

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



September 16, 2015

Dear Connecticut Green Bank Board of Directors:

We have a special meeting of the Board of Directors scheduled for Wednesday, September 23, 2015 from 3:00 to 4:00 p.m. in the Colonel Albert Pope Board Room of the Connecticut Green Bank at 845 Brook Street, Rocky Hill, CT 06067.

We will bring forward the final proposal for the selection of our financing partner for the C-PACE program. We look forward to discussing the proposal with you; this public-private partnership will be another “game-changing” moment for the Connecticut Green Bank.

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

We look forward to seeing you next week.

Sincerely,

Mackey Dykes
Vice President and COO



AGENDA

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

Wednesday, September 23, 2015
3:00-4:00 p.m.

Staff Invited: George Bellas, Andy Brydges, Craig Connolly, Mackey Dykes, Brian Farnen,
Bryan Garcia, Dale Hedman, Bert Hunter, Kerry O'Neill, and Genevieve Sherman

1. Call to order
2. Public Comments – 5 minutes
3. Consent Agenda* – 5 minutes
 - a. Approval of Meeting Minutes for July 17, 2015*
4. Commercial and Industrial Sector Program Updates and Recommendations* – 50 minutes
 - a. C-PACE Private Warehouse*
5. Adjourn

*Denotes item requiring Board action

Join the meeting online at <https://global.gotomeeting.com/join/660932029>

Or call in using your telephone:
Dial (646) 749-3131
Access Code: 660-932-029



RESOLUTIONS

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

Wednesday, September 23, 2015
3:00-4:00 p.m.

Staff Invited: George Bellas, Andy Brydges, Craig Connolly, Mackey Dykes, Brian Farnen,
Bryan Garcia, Dale Hedman, Bert Hunter, Kerry O'Neill, and Genevieve Sherman

1. Call to order
2. Public Comments – 5 minutes
3. Consent Agenda* – 5 minutes
 - a. Approval of Meeting Minutes for July 17, 2015*

Resolution #1

Motion to approve the minutes of the Board of Directors Regular Meeting for July 17, 2015.

4. Commercial and Industrial Sector Program Updates and Recommendations* – 50 minutes
 - a. C-PACE Private Warehouse*

Resolution #2

WHEREAS, per 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"), the Connecticut Green Bank 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 Board of Directors previously passed resolutions authorizing the establishment of a \$40 million construction and term revolving 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");

WHEREAS, the Connecticut Green Bank (“Green Bank”) established the C-PACE Warehouse Facility and has closed over \$45 million in C-PACE projects;

WHEREAS, the Green Bank opened a Request for Proposals (“RFP”) on December 24, 2014 to attract additional capital to support the growing needs of the C-PACE program;

WHEREAS, the Green Bank seeks to enter into a partnership with the winner of the RFP: Hannon Armstrong Sustainable Infrastructure Capital, Inc. or an affiliated entity (“HASI”) to form a Special Purpose Entity (“HA C-PACE LLC” (name subject to change)) to fund C-PACE investments, leverage private capital, streamline the underwriting and disbursement process, realize opportunities for growth, and various other substantive tasks to assist with the successful deployment of the program;

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Connecticut Green Bank, is authorized to execute a Master Assignment and Servicing Agreement and ancillary documentation with HASI and HA C-PACE LLC with terms and conditions materially consistent with those presented in the memorandum dated September 16, 2015.

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

RESOLVED, that the Board of Directors grants automatic approval to C-PACE transactions that have been approved by HASI for incorporation into HA C-PACE LLC.

5. Adjourn

*Denotes item requiring Board action

Join the meeting online at <https://global.gotomeeting.com/join/660932029>

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Access Code: 660-932-029



CONNECTICUT
GREEN BANK

Board of Directors Meeting

September 23, 2015



Board of Directors

Agenda Item #1

Call to Order

Board of Directors
Agenda Item #2
Public Comments

Board of Directors
Agenda Item #3
Consent Agenda

Consent Agenda



- **Meeting Minutes** – approval of meeting minutes of July 17, 2015

Board of Directors

Agenda Item #4

C-PACE Private Warehouse

RFP Timeline Review



- | | <u>Complete</u> |
|---|-----------------|
| • December 24, 2014: RFP open for CPACE Capital Provider | ✓ |
| • January 16 & 25: Questions and answers published | ✓ |
| • February 2: Submission deadline | ✓ |
| • 8 submissions | ✓ |
| • February 2-18: Next round discussions | ✓ |
| • February 23: Narrowed the field to 5 proposals | ✓ |
| • Based on established scoring matrix & team judgments | ✓ |
| • March 23: Released detailed portfolio data | ✓ |
| • Focus on underwriting compatibility and off-take ability | ✓ |
| • April 14-20: Final calls with respondents | ✓ |
| • April 23 – May 1: Discussed recommendations with BoD members | ✓ |
| • May 4 – 8: Discussions with 2 finalists | ✓ |
| • June 3: Selection & notification (no public announcement) | ✓ |
| • June 18: Term Sheet Finalized (no public announcement) | ✓ |
| • October: Finalize documentation and begin funding | ✓ |

Key Selection Criteria



(40%) Economic value capture for the Green Bank

- **Program and administrative cost recapture**
- How increased origination efforts, through the Green Bank, selected warehouse provider, and/or an external party will be funded
- Revenue potential for the Green Bank to recover its substantial upfront investment in C-PACE

(25%) Economic attractiveness to C-PACE borrowers

- Low cost of capital and maximum advance rate
- Minimum fees

(20%) Streamlined process and integration with current program operations

- Mutually designed underwriting criteria with ability to accommodate exceptions
- Financing terms that are compatible with borrower rates and terms in our C-PACE program guidelines
 - Currently 5% for 10 years to 6% for 20 years, adjusted at regular intervals
- Simplified documentation
- Potential for an outsourced solution for origination, underwriting, legal, and/or backend program support

(15%) Structure

- An ability to structure an SPV or external entity that will be the Lender of Record
- Clarity to term financing arrangement
- Ability to scale with program growth

Respondents



<REDACTED>



Respondents



<REDACTED>



Finalists



Based on qualitative and quantitative analysis, Green Bank staff narrowed the field to <REDACTED> and <REDACTED>

- Highest economic NPVs for Green Bank
- Deep understanding of CPACE portfolio along with demonstrated appetite for underlying Benefit Assessment Liens
- Flexible underwriting processes that allow for broader universe of deals
- Low cost of capital and high advance rates to allow for improved flexibility on pricing

<REDACTED>

<REDACTED>

Selection



CONNECTICUT
GREEN BANK

<REDACTED>

Update

A large, abstract graphic consisting of several overlapping green shapes, including triangles and polygons, that create a sense of movement and depth, primarily located in the lower right and bottom portions of the slide.

