



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

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

July 9, 2014

Dear Audit, Compliance and Governance Committee Members,

We look forward to our meeting on Wednesday, July 17th, at the Connecticut Green Bank in Rocky Hill from 9:00 a.m. to 10:00 a.m. We have two agenda items:

1. Review and recommendation to the Board of Directors of the Connecticut Green Bank for approval of the Draft CT Solar Lease 2 Financial Statements and Independent Auditor's Report; and
2. (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.

The materials for the meeting can be found at the link below. As always, please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Brian Farnen' with a long horizontal line extending to the right.

Brian Farnen
General Counsel & Chief Legal Officer



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AGENDA

Audit, Compliance and Governance Committee of the
Connecticut Green Bank
845 Brook Street
Rocky Hill, CT 06067

Wednesday, July 17, 2014 – Special Meeting
9:00 to 10:00 a.m.

Staff Invited: Bryan Garcia, Brian Farnen, Bert Hunter, George Bellas, Mackey Dykes

Others Invited: Jason D. Newman, Kimberly Stomper – Cohn Reznick

1. Call to order
2. Public Comments – 5 minutes
3. Approve meeting minutes for June 4, 2014 Special Meeting* – 5 minutes
4. Review and recommendation to the Board of Directors of the Connecticut Green Bank for approval of the Draft CT Solar Lease 2 Financial Statements and Independent Auditor's Report* – 20 minutes
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* – 20 minutes
6. Adjourn

*Denotes item requiring Committee action

Join the meeting online at <https://www4.gotomeeting.com/join/638829631>

Dial +1 (267) 507-0011

Meeting ID: 638-829-631



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RESOLUTIONS

Audit, Compliance and Governance Committee of the
Connecticut Green Bank
845 Brook Street
Rocky Hill, CT 06067

Wednesday, July 17, 2014 – Special Meeting
9:00 to 10:00 a.m.

Staff Invited: Bryan Garcia, Brian Farnen, Bert Hunter, George Bellas, Mackey Dykes

Others Invited: Jason D. Newman, Kimberly Stomper – Cohn Reznick

1. Call to order
2. Public Comments – 5 minutes
3. Approve meeting minutes for June 4, 2014 Special Meeting* – 5 minutes

Resolution #1

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for June 4, 2014. Second. Discussion. Vote.

4. Review and recommendation to the Board of Directors of the Connecticut Green Bank for approval of the Draft CT Solar Lease 2 Financial Statements and Independent Auditor's Report* – 20 minutes

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* – 20 minutes

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. Adjourn

*Denotes item requiring Committee action

Join the meeting online at <https://www4.gotomeeting.com/join/638829631>

Dial 1 (267) 507-0011

Meeting ID: 638-829-631



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #1

Call to Order

July 17, 2014 (Special Meeting)



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #2
Public Comments
July 17, 2014 (Special Meeting)



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #3

Approval of Meeting Minutes

July 17, 2014 (Special Meeting)



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #4
CT Solar Lease Audit
July 17, 2014 (Special Meeting)

CT Solar Lease 2 LLC
Presentation to Audit Committee

COHN  REZNICK

Your Engagement Team

Jason D. Newman, CPA

Partner, Farmington Office

Regional Director, Renewable Energy Industry Practice

Anton Cohen, CPA

Concurring Review Partner, Bethesda Office

Co-National Director, Renewable Energy Industry Practice

Kimberly A. Stomper, CPA

Manager, Farmington Office

Let's Discuss;

- Our Required Communications
- The 2013 Audit Report
- Areas for Future Consideration

Required Communications

Planning Stage

Completion - Significant Audit Findings

- Qualitative Aspects of Accounting Practices
 - Responsibility for Accounting policies
 - Accounting estimates
- Difficulties Encountered in Performing the Audit
- Uncorrected Misstatements
- Disagreements with Management
- Other Matters

The 2013 Audit Report

Significant Areas

- Understanding the Structure
- Related Parties
- Financing Sources
- Classification of Significant “Up Front” Costs

Areas for Future Consideration

Significant Areas

- Revenue Recognition
- Debt facility – record keeping requirements
- Depreciation
- Asset Retirement Obligation
- Management Monitoring
 - Lease servicing agent-AFC First Financial Corp.
 - Debt covenants
 - Priority return
 - Unused commitment fee

Questions?



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #5
Bylaw Revisions
July 17, 2014 (Special Meeting)

ACG Committee

Agenda Item #5(a)



BACKGROUND

1) Name Change

2) Pursuant to 16-245m(d)(2) of the Connecticut General Statutes there exists a Joint Committee of the Energy Conservation Management Board and the Board of Directors of the Green Bank.

The Connecticut Green Bank desires to revise its bylaws in order to formalize its participation on the Joint Committee.



BYLAW REVISION

The Chairperson of the Board of Directors of the Connecticut Green Bank shall appoint at least two (2) voting Directors and (2) nonvoting members to serve as the Green Bank's members of the Joint Committee, and who will:

- ▶ work with the Joint Committee to examine opportunities to coordinate as 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.



JOINT COMMITTEE GOVERNANCE: DRAFT BYLAWS

	Voting	Non-Voting	Total
Green Bank	2	2	4
CEEF	2	2	4
DEEP	1	0	1
Total	5	4	9

- ▶ Both the Green Bank and CEEF formally appoint members
- ▶ Appointed members will review and adopt joint committee bylaws
- ▶ Funding authorizations handled by each respective fund
- ▶ At least four meetings per year
- ▶ Quorum = 3 of the 5 voting members
- ▶ Committee Staff may assist upon majority vote



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #6

Adjourn

July 17, 2014 (Special Meeting)

Audit, Compliance and Governance COMMITTEE OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

**Minutes – Special Meeting
Wednesday, June 4, 2014**

A special meeting of the Audit, Compliance, and Governance Committee of the Board of Directors of the **Clean Energy Finance and Investment Authority (“CEFIA”)** was held on June 4, 2014, at the office of CEFIA, 845 Brook Street, Rocky Hill, CT.

1. Call to Order: Mr. Ranelli, noting the presence of a quorum, called the Audit Committee meeting to order at 4:10 p.m. Audit Committee members participating: Matthew Ranelli and John Harrity (by phone).

Absent: Patricia Wrice.

Staff Attending: Brian Farnen, Bryan Garcia, Madeline Priest, Cheryl Samuels

2. Public Comments:

There were no public comments.

3. Approval of Meeting Minutes:

The Audit Committee members were asked to consider the minutes from the Regular April 15, 2014 meeting.

Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli, the Audit Committee members voted in favor of adopting the minutes from the April 15, 2014 Regular meeting as presented.

4. Approval Limits Adjustment Recommendation – Funding Requests Under \$300,000 and No More in Aggregate of \$1,500,000

Attorney Farnen outlined for the committee that a need has come up to adjust the funding approval limits between committee meetings. Mr. Harrity asked if the current process is problematic for the staff. Attorney Farnen further explained that at the moment there are no issues, but that as committee meetings become less frequent and that as transactions increase, CEFIA staff will likely exceed the cap. Mr. Ranelli stated that perhaps a lower maximum amount of \$1,000,000 between board meetings is better for the time being considering there may not be enough information to know what will really be needed. All parties agreed that the amount can be increased to the proposed \$1,500,000 at the next meeting if \$1,000,000 is not high enough. Attorney Farnen

mentioned that if CEFIA staff were coming close to exceeding the \$1,000,000 limit before the next committee meeting was held, a special meeting could be created to extend the limit as not to slow normal programmatic progress. Mr. Garcia stated that the time until the next meeting in October will be a good test to determine the correct amount. Mr. Ranelli agreed that the committee does not want projects waiting for approval and that this time period between meetings will help establish the best limits.

Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli, the Audit, Compliance, and Governance Committee members voted unanimously in favor of providing a recommendation to the full board for the following resolution regarding Approval Limits Adjustment Recommendation:

WHEREAS, pursuant to Section 5.3.1 of the Clean Energy Finance and Investment Authority (CEFIA) Bylaws, the Audit, Compliance & Governance (ACG) Committee is charged with the review and approval of, and in its discretion recommendations to the Board regarding, all governance and administrative matters affecting CEFIA, including but not limited to matters of corporate governance and corporate governance policies;

WHEREAS, on January 18, 2013, the Board of Directors authorized CEFIA staff to evaluate and approve funding requests less than \$300,000 which are pursuant to an established formal approval process requiring the signature of a CEFIA officer, consistent with the CEFIA Comprehensive Plan, approved within CEFIA's fiscal budget and in an aggregate amount not to exceed \$500,000 from the date of the last Deployment Committee meeting ("Staff Approval Policy for Projects Under \$300,000").

