publish Guidelines November 2012 • Onboard Municipalities • Website launch (www.c-pace.com)
Administer Program	• Technical Underwriting • Marketing & Outreach • Work with Existing Mortgage Lenders
Attract Private Capital	• Qualify Capital Providers • Offer Credit Enhancement tools (as needed) • Provide capital (as needed) • Develop warehouse / bonding authority (Q2 2013)

The Air Temp Mechanical solar PV project comes to CEFIA as the result of the extensive marketing and outreach conducted by the C-PACE team since the program's inception. The property's owner has now gone through the C-PACE intake process and has cleared the technical underwriting requirements overseen by CEFIA's third-party program administrator, Buonicore Partners, including demonstrating a savings-to-investment ratio greater than 1. Based upon the strength of the project application and the clear and significant benefits to be realized through implementation of the proposed clean energy upgrades, CEFIA staff is ready to move this project through to funding.

Project Partners

The chief project partners are the property owner, collectively Leone Realty and Air Temp Mechanical, and the solar PV contractor, Encon. Beginning with the latter, Encon has been in business for over 40 years, originally specializing in HVAC work but now servicing numerous solar and geothermal installations as well. Based close to the subject property in Stratford, CT, Encon employs over 180 professionals across a service territory encompassing both Connecticut and a number of counties in New York State. Encon's staff includes at least a dozen engineers and other employees whose credentials include:

- Professional Engineering Licenses
- Master's Degrees
- LEED Accreditation
- Geothermal Design Certifications (CGD with IGSHPA & AEE)
- NABCEP Solar Certifications
- Advanced training in:
    - AutoCAD
    - BIM (3-D Building Information Modeling)
    - DOE Building Energy Modeling

Turning to Leone Realty and Air Temp Mechanical, the two firms' most recent financial statements follow below (Leone Realty first, followed by Air Temp Mechanical):

SCHEDULE E (Form 1040)

Department of the Treasury Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040, 1040NR, or Form 1041.

▶ Information about Schedule E and its separate instructions is at www.irs.gov/form1040.

OMB No. 1545-0074

2012

Attachment Sequence No. 13

Name(s) shown on return: JEFFREY A LEONE

Your social security number: [redacted]

Part I Income or Loss From Rental Real Estate and Royalties Note. If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2012 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☒ No

B If "Yes," did you or will you file all required Forms 1099? ☐ Yes ☐ No

1a Physical address of each property (street, city, state, ZIP code)

A 360 CAPTAIN LEWIS DR., SOUTHINGTON, CT 06489

B

C

1b	Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.		Fair Rental Days	Personal Use Days	QJV
A	4		A	366		
B			B			
C			C			

Type of Property:

1 Single Family Residence 2 Multi-Family Residence 3 Vacation/Short-Term Rental 4 Commercial 5 Land 6 Royalties 7 Self-Rental 8 Other (describe)

	Properties:		A	B	C
Income:					
3	Rents received	3	136,125.		
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7			
8	Commissions	8			
9	Insurance	9			
10	Legal and other professional fees	10	2,200.		
11	Management fees	11			
12	Mortgage interest paid to banks, etc. (see instructions)	12	47,367.		
13	Other interest	13	690.		
14	Repairs	14	8,669.		
15	Supplies	15			
16	Taxes	16	13,942.		
17	Utilities	17	479.		
18	Depreciation expense or depletion	18	42,022.		
19	Other (list) ▶ STMT 6	19	185.		
20	Total expenses. Add lines 5 through 19	20	115,554.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	20,571.		
22	Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	( )	( )	( )

23a	Total of all amounts reported on line 3 for all rental properties	23a	136,125.	
b	Total of all amounts reported on line 4 for all royalty properties	23b		
c	Total of all amounts reported on line 12 for all properties	23c	47,367.	
d	Total of all amounts reported on line 18 for all properties	23d	42,022.	
e	Total of all amounts reported on line 20 for all properties	23e	115,554.	
24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses		24	20,571.
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here		25	( )
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2		26	20,571.

LHA For Paperwork Reduction Act Notice, see instructions. Schedule E (Form 1040) 2012

221491 12-26-12

AIRTEMP MECHANICAL SERVICES, INC.
BALANCE SHEET
JULY 31, 2013

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	16,064
Contracts receivable, net of allowance for doubtful accounts of $-0-		578,722
Costs and estimated earnings in excess of billings on uncompleted contracts		171,760
Inventory		109,750
Total current assets		876,296
PROPERTY AND EQUIPMENT-NET		264,845
OTHER ASSETS:		
Receivable from affiliate		372,281
Deferred tax asset		12,435
Deposit		2,000
Escrow restricted cash		25,000
Security deposit		600
Total other assets		412,316
Total assets	$	1,553,457

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:		
Accounts payable	$	658,371
Accrued expenses		107,462
Billings in excess of costs and estimated earnings on uncompleted contracts		32,759
Sales tax payable		5,818
Corporate income taxes payable		6,676
Line of Credit		97,356
Current maturities of long term debt		58,743
Total current liabilities		967,185
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities		266,525
Deferred tax liability		82,115
Total long-term liabilities		348,640
Total liabilities		1,315,825
STOCKHOLDER'S EQUITY:		
Common stock, no par value, 20,000 shares authorized, 11,000 shares issued and outstanding		1,000
Additional paid-in-capital		19,800
Retained earnings		216,832
Total stockholder's equity		237,632
Total liabilities and stockholder's equity	$	1,553,457

See accompanying notes and independent accountant's review report.

AIRTEMP MECHANICAL SERVICES, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended July 31, 2013

CONTRACT REVENUE	$ 6,496,852
COSTS OF CONTRACT REVENUE	5,061,534
Gross profit	1,435,318
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,401,406
OTHER INCOME (EXPENSE):	
Interest expense	(61,181)
Goodwill-sale of residential line	100,000
Gain on sale of property and equipment	60,096
Interest income	977
Income from continuing operations before provision for income taxes	133,804
PROVISION FOR INCOME TAXES:	
Current income tax	7,676
Deferred income tax	29,680
Net income	96,448
Retained earnings - August 1, 2012	120,384
Retained earnings - July 31, 2013	$ 216,832

AIRTEMP MECHANICAL SERVICES, INC.
STATEMENT OF CASH FLOWS
For the year ended July 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 96,448
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	84,640
Bad debt expense	29,522
Deferred income tax	29,680
Gain on sale of property, equipment and residential line	(160,096)
Interest income accrued on amount due from affiliate	(854)
(Increase) decrease in:	
Contracts receivable	(47,406)
Costs and estimated earnings in excess of billings on uncompleted contracts	(105,540)
Inventory	84,047
Increase (decrease) in:	
Accounts payable	(565)
Billings in excess of costs and estimated earnings on uncompleted contracts	20,439
Corporate income taxes payable	5,479
Sales tax payable	2,018
Accrued expenses	(129,933)
Net cash (used) by operating activities	(92,121)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	(48,730)
Payment to escrow account	(25,000)
Net advances to affiliate	(83,429)
Net repayments from employees	4,094
Proceeds from sale of property, equipment and residential line	123,250
Net cash (used) in investing activities	(29,815)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments under line of credit	(266,323)
Advances under line of credit	149,050
Proceeds from long-term debt	318,404
Principal payments on long-term debt	(185,507)
Payments on capital lease obligations	(3,361)
Net cash provided by financing activities	12,263
Net decrease in cash	(109,673)
Cash and cash equivalents - August 1, 2012	125,737
Cash and cash equivalents - July 31, 2013	$ 16,064
SUPPLEMENTAL DISCLOSURES:	
Cash paid during the year for interest	$ 61,181
Cash paid during the year for income taxes	$ 1,947
NON-CASH FINANCING ACTIVITIES:	
Equipment financed through long-term debt	$ 55,949

See accompanying notes and independent accountant's review report.

Further, a DNB report on Air Temp Mechanical is appended to this memo.

Risks and Mitigation Strategies

There are two major risks associated with the project.

The first is the performance risk associated with the installed renewable energy system. Mitigating performance risk is the 10-year extended inverter warranty and the customary panel warranties. In addition, as with all solar PV systems that CEFIA supports, a Locus Energy monitoring system will be installed to ensure any dips in system performance are quickly caught and rectified.

The second major risk associated with this project is the future ability of the property's cash flows to service the proposed C-PACE assessment. Mitigating this risk is the common ownership of Leone Realty and Development, LLC and Air Temp Mechanical, which is the sole tenant. Furthermore, the security of a ZREC contract ensures that a large portion of the C-PACE assessment debt service will be covered by those cash flows, in which CEFIA will take a separate security interest above and beyond the C-PACE lien itself.

Further quantitative underwriting analyses appear on the following pages.