Finalization of Key Points



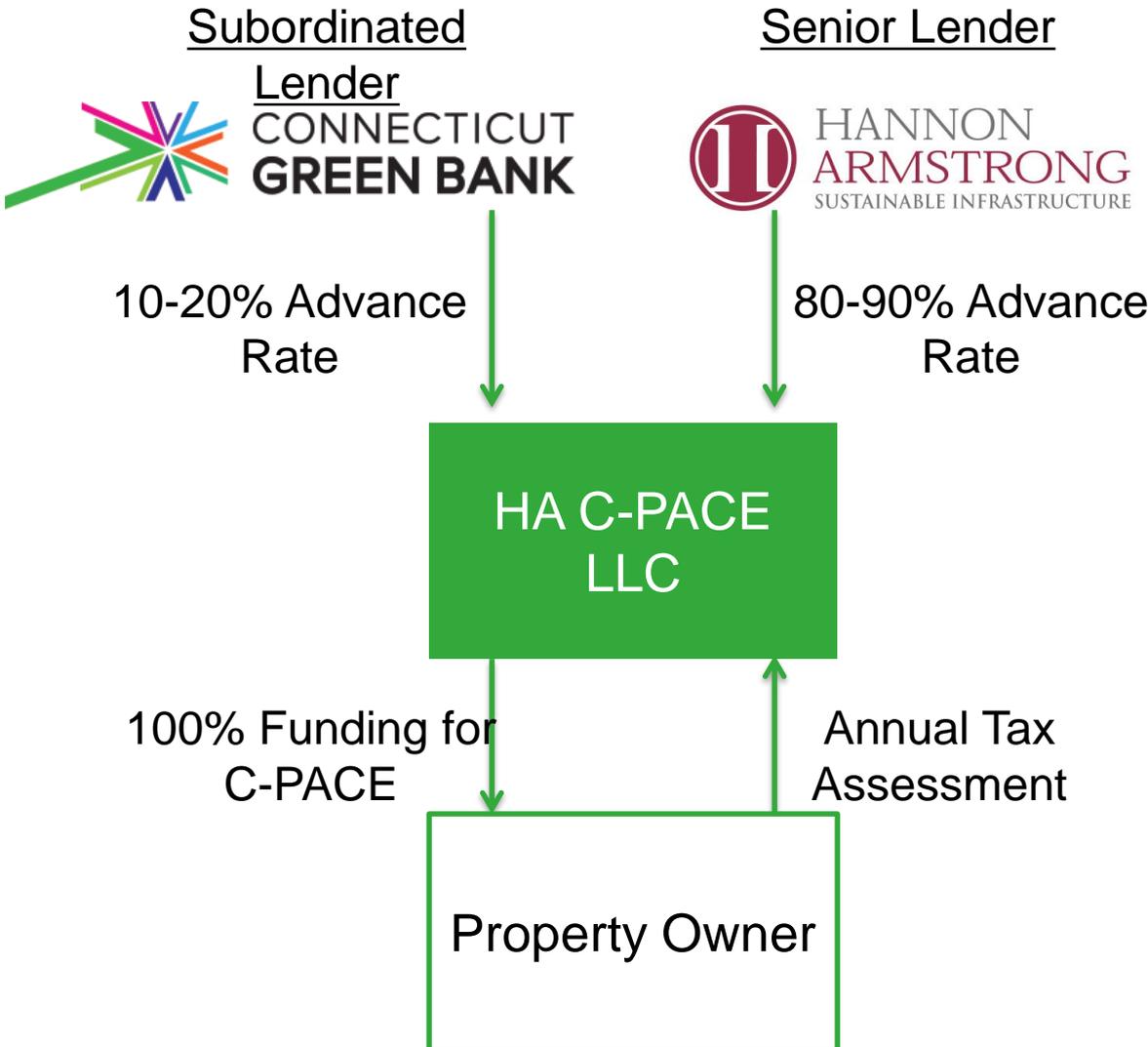
Substantial progress since the June 19th, 2015 Board Meeting

- Facility size
 - \$50M with \$50M accordion feature (two \$25M upsizings), subject to Lender consent
- Credit criteria for underwriting buckets (selected criteria below)

<REDACTED>

- Pricing
- Economics

Structure



C-PACE “SPE” will acquire existing Green Bank C-PACE portfolio and fund all new transactions

- Completed and in-repayment
 - Hannon Armstrong conducting portfolio due diligence, feedback favorable
- Currently disbursing
 - Discussing method for SPE (HA C-PACE LLC) to take over disbursements
- Approved but not yet disbursing
 - HA C-PACE LLC will fund new transactions, though Green Bank may provide a portion of funding upfront to streamline logistics

Expected Benefits



The Hannon Armstrong Facility will bring significant benefits to the C-PACE program

- Greater leveraging of private capital
 - Most cases 9:1 ratio of private to public investment dollars (vs. 4:1 in the 1st C-PACE fund)
- Allows Green Bank to recapture costs and provide for ongoing origination and servicing expenses
 - Steady stream of annual fees that are senior in the waterfall
- Reduced cost of capital
 - Hannon's business model allows for aggressive (and predictable) pricing
 - Willingness to offer longer dated tenors
- Streamlined process to drive additional volume
 - Expedited criteria allows for increased underwriting speed
 - Reduces barriers to entry for building owners and contractors
- Opportunities for program development
 - Software integration
 - Data driven customer acquisition

Request for Final Approval



Approval to execute the documentation necessary to finalize the facility

- Agreements between **Hannon Armstrong, Connecticut Green Bank** and **HA C-PACE LLC**:
 - C-PACE PROGRAM, MASTER ASSIGNMENT AND SERVICING AGREEMENT
 - LOAN AND SECURITY AGREEMENT (Senior [HA] & Subordinated [Green Bank])
 - SUBORDINATION AND INTERCREDITOR AGREEMENT
 - COLLATERAL ASSIGNMENT OF PROGRAM DOCUMENTS
- Agreement between **HA C-PACE LLC** and **Hannon Armstrong**:
 - SR PROMISSORY NOTE
- Agreement between **HA C-PACE LLC** and **Green Bank**:
 - SUBORDINATED PROMISSORY NOTE

For future C-PACE deals, Board approval automatic and contingent on Senior Lender approval unless funded outside the facility

- Limited Green Bank exposure (~10% via subordinated debt investment)

Board of Directors
Agenda Item #5
Adjourn

**BOARD OF DIRECTORS OF THE
CONNECTICUT GREEN BANK**

Draft Minutes – Regular Meeting
Friday, July 17, 2015

1. Call to Order:

The Board of Directors of the Connecticut Green Bank meeting was called to order at 9:00 a.m. by Catherine Smith. Board members participating: Rob Klee, Norma Glover, John Harrity, Reed Hundt (by phone), Bettina Ferguson (by phone), and Mun Young Choi

Members Absent: Kevin Walsh, and Pat Wrice.

