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CONNECTICUT
GREEN BANK

May 18, 2018

Dear Board of Directors:

We have a special meeting scheduled for next week for Friday, May 25, 2018 from 3:30-4:30 p.m. in the Colonel Albert Pope Board Room of the Connecticut Green Bank at 845 Brook Street, Rocky Hill, CT 06067.

On the agenda we have the following items:

- **Consent Agenda** – approval of the revised meeting minutes for April 3, 2018 and the meeting minutes for April 27, 2018.

- **Nonprofit Organization** – the focus of the special meeting is to discuss in greater detail the nonprofit business plan. This meeting was requested by members of the Board of Directors specifically on the nonprofit business plan and the programs-products the nonprofit will administer on behalf of the Green Bank.

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

We look forward to seeing you next week.

Sincerely,

Bryan Garcia
President and CEO

AGENDA

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

Friday, May 25, 2018
3:30-4:30 p.m.

Staff Invited: George Bellas, Craig Connolly, Mackey Dykes, Brian Farnen, Bryan Garcia, Ben Healey, Dale Hedman, Bert Hunter, Sue Kaswan, Kerry O'Neill, Eric Shrago, and Kim Stevenson

1. Call to order

2. Public Comments – 5 minutes

3. Consent Agenda – 5 minutes

4. Non-Profit Organization – Underserved Markets – 50 minutes

   a. Business Plan – Assumptions

5. Adjourn

Next Regular Meeting: Wednesday, June 13, 2018 from 3:00-5:00 p.m.
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT

RESOLUTIONS

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

Friday, May 25, 2018
3:30-4:30 p.m.

Staff Invited: George Bellas, Craig Connolly, Mackey Dykes, Brian Farnen, Bryan Garcia, Ben Healey, Dale Hedman, Bert Hunter, Sue Kaswan, Kerry O'Neill, Eric Shrago, and Kim Stevenson

1. Call to order

2. Public Comments – 5 minutes

3. Consent Agenda – 5 minutes

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 – 50 minutes

   a. Business Plan – Assumptions

5. Adjourn

Next Regular Meeting: Wednesday, June 13, 2018 from 3:00-5:00 p.m.
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT

CONNECTICUT GREEN BANK[SM]

Board of Directors Meeting

May 25, 2018

Board of Directors

Agenda Item #1

Call to Order

Board of Directors

Agenda Item #2

Public Comments

Board of Directors

Agenda Item #3

Consent Agenda

Consent Agenda
Resolution 1

1. **<u>Meeting Minutes</u>** – approval of revised meeting minutes of April 3, 2018 and meeting minutes for April 27, 2018

Board of Directors

Agenda Item #4

Nonprofit

Business Plan – Assumptions

Sustainability Plan
Connecticut Green Bank

- **<u>Mission</u>** – continue to execute on our statutory mission and purpose…while moving from leverage to sustainability focus
- **<u>Staff</u>** – handle our human resources in a compassionate, thoughtful, and methodical manner
- **<u>Business Units</u>** – two (2) core functions:
  - **<u>Incentive Business</u>** – support policy of 300 MW of residential solar PV through cost recovery through SHRECs, MPA, and securitization
  - **<u>Investment Business</u>** – support investments that achieve return targets (i.e., 5% interest over 10-year term) while working towards breakeven in 4 to 7 years by minimizing expenses and maximizing revenues
- **<u>Nonprofit</u>** – spin out products in LMI markets and underserved credits into a nonprofit to attract private investment and scale-up impact while reducing expenses and providing opportunities for investment returns to the Green Bank

Connecticut Green Bank

Business Unit and Program Structure

Connecticut Green Bank

Incentive Business

- RSIP
- SHREC

Investment Business

- C-PACE
- SBEA
- PosiGen
- Nonprofit
- New Opps
- Special Projects

RIGHT OF FIRST REFUSAL IN CT
NON-COMPETE IN CT

Nonprofit

- SF/LMI PosiGen & Others
- Smart-E
- Comm Solar PPA
- MFAH
- Special Projects

Cost Recovered

Self Sustaining
(i.e., 5%@10 years)

Operating Leverage, Social Return, and Investment Return Opportunity

Nonprofit
Business Lines

- **Investments** – earning a margin off of invested assets
  - Single Family LMI Solar – PosiGen & Others
  - Multifamily and Affordable Housing
  - Commercial Solar Fund
  - Special Projects Fund
- **Smart-E Loan** – fee for service model designed to breakeven and supported by administrative fees and ultimately contractor origination fees at scale
- **Origination Strategy** –
  - Contractor channels such as solar and fuel cell developers
  - Portfolio owners and multifamily housing and nonprofit program partners
  - Government partners (e.g., municipalities, housing authorities, state agencies)
  - Other green banks (e.g., USCA, USGB) and NRDC initiatives (EEFA, CEP, SPARCC)

Nonprofit Organization
CT Green Bank Relationship

- **<u>Collaborative approach to keep these specific products in the CT market</u>**
  - **Outsourced administration of more people-intensive products for cost savings**
  - **Solve for capital needs for these products – a combination of access and timing**
- **<u>Right of first refusal for CGB to participate in any CT investment activities the Nonprofit engages in</u>**
  - **From CGB's balance sheet, this looks like a participation**
    - Similar to Cargill Falls where CGB and Enhanced Capital made up the funding, or PosiGen where CGB, Enhanced and Stonehenge made up funding.
  - **In this case, it would be CGB (for CT investments as desired) and other capital sources making up the funding for the Nonprofit**
- **<u>Non-compete Protection for CGB</u>**

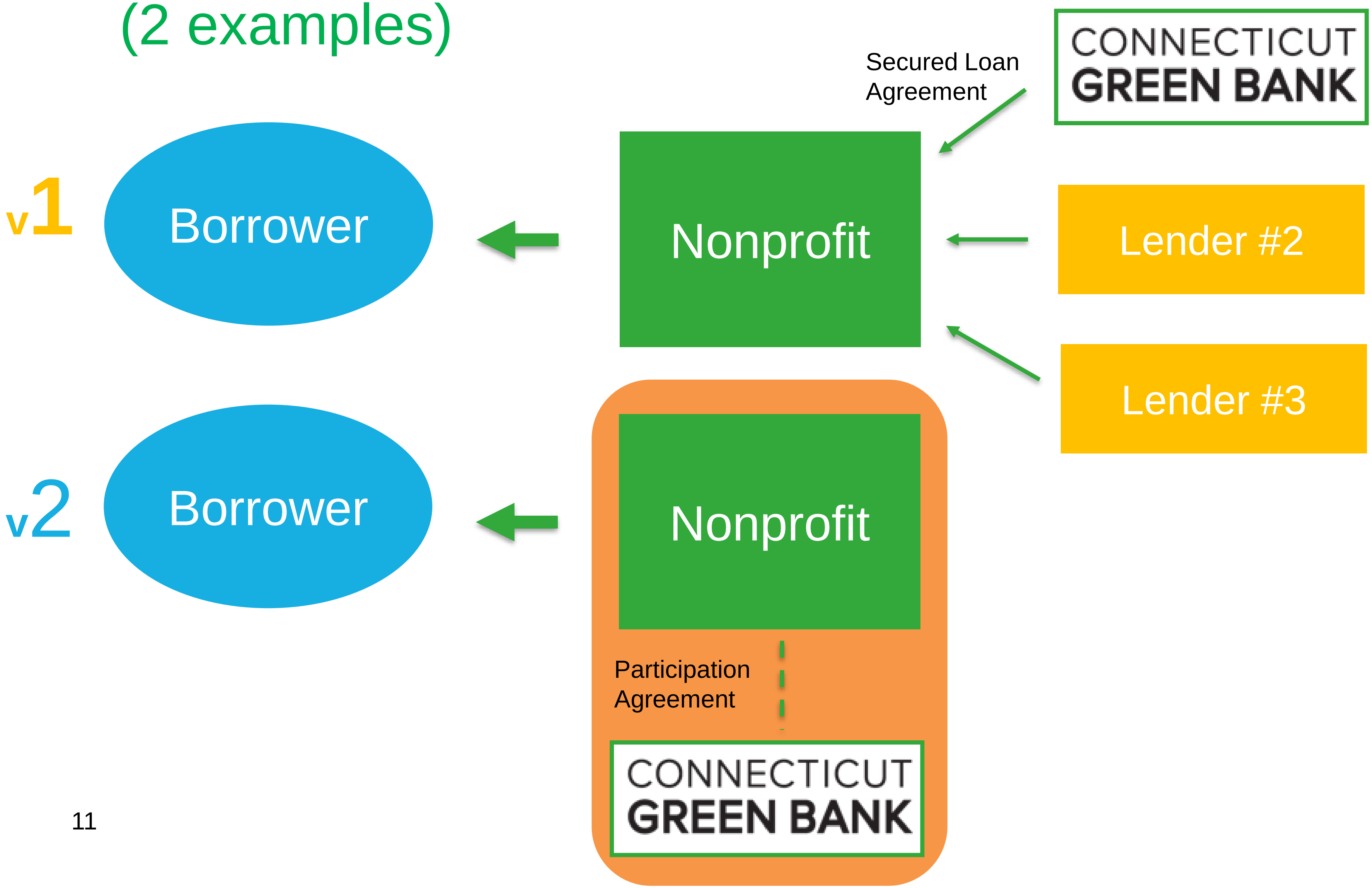
– Non-compete upon termination - Nonprofit not to offer products/services In CT for a period of one year if they directly compete with existing Green Bank offerings