Underwriting Metrics

DSCR Calculation

Property Revenues		
2011 NOI		$179,585
2012 NOI		$118,552
2013 NOI (expected)		$149,069
NOI escalator (if any)		0.00%
Energy Savings		
2014 (projected)		$13,287
Savings escalator		3.00%
ZREC	$	5,562.00
Existing Mortgage		
Principal Outstanding		$800,000
Remaining Life (yrs)		10
Interest Rate		3.88%
C-PACE Assessment		
Principal		$139,050
Assessment Term		20
Interest Rate		6.00%

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
NOI	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069
ZREC	$5,562	$5,562	$5,562	$5,562	$5,562	$5,562	$5,562	$5,562	$5,562	$5,562
Energy Savings	$13,287	$13,686	$14,096	$14,519	$14,955	$15,403	$15,865	$16,341	$16,832	$17,337
Total Income	$167,918	$168,316	$168,727	$169,150	$169,585	$170,034	$170,496	$170,972	$171,462	$171,967
Mortgage Debt	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044
C-PACE Assessment	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031
Total Debt	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076
Free Cash Flow ---->	$57,842	$58,240	$58,651	$59,074	$59,509	$59,958	$60,420	$60,896	$61,386	$61,891
DSCR ----------------->	1.53x	1.53x	1.53x	1.54x	1.54x	1.54x	1.55x	1.55x	1.56x	1.56x
Average DSCR	1.54									

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
NOI	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069	$149,069
ZREC	$5,562	$5,562	$5,562	$5,562	$5,562					
Energy Savings	$17,857	$18,392	$18,944	$19,512	$20,098	$20,701	$21,322	$21,961	$22,620	$23,299
Total Income	$172,487	$173,023	$173,575	$174,143	$174,728	$169,769	$170,390	$171,030	$171,689	$172,367
Mortgage Debt	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044	$98,044
C-PACE Assessment	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031	$12,031
Total Debt	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076	$110,076
Free Cash Flow ---->	$62,411	$62,947	$63,499	$64,067	$64,653	$59,694	$60,315	$60,954	$61,613	$62,292
DSCR ----------------->	1.57x	1.57x	1.58x	1.58x	1.59x	1.54x	1.55x	1.55x	1.56x	1.57x

LTV Calculation			
Existing Mortgage			
Principal Outstanding	$800,000		
C-PACE Assessment	$139,050		
Principal	$135,000		
Closing Fee	$4,050		
Property Appraised Value	$1,150,000		
Estimated Value of C-PACE	$156,318	Lien-to-Value ----->	12%
Improvements		**LTV** ------------------->	**72%**

Current Ratio Calculation			
Current Ratio as of 1/31/14			
Current Assets	$1,298,243		
Current Liabilities	$742,123	**Current ratio** -------->	**1.75**

Total Liabilities / Tangible Net Worth Calculation			
Total Liabilities	$1,254,991		
Tangible Net Worth *	$1,077,477	**TL / TNW** ------------->	**1.16**

* Tangible Net Worth = Total Assets - Liabilities - Intangible Assets

Key Financial Metrics from Project Scenario Report

Attached to this diligence memo is a full scenario report on the Air Temp Mechanical project from Sustainable Real Estate Solutions ("SRS"), a member of CEFIA's third-party C-PACE administrator team. SRS runs all contractor savings projections through their platform to help validate claims made by energy service companies, project developers, engineering firms and contractors participating in the C-PACE program. Below is an extract from that report, which focuses on relevant financial metrics for this project, as considered through the lens of projected energy savings.

Key Financial Metrics

The table below displays key financial metrics for the recommended Energy Conservation Measures (ECMs).

	Projected	'Worst' Case	'Best' Case
Unleveraged Scenario (25 Year Maximum Effective Useful Life)			
Estimated Required Investment:	**$135,000**	$148,500	$121,500
Estimated Savings Over Effective Useful Life:	**$415,598**	$386,431	$444,765
Total Cash Flows Over Effective Useful Life:	**$280,598**	$237,931	$323,265
Estimated Average Annual Savings:	**$16,624**	$15,457	$17,791
Return on Investment (ROI):	**46.4%**	41.4%	52.6%
Simple Payback Term (years):	**8.12**	9.61	6.83
True Payback Term (years):	**6.25**	7.58	5.08
Savings to Investment Ratio (SIR - 25 yr max EUL):	**3.07**	2.60	3.66
Internal Rate of Return (IRR):	**14.9%**	12.0%	18.5%
Net Present Value (NPV at 6% discount rate):	**$97,944**	$70,372	$125,516
Leveraged Scenario (20 Year Financing Term at 6% Interest Rate)			
Estimated Required Investment (100.0% leveraged):	**$0**	$0	$0
Amount Financed (including closing costs):	**$139,050**	$152,955	$125,145
Closing Costs:	**$4,050**	$4,455	$3,645
Estimated Debt Service Over Finance Term:	**$239,087**	$262,996	$215,179
Estimated Savings Over Finance Term:	**$345,277**	$323,142	$367,412
Total Cash Flows Over Finance Term:	**$106,190**	$60,146	$152,233
Interest Cost Over Finance Term:	**$100,037**	$110,041	$90,034
Estimated Annual Debt Service:	**$11,954**	$13,150	$10,759
240 months at 6.0% interest (monthly payment)	**$996**	$1,096	$897
Estimated Average Annual Savings (net of debt service):	**$5,309**	$3,007	$7,612
Savings to Investment Ratio (SIR - 20 yr financing term):	**1.44**	1.22	1.70
Internal Rate of Return (IRR):	**N/A**	N/A	N/A
Net Present Value (NPV at 6% discount rate):	**$77,398**	$51,458	$103,338
Time to Positive Cash Flow:	**Immediate**	Immediate	Immediate
Asset Value Increase from Recommendations			
@ 8.50% CAP Rate	**$195,576**	$181,850	$209,301

Projections include annual utility price escalation factors of 3.0% for electricity and 3.0% for fuels, as well as an annual savings degradation factor of 1.0%. Estimated 'Best' and 'Worst' cases are calculated using uncertainty (accuracy) levels of ± 10% for projected costs (applied to total installation cost, excluding incentives) and ± 10% for projected savings. One-time incentives applied to Projected, 'Worst' and 'Best' cases are unaffected by uncertainty assumptions. The 'Worst' case is comprised of the upper range of costs and the lower range of savings. The 'Best' case is comprised of the lower range of costs and the upper range of savings.

Pro Forma

Project-specific projections presented first; pro forma of CEFIA cash flows follow after.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Year	1	2	3	4	5	6	7	8	9	10
Expected kWh Annually	55,188	54,912	54,637	54,364	54,092	53,822	53,553	53,285	53,019	52,754
Anticpated Utility Cost	$0.20	$0.21	$0.21	$0.22	$0.23	$0.23	$0.24	$0.25	$0.25	$0.26
CASH INFLOWS										
Avoided Electric Cost Savings	$11,038	$11,311	$11,591	$11,878	$12,172	$12,473	$12,782	$13,098	$13,422	$13,754
ZREC Income	$5,519	$5,491	$5,464	$5,436	$5,409	$5,382	$5,355	$5,329	$5,302	$5,275
Tax Benefits	$44,553	$11,798	$7,079	$4,247	$4,247	$2,124				
TOTAL CASH INFLOW	$61,109	$28,600	$24,133	$21,561	$21,828	$19,979	$18,137	$18,426	$18,724	$19,030
CASH OUTFLOWS										
ANNUAL LOAN REPAYMENT	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681
Total Project Cash Impact	$49,428	$16,919	$12,453	$9,881	$10,147	$8,298	$6,456	$6,746	$7,043	$7,349

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year	11	12	13	14	15	16	17	18	19	20
Expected kWh Annually	52,490	52,227	51,966	51,706	51,448	51,191	50,935	50,680	50,427	50,175
Anticpated Utility Cost	$0.27	$0.28	$0.28	$0.29	$0.30	$0.31	$0.32	$0.33	$0.34	$0.35
CASH INFLOWS										
Avoided Electric Cost Savings	$14,095	$14,444	$14,801	$15,167	$15,543	$15,927	$16,322	$16,726	$17,140	$17,564
ZREC Income	$5,249	$5,223	$5,197	$5,171	$5,145	$0	$0	$0	$0	$0
Tax Benefits										
TOTAL CASH INFLOW	$19,344	$19,666	$19,998	$20,338	$20,688	$15,927	$16,322	$16,726	$17,140	$17,564
CASH OUTFLOWS										
ANNUAL LOAN REPAYMENT	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681	$11,681
Total Project Cash Impact	$7,663	$7,985	$8,317	$8,657	$9,007	$4,247	$4,641	$5,045	$5,459	$5,883

SIR over Life of Financing	
NPV OF CASH INFLOW	$272,472
TOTAL C-PACE INVESTMENT	$135,000
Savings-to-investment ratio	2.02

CEFIA Cash Flows

CEFIA Pro Forma

Project Basics		*Cash Flows*	
Amount Financed	$139,050	Date	CEFIA $
Construction Period (years)	0.42	Dec 2013	$139,050
Term (years)	20	May 2014	$2,897
		Jul 2014	$12,031
Construction Financing Rate	5.00%	Jul 2015	$12,031
Term Financing Rate	6.00%	Jul 2016	$12,031
		Jul 2017	$12,031
Construction Interest Payment (bullet)	$2,897	Jul 2018	$12,031
Yearly Debt Service Payments (made semi-annually)	$12,031	Jul 2019	$12,031
		Jul 2020	$12,031
		Jul 2021	$12,031
		Jul 2022	$12,031
		Jul 2023	$12,031
		Jul 2024	$12,031
		Jul 2025	$12,031
		Jul 2026	$12,031
		Jul 2027	$12,031
		Jul 2028	$12,031
		Jul 2029	$12,031
		Jul 2030	$12,031
		Jul 2031	$12,031
		Jul 2032	$12,031
		Jul 2033	$12,031

Note that these numbers may change based on final deal terms, including the potential capitalization of the construction interest payment into the final C-PACE benefit assessment amount.