NOW, therefore be it:

RESOLVED, that the CEFIA Audit, Compliance and Governance Committee hereby recommends that the Board of Directors adopt a resolution amending the Staff Approval Policy for Projects Under \$300,000 to increase the aggregate amount limit from \$500,000 to \$1,000,000 from the date of the last Deployment Committee meeting.

7. **Adjournment**: Upon a motion made by Mr. Haritty, seconded by, Mr. Ranelli, the Audit, Compliance and Governance Committee members voted unanimously in favor of adjourning the meeting at 4:22 p.m.

Respectfully submitted,

Matthew Ranelli, Chairperson of the
Audit, Compliance and Governance
Committee

June 10, 2014

The Board of Directors of CEFIA Solar Services, Inc.
CT Solar Lease 2 LLC

We have audited the financial statements of CT Solar Lease 2 LLC for the year ended December 31, 2013, and have issued our report thereon dated June 10, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 15, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

You are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CT Solar Lease 2 LLC are described in Note 2 to the financial statements. The application of existing policies was not changed during 2013. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on your knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We found no sensitive estimates affecting the financial statements for 2013.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. You have corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Other Matters

As described in Note 5 to the financial statements, the Company has entered into a Lease Servicing Agreement with AFC First Financial Corporation ("AFC"). For the year ended December 31, 2013, there were only deposits received however, going forward the information provided by AFC will be significant to the financial statements of the Company. Management should monitor the services of AFC and any sub-service organizations by obtaining and reviewing reports on their internal controls (SOC 1 reports), reviewing user control consideration, and ensuring compliance with those considerations.

This information is intended solely for the use of the Board of Directors of CT Solar Lease 2 LLC and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "CohnReznick LLP".

CohnReznick LLP

Farmington, Connecticut

CT Solar Lease 2 LLC

**Financial Statements
and Independent Auditor's Report**

**May 28, 2013 (Date of Inception)
through December 31, 2013**

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CT Solar Lease 2 LLC

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Independent Auditor's Report

To the Members
CT Solar Lease 2 LLC

We have audited the accompanying financial statements of CT Solar Lease 2 LLC (the "Company"), which comprise the balance sheet as of December 31, 2013, and the related statements of operations, changes in members' equity and cash flows for the period from May 28, 2013 (date of inception) through December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CT Solar Lease 2 LLC as of December 31, 2013, and the results of its operations and its cash flows for the period from May 28, 2013 (date of inception) through December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Farmington, Connecticut
June XX, 2014

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CT Solar Lease 2 LLC

Balance Sheet December 31, 2013

Assets

Current assets:	
Cash	\$ 321,066
Customer deposits	57,077
Prepaid expenses	<u>21,205</u>
Total current assets	<u>399,348</u>
Solar facilities	<u>108,095</u>
Other assets:	
Restricted cash	4,500,000
Deferred financing fees (net of accumulated amortization of \$14,340)	<u>473,223</u>
Total other assets	<u>4,973,223</u>
Total assets	<u><u>\$ 5,480,666</u></u>

Liabilities and Members' Equity

Current liabilities:	
Accrued expenses	\$ 84,278
Accrued interest payable	29,090
Deferred revenue	19,043
Due to related parties	359,575
Due to members	<u>206,394</u>
Total current liabilities	698,380
Long-term liability:	
Sponsor note payable	<u>2,300,000</u>
Total liabilities	2,998,380
Commitments	
Members' equity	<u>2,482,286</u>
Total liabilities and members' equity	<u><u>\$ 5,480,666</u></u>

See Notes to Financial Statements.

CT Solar Lease 2 LLC

Statement of Operations

Period from May 28, 2013 (Date of Inception) through December 31, 2013

Revenues	\$ -
Operating expenses:	
Cost of operations	33,922
Professional fees	157,322
Project administration	60,000
General and administrative	668
	<hr/>
Total operating expenses	251,912
	<hr/>
Operating loss	(251,912)
	<hr/>
Other income (expenses):	
Commitment fees	(146,394)
Interest expense	(29,090)
Amortization expense	(14,340)
Interest income	4,419
	<hr/>
Total other expenses	(185,405)
	<hr/>
Net loss	\$ (437,317)
	<hr/> <hr/>

See Notes to Financial Statements.

CT Solar Lease 2 LLC

Statement of Changes in Members' Equity Period from May 28, 2013 (Date of Inception) through December 31, 2013

	<u>Managing Member</u>	<u>Investor Member</u>	<u>Total</u>
Capital contributions	\$ 3,536,489	\$ 236,594	\$ 3,773,083
Syndication fees	-	(853,480)	(853,480)
Net loss	<u>(4,373)</u>	<u>(432,944)</u>	<u>(437,317)</u>
Balance, December 31, 2013	<u>\$ 3,532,116</u>	<u>\$ (1,049,830)</u>	<u>\$ 2,482,286</u>

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CT Solar Lease 2 LLC

Statement of Cash Flows

Period from May 28, 2013 (Date of Inception) through December 31, 2013

Operating activities:	
Net loss	\$ (437,317)
Adjustments to reconcile net loss to net cash used in operating activities:	
Amortization of deferred financing fees	14,340
Changes in operating assets and liabilities:	
Customer deposits	(57,077)
Prepaid expenses	(21,205)
Accrued expenses	84,278
Accrued interest payable	29,090
Deferred revenue	19,043
	<hr/>
Net cash used in operating activities	(368,848)
	<hr/>
Investing activities:	
Purchase of solar facilities	(108,095)
Restricted cash	(4,500,000)
	<hr/>
Net cash used in investing activities	(4,608,095)
	<hr/>
Financing activities:	
Contributions from members	3,773,083
Sponsor note proceeds	2,300,000
Loans from related parties	359,575
Deferred financing fees paid	(487,563)
Syndication fees	(853,480)
Loans from members	206,394
	<hr/>
Net cash provided by financing activities	5,298,009
	<hr/>
Net increase in cash	321,066
Cash, beginning of period	-
	<hr/>
Cash, end of period	<u><u>\$ 321,066</u></u>

See Notes to Financial Statements.

CT Solar 2 Lease LLC

Notes to Financial Statements

May 28, 2013 (Date of Inception) through December 31, 2013

Note 1 - Organization and nature of operations

Organization

CT Solar Lease 2 LLC (the "Company"), a Connecticut limited liability company, was formed on May 28, 2013 as a subsidiary of CEFIA Solar Services Inc. for the purpose of acquiring title to solar photovoltaic and solar thermal equipment leases with Connecticut homeowners and businesses, as well as power purchase agreements ("PPAs") for not for profits and municipalities, from CEFIA Holdings LLC (the "Developer") using capital from its members along with non-recourse funding from participating banks. The members' liability with regard to the limited liability company is limited to their capital accounts plus any amounts guaranteed.

As detailed in the Operating Agreement dated June 28, 2013, the Company has two members, CEFIA Solar Services Inc., its Managing Member, and Firststar Development, LLC, its Investor Member who was admitted as a member in the Company as of June 28, 2013. The Investor Member committed to making capital contributions up to \$23,659,490 (the "Investor Member Contribution Cap") in exchange for 99% of the Company's membership interests. Through December 31, 2013, the Investor Member has contributed \$236,594. The Managing Member holds 1% of the Company's membership interests. Through December 31, 2013, the Managing Member has contributed \$3,536,489.

The Investor Member is the Tax-Equity Investor and is entitled to substantially all of the tax benefits of the Company until January 1 of the year which is five years after the date the last system is installed, which is anticipated to be January 1, 2021, the Flip Date. The Managing Member is required to oversee the overall operations of the Company.

The Managing Member shall have the right to acquire 100%, but not less than 100%, of the Investor Member interests at any time during the six-month period following either (1) the Flip Date or (b) the fifth anniversary of the Flip Date. Both six-month periods are a Call Period.

The Investor Member shall have the right at any time during the six-month period after each Call Period to resign and voluntarily withdraw from the Company, in whole, but not in part, and receive an amount from the Managing Member equal to the sum of any unpaid Priority Return and accrued and unpaid Prepaid Priority Return plus the lesser of the fair market value of the Investor Member's interest or \$2,000,000.