– Non-Compete – During MOU, Nonprofit would not introduce a product offering In CT that directly competes with existing Green Bank w/o Green Bank permission

CONNECTICUT GREEN BANK

Nonprofit Organization

CT Green Bank Relationship (2 examples)



Nonprofit Organization

CGB Relationship (P&L impacts)

Connecticut Green Bank Statement of Revenues and Expenditures		Nonprofit Statement of Revenues and Expenditures
Revenue Operating Income		**Revenue** Operating Income
Utility Customer Assessments	v2	Gross Interest Revenue
RGGI Auction Proceeds-Renewables		LESS Interest Revenue due to Others
CPACE Closing Fees		Net Interest Revenue
REC Sales		Gross Interest Expense
Grant Income-Federal Programs		Net Interest Margin
Grant Income-Private Foundations		
Grant Income-DEEP		Commercial PV Development Fee
PPA Income		
LREC/ZREC Income		CGB PSA - Investing Business
Total Operating Income		CGB PSA - Smart-E
Interest Income		Other Smart-E Fees
Interest Income, Capitalized	v1	Operating Grants
Other Income		
Total Revenue		**Total Revenue**

Nonprofit

Financials – Balance Sheet, Revenues & Non-Interest Expenses

- **Balance Sheet:**
  - Key to sustainability is **building a balance sheet**:
    - **Recurrent revenue streams** based on businesses known to us
    - **Layers of funding sources** from foundations, CRA lenders, other lenders & investors
- **Revenue sources:**
  - Net interest income from investments in investing business
  - Contract with Green Bank to administer Green Bank programs in Connecticut
  - Startup grants from foundations in years 1-3
  - Additional contracts with public entities to administer Smart-E
  - Fees from commercial solar development
- **Non-Interest Expenses:**
  - Personnel is largest expense with an overhead rate estimate of 40% (vs. 78%)
  - Other expenses related to business development and marketing, origination, and administration of products
  - Connecticut operations are majority of expenses initially
  - **Investment business staffing / other expenses can scale w/pace of origination activity**
  - **Smart-E Loan Program would only expand/add expenses if contract was in place**

Nonprofit Organization

Growth Assumptions – Single Family LMI Solar with Implementer

Challenge Being Addressed in Nonprofit
Greater scale needed to attract necessary private investment and lower cost of capital to partners
Mission-oriented investors like this space, but reluctant to invest at CGB given sweeps

Assumptions

- Year 1: back leverage of $16MM
- Year 2+: $5-6MM per year growth; 50 systems added per month, modest annual growth rate *(lower than current run rate)*
- 75% of portfolio eligible for CRA investment: drives spread that can be earned

Investors

- **CGB Opportunity: $3 - $5m per year (avg) over 4 years (based on 50% participation)**
- Other funders: CRA lenders, impact investors, foundations

Partners

- PosiGen and a Solar Loan Financier
- Assumptions grounded in Green Bank deep knowledge of capital needs of PosiGen and business model analysis of Solar Loan Financier expanding their credit universe

Other Factors

- This business line anchors the business model in the short term, providing immediate net interest income and jump starting the balance sheet

Nonprofit Organization

Growth Assumptions – Term Lending (Multifamily, Special Projects)

Challenge Being Addressed in Nonprofit
More investment needed in FY19 and beyond, but doesn't match CGB's return profile
Greater scale needed to attract necessary private investment and lower cost of capital to partners
Mission-oriented investors like this space, but reluctant to invest at CGB given sweeps
More operating support needed at critical juncture, but CGB resources limited (and higher overhead)
Greater scale needed for sustainability

Assumptions

- Origination of $5MM per year, less than current CT multifamily pipeline enhanced by ability to do holistic projects (health and safety and other capital needs)
- 100% of multifamily portfolio eligible for CRA investment

Investors

- **CGB Opportunity: $2.5MM per year (avg) over 4 years (based on 50% participation)**
- Other funders: CRA lenders, impact investors, foundations

Partners

- CT Housing Coalition, DOH, CHFA, UHAB, New Ecology, NRDC Initiatives, other green banks

Other Factors

- Opportunistic special project opportunities would contribute to origination activity and help achieve a blended rate of 6%

Nonprofit Organization

Growth Assumptions – Commercial Solar Fund

Challenge Being Addressed in Nonprofit
Greater scale needed to attract necessary private investment – market has moved from SL2/SL3 and bigger fund size is needed
More operating support needed at critical juncture, but CGB resources limited (and higher overhead)

Assumptions

- Year 1: 1.8 MW solar installed per quarter; $12MM back leverage or sponsor equity by end of year
- Year 2+: Increasing .5 MW per quarter, portfolio of $25MM at end of year 2, $39MM at end of year 3, $54MM at end of year 4
- Assumptions based on ***<50% of the pace*** of Green Bank activity over past 18 months (a total of 30MW, 5 MW/quarter)
- 75% of portfolio eligible for CRA investment

Investors

- **CGB Opportunity: ~$5MM per year (avg) over 4 years (based on 50% participation)**
- Other funders: CRA lenders, impact investors, foundations, tax equity investors

Partners

- Regional independent developer base, other green banks

Other Factors

- Demonstrated ability to underwrite housing authorities, community assets, NFPs

Nonprofit Organization

Growth Assumptions – Smart-E Loan Program (Fee-for-Service)

Challenge Being Addressed in Nonprofit
More investment needed, but doesn't match CGB's return profile
More operating support needed at critical juncture, but CGB resources limited (and higher overhead)
Greater scale needed for sustainability

Smart-E will only expand with contracts in place and is therefore designed to be neutral to the organization's financials