Due Diligence Questions

Question #1 – What is the most recent market value appraisal?

Response:
$1,150,000

Question #2 – Who is the primary mortgage holder? What is the outstanding balance on the mortgage?

Response:
Thomaston Savings Bank – $800,000

Question #3 – What has been the vacancy rate of the property over the last 5 years?

Response:
None – owner-occupied by Air Temp Mechanical

Question #4 – Other than the proposed clean energy upgrades, are there any other major (>$25,000) capital expenditures planned for the next 5 years?

Response:
No

Clean Energy Finance & Investment Authority
Project Approval Form (under $300,000)

Version 6/23/2013

Project Name: Eli Properties, LLC
Address: 50 Industry Drive, West Haven, CT, 06516
Class Code & Desc: **51800 CPACE**
Project Code: **Value: $** $261,932

Please describe request in detail. **Please attach related memo request or additional exhibits as necessary.**
To approve financing for the project detailed herein for the value requested above.

How is this consistent with the Comprehensive Plan and Budget?
C-PACE transaction

Why do you recommend approval?

THE APPROVAL RELEASE FORM MUST ACCOMPANY THE PROJECT APPROVAL FORM

Recommended by:	**Jessica Bailey**	**Initial & Date: __JB 3.20.14____**
Approved by:	**Lucy Charpentier**	**Initial & Date: __LMC 3.21.14____**
Approved by:	**Mackey Dykes**	**Initial & Date: ___MMD 3/21/14________**
Approved by:	**Brian Farnen**	**Initial & Date: BRF 3/21/14**
Approved by	**Bryan Garcia**	**Initial & Date: _BTG 3/21/14__________**

Soundview Landscape Supply: A C-PACE Project in West Haven, CT

Address	50 Industry Drive, West Haven, CT			
Owner	Eli Properties, LLC			
Proposed Assessment	$261,932			
Term (*years*)	20			
Term Remaining (*months*)	Pending construction completion			
Annual Interest Rate	6.0%			
Annual C-PACE Assessment	$22,664			
Savings-to-Investment Ratio	1.13			
Average Debt-Service Coverage Ratio	1.62x			
Total Loan-to-Value Ratio	81% (C-PACE lien-to-value ratio of 23%)			
Projected Energy Savings		EE	RE	Total
	Per year	-	86,088 kWh	86,088 kWh
	Over term of loan	-	1,575 MWh	1,575 MWh
Estimated Cost Savings (incl. ZRECs and tax benefits)	Per year	-	$22,710	$22,710
	Over term of loan	-	$592,403	$592,403
Location	City of West Haven			
Type of Building	Non-Refrigerated Warehouse			
Year of Build	1998-1999			
Building Size (*sf*)	12,600			
Year Acquired by Current Owner	1997			
As-Is Appraised Value	$1,095,000			
Status of Mortgage Lender Consent	In process from JPMorgan Chase			
Proposed Project Description	75 kW photovoltaic system			
Est. Date of Construction Completion	Pending closing			
Current Status	Awaiting President & CEO approval			
Energy Contractors	Mercury Solar			
Additional Comments				

Project Qualification Memo

To: Bryan Garcia, President and CEO

From: Ben Healey, Senior Manager, Clean Energy Finance

CC: Bert Hunter, EVP and CIO; Mackey Dykes, Chief of Staff; Brian Farnen, General Counsel and CLO; Jessica Bailey and Genevieve Sherman, C-PACE

Date: March 4, 2014

Re: C-PACE Transaction – Construction and Term Loan for Solar PV Installation and Roof Upgrade at 265 Benton Street, Stratford, CT

Summary

The 12,600 square foot building at 50 Industry Drive, West Haven, CT is a landscaping supply and distribution facility run by Soundview Landscape Supply, LLC ("Soundview Landscape Supply"). The property itself is owned by Eli Properties, LLC ("Eli Properties").

The proposed investment is a C-PACE transaction under which CEFIA would provide construction financing in the amount of $261,392 to support the installation of a 75 kW rooftop solar PV system.

The solar installation is projected to save $10,331 in year one energy costs, plus earn annual revenues of another $12,379 thanks to a 15-year ZREC award from the local electric utility company, United Illuminating. Additionally, the property owner will benefit from $78,580 in immediate federal tax savings due to the investment tax credit and enjoy yet further tax advantages over six years attributable to the accelerated depreciation rules for solar projects.

Upon project completion, CEFIA will either retain 100% ownership of the construction loan via conversion to a term loan (envisioned to be 20 years at a 6% interest rate), or sell it off partially or in total to a private capital provider. Regardless, a C-PACE assessment through the City of West Haven will provide security.

With 6% financing for 20 years, annual debt service will be $22,664 (paid semi-annually via the property tax bill), meaning this project will be immediately cash flow positive due solely to energy savings plus ZRECs, and even further in the black after factoring in federal tax benefits.

The solar PV contractor for the project will be Mercury Solar. Mercury is based in Westchester County, New York, and is one of the leading solar installers on the east coast, having completed more than 2,000 commercial, non-profit, and residential systems totaling more than 35 MW of capacity.

The subject property features strong financials, with EBITDA for Eli Properties in 2012 and 2013 hovering around $100,000 each year, providing an average debt service coverage ratio (“DSCR”) greater than 1.6x, after factoring in both the existing mortgage on the property as well as the proposed C-PACE assessment payments. Soundview Landscape Supply, the major business on the property (whose owner is also the controlling interest in Eli Properties), is itself in a strong financial position, as evidenced by the DNB report attached to this memo.

Additionally, the existing LTV for the property is a reasonable 58% (with an outstanding mortgage of about $630,000 to an estimated property value of $1,095,000, based on a 2010 JPMorgan Chase affirmation of a 2004 appraisal). Adding the entirety of the proposed C-PACE financing to the debt load serves to increase that LTV to 81%, which is right on the edge of CEFIA’s underwriting guidelines. However, since applying even a high CAP rate of 10% to first-year energy savings alone (that is, excluding ZREC revenues) would add another $100,000 plus to the property value (which would in turn bring total LTV down to 74%), there are no red flags here.

Strategic Plan

Is the project proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

The proposed project is a C-PACE transaction, and as such, is part of a statutorily mandated program that is a key component of the CEFIA comprehensive plan and budget for FY 2014. This construction and potential term loan supports that program and consequently is consistent with CEFIA’s Comprehensive Plan. Statutorily, CEFIA is permitted to use its resources “…for expenditures that promote investment in clean energy in accordance with [CEFIA’s Comprehensive Plan]….”

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the project versus the dollars of ratepayer funds at risk?

Over the 20-year financing term, projected savings are 1,575 MWh, versus $261,932 of ratepayer funds at risk.

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

The construction and term loans will both be set at a fixed 6% over the 20-year term. Ratepayer funds will be paid back in one of the following ways: (a) through a take-out by a private capital provider at the end of construction (project completion); (b) subsequently, when the loan is sold down to a private capital provider; or (c) through receipt of funds from the City of West Haven as it collects the C-PACE benefit assessment from the property owner.

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the project?

$261,932 on a construction and (potentially) term loan basis.

Risk

What is the maximum risk exposure of ratepayer funds for the project?

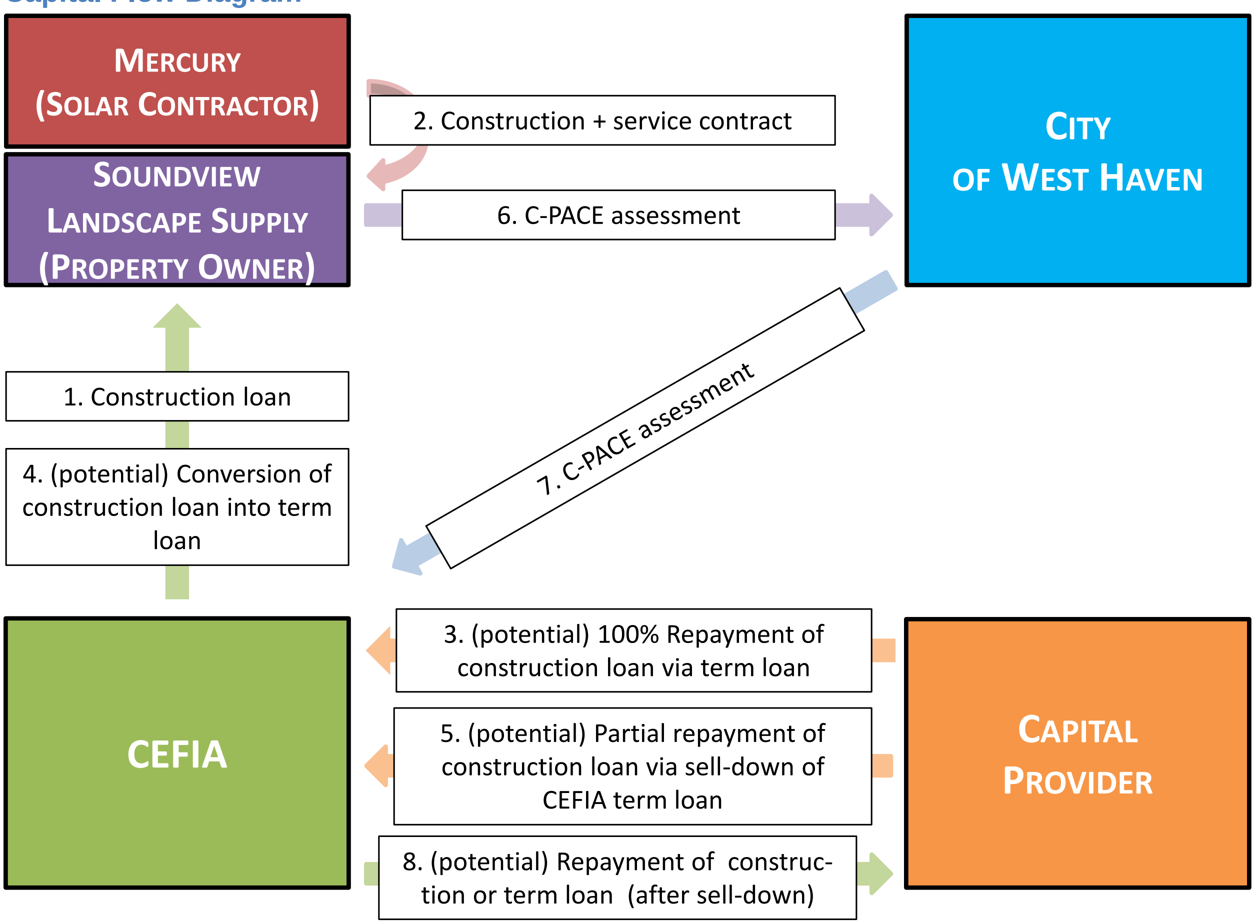
The maximum risk exposure of ratepayer funds will be the $261,932 invested as a construction and (potentially) term loan.