The Company shall continue indefinitely unless sooner dissolved by law or in accordance with the terms of the Operating Agreement.

CT Solar 2 Lease LLC

Notes to Financial Statements May 28, 2013 (Date of Inception) through December 31, 2013

Nature of operations

The Company acquires from the Developer residential and commercial-scale solar photovoltaic ("PV") and residential solar thermal systems (the "Projects") which have been installed on the property of both residential and commercial-scale customers in the State of Connecticut before the Projects have been placed in service. As part of the transfer and assignment of the Projects to the Company, the Company also acquires the related operating leasing agreements, power purchase agreements (where applicable), warranties, waivers and easements collectively referred to as the "Customer Agreements" which allow the Company to inspect, access, maintain and improve the equipment as necessary.

The Company maintains and operates the Projects in such a manner that each qualifies the Company to receive investment tax credits pursuant to Section 48 of the Internal Revenue Code.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses for the period presented. Actual results could differ from these estimates.

Cash and cash equivalents

The Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2013.

Restricted cash

In accordance with the terms of the Credit Agreement described in Note 3, the Company is required to maintain a Reserve Account of not less than \$3,500,000 and a Supplemental Reserve Account of \$1,000,000. These funds are completely restricted from use by the Company's operations until July 2015 at which time some portions may be released if certain conditions detailed in the Credit Agreement are met. As of December 31, 2013, restricted cash amounted to \$4,500,000.

CT Solar 2 Lease LLC

Notes to Financial Statements

May 28, 2013 (Date of Inception) through December 31, 2013

Solar facilities

Solar facilities of \$108,095 consist of three residential PV Projects and are stated at cost. As of December 31, 2013, none of the equipment had been placed in service and, therefore, no depreciation is recognized in these financial statements. The Projects were placed in service in 2014.

Syndication fees

Syndication fees consist of certain legal, consulting and other fees incurred in connection with developing the financial modeling and support for the Company's tax-equity transaction in order to attract and secure an equity investor. In accordance with GAAP, these costs are recorded as an offset to Investor Member's equity.

Deferred financing fees

Deferred financing fees consist of costs incurred in connection with securing the long-term debt described in Note 3. These costs are amortized using the straight-line method over the maximum term of the credit facility, which is through July 1, 2030. Amortization expense for the period from May 28, 2013 (date of inception) through December 31, 2013 was \$14,340.

Asset retirement obligation

The Company is required to assess its arrangements for the requirement to record asset retirement obligations when it has the legal obligation to retire long-lived assets. Upon the expiration of the Project leases' or PPAs' initial or extended terms, customers generally have the option to purchase the solar energy facilities at fair market value or require the Company to remove the solar energy facilities at the Company's expense. While a future legal obligation may exist to remove the solar energy facilities upon the expiration of leases or PPAs, the solar energy facilities were placed in service subsequent to December 31, 2013 and, therefore, the Company has not recorded an asset retirement obligation as of December 31, 2013.

Revenue recognition

The Company will derive revenue from the following sources: operating leases, energy generation, Production Based Incentives ("PBIs") and the sale of Solar Renewable Energy Certificates ("SRECs") to third parties.

Rental income from residential and commercial operating leases will be recognized on a straight-line basis over the term of each underlying lease.

Energy generation revenue will be recognized as electricity is generated, based on actual output and contractual prices set forth in long-term PPAs.

CT Solar 2 Lease LLC

Notes to Financial Statements

May 28, 2013 (Date of Inception) through December 31, 2013

PBI payments on residential solar photovoltaic systems will be received through a rebate program funded by the Clean Energy Finance and Investment Authority ("CEFIA"), a quasi-public agency of the State of Connecticut. Payments are based on actual production.

Revenue from the sale of SRECs to third parties is recognized upon the transfer of title and delivery of the SRECs to third parties and is derived from contractual prices set forth in SREC sale agreements.

For the period from May 28, 2013 (date of inception) through December 31, 2013, the Company had no income.

Customer deposits and deferred revenue

Customer deposits of \$57,077 represent lease prepayments received from residential customers as of December 31, 2013. These funds are held in a separate account in the Company's name. Based on the terms and status of the individual leases to which the deposits pertain, \$38,034 of these funds were due to the Developer and is included in due to related parties on the balance sheet and \$19,043 was deferred revenue as of December 31, 2013. The deferred revenue portion of the deposits will be recognized as revenue once the leases commence on a straight-line basis over the 20 year term of the underlying lease agreements.

Income taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its members on their respective income tax returns. The Company's Federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service (the "IRS") and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure. Income tax returns filed by the Company are subject to examination by the IRS for a period of three years. The Company's initial filing year will be 2013.

Subsequent events

Subsequent events have been considered for disclosure and recognition in these financial statements through June XX, 2014, the date the financial statements were available to be issued.

CT Solar 2 Lease LLC

Notes to Financial Statements May 28, 2013 (Date of Inception) through December 31, 2013

Note 3 - Long-term debt

On June 28, 2013, the Company entered into a Credit Agreement with First Niagara Bank, N.A. as the Administrative Agent and Lender along with three other participating lenders which provides for a \$26,700,000 loan facility commitment broken down by lender as follows:

First Niagara Bank, N.A.	\$ 10,700,000
Liberty Bank	7,000,000
Webster Bank, National Association	7,000,000
People's United Bank	<u>2,000,000</u>
Total	<u>\$ 26,700,000</u>

Funds may be drawn down in no more than ten total advances by July 1, 2015. With the exception of the final advance each advance must be in a principal amount of \$2,670,000 or a whole multiple of \$100,000 in excess of \$2,670,000. Each loan funding will be shared by all participating lenders in accordance with their pro-rata share of the total facility commitment.

Each advance will be amortized separately. The Company has the option with each advance of selecting between the LIBOR rate or the Base Rate which is defined as the highest of (a) the Federal Funds Effective Rate plus one-half of 1%, (b) First Niagara's prime rate, and (c) the LIBOR rate plus 1%. The Company may also elect to convert an advance from one rate to the other by following the process outlined in the Credit Agreement.

Payments of interest with respect to any LIBOR rate advances are due on the 15th day of the month following each calendar quarter end. Payments of interest with respect to any Base Rate advances are due monthly. Payments of principal with respect to all advances are due on the 15th day of the month following each calendar quarter end. Principal payments on each advance will be based on a modified 15 year amortization schedule as outlined in the Credit Agreement.

Within one month after each advance, the Company is required to enter into an interest rate swap contract with respect to a minimum amount of 75% of such advance. If one of the participating lenders is the counterparty to the swap contract such contract will be secured by the collateral of the Credit Agreement otherwise, the swap contract will be unsecured.

CT Solar 2 Lease LLC

Notes to Financial Statements

May 28, 2013 (Date of Inception) through December 31, 2013

Certain obligations of the Company under the Credit Agreement are guaranteed by CEFIA. This Credit Agreement is secured by all assets of the Company as well as the Managing Member's interest in the Company. There are no prepayment penalties. There are certain debt service coverage ratios the Company must maintain related to each separate advance and which require the separate measurement of the net operating income with respect to the Projects purchased with each advance.

As of December 31, 2013, the Company had not borrowed any funds under this Credit Agreement.

Note 4 - Related party transactions

Unused commitment fee

In accordance with the Company's operating agreement the Investor Member is entitled to an annual fee due within 30 days of the end of each calendar year, calculated on a monthly basis, based on the amount of the Investor Member's unfunded capital contributions. The fee for each month is equal to 1.25% times the amount by which the Investor Member's Contribution Cap exceeds the total capital contributions funded as of the last day of the month in question divided by twelve. Amounts not paid timely accrue interest at the US Bank Prime Rate in effect on the due date plus 2%. As of December 31, 2013, for the period from July 1, 2013 through December 31, 2013, \$146,394 was due to the Investor Member and is included in due to members on the balance sheet. This amount was paid in full in January 2014.

Administrative services fee

The Managing Member provides administrative and management services to the Company and earns a quarterly fee initially equal to \$30,000 per quarter beginning July 1, 2013. The amount of the fee will increase 2.5% each July 1st beginning July 1, 2014. For the period from May 28, 2013 (date of inception) through December 31, 2013, project administration fees accrued but unpaid were \$60,000. This amount is included in due to members on the balance sheet.

Due to related parties

As of December 31, 2013, the Company owed CEFIA \$235,065 for reimbursement of legal, consulting and other costs related to the structuring and syndication of the Company's primary operations.