- **Assumptions**
  - Year 1: CT loan growth 5% over FY18, 1 small program added
  - Year 2+: 2 small programs added in year 2 and 2 large programs in year 3
  - Loans on platform grow from 470 in year 1 with 11 lenders and 105 active contractors to 4,500 loan in year 4 with 40+ lenders and 450 active contractors
  - 1.99% contractor origination fee assumed on $13,000 average loan amount, other program expenses covered by program administration fee
- **Partners**
  - Other green banks, cities in NRDC initiatives

Nonprofit Organization
CGB Relationship

Summary of CGB Funding Opportunities

Single Family LMI (Solar with Implementer)	$3 - $5.0 MM
Term Lending (Multifamily, Special Projects)	$2.5 MM
Commercial Solar Fund	$5.0 MM
TOTAL (avg/yr)	$10.5 - $12.5 MM

Nonprofit

Financials – Pro Forma Balance Sheet (Figures in '000s)

	FYE19	*FYE20*	*FYE21*	*FYE22*
Assets	[redacted]			
Cash / Cash Equivalents				
Loans				
Single Family				
Multifamily				
Commercial Solar PPAs				
Total Investment Assets				
Total Assets				
Liabilities				
Senior Debt Capital				
Subordinate Debt Capital				
Total Liabilities				
Net Assets				
[Equity-Equivalent] PRIs				
Grants				
Retained Earnings				
Total Net Assets				
Liabilities + Net Assets				
Debt to Net Assets				

Nonprofit

Financials – Pro Forma P&L (Figures in '000s)

Pro Forma Sources of Revenue and Expenses (Figures in '000s)

	FY19	FY20	FY21	FY22
Revenue				
Net Interest Income	[redacted]			
Green Bank Contract				
Operating Grants				
Smart-E Contracts				
Solar Development Fees				
Total Revenue				
Less: Op Ex				
Operating Income				
Less: Provision for Loan Loss				
Net Income				

Total Smart-E Revenues are [redacted] *in FY19,* [redacted] *in FY20,* [redacted] *in FY21,* [redacted] *in FY22*

Total Smart-E Expenses are [redacted] *in FY19,* [redacted] *in FY20,* [redacted] *in FY21,* [redacted] *in FY22*

Nonprofit Capitalization Strategy

<u>Capital Stack</u> – a layer of grants, equity-equivalent, and PRI/MRI investment leveraged with subordinate and senior capital

CRA-Motivated Capital

Non-CRA Capital

Senior Capital

Terms: 3-10 years at [4-5%]

Senior capital would be credit enhanced by subordinate lenders. These would mostly be CRA and non-CRA motivated national and regionally-focused depository institutions.

Institutional Investors

Subordinate Capital

Terms: 8-10 years at [5-8%]

Regional capital providers and intermediaries that can make longer-term investments for a higher yield.

Philanthropic / Corporate-Philanthropic Investors

PRIs / MRIs

Terms: 10-15 years at [1%]

Traditional PRI / MRI investors from national philanthropies and philanthropic arms of corporations. These investments would provide an additional layer of credit enhancement, supporting more flexible terms from senior capital providers.

Regionally-Restricted Funding

CT Fund & other public funding

Foundations

Long-Term, At-Risk PRIs / Grants

Equity-Equivalent Investments & Grants

Terms: Grants or Debt 15-20 years, priced at-risk

A combination of fully-subordinated debt and grants would act as equity. The debt component would ideally have a distant mandatory repayment date and would entitle the investor to earn a return either as i) a fixed dividend percentage paid annually or ii) a percentage of free cash flow paid after retained earnings.

This tier would be divided between entities that must restrict their funding to certain geographic areas, and foundations able to make a long-term PRI that would be more widely applicable.

Nonprofit
Name

Inclusive Prosperity Capital

Board of Directors

Agenda Item #5

Adjourn

CONNECTICUT GREEN BANK
Board of Directors
Draft Minutes - REVISED
Tuesday, April 3, 2018

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the "Green Bank")** was held on April 3, 2018 at the office of the 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, called the meeting to order at 9:30 AM a.m. Board members participating: Rob Klee, Betsy Crum (by phone), John Harrity, Matt Ranelli, Gina McCarthy (by phone), Bettina Bronisz, Tom Flynn (by phone) and Eric Brown.

Members Absent: ~~Tom Flynn and~~ Kevin Walsh

Others Attending: Guy West, Ray Casella

Staff Attending: Bryan Garcia, Mackey Dykes, Brian Farnen, Kerry O'Neill, Eric Shrago, George Bellas, Bert Hunter, Benjamin Healey, Cheryl Samuels, Kim Stevenson, Dale Hedman, Jane Murphy, Alex Kovtunenko, Madeline Priest, John D'Agostino, Emily Basham, Mariana Trief (by phone) and Fiona Stewart.

2. **Public Comments**

There were no public comments.

3. **Consent Agenda**

Commissioner Smith reviewed Consent Agenda and asked for a motion to approve.

Upon a motion made by John Harrity, and seconded by Eric Brown, the Consent Agenda was unanimously approved.

Resolution #1

Motion to approve the minutes of the Board of Directors Meeting for February 15, 2018.

Resolution #2

WHEREAS, pursuant to Conn. Gen. Stat. 16a-40g (the "Act") the Connecticut Green Bank ("Green Bank") is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy (“C-PACE”);

WHEREAS, pursuant to the C-PACE program, the Green Bank Board of Directors (the “Board”) had previously approved and authorized the President of the Green Bank to execute financing agreement for the C-PACE project described in the Memo submitted to the Board on March 27, 2018 (the “Finance Agreement”);

WHEREAS, the Finance Agreement were authorized to be consistent with the terms, conditions, and memorandums submitted to the Board and s executed no later than 120 days from the date of Board approval; and

WHEREAS, due to delays in fulfilling pre-closing requirements the Green Bank will need more time to execute the Finance Agreement.

NOW, therefore be it:

RESOLVED, that the Board extends authorization of the Finance Agreement to no later than 120 days from April 3, 2018 and consistent in every other manner with the original Board authorization for the Finance Agreement.

4. **Investment Business**

Bryan Garcia requested George Bellas provide an update on monthly cash flows at a high level before diving into the Investment Business.

George Bellas provided an update on monthly cash flows at a high level. The materials provided are how we are doing with regard to the Green Bank’s incentive business and investment business. The Green Bank closed the cash books on Friday, so a schedule has been put together, and he welcomed any questions. At high-level, the Green Bank is continuing to go along as projects close to provide our cash balances. Our total is $16 million today, $15.979 to be exact. The detailed reports are broken out by the incentive business and the investment business. With respect to investments, the Green Bank is a little behind, but it is not a bad thing. The investments have been focused on CPACE area, continuing to invest funds in projects. The Green Bank is continuing to pay the EPPBs and PBI and collect all the principle interest payments on CPACE and non-CPACE. Looking ahead, June is a significant milestone where the Green Bank has $14 million payment due to the state. These funds will be provided through the SHREC securitization process currently underway, which will provide a big inflow of cash projected at $18 million, of which $14 million will go to state. George suggested going over securitization.

Commissioner Smith noted that was an agenda item and will be reviewed later.

Bryan Garcia recognized George Bellas, Jane Murphy, and accounting team for 4th CAFR award. Additional recognition is due to the Audit, Compliance and Governance

Committee chaired by Matt Ranelli, including Tom Flynn and formerly John Harrity, and supported by Brian Farnen. George Bellas noted that the CAFR award is significant because it can provide some comfort to prospective investment partners as to the quality of the financial reporting by the Green Bank.. John Harrity remarked “they don’t just hand these out at end of every school year”. It’s truly is mark of excellence.