Financial Statements

How is the project investment accounted for on the balance sheet and profit and loss statements?

As funds are advanced, there will be a reduction in the "CEFIA Cash and Cash Equivalents Account" (Current Asset on the Balance Sheet) and a corresponding increase in "Promissory Notes – C-PACE Construction / Term Loan Program" (Non-Current Asset on the Balance Sheet).

Capital Flow Diagram



Target Market

Who are the end-users of the project?

The end-users of the project are the current owner of the property – 50 Industry Drive, West Haven, CT – as well as any future property owners upon transfer of title.

CEFIA Role, Financial Assistance & Selection/Award Process

As the statutorily designated administrator of C-PACE, CEFIA officially launched the program statewide on January 24, 2013. The graphic on the following page illustrates the major tasks that CEFIA staff has accomplished since that kickoff.

Design Program

- Publish Guidelines November 2012
- Onboard Municipalities
- Website launch (www.c-pace.com)

Administer Program

- Technical Underwriting
- Marketing & Outreach
- Work with Existing Mortgage Lenders

Attract Private Capital

- Qualify Capital Providers
- Offer Credit Enhancement tools (as needed)
- Provide capital (as needed)
- Develop warehouse / bonding authority (Q2 2013)

The Soundview Landscape Supply solar PV project comes to CEFIA as the result of a connection made by one of the program's Qualified Capital Providers, Structured Finance. The project has cleared the technical underwriting requirements overseen by CEFIA's third-party program administrator, SRS, including demonstrating a savings-to-investment ratio greater than 1. Based upon the strength of the project application and the clear and significant benefits to be realized through implementation of the proposed clean energy upgrades, CEFIA staff is ready to move this project through to funding.

Project Partners

The chief project partners are the property owner, collectively Eli Properties and Soundview Landscape Supply, and the solar PV contractor, Mercury. Beginning with the latter, Mercury is a highly experienced solar contractor, having provided turnkey financing and EPC solutions to over 2,000 east coast customers since the company's founding in 2006. With private equity sourced at the corporate level from Oppenheimer & Co., Inc., the company has remained in high growth mode nearly since its founding, scaling up both through acquisitions as well as organically. Based on its established track record in the solar industry, the company is a strong partner for the C-PACE program.

Turning to Eli Properties, the company's most recent financial statements follow below:

9:26 AM
03/03/14
Cash Basis

Eli Properties, LLC
Profit & Loss
January through December 2013

	Jan - Dec 13
	Cash Basis
Ordinary Income/Expense	
Income	
Fin Charge	7,598.40
Rental Income	165,780.00
Total Income	173,378.40
Expense	
Bank Service Charges	556.04
Equipment Rental	6,700.05
Interest Expense	
Loan Interest	4,752.60
Mortgage	
Mtg. Int. - Chase	35,537.55
Total Mortgage	35,537.55
Total Interest Expense	40,290.15
Payroll Expenses	
Total Payroll Expenses	16,000.00
Professional Fees	
Accounting	2,665.00
Legal Fees	18,770.00
Total Professional Fees	21,435.00
Taxes	
Business Entity Tax	250.00
Property	
50 Industry Drive	34,843.29
Total Property	34,843.29
Total Taxes	35,093.29
Waste Removal	1,800.00
Total Expense	121,874.53
Net Ordinary Income	51,503.87
Other Income/Expense	
Interest Income	9.81
Total Other Income	9.81
Net Other Income	9.81
Net Income	51,513.68

9:37 AM
03/03/14
Accrual Basis

Eli Properties, LLC
Balance Sheet
As of December 31, 2013

	Dec 31, 13
ASSETS	
Current Assets	
Checking/Savings	
Cash Account	385.00
Chase Bank - DDA xxx9503	17,709.52
Chase Bank - Svgs - xx1522	12,299.20
Total Checking/Savings	30,393.72
Accounts Receivable	
Accounts Receivable	4,970.00
Total Accounts Receivable	4,970.00
Other Current Assets	
Loan to G2	90,000.00
Total Other Current Assets	90,000.00
Total Current Assets	125,363.72
Fixed Assets	
361 Dogburn Road	500.00
50&60 Industry Drive	659,561.20
Building	
Mezzanine Addition	47,464.95
Building - Other	377,399.03
Total Building	424,863.98
G2 Investements, LLC	48,300.00
Total Fixed Assets	1,133,225.18
TOTAL ASSETS	**1,258,588.90**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Chase Bank Credit Line	100,000.00
First Union Bridge Loan	1.05
Loan from GLS & S	4,225.00
Loans to and From SLS/IVY	
Ivy League Cash and Checkbook	-49,000.00
SLS Cash/Checking	-266,500.87
Total Loans to and From SLS/IVY	-315,500.87
Total Other Current Liabilities	-211,274.82
Total Current Liabilities	-211,274.82
Long Term Liabilities	
Chase Bank Mortgage	623,682.50
Loan from HS	
Equipment financing from HS	240,602.30
Inventory financing from HS	218,641.46
Loan from HS - Other	-459,243.76
Total Loan from HS	0.00
Prime Bank Mortgage	-103.84
Total Long Term Liabilities	623,578.66
Total Liabilities	412,303.84
Equity	
Opening Bal Equity	400,000.00
Partner One Equity	
Partner One Investments	13,100.00
Total Partner One Equity	13,100.00
Retained Earnings	372,536.95
Net Income	60,648.11
Total Equity	846,285.06
TOTAL LIABILITIES & EQUITY	**1,258,588.90**

Further, a DNB report on Soundview Landscape Supply is appended to this memo, which demonstrates a strong credit history.

Risks and Mitigation Strategies

There are two major risks associated with this project.

The first is the performance risk associated with the installed renewable energy system. Mitigating performance risk are the customary and usual warranties on the system itself, as well as a 5-year workmanship warranty offered by Mercury. In addition, as with all solar PV systems that CEFIA supports, a Locus Energy monitoring system will be installed to ensure any dips in system performance are quickly caught and rectified.

The second major risk associated with this project is the future ability of the property's cash flows to service the proposed C-PACE assessment. However, given the strong credit history of Soundview Landscape Supply and the track record of positive cash flow demonstrated by the property owner Eli Properties, as well as the relatively small semi-annual benefit assessment amount – which is lower from day one than projected energy savings plus ZREC cash flows – this risk seems relatively low.

Further quantitative underwriting analyses, focused on Eli Properties, appear on the following pages.

Underwriting Metrics

DSCR Calculation

Projected Property Revenues	
2014 Projected EBITDA	$111,969
Energy Savings	
2014 (projected)	$22,710
Savings escalator	2.99%
Existing Mortgage	
Principal Outstanding	$630,000
Remaining Term	15
Mortgage Interest Rate	5.45%
C-PACE Assessment	
Principal	$261,932
Assessment Term	20
Interest Rate	6.00%

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
NOI	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969
Energy Savings	$22,710	$23,155	$23,609	$24,072	$24,544	$25,025	$25,515	$26,015	$26,525	$27,045
Total Income	$134,679	$135,124	$135,578	$136,041	$136,512	$136,993	$137,484	$137,984	$138,494	$139,014
Mortgage Debt	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571
C-PACE Assessment	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664
Total Debt	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235
Original DSCR ------>	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82
DSCR ------------------>	**1.60**	**1.60**	**1.61**	**1.62**	**1.62**	**1.63**	**1.63**	**1.64**	**1.64**	**1.65**

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
NOI	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969	$111,969
Energy Savings	$27,575	$28,116	$28,667	$29,229	$29,802	$18,386	$18,746	$19,114	$19,488	$19,870
Total Income	$139,544	$140,085	$140,636	$141,198	$141,770	$130,355	$130,715	$131,082	$131,457	$131,839
Mortgage Debt	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571	$61,571
C-PACE Assessment	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664
Total Debt	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235	$84,235
Original DSCR ------>	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82
DSCR ------------------>	**1.66**	**1.66**	**1.67**	**1.68**	**1.68**	**1.55**	**1.55**	**1.56**	**1.56**	**1.57**