Staff Attending: Bryan Garcia, Brian Farnen, Mackey Dykes, George Bellas, Dale Hedman, Andy Brydges, Ben North, Bert Hunter, Matt Macunas, Craig Connolly, Kerry O’Neill (by phone), Alysse Buzzelli, Genevieve Sherman, and Cheryl Samuels.

2. Public Comments:

There were no public comments.

3. Consent Agenda:

a. Approval of Meeting Minutes for June 19, 2015

Upon a motion made by John Harrity, seconded by Norma Glover the Board of Directors of the Connecticut Green Bank voted unanimously in favor to approve the minutes from the June 19, 2015 meeting.

Resolution #1

Motion to approve the minutes of the Board of Directors Regular Meeting for June 19, 2015.

b. Proposed Revisions to Comprehensive Plan for FY 2015 and FY 2016

Resolution #2

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80 (the Act), “AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT’S ENERGY FUTURE,” which created the Connecticut Green Bank (the “Green Bank”) to develop programs to finance and

otherwise support clean energy investment per the definition of clean energy in Connecticut General Statutes Section 16-245n(a);

WHEREAS, the Act directs the Green Bank to develop a comprehensive plan to foster the growth, development and commercialization of clean energy sources, related enterprises and stimulate demand clean energy and deployment of clean energy sources that serve end use customers in this state;

WHEREAS, the Board of Directors approved the Comprehensive Plan for FY 2015 and FY 2016 at a meeting on June 20, 2014;

WHEREAS, Article V of the Green Bank Operating Procedures requires the Green Bank Board of Directors (the “Board”) to adopt an Annual Plan for each forthcoming fiscal year;

WHEREAS, the Board of Directors has approved the annual plan of operation for Fiscal Year 2016 at a June 19, 2015 meeting;

WHEREAS, the officers of the Connecticut Green Bank propose revising the Comprehensive Plan for FY 2015 and FY 2016 to update it with respect to the approval by the Board of Directors of the annual plan of operation including budget and targets for FY 2016 at the June 19, 2015 meeting;

WHEREAS, the officers of the Connecticut Green Bank propose further revising the Comprehensive Plan for FY 2015 and FY 2016 including the revisions proposed in a memo dated July 10, 2015 and a redline version of the Comprehensive Plan updated on July 17, 2015;

NOW, therefore be it:

RESOLVED, that the Board approves the proposed revisions by the officers of the Comprehensive Plan for Fiscal Years 2015 and 2016; and

RESOLVED, that the Board directs the members of the Connecticut Green Bank serving on the Joint Committee of the Energy Efficiency Board and the Connecticut Green Bank to bring forth recommendations for joint goals and objectives that can be included in the FY 2015 and FY 2016 Comprehensive Plan.

c. Board of Directors and Committees Report for FY 2015

Catherine Smith thanked all of the Board members for their attendance at the meetings.

Resolution #3

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80 (the Act), “AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT’S ENERGY FUTURE,” which created the

Connecticut Green Bank (the “Green Bank”) and vests the power in a Board of Directors comprised of eleven voting and two non-voting members; and

WHEREAS, the structure of the Board of Directors is governed by the bylaws of the Connecticut Green Bank, including, but not limited to, its powers, meetings, committees, and other matters.

NOW, therefore be it:

RESOLVED, that Board has reviewed and approved the Overview of Compliance Reporting and the Board of Directors and Committees for FY 2015 memo dated July 10, 2015 prepared by staff, which provides a summary report of the FY 2015 governance of the Board of Directors and its Committees of the Connecticut Green Bank.

4. Update from the President:

Bryan Garcia provided an update on the bond funds. He advised that they were able to maintain the authorization for \$26 million of the \$36 million. He explained that they maintained the \$18 million under the Green Loan Guarantee Fund and \$8 million from the Renewable Energy and Energy Efficiency Finance Account. He advised that he felt that this was a good result at a time when the legislature was cutting many authorizations.

He explained that the request to expand the Special Capital Reserve Fund from \$50 million to \$100 million was approved. Brian Farnen explained that they were not able to get the “deemed appropriate language” for Lead by Example, but that having SCRF enables us to use our bonding authority in a cost effective manner. Bryan Garcia advised that there will be updates at the next Board of Directors meeting on the status of the bond indenture and bond process.

Bryan Garcia provided information on the set aside requirements of 25% for small and minority owned businesses. He advised that any time state funds are utilized that they have those requirements. Brian Farnen explained that this gets difficult when we are utilizing private capital and the Green Bank is only a small portion of the capital stack. He explained that they will be applying to the bond programs and that they’re currently working on this.

Rob Klee commented that they need to work on a definition of what a Green Bond actually is. He stated that people are interested in investing in them, but there is not really a definition of what it is. Bert Hunter explained that the Green Bank is doing everything that adheres to the Green Bond principles. Bettina Ferguson stated that Connecticut issued two Green Bonds, one for \$60 million and the other for \$100 million. She explained that they were very successful and easy to do. Norma Glover stated that there is a concern about the authenticity of the Green Bond name. Bert Hunter advised that the Green Bank will be measuring and verifying all of the green aspect of issuance. Catherine Smith questioned who is deciding the principles. Bert Hunter stated that he thinks it is CERES, a nonprofit organization out of Boston, which with a group of global

financial institutions developed the principles that are aimed at standardizing practices for issuers and investors and improving transparency. Bettina Ferguson stated that Europe has been issuing Green Bonds since 2008.

Bryan Garcia shared information on the dedication of the 750 KW carport at the JCC of Greater New Haven. He explained that this was a C-PACE and CT Solar Lease project. He congratulated the team.

5. Commercial and Industrial Sector Program Updates and Recommendations

Genevieve Sherman provided an update on the Commercial and Industrial Sector Program. She advised that there have been 68 transactions closed at just under \$45 million. She advised that over \$70 million has been approved since the beginning. She explained that they are approaching Salisbury, Morris, Thompson and Redding to join the C-PACE program. She also explained that she expected soon to see a bank consent on a commercial mortgage backed security. She stated that this will be a huge step for C-PACE.

a. C-PACE Transactions

i. Hartford – C-PACE Transaction

Genevieve Sherman provided an update on 900 Asylum Avenue. She explained that they are nonprofit. She explained that they are working with JK Energy Solutions. She stated that this project includes a solar component. She explained that this is the first PPA done alongside a C-PACE project, not funded out of the CT Solar Lease Fund. Ms. Sherman went on to explain that the total financed amount is just under \$500,000 and that this falls under the standard underwriting criteria. Catherine Smith questioned where the additional funding was coming from. Genevieve Sherman stated that JK Energy Solutions was providing the PPA but was unsure what source of funding they would use as well as some utility incentives on the energy efficiency measures.