Bryan Garcia set the context as we go through each of the three lines of the sustainability plan approved by the Board of Directors on December 15, 2017. On the investment side, a large part is shifting the Green Bank strategy from a focus on leveraging funds to achieving sustainability of the organization, earning more of the returns as we go. As discussed in December, the Green Bank are focused on breaking even in 4-7 year period, done so in 2 areas: using ratepayer resources in projects and products that deliver a weighted average of 5% return with a 10-year maturity generating principal and interest revenues, while also working to decrease our personnel and non-personnel expenses. The Green Bank made some significant reductions of expenses in December of 2017 for FY 2018 that will transfer over to FY 2019.

Mackey Dykes presented the proposed 6th version of the CPACE guidelines The Green Bank is implementing a new process for review of the guidelines: through the deployment committee, the board, public committee and back to board, if necessary. The main potential issue that could get attention is around how we govern the SIR test, savings to investment ratio. The expected SIR has to be greater than one. The Green Bank developed the SIR test, which states that the expected energy savings plus other expected project revenue has to outweigh costs, including interest and fees. The Green Bank also developed project technical standards that requires a third-party engineer validate the work of the contractor and developer. The Green Bank believes this adds a necessary check for capital providers who have the incentive to do greatest loan possible. The only thing that governs the long size is the savings, so the Green Bank wants third party review. In the early days of the program, Green Bank went out through RFP process and selected Sustainable Real Estate Solutions (“SRS”) as the technical administrator. The contractor, developer, building owner, lender, or whoever put the project together came to the Green Bank with technical information and the Green Bank worked with the technical administrator to verify it. The Green Bank would then approve, assuming the project met all other statutory requirements. This process worked and provided confidence to market. It worked because the Green Bank was the only one in the state doing CPACE lending at the time and the process worked well. The Green Bank grew with SRS and helped grow their business model. But this process started to change when the CPACE platform opened to third-party capital providers, although, the Green Bank still has to approve projects. The key thing was to make sure the expected energy savings exceeds costs. To structure this open platform, the Green Bank laid out a couple options: use our technical administrator and we’ll charge a fee, or you can propose another process or third-party engineer/technical reviewer to review your project. That reviewer would produce an independent verification of the SIR and return a report that the third-party capital provider would return to the Green Bank. At the time of opening up to third party capital providers, Greenworks Lending (“GWL”) was really the only active 3rd party lender. GWL proposed to Green Bank that they would separately contract with Celtic Energy (“Celtic”), instead of coming to the Green Bank for technical review. The project data would go to Celtic to review the SIR and return a report and a letter stamped with engineering seal, which GWL would then submit to the Green Bank for approval.

Commissioner Smith questioned if the Green Bank approved the form and the vendor GWL was using.

Mackey Dykes confirmed that, yes, the CPACE team reviewed process and documentation with Celtic. He explained that there was no program framework for the Green Bank to decide what is acceptable for third part reviewers generally. The structure where there is choice to use what the Green Bank has or propose an alternative worked early on, but now that interest in the market has grown, there is a need to develop a standardized structure and framework for what’s allowed. In looking at how CPACE is governed in other states and counties, there are a couple different directions.

These are the options discussed with the Deployment Committee:
- Continue forward with broader open market approach, allow for independently-sourced technical providers, and then lender can go to all approved to get independent review done. The technical reviewer would return agreed-upon letter to the Green Bank as part of approval package
-The Green Bank would accept also accept Investor Confidence Project’s IREEcertification along with a letter validating SIR is greater than 1.,

Mackey Dykes discussed the pros and cons to more open market approach. It promotes competition, quality of service, constant price discovery, and ability to scale as the market grows. The cons are potential reductions in quality around SIR test, a key component of program.

John Harrity asked what is meant by “constant price discovery”.

Mackey Dykes clarified that opposed to the Green Bank doing an RFP where pricing is submitted through a proposal, the pricing in the market is developed through constantly negotiating deals with all providers, a more dynamic view of the market.

Commissioner Smith asked if the Green Bank could structure the RFP to provide more sensitivity on pricing and not lock in pricing. Mackey Dykes confirmed the approach with leaving it to the providers to determine cost.

Bettina Bronisz asked if the pre-selection is done by the Green Bank. Mackey Dykes said companies would have to meet a minimum set of qualifications or standards. The Green Bank could accept firms that meet that minimum standard.

Commissioner Smith asked if the national certification company mentioned previously, IREE, conducts similar prequalification of firms.

Mackey Dykes said that the IREE reviews energy efficiency projects nationally, though not CPACE specific. He confirmed that they prequalify firms to do independent review. He continued the discussion with naming another con to the open-market option is that capital providers want to lend as much as possible. They could potentially form shop and find reviewers that are willing to skirt edges estimating savings and reviewers who want to grow business might be willing to do that.

Mackey Dykes stated the other option would be to go back to more centralized model. CGB would source one technical administrator, third party lenders come to us with technical data and we work with technical administrator to make sure SIR is met. He discussed the pro would be to that the Green Bank would make sure no corners are cut and maintain trust, whereas the con is losing the open market aspect to it and competition, as well as it is not as quickly scalable. He explained that more resources would be required at the Green Bank to manage process and manage pipeline through technical review phase.

Since there was no quorum for the Deployment Committee, there was no official recommendation however the unofficial recommendation landed somewhere between the two of these options. Mackey Dykes asked Matt Ranelli to share his concerns with full market approach.

Matt Ranelli shared his reservation distilled down to the fact that the SIR is critically important measure for projects. He stated that many commercial businesses do not know a lot about it and are banking on saving money. The SIR is the Green Bank proxy for that calculation to ensure the savings will be more than the investment. He said that the constituency may not understand on any deeper level than that; and if SIR is gone and money is not saved, companies will be rightfully disappointed. The SIR is an important article of faith in the program by which they judge projects. In all likelihood, there might be financing available outside the CPACE environment but added benefit of CPACE is capital provider has secured investment by securing on property. The CPACE benefit assessment lien is enormously powerful and that power was given to us at the Green Bank with the only caveat is to be good shepherds of that right and to not hand out to just anyone. Our obligation is to be careful how SIR is implemented. Generally, the Green Bank is in favor of opening up markets and not centralizing, but this is analogized through Rob’s agency (DEEP). He discussed the risks of greed and profit and if either of those begin through this opening, any fraud or malfeasance is going to come back on the Green Bank. If the Green Bank is going to do open market, then there needs to be control. Two things he expressed interest in are that the first mortgage holder has right to know if the SIR is not done by the Green Bank technical administrator The second control would be to make clear any sort of sign off the Green Bank has. That the Green Bank should reserve the right to say no to option 3 on a project by project basis, either too complicated, too big or too close to SIR, would have to go through the Green Bank technical reviewer at the cost of the project. The Green Bank should have ability to step in and take closer look. He liked the Investor Ready Energy Efficiency Program and indicated should drive market that way.

Brian Farnen suggested that we can add to these additional conditions to the resolution.

