

**AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE OF THE
CONNECTICUT GREEN BANK
Minutes – Special Meeting
Thursday, July 17, 2014**

A special meeting of the Audit, Compliance and Governance Committee (“Audit Committee”) of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on July 17, 2014, at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT in the Colonel Albert Pope Board Room.

1. **Call to Order:** Matthew Ranelli, Chairperson of the Audit Committee, called the meeting to order at 9:06 a.m. Audit Committee members participating: Matthew Ranelli, John Harrity, and Patricia Wrice (by phone).

Staff Attending: George Bellas, Joe Buonannata, Mackey Dykes (by phone), Brian Farnen, Bryan Garcia, Bert Hunter (by phone), Madeline Priest, Cheryl Samuels.

Others Attending: Jason D. Newman – CohnReznick, Kimberly A. Stomper – CohnReznick, Anton Cohen – CohnReznick (by phone).

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

3. **Approval of Minutes:**

Mr. Ranelli asked the Audit Committee members to consider the minutes from the June 4, 2014 meeting.

Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli, the Audit Committee members voted unanimously in favor of adopting the minutes from the June 4, 2014 meeting as presented.

4. **Review and Recommendation to the Board of Directors of the Connecticut Green Bank for Approval of the Draft CT Solar Lease 2 LLC Financial Statements and Independent Auditor’s Report:**

Mr. Ranelli introduced the representatives of CohnReznick and invited them to deliver their presentation to the Audit Committee. Mr. Newman introduced himself as a Partner in the Farmington, Connecticut office of CohnReznick and the Regional Director of their Renewable Energy Industry Practice, Ms. Stomper introduced herself as the manager of the Farmington office, and Mr. Cohen introduced himself as the Concurring Review Partner of the Bethesda, Maryland office and the Co-National Director of their Renewable Energy Industry Practice.

Mr. Newman explained that their presentation would focus on three topics: (1) Required Communications, (2) the 2013 Audit Report, and (3) Areas for Future Consideration.

Regarding the Required Communications, Mr. Newman recognized and thanked Mr. Bellas and his team for their assistance in gathering and delivering the necessary information to CohnReznick.

Before moving forward, Attorney Farnen provided the Audit Committee with background information on CT Solar Lease 2 LLC as an entity.

Mr. Ranelli asked Mr. Bellas how the Green Bank carries CT Solar Lease 2 information on its books for the overall audit, to which Mr. Bellas answered that there is a separate set of financials for the entity that appear as a column of the overall budget. Attorney Farnen added that the Audit Committee is in charge of approving and making recommendations to the Board for approval of the full Green Bank budget, so it was decided that separate audits – such as this for CT Solar Lease 2 – should follow that same approval process. Mr. Bellas noted that this process was also presented to the Governmental Accounting Standards Board.

Mr. Newman continued his presentation, noting that CohnReznick had not come across any issues or difficulties while performing the audit. He reiterated a recommendation made to Mr. Bellas that the Green Bank should monitor AFC First Financial Corporation's user control considerations on a going forward basis. Mr. Ranelli asked about the frequency at which banks release such reports, to which Mr. Newman replied that annually or semiannually is common and acceptable. Mr. Bellas confirmed that the Green Bank would follow this recommendation.

Ms. Stomper presented the 2013 Audit Report. She reported that because CT Solar Lease 2 had very limited activity in 2013, the focus of their audit was more on understanding the structure of the entity and its related parties, financing sources and the classification of significant "up front" costs.

Regarding the audit report, Ms. Stomper noted that CohnReznick made a clean audit opinion, finding no issues. She explained that the notes section of the Financial Statements paints a clear picture of the CT Solar Lease 2 entity's structure for the reader.

Mr. Hunter described a payment that the Connecticut Green Bank must make to US Bank on an annual basis based on the difference between the funds they have committed to contribute under the CT Solar Lease 2 LLC Operating Agreement and those actually contributed. Mr. Ranelli asked for clarification on this and Mr. Hunter explained that because US Bank has committed a certain amount of funds to the Connecticut Green Bank for the CT Solar Lease, they cannot commit those moneys on any other project and

therefore charge a fee if any go unused. Mr. Bellas confirmed that the first payment for this fee was made after the close of CT Solar Lease 2's year end.

Mr. Newman continued his presentation, identifying significant areas for future consideration as: revenue recognition, debt facility – record keeping requirements, depreciation, asset retire obligation, and management monitoring.