LTV Calculation				
Existing Mortgage(s)				
Senior Debt	$630,000			
C-PACE Assessment				
Principal	$261,932			
Property Appraised Value	$1,095,000	**LTV -------------------->**	**81%**	<--- based on 2010 Chase affirmation of appraisal

Current Ratio Calculation				
Current Assets	-			
Current Liabilities	-	**Current ratio -------->**	**N/A**	<--- negative current liabilities due to intercompany loan to Soundview Landscape Supply

Total Liabilities / Tangible Net Worth Calculation				
Total Liabilities	$674,236			<--- total liabilities from balance sheet plus value of total C-PACE assessment
Tangible Net Worth *	$584,353	**TL / TNW ------------->**	**1.15**	<--- assessed property value minus total liabilities as calculated

Key Financial Metrics from Project Scenario Report

Attached to this diligence memo is a full scenario report on the Soundview Landscape Supply project from Sustainable Real Estate Solutions ("SRS"), a member of CEFIA's third-party C-PACE administrator team. SRS runs all contractor savings projections through their platform to help validate claims made by energy service companies, project developers, engineering firms and contractors participating in the C-PACE program. Below is an extract from that report, which focuses on relevant financial metrics for this project, as considered through the lens of projected energy savings.

Key Financial Metrics

The table below displays key financial metrics for the recommended Energy Conservation Measures (ECMs).

	Projected	'Worst' Case	'Best' Case
Unleveraged Scenario (25 Year Maximum Effective Useful Life)			
Estimated Required Investment:	**$255,068**	$280,575	$229,561
Estimated Savings Over Effective Useful Life:	**$592,403**	$559,589	$625,218
Total Cash Flows Over Effective Useful Life:	**$337,335**	$279,014	$395,656
Estimated Average Annual Savings:	**$23,696**	$22,384	$25,009
Return on Investment (ROI):	**45.0%**	40.4%	50.5%
Simple Payback Term (years):	**10.76**	12.53	9.18
True Payback Term (years):	**7.58**	9.08	6.25
Savings to Investment Ratio (SIR - 25 yr max EUL):	**2.32**	1.99	2.72
Internal Rate of Return (IRR):	**11.4%**	8.9%	14.4%
Net Present Value (NPV at 6% discount rate):	**$97,603**	$56,265	$138,941
Leveraged Scenario (20 Year Financing Term at 6% Interest Rate)			
Estimated Required Investment (100.0% leveraged):	**$0**	$0	$0
Amount Financed (including closing costs):	**$261,932**	$288,125	$235,739
Closing Costs:	**$6,864**	$7,551	$6,178
Estimated Debt Service Over Finance Term:	**$450,375**	$495,413	$405,338
Estimated Savings Over Finance Term:	**$513,288**	$488,385	$538,191
Total Cash Flows Over Finance Term:	**$62,913**	$(7,028)	$132,853
Interest Cost Over Finance Term:	**$188,443**	$207,287	$169,599
Estimated Annual Debt Service:	**$22,519**	$24,771	$20,267
240 months at 6.0% interest (monthly payment)	**$1,877**	$2,064	$1,689
Estimated Average Annual Savings (net of debt service):	**$3,146**	$(351)	$6,643
Savings to Investment Ratio (SIR - 20 yr financing term):	**1.13**	0.98	1.32
Internal Rate of Return (IRR):	**N/A**	N/A	N/A
Net Present Value (NPV at 6% discount rate):	**$73,648**	$34,061	$113,235
Time to Positive Cash Flow:	**Immediate**	N/A	Immediate
Asset Value Increase from Recommendations			
@ 8.50% CAP Rate	**$278,778**	$263,336	$294,220

Projections include annual utility price escalation factors of 3.0% for electricity and 3.0% for fuels, as well as an annual savings degradation factor of 1.0%. Estimated 'Best' and 'Worst' cases are calculated using uncertainty (accuracy) levels of ± 10% for projected costs (applied to total installation cost, excluding incentives) and ± 10% for projected savings. One-time incentives applied to Projected, 'Worst' and 'Best" cases are unaffected by uncertainty assumptions. The 'Worst' case is comprised of the upper range of costs and the lower range of savings. The 'Best' case is comprised of the lower range of costs and the upper range of savings.

Pro Forma

Project-specific projections presented first; pro forma of CEFIA cash flows follow after.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Year	1	2	3	4	5	6	7	8	9	10
Expected kWh Annually	86,088	85,658	85,229	84,803	84,379	83,957	83,537	83,120	82,704	82,291
Anticpated Utility Cost	$0.12	$0.12	$0.13	$0.13	$0.14	$0.14	$0.14	$0.15	$0.15	$0.16
CASH INFLOWS										
Avoided Electric Cost Savings	$10,331	$10,586	$10,848	$11,117	$11,392	$11,674	$11,963	$12,259	$12,562	$12,873
ZREC Income	$12,379	$12,317	$12,256	$12,194	$12,133	$12,073	$12,012	$11,952	$11,892	$11,833
Tax Benefits	$91,697	$24,282	$14,569	$8,742	$8,742	$4,371				
TOTAL CASH INFLOW	$114,407	$47,186	$37,673	$32,053	$32,267	$28,117	$23,975	$24,211	$24,455	$24,706
CASH OUTFLOWS										
ANNUAL LOAN REPAYMENT	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664
Total Project Cash Impact	$91,743	$24,522	$15,010	$9,389	$9,603	$5,454	$1,311	$1,547	$1,791	$2,043

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year	11	12	13	14	15	16	17	18	19	20
Expected kWh Annually	81,879	81,470	81,062	80,657	80,254	79,853	79,453	79,056	78,661	78,267
Anticpated Utility Cost	$0.16	$0.17	$0.17	$0.18	$0.18	$0.19	$0.19	$0.20	$0.20	$0.21
CASH INFLOWS										
Avoided Electric Cost Savings	$13,192	$13,518	$13,853	$14,196	$14,547	$14,907	$15,276	$15,654	$16,042	$16,439
ZREC Income	$11,774	$11,715	$11,656	$11,598	$11,540	$0	$0	$0	$0	$0
Tax Benefits										
TOTAL CASH INFLOW	$24,966	$25,233	$25,509	$25,794	$26,087	$14,907	$15,276	$15,654	$16,042	$16,439
CASH OUTFLOWS										
ANNUAL LOAN REPAYMENT	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664	$22,664
Total Project Cash Impact	$2,302	$2,570	$2,846	$3,130	$3,424	$7,756	$7,387	$7,009	$6,622	$6,225

SIR over Life of Financing	
NPV OF CASH INFLOW	**$397,683**
TOTAL C-PACE INVESTMENT	**$261,932**
Savings-to-investment ratio	1.52

CEFIA Cash Flows

CEFIA Pro Forma

Project Basics		*Cash Flows*	
		Date	CEFIA $
Amount Financed	$261,932	Mar 2014	$261,932
Construction Period (years)	0.25	Jun 2014	$3,602
Term (years)	20	Jul 2014	$22,664
		Jul 2015	$22,664
Construction Financing Rate	5.50%	Jul 2016	$22,664
Term Financing Rate	6.00%	Jul 2017	$22,664
		Jul 2018	$22,664
Construction Interest Payment (bullet)	$3,602	Jul 2019	$22,664
Yearly Debt Service Payments (made semi-annually)	$22,664	Jul 2020	$22,664
		Jul 2021	$22,664
		Jul 2022	$22,664
		Jul 2023	$22,664
		Jul 2024	$22,664
		Jul 2025	$22,664
		Jul 2026	$22,664
		Jul 2027	$22,664
		Jul 2028	$22,664
		Jul 2029	$22,664
		Jul 2030	$22,664
		Jul 2031	$22,664
		Jul 2032	$22,664
		Jul 2033	$22,664

Note that these numbers may change based on final deal terms, including the potential capitalization of the construction interest payment into the final C-PACE benefit assessment amount.

Due Diligence Questions

Question #1 – What is the most recent market value appraisal?

Response:
$1,095,000

Question #2 – Who is the primary mortgage holder? What is the outstanding balance on the mortgage?

Response:
JPMorgan Chase – $630,000

Question #3 – What has been the vacancy rate of the property over the last 5 years?

Response:
None – owner-occupied by Soundview Landscape Supply

Question #4 – Other than the proposed clean energy upgrades, are there any other major (>$25,000) capital expenditures planned for the next 5 years?

Response:
No

Clean Energy Finance & Investment Authority
Project Approval Form (under $300,000)

Version 3/21/2014

Project Name: Calvary Temple Christian Center, Inc.
Address: 319 Barnum Ave., Bridgeport, CT 06604
Class Code & Desc: 51800 CPACE
Project Code: **Value: $ 51,116**

Please describe request in detail. **Please attach related memo request or additional exhibits as necessary.**
To approve financing for the project detailed herein for the value requested above.

How is this consistent with the Comprehensive Plan and Budget?
C-PACE transaction

Why do you recommend approval?