Mackey Dykes agreed with Matt Ranelli's suggestion not to do full market approach. He stated that there are other concerns with fully centralized model. Since the Green Bank has already opened the door allowing Celtic, the Green Bank seeks to correct the position in market that one lender got a deal. He explained that this hybrid model has been successful. The Green Bank is the 2nd most successful CPACE program in country in terms of deal volume, second to California who has larger program. Many of the top ten CPACE programs have some sort of open market process. Where the Deployment Committee discussion landed was to keep our technical review as an option. The Green Bank would also maintain option to propose working with another technical reviewer and we have a minimum set of qualifications to consider. If those minimum qualifications are met, the Green Bank would do exhaustive review and go through the process with any new reviewers. Anyone that is approved, the Green Bank would make them available for all capital providers to use. The Green Bank is not throwing the door open with a full RFQ, but instead it would be more deliberate. The Green Bank will conduct random project audits to make sure review are done in accordance with guidelines. Additionally, the Green Bank will make sure eligibility is reviewed periodically.

Commissioner Smith raised the question "Do you have 100% confidence that IRE certification is as strong as what we've done?"

Mackey Dykes confirmed, yes, in fact the reason their program is not as fast-growing is because protocols are tougher making the economics harder to reach for smaller projects.

Bettina Bronisz asked for more explanation of the IREE certification and how firms qualify.

Mackey Dykes explained that it is similar to what we do in CT for CPACE, They have protocols which are guidelines for how to develop energy efficiency projects, train contractors how to do that, certify set of contractors that meet protocols. They require a third party independent review through engineering firms to check. Then go to GBCI to request certification, they review and give approvals.

Bettina Bronisz questioned if that process is sufficient to weed out the bad actors.

Mackey Dykes responded that it is still an open market approach some of the incentive still there and it is possible bad actors will come, but GBCI will begin doing process of checks on watching watchers, providing independent review of reviews, which is still not perfect but very robust.

Bettina Bronisz asked do we know who bad actors are in the market.

Mackey Dykes answered the Green Bank has not seen any yet.

Bettina questioned if this is proactive and protective.

Brian Farnen jumped in to say the Green Bank are learning lessons from other states too, which Mackey Dykes confirmed that it is protective against greed and capital providers.

Eric Brown questioned what the goals that were pushing the Green Bank away from status quo and if we were preparing for scaling. He commented that the hybrid structure seems to be beneficial between all the reviews, audits and annual recertification. He also questioned if there were after-affect consequences for bad actors in terms of their license like with LEP program, since the safety net put in place seems to be all upfront, and if there were any options here when savings aren't true to have it structured in a way so that someone is on the hook, whether it be the certifier or contractor for the after-affect recuperations of not meeting promise.

Mackey Dykes answered that the changes from the status quo are from the fact that the Green Bank is currently structured in a gray area by not having a transparent process for reviewing other technical reviewers and who is allowed. He explained that the Green Bank gets questions more and more from capital providers that want to use their people, particularly since one capital provider has been allowed to use a third party technical reviewer.

Eric Brown stated that given his background, he was sensitive to that.

In response to Eric Brown's second question, Mackey Dykes stated that the problem is not just that an inaccurate technical review can lead to non-performance of project. Therefore, adding a guarantee to the SIR is equivalent to a performance guarantee and that can raise costs significantly. more cost, posing additional risk, doing more than validating risk, but whether it will play out. There are also conditions outside the scope of the SIR, for example, the building use profile has changed such as the company can hire more people and using building differently. Also, price escalation of electricity costs is an assumption that might not always bare out. The Green Bank is looking for some sort of platform to do review of projects on the evaluation, measurement, and verification ("EMV") front, but if we pose a requirement to perform, then projects become more expensive.

John Harrity raised the question if guidance will be provided to companies who technically qualify, but not have done this time of work before to ensure that they are not wasting time putting a project or review together only to have it ultimately rejected by the Green Bank. and not wasting open up to people who haven't done this type of work before, even if technically qualifies, a lot of time to put project together and then they should get guidance to navigate process. It wouldn't be great to spend time putting project together and then be rejected.

Mackey Dykes responded that there have been a few different business models out there. The current Green Bank technical administrator is not sitting back and waiting to review, but is actively working with contractors, specifically less sophisticated contractors, helping to do estimates as opposed to do in response. Certainly, some guidance is what the market needs, but then other companies, like solar companies, that do not want guidance. This allows for different business models and gives the Green Bank flexibility in process. That is the Green Bank's role.

Commissioner Klee commented that as the chair of Deployment Committee, he wanted to thank everyone for getting into weeds. In response to Eric Brown's point, the choice in process that is being recommended is codifying what the Green Bank has been doing and also allow others to do what GWL did, but with centralized control and understanding not fully open market. The Deployment Committee did think about LEP program and infrastructure around that, but the Green Bank does not have licensing board or review board to review those who are not doing well in program. That could be included in further iterations of the program down the road. But that this is a good step, and since the Deployment Committee did not have quorum, they are not formally recommending.

Bettina Bronisz stated that this approach might be a barrier for other firms that want to get into this business in the future, where if there are other engineering firms interested in participating and the Green Bank closes the door now, then closing business and opportunities. She said that the Green Bank should be sensitive to any minority-owned and women-owned businesses.

Commissioner Smith responded that it is open and that they would just have to meet requirements. Also, she stated that the Green Bank need to be clear with qualifications. Commissioner Smith commented that she liked the idea of having the current firm be on-call for projects that raise any speculation. The quality of work in these firms are all about the people in them and that changes all the time. She asked if there were any questions from anyone on the phone.

Matt Ranelli asked if the Green Bank could think about small fee for option 3 because we would have to work to discipline provider. It would make sense to think about fee attached to this option and that the funds be reserved for associated administrative expenses.

Brian Farnen stated that the Green Bank will take all comments raised as internal guidance, specifically including an additional mortgage holder disclosure if using third party and the Green Bank reserves right to use our technical review process for more complex projects.

Commissioner Klee motioned to move the resolution, seconded by Matt Ranelli. Commissioner Smith asked if there are any other questions.

Eric Brown asked if the other third-party reviewer, Celtic Energy, is subject to checks and annual recertification.

Mackey Dykes confirmed that they are, which Eric Brown agreed with.

With a motion to move by Commissioner Klee, seconded by Matt Ranelli and no other outstanding questions, Commissioner Smith asked for a vote. Unanimous approval by the board with modifications to the resolution, no opposed, no abstentions.

Resolution #3

WHEREAS, Conn. Gen. Stat. Section 16a-40g (the "Authorizing Statute") authorizes what has come to be known as the Commercial Property Assessed Clean Energy Program ("C-PACE"), the Authorizing Statute designates the Connecticut Green Bank ("Green Bank") as the state-wide administrator of the program;

WHEREAS, the Authorizing Statute charges the Green Bank to develop program guidelines (the "Program Guidelines") governing, among other things, the (i) terms and conditions under which state and third-party financing may be made available to C-PACE, and (ii) standards to ensure that the energy cost savings of energy improvements financed thought C-PACE over the useful life of such improvements exceed the costs of such improvements;

WHEREAS, the Green Bank staff seeks to update the Program Guidelines and seeks Board approval of the Program Guidelines in light of structural changes included therein, including but not limited to, how projects must demonstrate compliance with the savings to investment test.

NOW, therefore be it:

RESOLVED, the Green Bank Board of Directors (the "Board") approves the C-PACE Program Guidelines submitted to the Board on March 29, 2018 with the following additional modifications to be incorporated into the Program Guidelines (i) that additional mortgage holder disclosures are required if a capital provider is using a third party technical review process and (ii) the Green Bank shall reserve the right and ability to use the Green Bank's own technical review process for more complex C-PACE projects.

5. **Non-Profit Organization**

Bryan Garcia outlined the goals of the nonprofit: allow products serving underserved market segments to continue to serve and offer benefits in CT, achieve operating leverage by reducing personnel costs, and access new capital providers. In December, the Board directed staff to create the business plan for presentation by the end of Q1 of 2018.