Resolution #4

WHEREAS, pursuant to Section 16a-40g of the Connecticut General Statutes, as amended, (the “Act”), the Connecticut Green Bank (the “Green Bank”) 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 Green Bank Board of Directors (the “Board”) has approved a \$40,000,000 C-PACE construction and term loan program;

WHEREAS, the Green Bank seeks to provide a \$479,810 construction and (potentially) term loan under the C-PACE program to HARC, Inc. (f/k/a The Greater Hartford Association for Retarded Citizens, Inc.), the building owner of 900 Asylum Ave, Hartford, Connecticut (the "Loan"), to finance the construction of specified

clean energy measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

WHEREAS, the Green Bank may also provide a short-term unsecured loan (the "Feasibility Study Loan") from a portion of the Loan amount, to finance the feasibility study or energy audit required by the Act, and such Feasibility Study Loan would become part of the Loan and be repaid to the Green Bank upon the execution of the Loan documents.

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any duly authorized officer of the Green Bank 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 dated July 17, 2015, and as he or she shall deem to be in the interests of the Board and the ratepayers no later than 120 days from the date of authorization by the Board;

RESOLVED, that before executing the Loan, the President of the Green Bank and any other duly authorized officer of the Green Bank 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; and

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

ii. South Windsor – C-PACE Transaction

Genevieve Sherman provided an update on 419 Buckland Road. She explained that this is a small solar system, 25 KW. She explained that they are working with Ross Solar. She stated that this falls under the standard underwriting criteria and that they are financing just over \$116,000.

Resolution #5

WHEREAS, pursuant to Section 16a-40g of the Connecticut General Statutes, as amended, (the "Act"), the Connecticut Green Bank (the "Green Bank") 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 Green Bank Board of Directors (the "Board") has approved a \$40,000,000 C-PACE construction and term loan program;

WHEREAS, the Green Bank seeks to provide a \$116,074 construction and (potentially) term loan under the C-PACE program to Carmon & Company, LLC., the building owner of 419 Buckland Road, South Windsor, Connecticut (the "Loan"), to

finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

WHEREAS, the Green Bank may also provide a short-term unsecured loan (the "Feasibility Study Loan") from a portion of the Loan amount, to finance the feasibility study or energy audit required by the Act, and such Feasibility Study Loan would become part of the Loan and be repaid to the Green Bank upon the execution of the Loan documents.

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any duly authorized officer of the Green Bank 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 dated July 17, 2015, and as he or she shall deem to be in the interests of the Board and the ratepayers no later than 120 days from the date of authorization by the Board;

RESOLVED, that before executing the Loan, the President of the Green Bank and any other duly authorized officer of the Green Bank 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; and

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

iii. Windsor – C-PACE Transaction

Genevieve Sherman provided an update on 807 Bloomfield Ave. She explained that this is a 100 KW project. She explained that they are financing 100% for a 15 year term at 5.5%. She explained that the total is just under \$400,000 and that this falls under the standard underwriting criteria.

Upon a motion made by Rob Klee, seconded by John Harrity the Board voted unanimously in favor to approve.

Resolution #6

WHEREAS, pursuant to Section 16a-40g of the Connecticut General Statutes, as amended, (the "Act"), the Connecticut Green Bank (the "Green Bank") 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 Green Bank Board of Directors (the "Board") has approved a \$40,000,000 C-PACE construction and term loan program;

WHEREAS, the Green Bank seeks to provide a \$389,124 construction and (potentially) term loan under the C-PACE program to Carmon Properties, LLC, the building owner of 807 Bloomfield Ave, Windsor, Connecticut (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

WHEREAS, the Green Bank may also provide a short-term unsecured loan (the "Feasibility Study Loan") from a portion of the Loan amount, to finance the feasibility study or energy audit required by the Act, and such Feasibility Study Loan would become part of the Loan and be repaid to the Green Bank upon the execution of the Loan documents.

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any duly authorized officer of the Green Bank 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 dated July 17, 2015, and as he or she shall deem to be in the interests of the Board and the ratepayers no later than 120 days from the date of authorization by the Board;

RESOLVED, that before executing the Loan, the President of the Green Bank and any other duly authorized officer of the Green Bank 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; and

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

b. C-PACE Private Capital Warehouse Provider Update

Genevieve Sherman provided an update on the Manufacturing Innovation Fund. She explained that she and Bryan Garcia advised them on buying down the interest rate – similar to the program run for the Automobile Dealers Association. She explained that there are a lot of analytics with the advisory committee and that they're looking for just manufacturers. She explained that the focus is on owner occupied buildings. She explained that they're working with DECD and DOL to merge with employee data to focus on small businesses. She explained that they will work with them to design a program to get them into the program.

Bert Hunter stated that staff has successfully raised \$100 million for the C-PACE program. He explained that staff expect to close the facility later this summer. He stated that they will bring this back to the Board for approval. Brian Farnen stated staff is are working on the documentation.

6. Statutory and Infrastructure Sector Program Updates and Recommendations

a. Residential Solar Investment Program (Steps 8 through 10) – SHREC

Bryan Garcia provided an update on RSIP. He explained that the demand is rising. He explained that to date, 85 MW have been approved, 55 MW from fiscal 2015, which is more than three times last year. Rob Klee questioned how long installing is taking. Bryan Garcia stated that it's about 180 days to completion and that with the extension of the ITC uncertain, this could cause the market to slow in 2016. Bert Hunter explained that whether this occurs or not depends on what the federal government does with the tax credits. He explained that there has been a lot of discussion, but not a lot of active legislation to extend the credit. He explained that because of the timeframe to completion (6-7 months) and the need to have the solar on the roof and energized by 12/31/2016, without extension of the investment tax credit, homeowners could get concerned that the system they contract for may miss the deadline for the credit and cause the market to slow down until the outcome is more certain. Kerry O'Neill explained that Sunnova, whose products are replacing the CT Solar Lease, has a model that doesn't rely on the tax credit.

Bryan Garcia explained that there has been a decrease of 30% installed cost since 2011. He explained that Incentives have come down by 70% since 2011. He also went onto explain that installers are using financing products. He stated that they're recognizing that providing consumers access to financing is growing their businesses. George Bellas explained that it has lowered their piece of the incentive in the cost of installation.