As of December 31, 2013, the Company owed the Developer \$124,510. Of that amount \$90,711 related to the first transfer of Projects dated December 20, 2013 and the remaining \$33,799 represented customer deposits on systems for which ownership had not yet been transferred to the Company as of December 31, 2013.

CT Solar 2 Lease LLC

Notes to Financial Statements May 28, 2013 (Date of Inception) through December 31, 2013

Sponsor note payable

In accordance with provisions of the Company's operating agreement, the Company entered into a subordinated promissory note with CEFIA. CEFIA is the 99% majority shareholder of the Developer which in turn is the sole shareholder of Company's Managing Member. The principal amount of the note is \$2,300,000 and interest of 2.5% accrues and is compounded annually. Interest only payments are due quarterly commencing September 1, 2013 through July 1, 2015. Principal and interest payments will be due quarterly commencing September 1, 2015 in equal installments sufficient to fully amortize the principal balance of the note by its maturity date which is July 1, 2035. All required payments on this note are subordinate to there being no events of default with the Credit Agreement. As of December 31, 2013, accrued interest payable was \$29,090 and no interest payments were made in 2013.

Note 5 - Commitments

Lease servicing agreement

The Company has entered into a Lease Servicing Agreement with AFC First Financial Corporation dated June 28, 2013 for the sourcing and servicing of its customer lease portfolio.

Note 6 - Priority return

The Investor Member shall be due a cumulative, quarterly distribution equal to 0.5% of its paid-in capital contributions in respect of Projects beginning at the end of the first quarter after the first Project acquisition capital contribution is made and continuing until the Flip Date. To the extent the Priority Return is not paid in a quarter until the Flip Date, unpaid amounts will accrue interest at the lower of 24% per annum or the highest rate permitted by law.

In accordance with the Operating Agreement all amounts and accrued interest due on the Priority Return are to be paid from net cash flow prior to certain required payments due under the Credit Agreement. During the period from May 28, 2013 (date of inception) through December 31, 2013, the Investor Member was due \$0 related to the Priority Return.

Note 7 - Concentrations

The Company maintains cash with financial institutions. At times, these balances may exceed insurance limits provided by the Federal Deposit Insurance Corporation ("FDIC"); however, the Company has not experienced any losses with respect to its bank balances. Management believes that no significant credit risk exists with respect to these cash balances as of December 31, 2013.

CT Solar 2 Lease LLC

Notes to Financial Statements

May 28, 2013 (Date of Inception) through December 31, 2013

Note 8 - Subsequent events

Solar facilities warranty and insurance

The Company entered into a Warranty Agreement with the Federal Warranty Service Corporation in January 2014 which provides for warranty management services for all Project equipment and components (excluding solar hot water equipment, which is warranted by the manufacturer) that have at least a 20 year original equipment manufacturers' warranty as well as providing annually renewable property and liability insurance coverage for all solar PV and solar hot water projects.

DRAFT

~~CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY~~
CONNECTICUT GREEN BANK

BYLAWS

PURSUANT TO

Section 16-245n of the
Connecticut General Statutes

Adopted: ~~May 18, 2012~~

~~Revised:~~ June 21, 2013

Revised: [_____]

ARTICLE I
NAME, PLACE OF BUSINESS

- 1.1. **Name of the AuthorityGreen Bank**. The name of the AuthorityGreen Bank shall be, in accordance with the Statute, the "~~Clean Energy Finance and Investment~~ AuthorityConnecticut Green Bank".
- 1.2. **Office of the AuthorityGreen Bank**. The office of the AuthorityGreen Bank shall be maintained at such place or places within the State of Connecticut as the Board may designate.

ARTICLE II
BOARD OF DIRECTORS

- 2.1. **Powers.** The powers of the AuthorityGreen Bank are vested in and exercised by a Board of Directors which may exercise all such authority and powers of the AuthorityGreen Bank and do all such lawful acts and things as are necessary to carry out the Comprehensive Plan and the purposes of the AuthorityGreen Bank as provided in the Resolution of Purposes, or as are otherwise authorized or permitted by the Statute or other provisions of the General Statutes, including the authorization of expenditures and use of funds from the Clean Energy Fund created by Section 16-245n(c) of the General Statutes, formerly known as the Renewable Energy Investment Fund, and the Green Connecticut Loan Guaranty Fund created by Section 16a-40f(b) of the General Statutes.
- 2.2. **Chairperson.** The Chairperson of the Board shall be appointed by the Governor. The Chairperson shall perform the duties imposed by the Statute, these Bylaws, and by resolution of the Board, and shall preside at all meetings of the Board which he or she attends. At each meeting the Chairperson shall submit such recommendations and information as the Chairperson may consider appropriate concerning the business, affairs,

and policies of the [AuthorityGreen Bank](#). The Chairperson shall serve at the pleasure of the Governor but no longer than the term of office of the Governor or until the Chairperson's successor is appointed and qualified, whichever is longer.

2.3. **Vice Chairperson.** The Board shall elect from its members a Vice Chairperson. The Vice Chairperson shall perform the duties imposed by the Statute, these Bylaws, and by resolution of the Board. In the absence or incapacity of the Chairperson, the Vice Chairperson shall perform all the duties and responsibilities of the Chairperson. In the absence or incapacity of the Vice Chairperson, or in case of his or her resignation or death, the Board shall elect its members an acting Vice Chairperson during the time of such absence or incapacity or until such time as the Board shall elect a new Vice Chairperson. The Vice Chairperson shall serve until a successor is elected by the Board.

2.4. **Secretary.** A Secretary may be elected by the Board. The Secretary shall perform the duties imposed by the Statute, these Bylaws, and by resolution of the Board. In the absence or incapacity of the Secretary, or in case of a resignation or death, the Board shall elect from their number an acting Secretary who shall perform the duties of the Secretary during the time of such absence or incapacity or until such time as the Board shall elect a new Secretary. The Secretary shall serve until a successor is elected by the Board.

2.5. **Delegation of Powers.** The Board may, by resolution, delegate to the President or other officers of the [AuthorityGreen Bank](#) such powers of the [AuthorityGreen Bank](#) as they believe are necessary, advisable, or desirable to permit the timely performance of the functions of the [AuthorityGreen Bank](#) and to carry out the plans, policies, procedures, and decisions of the Board, except that such delegation shall not include any duties or

responsibilities required by the Statute or these Bylaws to be performed by the Chairperson or the Board or otherwise in conflict with law.

- 2.6. **Directors.** The Directors shall be appointed and serve as provided in the Statute.

ARTICLE III OFFICERS AND EMPLOYEES

- 3.1. **Officers.** The Board shall have the power to create positions for such officers as it may deem to be in the interests of the AuthorityGreen Bank, and shall define the powers and duties of all such officers. All such officers shall be subject to the orders of the Board and serve at its pleasure. Such officers shall include a President and may include a Director of Finance and Chief Investment Officer, a General Counsel and such other officers as the Board may determine to be appropriate. The Board shall be responsible for determining or approving compensation for each officer.

- 3.2. **President.** The Board shall hire a President. The President shall be the chief executive officer of the AuthorityGreen Bank and shall have such duties and responsibilities as may be determined by the Board, except that the duties and responsibilities of the office of President shall not include those required by the Statute or these Bylaws to be performed by the Chairperson or the Board or otherwise in conflict with law. The President shall be a non-voting, *ex officio* member of the Board pursuant to the Statute. The Board may delegate to such other person or persons all or part of the duties of the President. The President may, with the approval of the Board, assign or delegate to the officers and employees of the AuthorityGreen Bank any of the powers that, in the opinion of the President, may be necessary, desirable, or appropriate for the prompt and orderly transaction of the business of the AuthorityGreen Bank.

