

CONNECTICUT GREEN BANK

Board of Directors

Minutes – Special Meeting

Friday, May 25, 2018

A special meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on May 25, 2018 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:

Catherine Smith, Chairperson of the Green Bank and Commissioner of the Department of Economic and Community Development (“DECD”), called the meeting to order at 3:34 p.m.

Board members participating: Bettina Bronisz, State Treasurer’s Office; Eric Brown (by phone); Betsy Crum (by phone); Tom Flynn (by phone); Rob Klee, Vice Chairperson of the Green Bank and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Gina McCarthy (by phone); and Matthew Ranelli (by phone).

Members absent: John Harrity and Kevin Walsh

Staff Attending: George Bellas; Joe Buonannata; John D’Agostino (by phone); Mackey Dykes; Brian Farnen (by phone); Bryan Garcia; Bert Hunter; Chris Magalhaes (by phone); Kerry O’Neill; Cheryl Samuels; Eric Shrago; Kim Stevenson.

Others Attending: Guy West.

2. Public Comments

There were no public comments.

3. Consent Agenda

Ms. Smith provided an overview of the consent agenda, which included the revised minutes from the April 3, 2018 and April 27, 2018 Board of Directors meetings. She called for discussion and a vote on the items in the Consent Agenda.

Upon a motion made by Ms. Bronisz, seconded by Ms. Smith, the Board members voted in favor of adopting the Consent Agenda and Resolutions 1 as written. Ms. McCarthy abstained from voting due to being absent from the previous Board of Directors meeting. Mr. Ranelli joined the meeting during discussion of the Consent Agenda and abstained from voting as well.

Resolution #1

Motion to approve the revised meeting minutes of the Board of Directors for April 3, 2018 and the meeting minutes of the Board of Directors Meeting for April 27, 2018.

4. Non-Profit Organization – Underserved Markets

Mr. Garcia set the context for continuing the conversation on the Nonprofit from the previous Board of Directors meeting. He reminded the Board that as part of the Green Bank's continued progress to implement a Sustainability Plan, the agency's focus would be on two core functions: the incentive business and investment business, and that a Nonprofit would be created.

Mr. Garcia explained that the focus of the Nonprofit would be on spinning out products in low-to-moderate income ("LMI") markets and underserved credits to attract private investment and scale-up impact, while reducing expenses and providing opportunities for investment returns to the Green Bank.

Mr. Garcia announced that at the June 13, 2018 Board of Directors meeting, Green Bank staff planned to present to the Board a set of Professional Services Agreements that will provide the scope of work between the Green Bank and Nonprofit. Included in the Professional Services Agreements will be a set of targets that the Nonprofit is expected to deliver to the Green Bank – targets that are currently being reviewed with the Budget and Operations Committee of the Board of Directors.

Mr. Garcia noted that the creation of the Nonprofit was a collaborative approach to keep

specific products in the Connecticut market. He highlighted two key items for the Board: first, that the Green Bank will maintain the right of first refusal for it to participate in any Connecticut investment activities that the Nonprofit engages in; and, second, there will be non-compete protection for the Green Bank.

Mr. Hunter guided the Board through the investments that will be conducted by the Nonprofit: single family LMI solar (i.e., PosiGen and other originators with emphasis on the LMI marketplace), the Smart-E Loan product, multifamily and affordable housing, the commercial solar fund (currently under the name CT Solar Lease 3) and a special project offering (i.e., project finance-type transactions) - though he noted that this offering will reside with both the Nonprofit and the Green Bank.

Ms. Smith advised Green Bank staff that the Nonprofit's business plan should make it clear that its focus will be on underserved communities to keep in line with its mission. Green Bank staff acknowledged this recommendation.

Mr. Hunter explained the Green Bank's relationship with the Nonprofit, stating there are two ways the Green Bank could easily participate: first, the Green Bank could provide funding to the Nonprofit that is secured by transactions to the ultimate end user (e.g., a housing authority); and, second, the Green Bank could execute a participation agreement as it has done previously for Enhanced Capital and Cargill Falls, standing side-by-side with the Nonprofit on a risk basis.

Mr. Garcia noted that the Budget and Operations Committee of the Board has reviewed the Green Bank's draft revenues and targets for fiscal year 2019, and that for added transparency, the Green Bank will create a line item that shows Nonprofit interest revenue moving forward.

Mr. Brown asked about the status of commercial and industrial operations under the Green Bank, based on how responsibilities were being divided between it and the Nonprofit. Mr. Garcia replied that the Green Bank's commercial and industrial goals will come from the C-PACE and potentially SBEA programs, while the commercial solar PPA targets will be the responsibility of the Nonprofit. Mr. Dykes added that the commercial solar PPA would be transitioned to the Nonprofit as it primarily serves clients that cannot monetize tax credits. Ms. Smith noted that using "commercial" to describe one of the offerings of the Nonprofit could cause confusion and recommended that Green Bank staff consider clarifying the name internally.

Mr. Hunter provided an overview of the Profit & Loss impacts as they relate to the Green Bank's relationship with the Nonprofit. A conversation ensued with questions and requests for further clarification, with specific examples, from Ms. Bronisz and Ms. Smith to Green Bank staff, which they agreed to provide.

Mr. Hunter continued with an overview of the Nonprofit's financials, focusing on the balance sheet, revenue and non-interest expenses. He explained that the key to the Nonprofit's long-term sustainability is building its own balance sheet. Mr. Hunter then provided an overview of the growth assumptions of each product that will be administered by the Nonprofit, noting that the assumptions were scaled back from what had been presented to the Board at the April 2018 meetings.

Mr. Hunter concluded with a summary of funding opportunities (i.e., investment transactions) available to the Green Bank from the Nonprofit. He noted an approximate total of between \$10.5M - \$12.5M in funding opportunities available to the Green Bank through single-family LMI, term lending and the commercial solar fund. Ms. Smith noted for the Board that she requested Green Bank staff provide a clear overview of the Green Bank pro forma.

Ms. Smith and several Board members requested further clarification from Green Bank staff on the level of risk and any other implications associated with the transition of programs to the Nonprofit. The Board and Green Bank staff agreed to schedule an additional special meeting to continue the conversation. Ms. Smith requested that the Board members who joined by phone send in any questions or comments that were not addressed during the meeting.

Ms. O'Neill noted that the name "Inclusive Prosperity Capital" had been selected for the Nonprofit.

6. Adjourn: Upon a motion made by Ms. Bronisz, seconded by Mr. Klee, the Board voted unanimously in favor of adjourning the May 25, 2018 meeting at 4:46 p.m.

Respectfully Submitted,

Catherine Smith, Chairperson