Commissioner Smith complimented the team on the write up for the nonprofit.

Bert Hunter provided a brisk walk through of the nonprofit progress and acknowledged the many staff and external help that was provided.

Bert Hunter noted that the Green Bank has used several outside advisors, including Scott Murphy of Shipman and Goodwin and Ray Casella, also from Shipman and Goodwin. Brian Farnen introduced Mr. Casella to the Board and offered a bit about his background as an expert in nonprofit structuring and governance. Bert Hunter also noted that staff consulted with our auditors, Blum Shapiro, who assisted with matters related to independence of the Non-Profit from the Green Bank as well as "component unit" issues under GASB. Finall, Bert Hunter mentioned the Green Bank had connected with Forsyth Street to assist with overall strategy and focus on the investments.

Bert Hunter referred the Board to slide 23 that describes which programs are moving to the nonprofit and the rationale. In the Multifamily product sphere, he discussed that more investment is needed to crack the nut in this market and resources at the Green Bank are severely constrained because of sweeps. The scale that the Green Bank needs to attract additional investment is under pressure. He explained that the team has discovered that mission-oriented investors are quite open to partnering with the Green Bank through a separate nonprofit entity than they were before when subject to sweeps. When the Green Bank reaches a greater scale, it can be more competitive with private capital found in the market. He commented that "We've seen this in the commercial space, we've done an amazing job with commercial solar. For us the volume is off the charts, but it's not enough to get notice in sourcing tax equity."

Bert Hunter continued with the Solar for All initiative and discussed how through the Green Bank partnership with PosiGen, they are really turning a corner in terms of attracting additional investment and allowing them to scale and expand to additional markets. He explained that the Smart-E loan program is not sustainable in CGB, losing on the order of a half million dollars per year. This loss will continue as the program moves to the non-profit but has a chance of lowering this loss as the program is adopted by other areas in addition to Connecticut.

In terms of structure and governance, Bert Hunter commented that it is essential to maintain a mission that is compatible with the Green Bank and establish the new entity as a charitable organization to qualify for tax exempt status which it will be necessary to apply with the IRS for that status. He discussed that independence is critical with respect to sweeps, but with a mission that is fully complementary to the Green Bank, lenders could approach financing with the nonprofit as a way to avoid their concerns about financial sweeps that might arise in the future. Even though the nonprofit would be under its own board control, the Green Bank would be represented, but not as a majority so the nonprofit could be independent. He stated that the nonprofit would be a non-member Connecticut non-stock corporation with a self-perpetuating board. He explained the Green Bank had to decide between this structure and a board named by a member-owner. He explained that this is a complication with member-owner form of governance since it does not achieve independence from the Green Bank.

Bettina Bronisz questioned how the state would control the nonprofit board since the state named the Green Bank board.

Commissioner Smith asked how the nonprofit board would be appointed.

Brian Farnen clarified that the Green Bank's Board is not approving of the nonprofit's bylaws or operating procedures, but just approving that it can operationalize and enable one. The nonprofit board would likely consist of an initial 5 members, of which the Green Bank Board would name 2 members. What is currently envisioned is that the incorporator would set up the initial board of directors as Brian Farnen, Bert Hunter, Kerry O'Neill, Benjamin Healey, and the fifth would be an independent representative most likely from a funding source such as a foundation. At that point, the nonprofit would consider bringing on additional board members based on other funders.

Bettina Bronisz questioned whether the state would have to approve formation.

Brian Farnen responded that they would not.

Commissioner Smith asked whether having staff on the board would count as an independent structure.

Brian Farnen responded that it is a line for careful consideration. He stated that the Green Bank has consulted outside legal and accounting input in this regard. In a minority board position with other funding streams besides the Green Bank funds, this would be seen as independent and would not roll up in the Green Bank's financials.

George Bellas mentioned that the Green Bank engaged independent accounting firm Blum Shapiro to provide guidance on whether the non-profit must be included in the Green Bank's CAFR as a component unit since it is important that the non-profit be structured to be independent from the Green Bank. Blum Shapiro provided staff with a memo based on their research The memo details guidance from the GASB as to when a non-profit entity would be required to be included in the Green Bank's financial statements. He stated that the memo was included in the board package. In order for the non-profit to be considered independent of the Green Bank, the Green Bank cannot control the organizational operations of the entity, cannot benefit financially, cannot have an equity interest, or incur a financial burden e.g. guarantee the entity's debt. He remarked that staff thought it was important to request guidance from Blum Shapiro at this time.

Brian Farnen said that there are additional protections that will be covered later in the presentation.

Commissioner Smith questioned that if they are nominating two nonprofit board members, but two others are former employees, is that enough distance because four out of five members sound like controlling.

Ray Casella clarified that anyone can name the initial board, which is the incorporators' job. They do not look at the initial incorporators as constituting control, they are simply setting the board. He explained that if the board turned out to have all Green Bank employees, then yes, that would constitute control. However, once the board is set the nonprofit is responsible for appointing members with no input from Green Bank.

Commissioner Klee contributed that two of three members suggested would have been just recently Green Bank employees and that is not a good perception. Those members are also co-located here. He commented that it is not always about the letter of law but appearance.

Commissioner Smith agreed that was her point as well. She stated that to be cautious, the Green Bank might want to consider other people, maybe third parties to try to make sure balance for initial board.

Bettina Bronisz agreed.

Commissioner Klee agreed but is not opposed to the initial board because the nonprofit needs to get ramped up quickly.

Brian Farnen added that the initial board member structure and business plan has been vetted from legal, ethics and accounting perspective. He understands the concern about perception issues, however he would be hesitant for having complete third party membership of the board because of the opportunity for this organization to go off in another direction. He stated "We want mission alignment. Main area for mission alignment is that the Green Bank will have certain power because the non-profit will have a financial incentive to meet goals we set up as they relate to the professional service agreements we enter into with the nonprofit."

Commissioner Smith suggested to put issue aside to think about further.

Continuing the conversation on, Bert Hunter referred to the slide 25 for details on the overall structure and how the nonprofit is organized. The arrow represents the Green Bank's relationship into the Credit Committee and into the board as representation, not control. He indicated that the diagram shows some funds that come from the Green Bank that will be dedicated for use in CT and will be DEEP funds initially.

Commissioner Klee clarified the amount would be $5 million.

Kerry O'Neill explained an additional $1.5 million will be coming from a revolving loan fund to address health and safety issues in buildings.

Bert Hunter added that "we will have "go anywhere capital" that can be input to support the nonprofit activities."

Commissioner Smith thanked Commissioner Klee for the agency's contribution and noted that it sounds like there is foundation type support available. She also asked whether "go anywhere capital" referred to private sector providers.

Bert Hunter clarified that he was thinking in terms of other states, such as the State of Rhode Island ("RI") who wants to do commercial solar. The nonprofit would be interested in assisting but would need assistance in terms of capital support. The state of RI would then put in funds specifically dedicated to RI, for instance.

Commissioner Smith asked whether the Green Bank sees this as a funding mechanism to support the current Smart-E program.

Bert Hunter responded that the team is looking at support for Smart-e from foundations but not in an investment sense, as a grant to help with development of the platform. Commissioner Smith questioned the contribution of for profit investors and whether it was against the mission of the nonprofit.

Bert Hunter clarified that tax equity partners are for-profit entities and they work with us as a quasi-state entity (which doesn't make a profit per se). He stated that every co-investor that works with us are in profit-gaining activity. He explained that there is no conflict in terms of mission. There is alignment among various lenders that need to meet Community Reinvestment Act ("CRA") requirements or nonprofit investment requirements.