- 3.3. **Acting President.** The Board may, by resolution adopted by a majority vote, appoint some other person to serve as Acting President and perform the duties of the President in the event of the death, inability, absence, or refusal to act of the President. The Acting President shall be subject to all of the same restrictions placed upon the President.
- 3.4. **Chief Investment Officer.** The Board may appoint a Chief Investment Officer (CIO). The CIO shall have such duties and responsibilities as may be determined by the Board, except that the duties and responsibilities of the office of CIO shall not include those required by the Statute or these Bylaws to be performed by the Chairperson or the Board or otherwise in conflict with law. The CIO shall not be a Director.
- 3.5. **General Counsel.** The Board may appoint a General Counsel. The General Counsel shall be the chief legal officer of the [AuthorityGreen Bank](#) and shall have such duties and responsibilities as may be determined by the Board, except that the duties and responsibilities of the office of General Counsel shall not include those required by the Statute or these Bylaws to be performed by the Chairperson or the Board or otherwise in conflict with law. The General Counsel shall not be a Director.
- 3.6. **Additional Officers and Other Personnel.** The [AuthorityGreen Bank](#) may from time to time employ such other personnel as it deems necessary to exercise its powers, duties, and functions pursuant to the Statute and any and all other laws of the State of Connecticut applicable thereto. The President shall develop a staffing plan which shall include without limitation a chart of positions and position descriptions for the [AuthorityGreen Bank](#), personnel policies and procedures, and related compensation levels. Such staffing plan may provide for officers of the [AuthorityGreen Bank](#) in addition to those specifically provided for in these Bylaws, and the appointment of such

officers shall be in the discretion of the President, except as the Board may otherwise determine. The President shall deliver the staffing plan to the Budget and Operations Committee for its review and approval pursuant to Article V, Section 5.3.2 hereof.

- 3.7. **Signature Authority; Additional Duties.** The President and officers of the AuthorityGreen Bank shall have such signature authority as is provided in the Authority'sGreen Bank's Operating Procedures, and as may from time to time be provided by resolution of the Board. The officers of the AuthorityGreen Bank shall perform such other duties and functions as may from time to time be required.

ARTICLE IV BOARD MEETINGS

- 4.1. **Regular Meetings.** Regular meetings of the Board or any Committee for the transaction of any lawful business of the AuthorityGreen Bank shall be held in accordance with a schedule of meetings established by the Board or such Committee, provided that the Board shall meet at least six (6) times per calendar year.
- 4.2. **Special Meetings.** The Chairperson may, when the Chairperson deems it expedient, call a special meeting of the Board for the purpose of transacting any business designated in the notice of such meeting. The Committee Chair of any Committee may, when the Committee Chair deems it expedient, call a special meeting of such Committee for the purpose of transacting any business designated in the notice of such meeting.
- 4.3. **Legal Requirements.** All meetings of the Board or any Committee shall be noticed and conducted in accordance with the applicable requirements of the Statute and the Connecticut Freedom of Information Act, including without limitation applicable requirements relating to the filing with the Secretary of the State of any schedule of

regular meetings and notices of special meetings, meeting notices to Directors and Committee members, public meeting requirements, the filing and public availability of meeting agenda, the recording of votes and the posting or filing of minutes, the addition of agenda items at any regular meeting, and the holding of any executive session.

4.4. **Order of Business.** The order of business of any meeting of the Board or any Committee shall be as set forth in the agenda for such meeting, provided that the Board or Committee may vary the order of business in its discretion.

4.5. **Organization.**

4.5.1. At each meeting of the Board, the Chairperson, or in the absence of the Chairperson, the Vice Chairperson, or in the absence of both, a Director chosen by a majority of the Directors then present, shall act as Presiding Officer. The Secretary, or a staff member designated by the President, shall prepare or direct the preparation of a record of all business transacted at such meeting. Such record when adopted by the Directors at the next meeting and signed by the Chairperson or the Secretary shall be the official minutes of the meeting.

4.5.2. At each meeting of a Committee, the Committee Chair, or in the absence of the Committee Chair any other Committee member designated by the majority of the Committee members then present, shall act as Presiding Officer. The President, a staff member designated by the President, or any Committee member chosen by the Presiding Officer, shall prepare or direct the preparation of a record of the business transacted at such meeting. Such record when adopted by a majority of the Committee members in attendance at the next

meeting and signed by the Committee Chair shall be the official minutes of the Committee meeting.

4.6. **Attendance.** A Director or a member of a Committee may participate in a meeting of the Board or of such Committee by means of teleconference, videoconference, or similar communications equipment enabling all Directors and Committee members participating in the meeting to hear one another, and participation in a meeting pursuant to this Section shall constitute presence in person at such a meeting. Directors or their designees who miss more than three (3) consecutive meetings shall be asked to become more active on the Board. In the event of further absence, the Board may decide by majority vote to recommend to the appointing authority that the appointment be reconsidered.

4.7. **Quorum.**

4.7.1. A majority of the Directors then in office shall constitute a quorum for the transaction of any business or the exercise of any power of the AuthorityGreen Bank.

4.7.2. A majority of the Director-members of a Committee shall constitute a quorum, provided that, except in the case of an advisory committee, such quorum shall consist of a minimum of three (3) Directors, at least one (1) of which shall not be a State employee.

4.8. **Enactment.** When a quorum is present, an affirmative vote of a majority of Directors in attendance at Board or Committee meetings shall be sufficient for action, including the passage of any resolution, except as may otherwise be required by these Bylaws or applicable law. Non-Director members of any Committee may participate in the Committee's discussions and deliberations and may join in the Committee's

recommendations to the Board, but shall not have a vote on any matters as to which the Committee is exercising the powers of the Board, including without limitation, any funding decisions.

- 4.9. **Designation of Substitutes for Directors.** If authorized by the Statute, then a Director may appoint a designee to serve as the Director's representative on the Board with full power to act and to vote on that Director's behalf. For the purposes of maintaining consistency and efficiency in Board matters, alternating attendance between the Director and his or her designee is strongly discouraged. If not authorized by statute, then a Director may not name or act through a designee. An authorized appointment of a designee shall be made by filing with the Board a short bio of the designee, the designee's CV, and a certificate substantially similar to the following:

"Certificate of Designation

I, _____, a member of the Board of Directors of the ~~Clean Energy Finance and Investment Authority~~Connecticut Green Bank, do hereby designate _____ [Name & Title] to represent me at the meetings of the Board or committees thereof with full powers to act and vote on my behalf. This designation shall be effective until expressly revoked in writing.

[Name]"

ARTICLE V COMMITTEES

- 5.1. **Delegation Generally.** The Board may delegate any and all things necessary or convenient to carry out the purposes of the ~~Authority~~Green Bank to three (3) or more

Directors, provided that at least one (1) of which shall not be a State employee, and, to the extent of powers, duties, or functions not by law reserved to the Board, to any officer or employee of the AuthorityGreen Bank as the Board in its discretion shall deem appropriate.

5.2. **Appointments; Quorum; Transaction of Business; Recordkeeping.**

5.2.1. **Appointments.** The Chairperson shall appoint all Committee Chairs. The Committee Chair need not be a Director on the Deployment Committee any *ad hoc* committee, or an advisory committee.

5.2.2. **Quorum.** If necessary to achieve a quorum at any meeting of a Committee other than an advisory committee, then the Chairperson or the Vice Chairperson may sit, participate, and vote as an alternate member of such committee at such meeting.

5.2.3. **Report of Committee Actions.** Each Committee shall report to the Board on such Committee's actions and activities at the regular Board meeting next following each Committee meeting.

5.2.4. **Recordkeeping.** Committee recordkeeping shall be in accordance with Article IV, Section 4.5.2 hereof.

5.3. **Standing Committees.** The AuthorityGreen Bank shall have ~~three (3)~~four (4) Standing Committees of the Board consisting of an Audit, Compliance, and Governance Committee, a Budget and Operations Committee, ~~and~~ a Deployment Committee, and a Joint Committee of the Energy Conservation Management Board and the Connecticut Green Bank. Each Standing Committee may form subcommittees in its discretion, but no

such subcommittee shall exercise powers of the Board unless authorized by the Board to do so.