Kerry O'Neill provided an update on income distribution of installed solar, by census tract. She stated that it shows where the challenges are. She explained that census tracts above 100% AMI have the highest penetration of residential solar. She stated that they are looking at census tracts with lower AMI bands and trying to bring them up to the other levels. She explained that about 60% of the people that live in census tracts in the bands of 80% AMI and lower are renters.

Dale Hedman provided an overview on SHREC policy. He explained that the policy enables the Green Bank to serve the market. He explained that the target increased from 30 MW to 300 MW by the end of 2022. He explained that 240 MW will be eligible for the new SHREC policy. He explained that they are working on a master purchase agreement to discuss with the utilities. He also explained that SHREC values will include the RSIP incentives as well as the administrative and securitization costs. He explained that there is a limitation as to how much the Green Bank can be priced at, it's either five dollars per REC less than the alternative compliance payment for the Class I RPS or the lesser of the small ZREC. It also provides that the Green Bank be involved in the process of permitting with the municipalities to lower the soft costs. The Green Bank must have up to five seminars for municipalities to work on the permitting process. Bryan Garcia explained that if they achieve the 300 MW that that's about 10% of the total available market for residential solar PV in the state. The market will continue to

deploy, but the role of the Connecticut Green Bank will be removed as the market handles itself.

Norma Glover questioned if they go out and put together a program to help the municipalities on permitting. Dale Hedman stated that yes, they will be putting their stamp on it and trying to do the best that they can for getting pricing and permitting in line. Bryan Garcia stated that they are working with CCM to do the five seminars and that it's a very data driven initiative. Rob Klee said that they need to keep in mind reducing costs for the small towns, as well. He stated that they should work on finding ways to help them to be successful in getting new ordinances on the books. Reed Hundt commented that Connecticut is the first state in the country to have linked Green Bank capitalization with the REC Program. He stated that the program is beneficial and deserves a lot of attention from environmentalists that green banks can advance public policy objectives faster and with more deployment.

Bryan Garcia stated that they want to establish Race to the Rooftop with a minimum of 4.5 MW for LMI. He stated that it's too early to know where to set the target. He stated that if the market moves they will come back to the committee with the data. They are looking to launch step eight on August 7, 2015. They will notify the installers three weeks prior that they're going to be moving to step eight. He stated that step nine and ten will follow at the conclusion of those 30 MW blocks. Catherine Smith questioned if it will be confusing to the installers. Bryan Garcia stated that they've been using these step approaches all along – except now these are bigger steps which will send a positive signal to them to invest in their business.

Bryan Garcia stated that the second largest installer is coming to Connecticut. He stated that the key focus is creating a master purchase agreement with the utilities. He stated that they will work on getting an investor to give them the money today for the expected stream of cash flows from the SHREC over a 15-year period. Brian Farnen stated that the document will be sent to the utilities soon. They're hoping utilities will see it the same way. He stated that they have not seen anything that leads them to believe that they will not be a great partner.

Dale Hedman stated that incentive levels have been put up for steps eight, nine, and ten. He stated that they're seeing the homeownership market as a percentage of the total installs and that approval is falling way behind that of the third party providers. He stated that they're pretty confident that this is happening because the advantage of the third party providers is a better economic position than homeownership. He stated that they're looking to hold the incentive the same for step six. He stated that they'll resume reducing the incentives for steps nine and ten. Bryan Garcia stated that the SHREC has to stay under \$50. He stated that they continue to drive the RSIP incentives down.

Dale Hedman stated that they're looking at step eight LMI incentive of about \$0.11/MWH, which is about 51% higher than the proposed PBI. He stated that it equates to what the PBI rate is in step five. He stated that it will require additional incentives to meet the energy purchasing requirements. Steps nine and ten will remain TBD. They're

not sure how those levels will need to be adjusted in the future. He stated that it's going to take time.

Bryan Garcia questioned what the economic benefit is to the low income resident.

Kerry O'Neill stated that in the 80% AMI household example, a New Haven home heating with oil has current energy costs of 5% of their income. This is a 3 person household with an annual income of about \$59,000 a year. Their energy cost is about \$2900. The goal is to reduce that cost utilizing a solar lease model, and if they also add energy efficiency they can reduce their energy costs to about 3.4% of their income. She stated that they do even see the opportunity for households in the lower than 60% AMI category to take advantage of this opportunity as well.

Norma Glover questioned how they will get the message out to the public. Kerry O'Neill stated that it's by finding companies that focus solely on this type of market. She stated that it's a lot of community based marketing. She stated that this approach has been a great success for PosiGen in New Orleans. She stated that LMI market is a very different market and that they need several different strategies to achieve deeper penetration, including single family and multifamily. She stated that the PosiGen partnership is one of those strategies. She stated that they also have the Connecticut Housing Investment Fund partnership, which offers a credit challenged version of the Smart-E loan. She stated that this will allow for fuel switching for homeowners. The CHIF partnership also has the LIME loan that it is focused on affordable multifamily properties. She also stated that the partnership with CHFA has twenty solar projects in twelve housing authorities. She explained that the MacArthur Foundation partnership focuses on predevelopment loans for affordable multifamily. She stated that there is a future need to focus on the rental population through community shared solar and sub-metering policies.

Upon a motion made by Norma Glover, seconded by Rob Klee the Board voted unanimously in favor of the proposals.

Resolution #7 (Subject to change based on Deployment Committee recommendation)

WHEREAS, Public Act 15-194 "An Act Concerning the Encouragement of Local Economic Development and Access to Residential Renewable Energy" (the "Act") requires the Connecticut Green Bank ("Green Bank") to design and implement a Residential Solar Photovoltaic ("PV") Investment Program ("Program") that results in no more than three-hundred (300) megawatts of new residential PV installation in Connecticut before December 31, 2022 and creates a Solar Home Renewable Energy Credit ("SHREC") requiring the electric distribution companies to purchase through 15-year contracts the Renewable Energy Credits ("RECs");

WHEREAS, as of June 26, 2015, the Program has thus far resulted in approximately eighty-two megawatts of new residential PV installation application approvals in Connecticut – about 52 MW prior to January 1, 2015 and 26 MW after January 1, 2015 –

6 and when complete and commissioned will achieve about twenty-five percent of the target of three-hundred megawatts established per Public Act 15-194;

WHEREAS, on July 2, 2015, Governor Malloy officially signed Public Act 15-194 thereby passing the law;

WHEREAS, pursuant to Conn. Gen Stat. 16-245a, a renewable portfolio standard was established that requires that Connecticut Electric Suppliers and Electric Distribution Company Wholesale Suppliers obtain a minimum percentage of their retail load by using renewable energy;