THE APPROVAL RELEASE FORM MUST ACCOMPANY THE PROJECT APPROVAL FORM

Recommended by:	Genevieve Sherman	Initial & Date: GRS 4/3/14
Approved by:	Lucy Charpentier	Initial & Date: LMC 4/3/14
Approved by:	Mackey Dykes	Initial & Date: MD 4/3/14
Approved by:	Bert Hunter	Initial & Date: BH 4/4/14
Approved by:	Brian Farnen	Initial & Date: BRF 4/4/14
Approved by	Bryan Garcia	Initial & Date: BTG 4/3/14

865 Brook Street
Rocky Hill, Connecticut 06067-3444
T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Calvary Temple Christian Center: A C-PACE Project in Bridgeport, CT

<table>
<tr><td>Address</td><td colspan="4">319 Barnum Ave, Bridgeport, CT</td></tr>
<tr><td>Owner</td><td colspan="4">Calvary Temple Christian Center, Inc.</td></tr>
<tr><td>Proposed Assessment</td><td colspan="4">$51,116*</td></tr>
<tr><td>Term (years)</td><td colspan="4">10</td></tr>
<tr><td>Term Remaining (months)</td><td colspan="4">Pending Construction Completion</td></tr>
<tr><td>Annual Interest Rate</td><td colspan="4">5%</td></tr>
<tr><td>Annual C-PACE Assessment</td><td colspan="4">$6,506</td></tr>
<tr><td>Savings-to-Investment Ratio</td><td colspan="4">2.10</td></tr>
<tr><td>Average Debt-Service Coverage Ratio</td><td colspan="4">1.23x</td></tr>
<tr><td>Loan-to-Value Ratio</td><td colspan="4">34%</td></tr>
<tr><td rowspan="3">Proposed Energy Savings and/or Produced</td><td></td><td>EE</td><td>RE</td><td>Total</td></tr>
<tr><td>Per year (MMBtu)</td><td>241</td><td>N/A</td><td>241</td></tr>
<tr><td>Over loan (MMBtu)</td><td>2,312</td><td>N/A</td><td>2,312</td></tr>
<tr><td rowspan="2">Estimated Cost Savings</td><td>Per year ($)</td><td>$13,678</td><td>N/A</td><td>$13,678</td></tr>
<tr><td>Life Cycle ($)</td><td>$136,776</td><td>N/A</td><td>$136,776</td></tr>
<tr><td>Objective Function</td><td colspan="4">27.5 kBTU of clean energy produced for each $ of ratepayer capital at risk</td></tr>
<tr><td>Location</td><td colspan="4">City of Bridgeport</td></tr>
<tr><td>Type of Building</td><td colspan="4">Non-profit – Public Assembly</td></tr>
<tr><td>Year of Build</td><td colspan="4">1870</td></tr>
<tr><td>Building Size (total sf)</td><td colspan="4">10,600</td></tr>
<tr><td>Served Available Market – within Municipality</td><td colspan="4">>0.01%</td></tr>
<tr><td>Year Acquired by Current Owner</td><td colspan="4">2000</td></tr>
<tr><td>Appraised Value</td><td colspan="4">$1,217,200**</td></tr>
<tr><td>Status of Mortgage Lender Consent</td><td colspan="4">People's United Bank – Consented</td></tr>
<tr><td>Proposed Project Description</td><td colspan="4">Installation of a high efficiency gas-fired boiler and heating water loop</td></tr>
<tr><td>Est. Date of Construction Completion</td><td colspan="4">Pending closing</td></tr>
<tr><td>Current Status</td><td colspan="4">Pending CEFIA President and CEO approval</td></tr>
<tr><td>Energy Contractors</td><td colspan="4">Energy Solutions, LLC</td></tr>
<tr><td>Additional Comments:</td><td colspan="4">*Includes $1,489 in closing costs
**Based on 2013 Bridgeport tax assessment</td></tr>
</table>

C-PACE Project Qualification Memo

To: Bryan Garcia

From: Will McCalpin, Ben Healey

CC: Jessica Bailey, Bert Hunter and Genevieve Sherman

Date: April 3, 2014

Re: Under $300,000 Staff Approval: Installation of high efficiency boiler at 319 Barnum Ave, Bridgeport, CT

Summary

The 10,600 square foot building at 319 Barnum Ave was originally constructed in 1870 and comprises a Christian house of worship in Bridgeport, CT. The building was acquired in 2000 by the current owner and subsequently renovated in 2010. The non-profit religious center is wholly owned by Calvary Temple Christian Center, Inc.

The proposed investment is a C-PACE transaction under which CEFIA would provide construction financing and a term loan commitment in the amount of $51,116 (inclusive of closing fees) to support the installation of a new high efficiency gas-fired boiler and heating water loop.

The general contractor for the project will be Energy Solutions LLC, a ~~well-regarded~~ lighting and energy efficiency contractor headquartered in Shelton, CT. Energy Solutions has been in business for over 20 years and installs high-efficiency lighting and efficiency improvements to commercial buildings across the state of CT.

The upgrade is projected to save an average of $13,678 per year over the 10-year finance term.

With 5% financing for 10 years, annual debt service will be $6,506, paid semiannually via the property tax bill. Net of utility incentives for this project, the Savings-to-Investment Ratio (SIR) will be 2.10

The building is owner-occupied and, due its ownership by a 501(c)3 organization, is tax-exempt. The owner, Calvary Temple, is in moderate financial standing. There was a slight improvement in the Increase in Net Assets from 2012 to 2013, but in both years that figure hovered – by design due to Calvary's non-profit mission – close to zero. Thanks to savings expected to be realized from the C-PACE project, and assuming an average of 2012-13 revenues, the DSCR over the life of the financing is projected to average 1.23x, which is just below CEFIA's underwriting requirement of 1.25x (please see 'Risk Mitigation Strategies').

The existing Loan-to-Value ratio for the property is 34%, with a mortgage principal outstanding of $359,000 on an estimated property value of about $1,217,200, according to the Bridgeport tax assessor's office. The mortgage is held by People's United Bank, which has already consented to the C-PACE lien. The Lien-to-Value ratio is 4% for the project, well below the 35% threshold.

Strategic Plan

Is the project proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

The proposed project is a C-PACE transaction, and as such, is part of a statutorily mandated program that is a key component of the CEFIA comprehensive plan and budget for FY 2014. This construction and potential term loan supports that program and consequently is consistent with CEFIA's Comprehensive Plan. Statutorily, CEFIA is permitted to use its resources "…for expenditures that promote investment in clean energy in accordance with [CEFIA's Comprehensive Plan]…."

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the project versus the dollars of ratepayer funds at risk?

Over the 10-year financing term, projected savings are 2,312 mmBTU versus $51,116 of ratepayer funds at risk.

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

The construction and term loans will both be set at a fixed 5% over the 10-year term. Ratepayer funds will be paid back in one of the following ways: (a) through a take-out by a private capital provider at the end of construction (project completion); (b) subsequently, when the loan is sold down to a private capital provider; or (c) through receipt of funds from the City of Bridgeport as it collects the C-PACE benefit assessment from the property owner.

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the project?

$51,116 on a construction and (potentially) term loan basis.

Risk

What is the maximum risk exposure of ratepayer funds for the project?

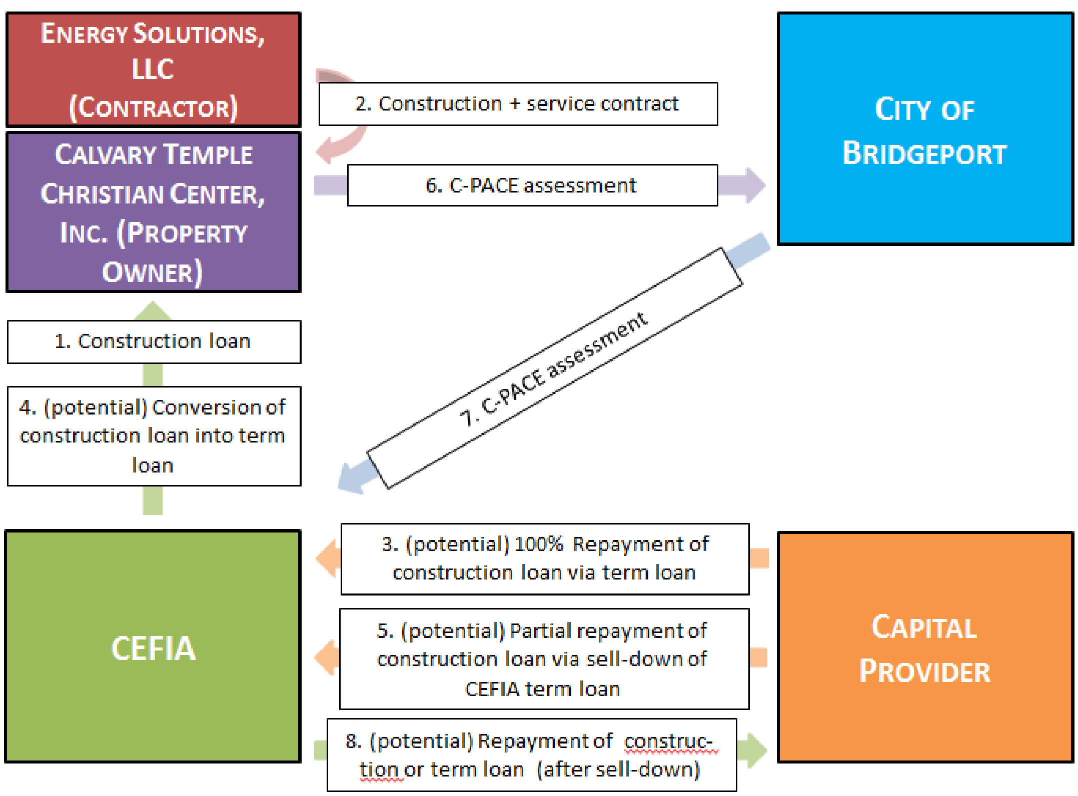
The maximum risk exposure of ratepayer funds will be the $51,116 invested as a construction and (potentially) term loan.