~~5.3.1.~~—Audit, Compliance, and Governance Committee. The Audit, Compliance, and Governance Committee shall consist of no less than three (3) Directors appointed by the Chairperson on a biennial basis, at least one (1) of which shall not be a State employee. The principal functions, responsibilities, and areas of cognizance of the Audit, Compliance, and Governance Committee shall be as follows:

- (i) recommendation to the Board as to the selection of auditors; (ii) meetings with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board with respect to the approval of the audit report; (iii) review of the audit and compliance findings of the Auditors of Public Accounts, and meetings with the staff auditors there as appropriate; (iv) review with the auditors, President, and senior finance staff of the adequacy of internal accounting policies, procedures and controls; (v) review of the sufficiency of financial and compliance reports required by statute; (vi) recommendation to the Board as to the selection of the ~~Authority's~~Green Bank's ethics liaison and ethics compliance officer(s); (vii) review of the adequacy of employee education and training on ethics and related legal requirements; (viii) review and approval of, and in its discretion recommendations to the Board regarding, all governance and administrative matters affecting the ~~Authority~~Green Bank, including but not limited to matters of corporate governance, corporate governance policies, committee structure and membership, management qualifications and evaluation, and Board and Standing Committee self-evaluation; (ix) oversight of the ~~Authority's~~Green Bank's legal compliance

programs, including but not limited to compliance with state contracting and ethics requirements; (x) management succession planning; (xi) oversight of any Director conflict of interest matters; (xii) as-needed review of any staff recommendations to the Board regarding the Authority's Green Bank's regulatory or policy initiatives including but not limited to the Comprehensive Plan and other clean energy regulatory or policy evidentiary matters

~~5.3.2.~~5.3.1. before the Public Utilities Regulatory Authority and other state and federal commissions and tribunals that may affect clean energy development and/or the Authority's Green Bank's statutory mandate; (xiii) acting as a resource to the appointing authorities with respect to the identification and recruitment of qualified and interested private sector Director candidates; and (~~vix~~vi) the exercise of such authority as may from time to time be delegated by the Board to the Audit, Compliance, and Governance Committee within its areas of cognizance.

~~5.3.3.~~5.3.2. **Budget and Operations Committee.** The Budget and Operations Committee shall consist of no less than three (3) Directors appointed by the Chairperson on a biennial basis, at least one (1) of which shall not be a State employee. Additionally, the Chairperson or the Vice Chairperson shall be a non-voting *ex officio* member of the committee, subject to the provisions of Article V, Section 5.2.2 hereof. The principal functions, responsibilities, and areas of cognizance of the Budget and Operations Committee shall be as follows: (i) to recommend and monitor compliance with prudent fiscal policies, procedures, and practices to assure that the Authority Green Bank has the financial resources

and financial strategy necessary to carry out its statutory responsibilities and mission, including oversight of the Authority's Green Bank's budget process, asset and liability management, asset risk management, insurance and loss prevention, and performance measurement; (ii) recommendation to the Board as to approval of the annual operating budget and plan of operation; (iii) oversight of space planning and office leases, systems, and equipment, and procedures and practices with respect to purchasing; (iv) to recommend and monitor compliance with policies, programs, procedures, and practices to assure optimal organizational development, establishment of policies, programs, procedures and practices to assure optimal organizational development, the recruitment and retention of qualified personnel and the just and fair treatment of all employees of the Authority Green Bank, including employment policies and practices, employee training, development, evaluation and advancement, employee compensation and benefits, and matters of employee separation and severance; (v) review and approval of the Authority Green Bank staffing plan as developed by the President; (vi) with respect to reallocation of amounts between approved budget line items in excess of ten thousand dollars (\$10,000) but not exceeding seventy-five thousand dollars (\$75,000) in total, approval of such reallocation; (vii) with respect to increases to the operating budget or unbudgeted disbursements in amounts in excess of ten thousand (\$10,000) but not exceeding seventy-five thousand (\$75,000), approval of such increases; and (viii) the exercise of such authority as may from time to time be delegated by the Board to the Budget and Operations Committee within its areas of cognizance.

5.3.4.5.3.3. **Deployment Committee.** The Deployment Committee shall consist of no more than six (6) members total, consisting of no less than three (3) Directors and up to three (3) non-Directors, all appointed by the Chairperson on a biennial basis, and at least one (1) of the Director-members shall not be a State employee. Additionally, the State Treasurer, or her or his designee, shall be a voting *ex officio* member of the committee. Additionally, the Chairperson or the Vice Chairperson shall be a non-voting *ex officio* member of the committee, subject to the provisions of Article V, Section 5.2.2 hereof. The non-Director members of the Deployment Committee shall each have expertise in such areas as: project finance, levelized cost of clean energy, investment banking, commercial lending, tax-exempt or tax-advantaged financing or municipal banking, or clean energy policy. The principal functions, responsibilities, and areas of cognizance of the Deployment Committee shall be as follows: (i) to recommend and monitor compliance with program, project, and investment guidelines, criteria, policies, and practices supporting the Authority's Green Bank's statutory mission and management of such by the Authority's Green Bank's professional staff; (ii) with respect to loans, loan guarantees, loan loss reserves, credit enhancements, debt support programs, debt, debt-like, grants, equity, near-equity, and related measurement and verification studies and evaluation audit funding requests, including but not limited to the On-Site Renewable Distributed Generation Program, the Residential Solar program, the Combined Heat and Power pilot program, the Anaerobic Digestion pilot program, and the Condominium Renewable Energy grant program, between

three hundred thousand dollars (\$300,000) and two million five hundred thousand dollars (\$2,500,000), evaluation and approval of such requests on behalf of the Board so long as such approval is within the Authority's Green Bank's approved Operations and Program Budget; (iii) with respect to loans, loan guarantees, loan loss reserves, credit enhancements, debt support programs, debt, debt-like, grants, equity and near-equity funding requests which exceed two million five hundred thousand dollars (\$2,500,000), evaluation of such requests and recommendation to the Board regarding such requests; (iv) oversight of policies and practices relating to the evaluation and recommendation of initial investments, follow-on investments, investment modifications and restructurings, and the sale or other disposition of investments by the Authority's Green Bank's professional investment staff; (v) oversight of policies and practices relating to investment management by the Authority's Green Bank's professional investment staff, including implementation of investment exit strategies; (vi) except to the extent of any investment powers expressly reserved to the Board itself in any resolution of the Board, to approve on behalf of the Board investments, follow-on investments, investment modifications and restructurings, and the sale or other disposition of investments; (vii) to review and recommend to the Board the issuance of bonds, notes or other obligations of the Authority Green Bank, and upon such approval, to sell, issue and deliver such bonds, notes or obligations on behalf of the Authority Green Bank; and (viii) the exercise of such other authority as may

from time to time be delegated by the Board to the Deployment Committee within its areas of cognizance.

5.3.4. Joint Committee of the Energy Conservation Management Board and the Connecticut Green Bank. The Standing Committee Related to the Joint Committee of the Energy Conservation Management Board and the Board of Directors of the Green Bank shall consist of three (3) Directors who shall be appointed by the Chairperson on a biennial basis to serve on both this Standing Committee and the Joint Committee. Said Directors of this Standing Committee shall be charged with joining with three (3) members from the Energy Conservation Management Board to form the Joint Committee as required pursuant to 16-245m(d)(2) of the General Statutes.

5.3.4.1. The principal functions, responsibilities and areas of cognizance of this Standing Committee shall be as follows: (i) to work with the Joint Committee to examine opportunities to coordinate the programs and activities contained in the plan developed under section 16-245n (c) of the General Statutes with the programs and activities contained in the plan developed under section 16-245m(d)(1) of the General Statutes; and (ii) to work with the Joint Committee to provide financing to increase the benefits of programs funded by the plan developed under section 16-245m(d)(1) of the General Statutes so as to reduce the long-term cost, environmental impacts and security risks of energy in the state.

5.3.4.2. This Standing Committee, in consultation with and upon approval of the Joint Committee, is authorized to vote and allocate funding in an amount not to exceed three hundred thousand dollars (\$300,000.00) per program or project so long as such program or project is within the Green Bank's approved Operations and Program Budget, consistent with the Green Bank's Comprehensive Plan, within an approved program of the Board or Deployment Committee and consistent with the credit and investment guidelines, criteria, policies, and practices approved by the Board. No resolution of the Joint Committee to approve an expenditure of funds may be approved without an affirmative vote of at least two (2) members of the Connecticut Green Bank.

5.3.4.3. Notwithstanding anything contained in these Bylaws to the contrary, the Joint Committee may adopt its own bylaws which shall govern the conduct and operations of the Joint Committee. If there are conflicting provisions between these Bylaws and any bylaws adopted by the Joint Committee, these Bylaws shall be controlling.

5.3.5. Additional Standing Committees or *ad hoc* committees of the Board may be formed by the Board at its discretion by resolution setting forth the purposes and responsibilities of such additional Standing Committee or *ad hoc* committee. Each additional Standing Committee or *ad hoc* committee shall have at least three (3) members who are Directors, at least one (1) of which shall not be a State employee.