WHEREAS, real-time revenue quality meters are included as part of solar PV systems being installed through the Program that determine the amount of clean energy production from such systems as well as the associated RECs which, in accordance with Public Act 15-194 will be sold to the Electric Distribution Companies through a master purchase agreement entered into between the Green Bank, Eversource Energy, and United Illuminating, and approved by the Public Utility Regulatory Authority;

WHEREAS, pursuant to the Act, the Green Bank has prepared a declining incentive block schedule (“Schedule”) that offers direct financial incentives, in the form of the expected performance based buy down (“EPBB”) and performance-based incentives (“PBI”), for the purchase or lease of qualifying residential solar photovoltaic systems, respectively; and

WHEREAS, pursuant to the Act, to address willingness to pay discrepancies between communities, the Green Bank will provide additional incentive dollars to improve the deployment of residential solar PV in low to moderate income communities; and

WHEREAS, the Deployment Committee recommended on July 14, 2015 that the Board approve of the Schedule of Incentives as set forth in Tables 3 and 4 of the memo dated July 10, 2015 with one revision changing the new Low to Moderate Income incentive for Step 9 to “to be determined.”

NOW, therefore be it:

RESOLVED, that Board approves of the Schedule of Incentives as set forth in Tables 3 and 4 of the memo dated July 10, 2015 to achieve 90.0 MW of solar PV deployment over FY 2016 – 30.0 MW from Step 8, 30.0 MW from Step 9, and 30.0 from Step 10;

RESOLVED, that per Public Act 15-194, the Board instructs staff to limit approval of direct financial incentives to no more than one hundred megawatts of new qualifying residential solar photovoltaic systems, in the aggregate, between the date of passage of Public Act 15-194 and April 1, 2016.

7. Sector Updates and Progress to Targets for FY 2015

Bryan Garcia provided an overview of the Statutory and Infrastructure targets. He advised that the goal was 40 MW and that they had delivered 60 MW. He stated that

they will achieve savings once the projects that have been approved close. He stated that it's very good progress.

Bryan Garcia provided an update on the residential sector. He explained that the target was 29,862 MMBtus of energy saved and clean energy generated. He stated that they have closed about 30,517.

Bert Hunter explained the issues with the Cozy Home Program. He stated that it had been competing against a 0% loan product and that's the reason for its failure. He stated that Smart-E is a local lending product and that Solar Lease is in partnership with local banks. He stated that Sungage Financial is a partner for Solar Loan.

Catherine Smith commented that having a sense of how the total market is being impacted is a way to start including data. Bryan Garcia stated that they'll look at how they're transforming to get those big numbers. Reed Hundt stated that he would like to see the TAM every quarter. He stated that it sets goals. Bryan Garcia stated that they can put that into the quarterly updates.

Mackey Dykes stated that they are in the process of selling down the CT Solar Loan. He stated that they anticipated getting CGB capital utilized in the residential sector down to around \$5 million.

Kerry O'Neill stated that there are a few performance issues with the Solar Loan and none with the Solar Lease. She stated that there is only one delinquency in the Smart-E portfolio.

Bryan Garcia stated that several of the products are using federally repurposed funds. He stated that they're looking to get the federal government to change the rules and be in favor of more private investors versus providing the market subsidies through interest rate buy-downs. He stated that they are working through this.

Bryan Garcia stated that in the Commercial and Industrial sector that CT Solar Lease and C-PACE targets are about 9 MW. He stated that they are about three quarters of the way there on closings. Mackey Dykes stated that they see 80 – 90% of the value transferred to private capital.

Bryan Garcia stated that they are working through some barriers with the institutional sector. Andy Brydges noted that there have been two municipal and three state projects that have been approved, but not yet closed. He explained that they have not been able to start any new projects yet. They have to wait until they get through the process with the state projects.

Bryan Garcia stated that for sector performance they have established high stretch targets. He stated they hope to show \$1 billion in annual performance someday. He stated that nearly \$700 million in total capital deployed is the stretch target for next year. He stated that once the LBE market is opened there are big numbers there. He stated that they will

continue to set aspirational or stretch targets. He stated that in four years they have been able to scale up more investment in clean energy. He stated that the proposed resolution is on the memos which detail sector performance for fiscal year 2015 . He would like the Board to formally approve the memos as this data will be used for CGB reporting in such things as the Comprehensive Annual Financial Report.

Upon a motion made by Norma Glover, seconded by Mun Young Choi the Board voted unanimously in favor of the proposals.

Resolution #8

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80 (the Act), “AN ACT CONCERNING THE ESTABLISHMENT OF THE 7 DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT’S ENERGY FUTURE,” which created the Connecticut Green Bank (the “Green Bank”) to develop programs to finance and otherwise support clean energy investment per the definition of clean energy in Connecticut General Statutes Section 16-245n(a);

WHEREAS, the Act directs the Green Bank to develop a comprehensive plan to foster the growth, development and commercialization of clean energy sources, related enterprises and stimulate demand clean energy and deployment of clean energy sources that serve end use customers in this state;

WHEREAS, on June 20, 2014, the Board of Directors of the Connecticut Green Bank approved a Comprehensive Plan for FY 2015 and FY 2016, including an annual budget and targets for FY 2015.

NOW, therefore be it:

RESOLVED, that Board has reviewed and approved the Program Performance towards Targets for FY 2015 memos dated July 10, 2015, which provide an overview of the performance of the Statutory and Infrastructure, Residential, Commercial and Industrial, and Institutional sectors with respect to their FY 2015 targets.

8. Other Business:

Bryan Garcia stated that they are doing a study on how to attract more private investment for activities involving alternative fuels. He stated that they need to think about the definition and if they need to broaden it. Given that the Board approved of the definition of “clean alternative fuel and infrastructure” as used by the State, he stated that they should look into the definition from the federal government and Clean Cities Initiative to look at things like biofuels.

9. Adjourn:

Upon a motion made by John Harrity, seconded by Mun Young Choi the Board of Directors of the Connecticut Green Bank voted unanimously in favor of adjourning the meeting at 10:58 a.m.

Respectfully Submitted,

Catherine Smith, Chair

DRAFT



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Program Update Memo

To: Connecticut Green Bank Board of Directors

From: Bert Hunter, EVP & CIO; Genevieve Sherman, Director C&I Programs, Ben Healey, Assistant Director, and Mike Yu, Senior Manager, Clean Energy Finance

Cc: Bryan Garcia, President & CEO; Brian Farnen, General Counsel & CLO

Date: September 16, 2015

Re: Approval of Documentation for C-PACE Private Capital Warehouse Provider

This memo is designed to provide an update to the Connecticut Green Bank Board of Directors (“BOD”) with respect to staff’s selection of a financing partner under the C-PACE Warehouse Capital Provider RFP released on December 24, 2014 and request approval to execute a Master Assignment and Servicing Agreement and ancillary documentation consistent with this memorandum. A previous update memo was submitted to the BOD at the June 26, 2015 meeting, and this memorandum incorporates both that discussion as well as progress since then.