Brian Farnen added that in terms of structure, the board presentation has been vetted by outside counsel, ethics, and accounting. Non-stock non-member structure, where the ultimate control will be with the board. He explained that having this set up as a nonprofit is important in the sense that they have adequate protection, that it is mission oriented. There are limitations in the nonprofit that are not found in for profit. Bylaws require super majority to make changes to the bylaws. Reality is that funding streams from the Green Bank and program-related investments from foundations will be restricted. The Green Bank will not be approving the governance docs, but instead enabling the entity to come into existence.

Eric Brown asked whether the nonprofit can adopt a number of bylaws.

Brian Farnen said that the nonprofit has budgetary constraints and won't have time to set up new bylaws and governance. With the Green Bank's Performance Service Agreements (PSAs) there will be certain requirements and clear metrics for the nonprofit to meet.

Bert Hunter explained the relationship of the nonprofit to the Green Bank, in terms of projects, will be contracted to operate these products henceforth, including Smart-E, multifamily products, Solar for All partnership with PosiGen, commercial solar PPA, and other flexible project finance offerings. These will be under separate PSAs.

Commissioner Smith asked about moving the existing book of business into the nonprofit.

Bert Hunter responded that the existing book stays with the Green Bank and only new origination will be assigned to the nonprofit. He also said it would be possible for the

Green Bank to co-invest with the non-profit if the Green Bank had funding available for this purpose.

Bettina Bronisz asked how existing staff is working.

Bert Hunter responded that under a Memorandum of Understanding (MOU), there are going to be shared services. Under the MOU there are going to be services back and forth; services that the Green Bank will draw from the nonprofit and services going to the nonprofit from the Green Bank, mainly in name of accounting services, Brian Farnen and Bert Hunter to provide counsel and investment advice, as well as software services, IT. Personnel, like payroll services, will be separate because the Green Bank personnel is tied in with the State. Sue Kaswan is helping lay the ground work for the benefits structure of staff moving to the non-profit.

Commissioner Smith asked whether new business generated would be going to the nonprofit's books. Bert Hunter responded that if the Green Bank wants to make available funds to be invested in nonprofit, if the investment met the new hurdle rate of 5% yield over10 years then the Green Bank could be a co-investor. He then turned it over to Kerry O'Neill to talk about grant investors.

Kerry O'Neill reiterated the existing $1.5 million for health and safety for multifamily projects and proposed additional $5 million for low-to-moderate income activities, both grants provided by DEEP that would be re-granted to the nonprofit. The proposed additional $5 million would likely be split between PosiGen and multifamily investing activities. Uses of funds would be laid out in the agreements between the Green Bank and the nonprofit.

Bert Hunter added that these funds provide important initial capital for the nonprofit. Initial reactions from investors have been positive because of that support. The funding that comes from the actual PSAs will pay for services and is also seen as important to investors – because of it the nonprofit is not burning through capital.

Commissioner Smith clarified that the Green Bank will pay the nonprofit a certain amount through the PSAs so the funds or grants to the nonprofit would not be impacted.

Bert Hunter confirmed and mentioned that support after three years shifts down for another three years.

Commissioner Smith recalled seeing more savings in modeling and asked if cash flow from projects was included.

George Bellas clarified that savings are derived from reductions in overheard.

Bryan Garcia added that those reductions will be seen in the Green Bank's FY 2019 budget.

Bert Hunter referred to slide 30 on how the Green Bank will invest funds, an estimated $10 million in value of PSAs and MOU.

Kerry O'Neill reminded the board that these products that the non-profit will run for the Green Bank will continue to be Green Bank products, listed on the CT Green Bank website and not to feel like they are going away.

Bert Hunter reiterated that the MOU for shared services is a two-way street. There is a certain level of IP that the nonprofit will have license to use in addition to 8 staff transitions, 7 immediately and 1 later in the fiscal year. The Green Bank will come back to the Board at the end of April to get approval on staff transitions and in June will seek approval for PSAs and MOUS. The Green Bank will continue to talk internally to ensure smooth transitions.

Brian Farnen discussed the background into approaching the nonprofit and relationships in this way. He explained that forming a nonprofit, entering into contracts, transition of employees all raised issues under code of ethics. He commented that this idea of a spin out originally came up in the Board offsite in New Haven back in January 2017. He continued to explain that the "Jobs Ban" would be not triggered but in caution, the Green Bank will terminate transitioning members in advance of them starting at the nonprofit. There are one-year limitation on types of interactions these employees can have and the agreements cannot be opened in any way. He remarked if the Green Bank follows the road map, then it will be consistent with the Office of State Ethics informal opinion. The informal opinion is in the process of being presented to the Citizen's Ethics Advisory Board in April. The goal is that they confirm the informal opinion from the Office of State Ethics.

Bettina Bronisz asked whether any other quasi-public state agencies have formed nonprofits.

Brian Farnen confirmed that it had occurred previously. Since the Green Bank began the process, there are two other quasi-public state agencies that he was aware of seeking to go this route. One of the previously established examples was CT Innovations creation of a foundation – Connecticut Innovations Foundation.

Bryan Garcia added that SmartPower was co-created by Connecticut Innovations, as administrator of the Clean Energy Fund, along with other philanthropic foundations in the early 2000's.

Brian Farnen offered to dig up the exact quasi-public state agencies and send to Director Bronisz.

Commissioner Smith asked whether the subject of staff members on the nonprofit board went through office of ethics.

Brian Farnen confirmed that it had and that as many details as were available were presented to the state office of ethics.

Eric Brown suggested being proactive in terms of briefings to legislators or some interaction with the efficiency board and encouraged the Board to think about proactive steps to mitigate any opportunity for legislators or others to misconstrue.

Brian Farnen confirmed that the team will do that and have started this process with some legislative leaders already.

George Bellas discussed Blum Shapiro's research on GASB's guidance on maintaining the independence of the non-profit from the Green Bank for financial reporting purposes. An important consideration is control of the non-profit's board of directors through the appointment of a majority of its members. The current suggestion of two out of five members on the nonprofit board being either employees of the Green Bank or board members would not result in control of the non-profit. He cautioned that if the Green Bank appointed a majority of the board of the non-profit, it would be a concern.

Commissioner Smith asked for further clarification.
George Bellas reiterated that a combination of Green Bank board members and Green Bank employees totaling three out of the five members of the non-profit board would constitute control by the Green Bank of the non-profit.

Commissioner Smith suggested replacing one or two nonprofit board members with Green Bank board members and asked whether the Green Bank board members were considered a closer to the nonprofit than Green Bank staff.

Commissioner Smith stated that, upon review, the financials for the nonprofit looked very aggressive with very rapid business growth. She stated this seems risky and although the Green Bank and the Green Bank Board are not responsible, that they should want to make sure they are not sending something off that will not succeed.

Bert Hunter pivoted to review the nonprofit's financials, which were forecasted for two primary business lines. The main line would be the investment business which generates profit or net earnings by the nonprofits investment portfolio. He explained that this comes from net spread between the earnings on transactions plus cost of earning those transactions along the single family, multifamily and commercial solar programs. The team excluded flexible project financing from the forecast as staff had no firm basis for making estimates. He continued to explain how the second line would be the Smart-E Loan program, which would operate at a small loss, but it is not a big contributor or detractor to the forecast.

Commissioner Smith asked how the team made the decision on how rapidly something would grow.

Bert Hunter asked Kerry O'Neill to respond.