5.4. **Advisory Committees.**

- 5.4.1. The Board may form such advisory committees as the Board in its discretion may determine to be appropriate to advise and assist the Board, any Standing Committee of the Board, or management of the AuthorityGreen Bank in the performance of its statutory responsibilities. Such advisory committees may include as members such individuals as may be knowledgeable in the subject matter whether or not Directors or employees of the AuthorityGreen Bank.
- 5.4.2. Members of an advisory committee who are not Directors or employees of the AuthorityGreen Bank shall be considered "members of an advisory board" for purposes of the Connecticut Code of Ethics for Public Officials.
- 5.4.3. Public confidence in the recommendations and other actions of an advisory committee requires that advisory committee members avoid both actual conflicts of interest and situations that might give the appearance of a conflict of interest. It is to be expected, however, that many advisory committee members will have outside business or professional interests relating to the Authority'sGreen Bank's statutory mission. It is not intended that such outside business or professional interests be considered a conflict of interest, provided that an advisory committee member shall not participate in any deliberation or vote, and shall not take any other affirmative action as an advisory committee member, with respect to a matter in which such member has an interest which is in substantial conflict with the proper discharge of the duties and responsibilities of membership on the advisory committee. For this purpose, the determination of whether an advisory committee member has an interest which is in

substantial conflict with the duties and responsibilities of membership on the advisory committee shall be made in the same manner as provided in Section 1-85 of the Connecticut General Statutes for conflicting interests of public officials. In addition to disclosures required by law, the existence and nature of any such substantial conflict shall be promptly disclosed to the Committee Chair.

ARTICLE VI FISCAL YEAR

- 6.1. **Fiscal Year.** The fiscal year of the ~~Authority~~Green Bank shall extend from July 1 through the following June 30 except as the same may be otherwise determined by resolution of the Board.

ARTICLE VII CONFLICTS OF INTEREST

- 7.1. Public confidence in the recommendations and other actions of the Board and Committees requires that Directors avoid both actual conflicts of interest and situations that might give the appearance of a conflict of interest. Given the statutory qualifications for membership on the Board, it is to be expected, however, that some Directors will have outside business or professional interests relating to the ~~Authority's~~Green Bank's statutory mission. It is not intended that such outside business or professional interests be considered a conflict of interest, provided that a Director shall not participate in any deliberation or vote, and shall not take any other affirmative action as a Director or Committee member, with respect to a matter in which such Director has an interest which is in substantial conflict with the proper discharge of the duties and responsibilities of

membership on the Board or such Committee. For this purpose, the determination of whether a Director has an interest which is in substantial conflict with the duties and responsibilities of membership on the Board or a Committee shall be made in the manner provided in Section 1-85 of the Connecticut General Statutes for conflicting interests of public officials. The existence and nature of any potential conflict of interest shall be promptly disclosed to the Chairperson (or, in the case of the Chairperson, to the Vice Chairperson) and otherwise as may be required by Section 1-86 of the Connecticut General Statutes.

- 7.2. With respect to potential conflicts of interest, as defined in Section 1-86(a) of the Connecticut General Statutes and pursuant thereto and pursuant to Section 1-81-30(c) of the Regulations of Connecticut State Agencies, the Member shall either (1) excuse himself or herself from participating in any deliberation or vote on the matter and may not otherwise take any affirmative action on the matter or (2) shall prepare a written statement prepared under penalty of false statement describing the matter requiring action and the nature of the potential conflict and explaining why, despite the potential conflict, such Member is able to vote and otherwise participate fairly, objectively, and in the public interest, and shall deliver a copy of such statement to the Office of State Ethics and shall enter a copy of the statement in the minutes of the Board or committee, as applicable.
- 7.3. In addition to the steps described in Section 7.1 and 7.2, above, a conflicted or potentially conflicted Director:
 - 7.3.1. is strongly encouraged to leave the room during discussion and vote on the matter at hand; and

- 7.3.2. shall not participate in such discussion and vote; and
- 7.3.3. shall not have access to non-public confidential information regarding the matter at hand.

ARTICLE VIII COMPENSATION

- 8.1. No Director or Committee member shall at any time receive or be entitled to receive any compensation for the performance of his or her duties as a Director, but may be reimbursed by the AuthorityGreen Bank for reasonable and necessary expenses incurred in the performance of such duties.

ARTICLE IX PARLIAMENTARY AUTHORITY

- 9.1. Robert's Rules of Order, current revised edition, shall govern the proceedings of the Board when not in conflict with these Bylaws.

ARTICLE X ROLE OF CONNECTICUT INNOVATIONS, INC.

- 10.1. **For Administrative Purposes Only.** Pursuant to the Statute, the AuthorityGreen Bank is within Connecticut, Innovations, Incorporated, for administrative purposes only. The relationship between the AuthorityGreen Bank and Connecticut Innovations, Inc., will be governed by the Statute, Conn. Gen. Stat. § 4-38f as if applicable to the relationship between the AuthorityGreen Bank and Connecticut Innovations, Incorporated, and other applicable law, and shall be memorialized in a contract for services.

**ARTICLE XI
AMENDMENT**

- 11.1. **Amendment or Repeal.** These Bylaws may be amended or repealed or new Bylaws may be adopted by the affirmative vote of a Super Majority of the Directors then in office.
- The AuthorityGreen Bank may adopt rules for the conduct of its business, and the adoption of such rules shall not constitute an amendment of these Bylaws.

**ARTICLE XII
DEFINITIONS**

- 12.1. **Definitions.** Unless the context shall otherwise require, the following words and terms shall have the following meanings:
- 12.1.1. "AuthorityGreen Bank" means the ~~Clean Energy Finance and Investment Authority~~ Connecticut Green Bank, as created and existing pursuant to the Statute.
- 12.1.2. "Board" means the board of directors of the AuthorityGreen Bank appointed and serving pursuant to the Statute.
- 12.1.3. "Chairperson" means the Chairperson of the Board appointed pursuant to the Statute.
- 12.1.4. "Committee" means any committee of or formed by the Board, including any Standing Committee, *ad hoc* committee, or advisory committee.
- 12.1.5. "Committee Chair" means the Chairperson of a Committee.
- 12.1.6. "Comprehensive Plan" means the plan developed by the AuthorityGreen Bank pursuant to section 16-245n(c) of the General Statutes.
- 12.1.7. "Connecticut Freedom of Information Act" means the Connecticut Freedom of Information Act, Connecticut General Statutes § 1-200 *et seq.*, as amended.

- 12.1.8. "Director" means a voting member of the Board appointed pursuant to the Statute.
- 12.1.9. "General Statutes" means the Connecticut General Statutes, as amended.
- 12.1.10. "Majority", whether capitalized or lowercase, means one more than half.
- 12.1.11. "President" means the President of the AuthorityGreen Bank hired by and serving at the pleasure of the Board of Directors of the AuthorityGreen Bank.
- 12.1.12. "Presiding Officer" has the meaning attributed to that term in Article IV, Section 4.5 of these Bylaws.
- 12.1.13. "Resolution of Purposes" means a resolution of the Board adopted pursuant to the penultimate sentence of Section 16-245n(d) of the General Statutes.
- 12.1.14. "Secretary" means the Secretary of the Board elected pursuant to the Statute and these Bylaws.
- 12.1.15. "Standing Committee" means a Standing Committee established by these Bylaws or another standing committee appointed by the Board for a specified period of time for the purpose of carrying out one or more functions of the AuthorityGreen Bank.
- 12.1.16. "Statute" means Connecticut General Statutes § 16-245n, as amended.
- 12.1.17. "Super Majority" means two thirds rounded up to the next whole integer.
- 12.1.18. "Vice Chairperson" means the Vice Chairperson of the Board elected pursuant to these Bylaws.

ARTICLE XIII

AUTHORITY

- 13.1. These Bylaws are adopted pursuant to the Statute and effective as of May 18, 2012.

**JOINT COMMITTEE OF THE ENERGY CONSERVATION
MANAGEMENT BOARD AND THE BOARD OF DIRECTORS OF
THE CONNECTICUT GREEN BANK**

BYLAWS

PURSUANT TO

Section 16-245m(d)(2) of the
Connecticut General Statutes

Adopted _____, 2014

ARTICLE I
NAME, PLACE OF MEETINGS

- 1.1. **Name of the Committee.** The name of the Committee shall be, in accordance with the Statute, the "Joint Committee of the Energy Conservation Management Board and the Connecticut Green Bank".
- 1.2. **Meetings of the Committee.** The meetings of the Committee shall be held at such place or places within the State of Connecticut as the Committee may designate.