Staff is pleased to report that after a lengthy process, which included initial responses from eight highly capable capital providers, a second round narrowed down to five top-tier respondents, and a final cut that included only the two most competitive finalists, staff has selected a financing partner who will help ensure the sustainability and growth of the Green Bank’s C-PACE program going forward. This partner is Hannon Armstrong (NYSE: HASI), a uniquely designed, publicly-traded REIT that focuses on energy efficiency and renewable energy projects. Since the June 26, 2015 meeting, staff has worked with Hannon Armstrong to (a) finalize term sheets, (b) negotiate key terms of the warehouse, and (c) substantially complete legal documentation. Staff believes that having this partner in place will drive growth of the C-PACE program and enable the Green Bank to focus its capital resources for the next fiscal year on new opportunities outside of the C-PACE program.

What follows below are some key highlights associated with the proposed new private C-PACE financing partnership:

- It establishes a scalable \$50 million warehouse facility (with an accordion option to allow for two \$25 million increases up to a facility limit of \$100 million, subject to senior lender consent) within a special purpose entity (“HA C-PACE LLC” or the “SPE”) that will be owned and controlled by Hannon Armstrong, with no structuring, commitment, or upsize / downsize fees;
- This SPE will both a) purchase C-PACE assets from the Green Bank that currently sit on our balance sheet and b) directly finance C-PACE projects, as originated by the Green Bank;

- The warehouse will provide the Green Bank with the flexibility to optimize the tradeoffs among key factors such as the advance rate (which will be up to 90%, or ten percentage points more than the deal closed last year with Clean Fund), the timing of cash flows (including construction financing), and overall yield;
- The structure will provide assurance of financing at a low cost of capital, a predictable cash flow stream to cover Green Bank expenses (including origination fees, ongoing debt returns, and upside potential associated with a likely backend securitization), and a clear and streamlined underwriting process <redacted> that will accelerate deal flow and reduce transaction costs; <redacted>
and
- The warehouse will align incentives by delivering substantial value recapture to the Green Bank while providing the selected private capital provider with a stream of high-quality assets accompanied by a significant security package.

Fundamentally, Green Bank staff believes that Hannon Armstrong, an established player in the energy efficiency financing field with tremendous primary and secondary market experience, will be an excellent partner as the Green Bank takes the C-PACE program to the next level. Together, the thoughtfulness of this partner's proposal, their understanding of the C-PACE product, their diligence on the Green Bank's existing portfolio of projects, and their flexible and creative responses to staff's questions and comments throughout the selection process, have all demonstrated that they are the best fit to work with the Green Bank in scaling up C-PACE as a significant asset class, which will benefit not only Connecticut property owners and ratepayers, but also help demonstrate a scalable national model, as well.

In order to finalize the partnership, staff requests BOD approval to execute the documentation necessary to establish HA C-PACE LLC. This documentation includes, but is not limited to:

- C-PACE PROGRAM, MASTER ASSIGNMENT AND SERVICING AGREEMENT and EXHIBITS
- LOAN AND SECURITY AGREEMENT (SENIOR and SUBORDINATE)
- SUBORDINATION AND INTERCREDITOR AGREEMENT
- COLLATERAL ASSIGNMENT OF PROGRAM DOCUMENTS (SENIOR and SUBORDINATE)
- PROMISSORY NOTE (SENIOR and SUBORDINATE)

In addition, staff requests that for future C-PACE deals, Board approval be automatic and contingent on Senior Lender approval. This will allow for the Green Bank and Hannon Armstrong to align their underwriting processes. Moreover, once HA C-PACE LLC is established, the Green Bank's exposure will be limited to its subordinated debt, which will typically comprise only 10% of the financing.

RESOLUTIONS

WHEREAS, per 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"), the Connecticut Green Bank 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 Board of Directors previously passed resolutions authorizing the establishment of a \$40 million construction and term revolving 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”);

WHEREAS, the Connecticut Green Bank (“Green Bank”) established the C-PACE Warehouse Facility and has closed over \$45 million in C-PACE projects;

WHEREAS, the Green Bank opened a Request for Proposals (“RFP”) on December 24, 2014 to attract additional capital to support the growing needs of the C-PACE program;

WHEREAS, the Green Bank seeks to enter into a partnership with the winner of the RFP: Hannon Armstrong Sustainable Infrastructure Capital, Inc. or an affiliated entity (“HASI”) to form a Special Purpose Entity (“HA C-PACE LLC” (name subject to change)) to fund C-PACE investments, leverage private capital, streamline the underwriting and disbursement process, realize opportunities for growth, and various other substantive tasks to assist with the successful deployment of the program;

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Connecticut Green Bank, is authorized to execute a Master Assignment and Servicing Agreement and ancillary documentation with HASI and HA C-PACE LLC with terms and conditions materially consistent with those presented in the memorandum dated September 16, 2015.

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

RESOLVED, that the Board of Directors grants automatic approval to C-PACE transactions that have been approved by HASI for incorporation into HA C-PACE LLC.

Submitted by: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO, Genevieve Sherman, Director Commercial and Industrial Programs, Ben Healey, Assistant Director, and Michael Yu, Senior Manager.



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Program Update Memo

To: Connecticut Green Bank Board of Directors

From: Bert Hunter, EVP & CIO; Ben Healey, Assistant Director, and Mike Yu, Senior Manager, Clean Energy Finance

Cc: Bryan Garcia, President & CEO; Brian Farnen, General Counsel & CLO

Date: June 12, 2015

Re: Selection of C-PACE Private Capital Warehouse Provider

This memo is designed to provide an update to the Connecticut Green Bank Board of Directors (“BOD”) with respect to staff’s selection of a financing partner under the C-PACE Warehouse Capital Provider RFP released on December 24, 2014.

Staff is pleased to report that after a lengthy process, which included initial responses from eight highly capable capital providers, a second round narrowed down to five top-tier respondents, and a final cut that included only the two most competitive finalists, staff has selected a financing partner who will help ensure the sustainability and growth of the Green Bank’s C-PACE program going forward. Because negotiations with that partner are still underway, staff is not prepared to publicly announce the name of the selected partner at this time, but a draft term sheet outlining the key points of the deal is available to members of the BOD upon request. Although we are not yet prepared to publicly announce the new partner, staff thought it appropriate to update the BOD with this positive development as the BOD considers priorities for FY16, since having this partner in place will enable the Green Bank to focus its capital resources for the next fiscal year on new opportunities outside of the C-PACE program.