Mr. Hunter noted that while the level of activity for the year under audit was quite limited, CT Solar Lease 2's activity in the subsequent (i.e., the current) year is considerably more substantial and offered to walk CohnReznick through the Green Bank's schedules for monthly submission of CT Solar Lease projects to US Bank prior to the commencement of the audit of CT Solar Lease 2's financials for the year ending 12/31/14. Mr. Newman accepted, noting that moving forward, CohnReznick prefers to work through their audit on a more interim basis rather than all at once at year's end.

Mr. Harrity asked CohnReznick if, despite a seemingly complicated set-up, they still found the audit process of CT Solar Lease 2 LLC to be reasonable and responsible. Mr. Cohen responded in the affirmative, adding that the Connecticut Green Bank has a good system in place to track such a large pipeline of transactions and that there is a great team at the Green Bank.

Mr. Ranelli thanked the Green Bank staff for their work and welcomed a motion.

Upon a motion made by Mr. Harrity, seconded by Ms. Wrice, the Audit Committee members voted unanimously in favor of adopting the following resolution recommending to the Board of Directors of the Connecticut Green Bank approval of the CT Solar Lease 2 LLC Financial Statements and Independent Auditor's Report for the period of May 28, 2013 (Date of Inception) through December 31, 2013.

Resolution #2:

WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank's Bylaws requires the Audit, Compliance, and Governance Committee (the "Committee") to meet with the auditors to review the annual audit and to formulate an appropriate report and recommendations to the Board with respect to the approval of the audit report.

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors of the Connecticut Green Bank approval of the CT Solar Lease 2 LLC Financial Statements and Independent Auditor's Report for the period of May 28, 2013 (Date of Inception) through December 31, 2013.

5. **(a) Review and Recommendation to the Board of Directors of the Connecticut Green Bank for Approval of the Revised Green Bank Bylaws for the Green Bank's Participation in the Joint Green Bank ECMB Committee and (b) Discuss the Draft Bylaws for the Joint Green Bank ECMB Committee**

Attorney Farnen explained that there are currently two funds in Connecticut – the Clean Energy Fund (managed by the Connecticut Green Bank) and a fund managed by the Energy Conservation Management Board (the “ECMB”). He stated that the Green Bank and the Connecticut Energy Efficiency Fund (“CEEF”) would like to revitalize a joint committee of the funds that was put in place in 2005 but lacked structure. Attorney Farnen highlighted the importance of the Green Bank’s participation on this Joint Committee, particularly as the Green Bank and EEB offer similar products in a small market and we have increased our presence in energy efficiency under our new role as the Green Bank- an area that CEEF has historically been in the primary player.

He outlined the structure of the committee, stating that the Chairperson of the Board of Directors of the Connecticut Green Bank would appoint at least two (2) voting Directors and (2) nonvoting members to serve as the Green Bank’s members of the Joint Committee. Attorney Farnen explained that those members will work with the Joint Committee to examine opportunities to coordinate as a required by the General Statutes, work with the Joint Committee to reduce the long-term cost, environmental impacts and security risks of energy in the state, and report to the Board on the Joint Committee’s actions and activities.

He added that the fifth voting member of the Joint Committee would be the Commissioner of the Department of Energy and Environmental Protection, who currently serves on the Boards of both the Green Bank and CEEF.

Attorney Farnen explained to the Audit Committee that the Green Bank is requesting approval to revise its bylaws to make a formal reference to participation in the Joint Committee, as well as to update the bylaws with “Connecticut Green Bank” in place of “Clean Energy Finance and Investment Authority.”

He noted that this recommendation would not go to the full Board of Directors of the Connecticut Green Bank until all of the details are confirmed with CEEF, adding that any fundamental changes would first be presented to the Audit Committee.

Mr. Harrity and Mr. Ranelli both expressed their support for the Green Bank’s participation in the Joint Committee.

Upon a motion made by Ms. Wrice, seconded by Mr. Harrity, the Audit Committee members voted unanimously in favor of adopting the following resolution recommending approval of revisions to the Green Bank Bylaws as presented.

Resolution #3

WHEREAS, pursuant to Section 12-245m(d)(2) of the Connecticut General Statutes, there has been created the Joint Committee of the Energy Conservation Management Board and the Green Bank (“Joint Committee”); and

WHEREAS, the Green Bank desires to amend its Bylaws to formalize its participation in the Joint Committee.

NOW, therefore be it:

RESOLVED, that the Audit, Compliance, and Governance Committee hereby recommends to the Board of Directors of the Connecticut Green Bank approval of the revisions to the Green Bank Bylaws as presented to the Audit, Compliance and Governance Committee on July 17, 2014.

6. Adjournment: Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli, the Audit Committee members voted unanimously in favor of adjourning the July 17, 2014 meeting at 10:01 a.m.

Respectfully submitted,

Matthew Ranelli, Chairperson of Audit,
Compliance and Governance Committee