Financial Statements

How is the project investment accounted for on the balance sheet and profit and loss statements?

As funds are advanced, there will be a reduction in the "CEFIA Cash and Cash Equivalents Account" (Current Asset on the Balance Sheet) and a corresponding increase in "Promissory Notes – C-PACE Construction / Term Loan Program" (Non-Current Asset on the Balance Sheet).

Capital Flow Diagram



Target Market

Who are the end-users of the project?

The end-users of the project are the current owner of the property – Calvary Temple Christian Center, Inc. at 319 Barnum Ave, Bridgeport, CT – as well as any future property owners upon transfer of title.

CEFIA Role, Financial Assistance & Selection/Award Process

As the statutorily designated administrator of C-PACE, CEFIA officially launched the program statewide on January 24, 2013. The graphic on the following page illustrates the major tasks that CEFIA staff has accomplished since that kickoff.

Design Program

- Publish Guidelines November 2012
- Onboard Municipalities
- Website launch (www.c-pace.com)

Administer Program

- Technical Underwriting
- Marketing & Outreach
- Work with Existing Mortgage Lenders

Attract Private Capital

- Qualify Capital Providers
- Offer Credit Enhancement tools (as needed)
- Provide capital (as needed)
- Develop warehouse / bonding authority (Q2 2013)

The Calvary Temple boiler replacement project comes to CEFIA as the result of the extensive marketing and outreach campaign conducted by the C-PACE team since the program's inception. The property's owner has now gone through the C-PACE intake process and has cleared the technical underwriting requirements overseen by CEFIA's third-party program administrator, Sustainable Real Estate Solutions, Inc. (SRS), including demonstrating a savings-to-investment ratio greater than 1. Based upon the strength of the project application and the clear and significant benefits to be realized through implementation of the proposed clean energy upgrades, CEFIA staff is ready to move this project through to funding.

Project Partners

The chief project partners are the property owner, Calvary Temple Christian Center, Inc., as well as the contractor, Energy Solutions, LLC.

The contractor Energy Solutions, LLC, has been in business for over 20 years installing high efficiency lighting and other energy improvements to commercial businesses across the state of CT.

The consolidated financial statements for Calvary Temple Christian Center, Inc. follow below:

CALVARY TEMPLE CHRISTIAN CENTER
Supporting Schedules
December 31, 2013

Schedule of Cash & Equivalents		
Cash in People's Bank-#5884	$(1,289.51)	
Cash in People's Bank--Money Market	11,127.12	
Cash in People's Bank-ACH	314.66	
Cash in People's Bank-NMD	5,910.26	
Cash in Chase Bank	87.35	
Cash in Chase Bank-Savings	1,677.32	
Cash in People's Bank - LOAN	7,935.01	
Cash in People's Bank - Pastor's Aid	964.58	
Cash in People's Bank - Benevolent	2,023.43	
Total Cash & Equivalents		$ 28,750.22
Schedule of Accounts Payable		
Accounts Payable - CC 08804-00001	$ 4,402.27	
Total Accounts Payable		$ 4,402.27
Schedule of Notes Payable		
Notes Payable-Mortgage	$ 357,157.97	
Notes Payable - Dell	(4,059.57)	
Total Notes Payable		$ 353,098.40

CALVARY TEMPLE CHRISTIAN CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS		
Current Assets		
Cash & Equivalents	$ 28,750.22	
Total Current Assets		$ 28,750.22
Property and Equipment		
Land	55,000.00	
Buildings	220,000.00	
Building Improvements	828,673.83	
Furniture & Fixtures	18,820.00	
P.A. & Electronic Sound Equipment	38,157.97	
Computers & Data Processing Equipment	1,896.00	
Transportation Equipment	38,000.00	
Media Equipment	1,811.13	
Musical Equipment	4,698.14	
Accumulated Depreciation	(381,892.00)	
Total Property and Equipment		$ 825,165.07
Total		$ 853,915.29
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	4,402.27	
Notes Payable	353,098.40	
Total Liabilities		$ 357,500.67
Net Assets		
Net Assets Beginning of Year	489,935.95	
Net Assets Unrestricted	6,478.67	
Total Net Assets		$ 496,414.62
Total		$ 853,915.29

CALVARY TEMPLE CHRISTIAN CENTER
STATEMENT OF ACTIVITIES
For the Month Ending December 31, 2013

	Current Period	Year to Date	M-T-D %	Y-T-D %
Revenue				
Donations	$ 17,855.36	$ 253,616.65	100.0	100.0
Miscellaneous	0.00	15.00	0.0	0.0
Total Revenue	$ 17,855.36	$ 253,631.65	100.0	100.0
Gross Profit	$ 17,855.36	$ 253,631.65	100.0	100.0
Wages & Benefits-Ministry				
Salaries & Wages-Ministry	1,500.00	5,065.27	8.4	2.0
Housing & Rental Allowance	0.00	10,200.13	0.0	4.0
Insurance-Life	748.28	8,979.36	4.2	3.5
Total Wages & Benefits-Minist	$ 2,248.28	$ 24,244.76	12.6	9.6
Administrative & General				
Accounting	0.00	2,800.00	0.0	1.1
Auto Lease	0.00	3,759.07	0.0	1.5
Auto & Transportation	250.00	4,455.18	1.4	1.8
Bank Service Charges	0.00	608.35	0.0	0.2
Casual Labor	0.00	2,625.00	0.0	1.0
Dues & Subscriptions	196.87	2,985.47	1.1	1.2
Insurance-General	3,649.62	17,592.66	20.4	6.9
Insurance-Medical	150.00	2,090.50	0.8	0.8
Leasing Equipment	176.50	4,305.29	1.0	1.7
Licenses & Permits	261.00	261.00	1.5	0.1
Maintenance & Repairs-Equipmen	0.00	218.00	0.0	0.1
Merchant Fee	37.27	489.59	0.2	0.2
Office Supplies	203.49	2,315.36	1.1	0.9
Penalties & Fines	0.00	150.00	0.0	0.1
Software	0.00	600.00	0.0	0.2
Total Administrative & Gener	$ 4,924.75	$ 45,255.47	27.6	17.8

CALVARY TEMPLE CHRISTIAN CENTER
STATEMENT OF ACTIVITIES
For the Month Ending December 31, 2013

	Current Period	Year to Date	M-T-D %	Y-T-D %
Occupancy				
Interest	$ 1,929.13	$ 24,111.72	10.8	9.5
Maintenance & Repairs-Building	500.00	8,485.75	2.8	3.3
Outside Services	380.28	1,409.31	2.1	0.6
Rent-Storage	151.00	1,794.73	0.8	0.7
Security	188.97	2,159.65	1.1	0.9
Utilities	3,061.34	34,044.02	17.1	13.4
Total Occupancy	$ 6,210.72	$ 72,005.18	34.8	28.4
Christian Education				
Books & Tapes	0.00	236.45	0.0	0.1
Total Christian Education	$ 0.00	$ 236.45	0.0	0.1
Missions & Outreach				
Benevolence	457.89	547.33	2.6	0.2
Broadcast & Radio Airtime	0.00	150.00	0.0	0.1
Donations	0.00	1,806.17	0.0	0.7
Fellowship Activities	31.85	1,059.52	0.2	0.4
Flowers & Gifts	247.34	802.17	1.4	0.3
Honorariums & Love Offerings	418.00	8,630.38	2.3	3.4
Internet & Website Services	260.00	310.00	1.5	0.1
Missions & Outreach	0.00	70.20	0.0	0.0
Total Missions & Outreach	$ 1,415.08	$ 13,375.77	7.9	5.3

CALVARY TEMPLE CHRISTIAN CENTER
STATEMENT OF ACTIVITIES
For the Month Ending December 31, 2013

	Current Period	Year to Date	M-T-D %	Y-T-D %
Program Services				
Advertising	$ 179.00	$ 668.57	1.0	0.3
CED - Christian Education Depat	24.05	174.05	0.1	0.1
Equipment Rental	0.00	32.00	0.0	0.0
Hospitality	0.00	80.00	0.0	0.0
Music & Media	5,649.99	63,653.58	31.6	25.1
Postage & Shipping	11.91	791.96	0.1	0.3
Printing	0.00	489.46	0.0	0.2
Small Equipment Purchases	0.00	269.00	0.0	0.1
Special Services Events	0.00	1,741.49	0.0	0.7
Staff Meetings	133.85	1,502.89	0.7	0.6
Supplies	458.77	8,226.55	2.6	3.2
Telephone	278.38	6,382.44	1.6	2.5
THUG	0.00	1,487.95	0.0	0.6
Travel, Meals & Lodging-Staff	87.12	2,838.50	0.5	1.1
Women's Ministry	50.00	151.65	0.3	0.1
Miscellaneous	0.00	3,555.67	0.0	1.4
Total Program Services	$ 6,873.07	$ 92,045.76	38.5	36.3
Total Operating Expenses	$ 21,671.90	$ 247,163.39	121.4	97.4
Operating Surplus or (Deficit	$(3,816.54)	$ 6,468.26	(21.4)	2.6
Other Income				
Other Income	1.02	10.41	0.0	0.0
Total Other Income	$ 1.02	$ 10.41	0.0	0.0
Total Other Income (Expenses)	$ 1.02	$ 10.41	0.0	0.0
Increase (Decrease) In Net Assets	$(3,815.52)	$ 6,478.67	(21.4)	2.6

Risks and Mitigation Strategies

There are two potential risks associated with this project:

Firstly, the debt service coverage ratio for the project is 1.23x, which is less than the 1.25x DSCR required per CEFIA's underwriting requirements. Additionally, Calvary's loan officer at People's United Bank indicated that although Calvary Temple has never missed a mortgage payment, he has concerns about whether they will continue to secure sufficient revenues to service their existing debt over the medium term (3-5 years). Nevertheless, a low DSCR is not atypical of a non-profit organization, since revenues are often raised in order to match closely with projected expenses. Given the strong SIR of 2.10 of this project, the savings from the proposed energy conservation measure will positively affect, and in fact more than offset, the new debt service assumed by the organization under C-PACE.