What follows below are some key highlights associated with the proposed new private C-PACE financing partnership:

- It establishes a scalable \$50 million warehouse facility (with an accordion option to allow for a facility limit of \$100 million) within a special purpose entity (“SPE”) that will be owned and controlled by a private capital provider, with no structuring, commitment, or upsize / downsize fees;
- This SPE will both a) purchase C-PACE assets from the Green Bank that currently sit on our balance sheet and b) directly finance C-PACE projects, as originated by the Green Bank;

- The proposed warehouse will provide the Green Bank with the flexibility to optimize the tradeoffs among key factors such as the advance rate (which will be up to 90%, or 10% more than the deal closed last year with Clean Fund), the timing of cash flows (including construction financing), and overall yield;
- The structure will provide surety of financing at a low cost of capital, a predictable cash flow stream to cover Green Bank expenses (including origination fees, ongoing debt returns, and upside potential associated with a likely backend securitization), and a clear and streamlined underwriting process that will accelerate deal flow and reduce transaction costs; and
- The warehouse will align incentives by delivering substantial value recapture to the Green Bank while providing the selected private capital provider with a stream of high-quality assets accompanied by a significant security package.

Fundamentally, Green Bank staff believes that the selected capital provider, an established player in the energy efficiency financing field with tremendous primary and secondary market experience, will be an excellent partner as the Green Bank takes the C-PACE program to the next level. Together, the thoughtfulness of this partner's proposal, their understanding of the C-PACE product, their diligence on the Green Bank's existing portfolio of projects, and their flexible and creative responses to staff's questions and comments throughout the selection process, have all demonstrated that they are the best fit to work with the Green Bank in scaling up C-PACE as a significant asset class, which will benefit not only Connecticut property owners and ratepayers, but also help demonstrate a scalable national model, as well.



CPACE – Capital Provider RFP

Selection update

Executive Session

June 19, 2015



RFP Timeline Review



- | | <u>Complete</u> |
|---|-----------------|
| • December 24, 2014: RFP open for CPACE Capital Provider | ✓ |
| • January 16 & 25: Questions and answers published | ✓ |
| • February 2: Submission deadline | ✓ |
| • 8 submissions | |
| • February 2-18: Next round discussions | ✓ |
| • February 23: Narrowed the field to 5 proposals | ✓ |
| • Based on established scoring matrix & team judgments | |
| • March 23: Released detailed portfolio data | ✓ |
| • Focus on underwriting compatibility and off-take ability | |
| • April 14-20: Final calls with respondents | ✓ |
| • April 23 – May 1: Discussed recommendations with BoD members | ✓ |
| • May 4 – 8: Discussions with 2 finalists | ✓ |
| • June 3: Selection & notification (no public announcement) | ✓ |
| • June 18: Term Sheet Finalized (no public announcement) | ✓ |
| • Facility in place by Q3 2015 | |

Key Selection Criteria



(40%) Economic value capture for the Green Bank

- **Program and administrative cost recapture**
- How increased origination efforts, through the Green Bank, selected warehouse provider, and/or an external party will be funded
- Revenue potential for the Green Bank to recover its substantial upfront investment in C-PACE

(25%) Economic attractiveness to C-PACE borrowers

- Low cost of capital and maximum advance rate
- Minimum fees

(20%) Streamlined process and integration with current program operations

- Mutually designed underwriting criteria with ability to accommodate exceptions
- Financing terms that are compatible with borrower rates and terms in our C-PACE program guidelines
 - Currently 5% for 10 years to 6% for 20 years, adjusted at regular intervals
- Simplified documentation
- Potential for an outsourced solution for origination, underwriting, legal, and/or backend program support

(15%) Structure

- An ability to structure an SPV or external entity that will be the Lender of Record
- Clarity to term financing arrangement
- Ability to scale with program growth

Respondents



1. Clean Fund (winner of 1st portfolio sale (\$30M) in Nov 2013)
2. Deutsche Bank
3. KGS-Alpha*
4. Hannon Armstrong*
5. Macquarie Bank*
6. Natixis*
7. SBC-Guggenheim*
8. Talon Capital

** Advanced to 2nd round*



Respondents



1. Clean Fund (winner of 1st portfolio sale (\$30M) in Nov 2013)
2. Deutsche Bank
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5. Macquarie Bank*
6. Natixis*
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** Advanced to 2nd round*



Economic Comparison



<REDACTED>

* Note: economic comparison presented here based on base case assumptions, w/o sensitivities (i.e. interest rate movements, securitization requirements, etc.)

Risk – Reward Tradeoff



<REDACTED>

Focus on Partnership Potential



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To facilitate a deeper understanding of the C-PACE portfolio, Green Bank provided respondents with detailed data on our current C-PACE portfolio (88 deals), including:

- Size and type of transaction (solar, energy efficiency)
- Investment metrics (Loan-to-value, Lien-to-value, DSCR, SIR)
- Transaction memorandums

Requested that respondents analyze the data and either i) reconfirm their original underwriting criteria or ii) submit revised criteria that substantially, applied retroactively, would include the bulk of the portfolio

Focus on Partnership Potential (cont.)



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Hannon and Macquarie were the only respondents that expanded and then back-tested their proposed underwriting models against the portfolio to ensure appropriate acceptance rates



Follow-up calls provided insight into the foundations of potential partnerships, including streamlined and flexible underwriting processes, risk mitigation techniques, and potential for additional products

Finalists

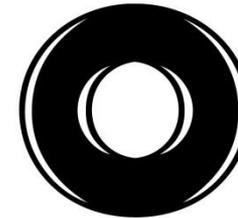


Based on qualitative and quantitative analysis, Green Bank staff narrowed the field to Hannon Armstrong and Macquarie

- Highest economic NPVs for Green Bank
- Deep understanding of CPACE portfolio along with demonstrated appetite for underlying Benefit Assessment Liens
- Flexible underwriting processes that allow for broader universe of deals
- Low cost of capital and high advance rates to allow for improved flexibility on pricing



- ▶ **Asset-hungry business model allows for buy-and-hold option, which reduces reliance on a securitization take-out**
- ▶ **Team has impressive depth and experience with CPACE assets**
- ▶ **Most potential for additional products (e.g., ESAs, PACE + PPAs, etc.)**



MACQUARIE

- ▶ **Strong market presence with significant asset base**
- ▶ **Synergies with other part of the bank (e.g., interest rate desk, capital markets, etc.)**
- ▶ **Equity offers compelling value proposition for repeat securitizations**

Selection



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<REDACTED>