ARTICLE II
COMMITTEE MEMBERSHIP

- 2.1. **Membership.** The Committee shall consist of no more than seven (7) members. Both the Board of Directors of the Connecticut Green Bank and the Energy Conservation Management Board shall appoint three (3) members (either voting or nonvoting members) from their respective boards to serve on the Committee. Additionally, the Commissioner of the Department of Energy and Environmental Protection, or her or his designee, shall be a voting ex officio member of the Committee.
- 2.2. **Term.** Each member of the Committee shall serve a term of two (2) years or until a successor is appointed, whichever is longer.
- 2.3. **Chairperson.** The Committee shall elect from its members a Chairperson who shall serve a term of one (1) year or until a successor is chosen by the Committee, whichever is longer. The Chairperson shall preside at all meetings of the Committee which he or she attends.
- 2.4. **Vice Chairperson.** The Committee shall elect from its members a Vice Chairperson who shall serve a term of one (1) year or until a successor is chosen by the Committee, whichever is longer. In the absence or incapacity of the Chairperson, the Vice

Chairperson shall perform all the duties and responsibilities of the Chairperson. In the absence or incapacity of the Vice Chairperson, or in case of his or her resignation or death, the Committee shall elect from amongst its members an acting Vice Chairperson during the time of such absence or incapacity or until such time as the Committee shall elect a new Vice Chairperson.

- 2.5. **Secretary.** A Secretary may be elected by the Committee. The Secretary shall perform the duties imposed by resolution of the Committee. In the absence or incapacity of the Secretary, or in case of his or her resignation or death, the Committee shall elect from amongst its members an acting Secretary who shall perform the duties of the Secretary during the time of such absence or incapacity or until such time as the Committee shall elect a new Secretary. The Secretary shall serve until a successor is elected by the Committee.

ARTICLE III POWERS AND DUTIES OF THE COMMITTEE

- 3.1. **Powers and Duties.** The Committee shall examine opportunities to coordinate the programs and activities contained in the plan developed under section 16-245n(c) of the General Statutes with the programs and activities contained in the plan developed under section 16-245m(d)(1) of the General Statutes and to provide financing to increase the benefits of programs funded by the plan developed under section 16-245m(d)(1) of the General Statutes so as to reduce the long-term cost, environmental impacts and security risks of energy in the state.
- 3.2. **Funding Resolutions.** Any resolution of the Committee to approve an expenditure of funds for any purpose must be approved by: (i) no less than four (4) members of the

Committee, and (ii) there shall be at least two (2) members from both the Energy Conservation Management Board and the Connecticut Green Bank voting in the affirmative. In addition, all resolutions to approve an expenditure of funds for any purpose shall specify the allocation of expenditures between the Energy Conservation Management Board and the Connecticut Green Bank.

ARTICLE IV COMMITTEE MEETINGS

- 4.1. **Regular Meetings.** Regular meetings of the Committee for the transaction of any lawful business of the Committee shall be held in accordance with a schedule of meetings established by the Committee, provided that the Committee shall meet at least four (4) times per calendar year.
- 4.2. **Special Meetings.** The Chairperson may, when the Chairperson deems it expedient, call a special meeting of the Committee for the purpose of transacting any business designated in the notice of such meeting.
- 4.3. **Legal Requirements.** All meetings of the Committee shall be noticed and conducted in accordance with the applicable requirements of the Connecticut Freedom of Information Act, including without limitation applicable requirements relating to the filing with the Secretary of the State of any schedule of regular meetings and notices of special meetings, meeting notices to Committee members, public meeting requirements, the filing and public availability of meeting agenda, the recording of votes and the posting or filing of minutes, the addition of agenda items at any regular meeting, and the holding of any executive session.

- 4.4. **Order of Business.** The order of business of any meeting of the Committee shall be as set forth in the agenda for such meeting, provided that the Committee may vary the order of business in its discretion.
- 4.5. **Organization.** At each meeting of the Committee, the Committee Chairperson, or in the absence of the Committee Chair, the Vice Chairperson, shall act as Presiding Officer. The Presiding Officer shall prepare or direct the preparation of a record of the business transacted at such meeting. Such record when adopted by a majority of the Committee members in attendance at the next meeting and signed by the Committee Chairperson shall be the official minutes of the Committee meeting.
- 4.6. **Attendance.** Any member of a Committee may participate in a meeting of the Committee by means of teleconference, videoconference, or similar communications equipment enabling all Committee members participating in the meeting to hear one another, and participation in a meeting pursuant to this Section shall constitute presence in person at such a meeting.
- 4.7. **Quorum.** A quorum of the Committee shall consist of a minimum of at least four (4) members.
- 4.8. **Enactment.** When a quorum is present, an affirmative vote of a majority of members attending the Committee meeting shall be sufficient for action, including the passage of any resolution, except as may otherwise be required by these Bylaws or applicable law.
- 4.9. **Parliamentary Authority.** Robert's Rules of Order, current revised edition, shall govern the proceedings of the Committee when not in conflict with these Bylaws.

**ARTICLE V
COMMITTEE STAFF**

- 5.1. **Committee Staff.** The Committee may from time to time and upon a majority vote of the Committee request that employees from either the Connecticut Green Bank or the Energy Conservation Management Board assist the Committee with its work. Said assistance may include but not be limited to taking minutes of Committee meetings, conducting research or analyzing information.
- 5.2 [ADDITIONAL CLARITY OR DEFINITIONS AROUND THE EDC’S AS ADMINISTRATORS, EXECUTIVE SECRETARY, CONSULTANTS, AND EMPLOYEES?]

**ARTICLE VI
AMENDMENT**

- 6.1. **Amendment or Repeal.** These Bylaws may be amended or repealed or new Bylaws may be adopted by the affirmative vote of not less than five (5) members of the Committee.

**ARTICLE VII
DEFINITIONS**

Definitions. Unless the context shall otherwise require, the following words and terms shall have the following meanings:

- 7.1.1. "Chairperson" means the Chairperson of the Committee appointed pursuant to these Bylaws.
- 7.1.2. "Committee" means the Joint Committee of the Energy Conservation Management Board and the Board of Directors of the Connecticut Green Bank.

- 7.1.3. "Connecticut Freedom of Information Act" means the Connecticut Freedom of Information Act, Connecticut General Statutes § 1-200 *et seq.*, as amended.
- 7.1.4. "General Statutes" means the Connecticut General Statutes, as amended.
- 7.1.5. "Majority", whether capitalized or lowercase, means one more than half.
- 7.1.6. "Presiding Officer" has the meaning attributed to that term in Article IV, Section 4.5 of these Bylaws.
- 7.1.7. "Secretary" means the Secretary of the Committee elected pursuant to these Bylaws.
- 7.1.8. "Statute" means Connecticut General Statutes § 16-245m(d)(2), as amended.
- 7.1.9. "Vice Chairperson" means the Vice Chairperson of the Committee elected pursuant to these Bylaws.



CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

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

Memo

To: Audit, Compliance and Governance Committee

From: Brian Farnen, General Counsel and CLO

Date: July 17, 2014

Re: Joint Committee Governance Proposed Structure

The Joint Committee of the ECMB and the Green Bank (the “Joint Committee”) was statutorily created pursuant to Public Act 11-80 and is codified at Section 16-245m(d)(2) of the Connecticut General Statutes. The Joint Committee examines opportunities to coordinate the activities funded by the Clean Energy Fund¹ with the activities contained in the Conservation and Load Management Plan² (“C&LM Plan”) and to provide financing to increase the benefits of programs funded by the C&LM Plan so as to reduce the long-term cost, environmental impacts and security risks of energy in the state. We have created the **attached** draft bylaws for the Joint Committee to better effectuate this purpose.

In order to establish the Joint Committee, the Green Bank must amend its Bylaws to establish a Standing Committee of the Green Bank Board of Directors. This new Standing Committee will (1) represent the Green Bank in the Joint Committee and (2) authorize the members of the Joint Committee to vote and allocate funding in an amount not to exceed three hundred thousand dollars (\$300,000.00) per program or project so long as such program or project is:

- (i) within the Bank’s approved Operations and Program Budget;
- (ii) consistent with the Bank’s Comprehensive Plan;
- (iii) within an approved program of the Board or Deployment Committee; and
- (iv) consistent with the credit and investment guidelines, criteria, policies, and practices approved by the Board.

The revised draft bylaws for the Green Bank are **attached**.

¹ Formed pursuant to Conn. Gen. Stat. 16-245n (2014).

² Developed pursuant to Conn. Gen. Stat. 16-245m (2014).

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.