Secondly, the current ratio for Calvary Temple is 0.76, which is less than the 1.00:1.25 threshold required per CEFIA's underwriting standards. However, again, mitigating this risk are the facts that 1) Calvary Temple is a non-profit organization that has successfully maintained operations for many years on tight operating budgets, and 2) that this proposed C-PACE project should lead to significant savings.

Finally, of course, even in a downside scenario, mitigating CEFIA's risk is the placement of the senior C-PACE lien on the property, since Calvary has significant tangible assets and a building valued in excess of $1 million.

Further quantitative underwriting analyses appear on the following pages.

Underwriting Metrics

DSCR Calculation

Property Revenues	
2012 NOI	$30,131
2013 NOI	$40,054
2014 NOI (expected)	$35,093
NOI escalator (if any)	0.00%
Energy Savings	
2014 (projected)	$12,601
Savings escalator	3.00%
ZREC	
Existing Mortgage	
Principal Outstanding	$359,036
Remaining Life (yrs)	7
Interest Rate	6.25%
C-PACE Assessment	
Principal	$51,116
Assessment Term	10
Interest Rate	5.00%

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
NOI	$35,093	$35,093	$35,093	$35,093	$35,093	$35,093	$35,093	$35,093	$35,093	$35,093
ZREC	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Energy Savings	$12,601	$12,979	$13,368	$13,769	$14,183	$14,608	$15,046	$15,498	$15,963	$16,441
Total Income	$47,694	$48,072	$48,461	$48,862	$49,275	$49,701	$50,139	$50,590	$51,055	$51,534
Mortgage Debt	$33,575	$33,575	$33,575	$33,575	$33,575	$33,575	$33,575	$33,575	$33,575	$33,575
C-PACE Assessment	$6,558	$6,558	$6,558	$6,558	$6,558	$6,558	$6,558	$6,558	$6,558	$6,558
Total Debt	$40,133	$40,133	$40,133	$40,133	$40,133	$40,133	$40,133	$40,133	$40,133	$40,133
Free Cash Flow ---->	$7,561	$7,939	$8,328	$8,729	$9,142	$9,568	$10,006	$10,457	$10,922	$11,401
DSCR ------------------>	1.19x	1.20x	1.21x	1.22x	1.23x	1.24x	1.25x	1.26x	1.27x	1.28x
Average DSCR	1.23									

LTV Calculation

Existing Mortgage			
Principal Outstanding	$359,036		
C-PACE Assessment	$51,116		
Principal	$49,627		
Closing Fee	$1,489		
Property Appraised Value	$1,217,200		
		Lien-to-Value ----->	4%
		LTV -------------------->	**34%**

Current Ratio Calculation

Current Ratio as of 12/31/13			
Current Assets	$28,750		
Current Liabilities	$37,977	**Current ratio -------->**	**0.76**

Total Liabilities / Tangible Net Worth Calculation

Total Liabilities	$357,501		
Tangible Net Worth *	$467,664	**TL / TNW ------------->**	**0.76**

* Tangible Net Worth = Total Assets - Liabilities - Intangible Assets

Key Financial Metrics from Project Scenario Report
Attached to this diligence memo is a full scenario report on the Calvary Temple Christian Center project from Sustainable Real Estate Solutions ("SRS"), a member of CEFIA's third-party C-PACE administrator team. SRS runs all contractor savings projections through their platform to help validate claims made by energy service companies, project developers, engineering firms and contractors participating in the C-PACE program. Below is an extract from that report, which focuses on relevant financial metrics for this project, as considered through the lens of projected energy savings.

Key Financial Metrics

The table below displays key financial metrics for the recommended Energy Conservation Measures (ECMs).

	Projected	'Worst' Case	'Best' Case
Unleveraged Scenario (18 Year Maximum Effective Useful Life)			
Estimated Required Investment:	**$49,627**	$54,936	$44,319
Estimated Savings Over Effective Useful Life:	**$267,220**	$240,498	$293,942
Total Cash Flows Over Effective Useful Life:	**$217,592**	$185,562	$249,623
Estimated Average Annual Savings:	**$14,846**	$13,361	$16,330
Return on Investment (ROI):	**29.9%**	24.3%	36.8%
Simple Payback Term (years):	**3.34**	4.11	2.71
True Payback Term (years):	**3.92**	4.75	3.17
Savings to Investment Ratio (SIR - 18 yr max EUL):	**5.38**	4.37	6.63
Internal Rate of Return (IRR):	**26.7%**	21.6%	32.8%
Net Present Value (NPV at 5% discount rate):	**$119,550**	$97,323	$141,776
Leveraged Scenario (10 Year Financing Term at 5% Interest Rate)			
Estimated Required Investment (100.0% leveraged):	**$0**	$0	$0
Amount Financed (including closing costs):	**$51,116**	$56,584	$45,648
Closing Costs:	**$1,489**	$1,648	$1,330
Estimated Debt Service Over Finance Term:	**$65,060**	$72,019	$58,100
Estimated Savings Over Finance Term:	**$136,776**	$123,098	$150,453
Total Cash Flows Over Finance Term:	**$71,716**	$51,079	$92,353
Interest Cost Over Finance Term:	**$13,944**	$15,435	$12,452
Estimated Annual Debt Service:	**$6,506**	$7,202	$5,810
120 months at 5.0% interest (monthly payment)	**$542**	$600	$484
Estimated Average Annual Savings (net of debt service):	**$7,172**	$5,108	$9,235
Savings to Investment Ratio (SIR - 10 yr financing term):	**2.10**	1.70	2.58
Internal Rate of Return (IRR):	**N/A**	N/A	N/A
Net Present Value (NPV at 5% discount rate):	**$54,566**	$38,712	$70,421
Time to Positive Cash Flow:	**Immediate**	Immediate	Immediate
Asset Value Increase from Recommendations			
@ 7.50% CAP Rate	**$197,940**	$178,146	$217,735

Projections include annual utility price escalation factors of 3.0% for electricity and 3.0% for fuels, as well as an annual savings degradation factor of 1.0%. Estimated 'Best' and 'Worst' cases are calculated using uncertainty (accuracy) levels of ± 10% for projected costs (applied to total installation cost, excluding incentives) and ± 10% for projected savings. One-time incentives applied to Projected, 'Worst' and 'Best" cases are unaffected by uncertainty assumptions. The 'Worst' case is comprised of the upper range of costs and the lower range of savings. The 'Best' case is comprised of the lower range of costs and the upper range of savings.

Pro Forma

CEFIA Cash Flows

CEFIA Pro Forma

Project Basics		*Cash Flows*	
Amount Financed	$51,116	Date	CEFIA $
Construction Period (years)	0.17	May 2014	$51,116
Term (years)	10	Jul 2014	$426
		Jan 2015	$6,558
Construction Financing Rate	5.00%	Jan 2016	$6,558
Term Financing Rate	5.00%	Jan 2017	$6,558
		Jan 2018	$6,558
Construction Interest Payment (bullet)	$426	Jan 2019	$6,558
Yearly Debt Service Payments (made semi-annually)	$6,558	Jan 2020	$6,558
		Jan 2021	$6,558
		Jan 2022	$6,558
		Jan 2023	$6,558
		Jan 2024	$6,558
		Jan 2025	$0
		Jan 2026	$0
		Jan 2027	$0
		Jan 2028	$0
		Jan 2029	$0
		Jan 2030	$0
		Jan 2031	$0
		Jan 2032	$0
		Jan 2033	$0
		Jan 2034	$0

Note that these numbers may change based on final deal terms, including the potential capitalization of the construction interest payment into the final C-PACE benefit assessment amount.

Due Diligence Questions

Question #1 – What is the most recent market value appraisal?

Response:

$1,217,200 (2013 Bridgeport assessor)

Question #2 – Who is the primary mortgage holder? What is the outstanding balance on the mortgage?

Response:

People’s United Bank – $359,000

Question #3 – What has been the vacancy rate of the property over the last 5 years?

Response:

None – owner-occupied by Calvary Temple Christian Center, Inc.

Question #4 – Other than the proposed clean energy upgrades, are there any other major (>$25,000) capital expenditures planned for the next 5 years?

Response:

No