Kerry O'Neill outlined that origination would be similar to how the Green Bank team has approached these product lines to date and would utilize the best practices brought to and learned from the Green Bank over the past five years. She discussed that all the channels the team has built over the years such as contractors, program partners, municipal relationships, etc. will be used to develop the nonprofit and as they think outside of Connecticut, there are sister Green Banks that are interested. She said that will be an avenue they will investigate overtime.

Bert Hunter turned the conversation to the financials slides and the balance sheet in particular. He described that the idea here is that the nonprofit needs to get to sustainability and should be focused on the future on how cash flows would come in. The key is to focus on recurrent revenue streams. Initially providing 50% revenues and then growing to 66% into the third and fourth year of the forecast. He explained the decision behind the numbers came from current experience in the Green Bank. He remarked on the PosiGen relationship specifically and how the Green Bank interacts with them, how it has helped support PosiGen's growth in the Connecticut market and PosiGen's opportunity to grow beyond. He commented that the team knows the portfolio and it is secure because it is solar going on homes, something the Green Bank and the Green Bank board is familiar with through Solar Lease 2. He further discussed that they are comfortable from a growth perspective and a risk perspective in terms of losses and have incorporated that into the forecast.

Commissioner Smith questioned what the growth and revenue has been over the past three years and how aggressive are the projections. She also asked about the non-Connecticut business side and outsourcing to nonprofit business, how much would it own of our CT goal in their business. She commented that while the Green Bank and Green Bank board are not responsible for the financials of the nonprofit, by establishing the nonprofit "we are responsible for the success" and for the work done in Connecticut growth.

Ben Healey responded with an example with respect to PosiGen. He discussed that this morning, the Department of Treasury released updated guidance to the Federal Reserve on the CRA lending practices, which is always geographically bounded. Through nonprofit fundraising, staff is seeing how they can layer capital stacks and talking to CRA lenders. PosiGen, who wants to go to different states, would give the nonprofit broader access at much bigger scale and the nonprofit could lower Posigen's cost of capital. Previously, they would seek to secure capital for a concentrated area, which concentrates risk. The story of PosiGen, in light of what's happening at federal level, increases the sources of capital and will have a net spread of investments that ride together. Out of state growth with partners is not at the expense of CT growth. The industry needs this sort of intermediary. Connecticut can launch with homebased focus and ability to scale will bring reductions in cost.

Commissioner Smith is interested in hearing more about the assumptions behind the projects and would take topic offline. For this discussion, she is interested in what is driving the financial forecast, which looks like a rapid increase. She commented that we want to make sure we're setting the nonprofit entity up for success.

Ben Healey responded that all the numbers in the forecast are based on current projects in the pipeline. They have been able to do an actual growth analysis, with respect to PosiGen or commercial solar, on the amount of solar the Green Bank has been able to place versus real growth rates.

Bert Hunter added that the Green Bank has placed a large amount of debt with other providers – and in this respect, the forecast is attainable.

Commissioner Smith added that she wants to better understand this piece.

John Harrity commented with regard to the out of state business, saying if we just confine ourselves to Connecticut, it does not work.

Ben Healey agreed saying the path to sustainability is tougher. The capital they have been raising is inefficient and now needs to expand.

Commissioner Smith asked how they can ensure the mission at the Green Bank is not lost.

Bryan Garcia responded that the key part will be embodied in the Scope of Work between the Green Bank and the nonprofit with tangible deployment goals.

Commissioner Smith expressed the need for the Green Bank to figure out its goals and negotiate with a third party rather than trying to make both work at the same time.

Bert Hunter reminded the group that year one goals are Connecticut-centric.

Commissioner Smith responded that she is concerned about years four and five.

Bert Hunter turned the conversation to the Multifamily financials. This is based on $2 million of loans per quarter, which is achievable based on pipeline identified right now. He is looking for a percentage increase in second year.

Kerry O'Neill added that the nonprofit is not constrained with Multifamily loan sizes. They can increase because these projects are not only focused on clean energy, but also health and safety and other capital improvements in the building.

Bert Hunter contributed that they assume 3 MW per quarter deployment in solar. By way of reference, they deployed 30 MW in the last 18 months, which is a run rate in excess of that is assumed in the forecast. There is nothing in the forecast, he stated, that is more aggressive than what has been achieved already.

Commissioner Smith said there was no context for the growth and what is presented in the Board materials.

Bert Hunter said they can provide those numbers, which will show that the forecast is not radical. Referring to the financials in the Board packages, which are confidential, they have not assumed a superior amount of growth in second and third year, in terms of commercial solar. It is not flat growth, but a slow increase, showing how to get to the targets. In handout slide 35 (confidential balance sheet), the portfolio grows $70 million by year one. They will be in alignment with funding sources from CRA lenders, who are motivated lenders. The lower cost funds will lay the foundation for sustainability because they can incorporate net spread. Smart-E will be negative throughout at a $100,000 drag per year. Smart-E could be a big winner for fee generation, but staff is not counting on that, so it is not included in the forecast. In terms of actual cost, the majority of what it takes to run the nonprofit is staff expenses. Then product administration is at 24%, business development at 15%, which maintains itself over time. Growth in operating expenses increase from 3.5% to 5%. Although the expenses in Smart-e expand significantly, this is due to anticipated revenues from other geographies being added in. If revenue is not there, then the non-profit will not add to the expense base for Smart-e.

John Harrity raised an overall issue saying the ethics and rules are all about a group of people forming the nonprofit in order to gain advantage. However, there is nothing in the rules discusses creating a disadvantage for employees. People that move to the nonprofit experience a downgrading of jobs. He expressed concerned about that because there is a big debate in government about cutting expenses through privatizing. He said that in principle, that is not what people who are concerned about workers are crazy about. He asked what it means that savings are in personnel, stating that they do not want to be in position where employees are paying the price for sweeps. He indicated he raised specific questions that were sent to Bryan Garcia.

Bert Hunter responded to this concern stating that unlike many other privatizing situations, these staff members are keeping their jobs and that they are passionate and motivated by the mission. They see this as an opportunity to do well. He said that the savings come down to the overhead rate that is assigned by the state. The Controller said in a report on State benefits that the State is paying more than the normal cost of benefits (normal cost is what it costs a company for benefits earned by employees for that period). What the Green Bank is doing is paying for unfunded liabilities in the past, which accounts for 40%. He said the Green Bank is currently at 80% of overhead including a SEBAC agreement-related charge required in current fiscal year.

George Bellas stated that about 58% of the employee fringe benefit charge on every dollar of compensation goes towards the retiree pension and health plan while the remainder of the employee fringe benefit charge ,about 20%, goes towards medical and dental plan premiums and payroll taxes.

John Harrity asked if the savings come from the downgrade in pension and healthcare.

Commissioner Smith remarked that the board was almost out of time and indicated they should have a detailed call on the financials as well as the staff impacts. She invited any board member who was interested in attending and otherwise will send out the notes from the call.

Bert Hunter pointed out the loan loss provision in the Profit/Loss, which is higher than what the Green Bank is experiencing right now and through the 4-year projections total $5 million in provisions for losses. He said if they take this in combination with net assets built up over the same period, there is a $15 million base for losses, which is very substantial for a nonprofit.

He reviewed the timeline with early April meeting seeking approval for establishing the nonprofit, then end of April meeting seeking for approval of staff transitions, and back in June for approval of MOUs and PSAs.

Commissioner Smith asked if there were any more questions or comments.
Eric Brown requested to discuss offline on the nonprofit having their own system with respect to choosing vendors and contractors.

Gina McCarthy added that the Green Bank and the board needed to be highly transparent in this process in order that no one thinks they are trying to do anything outside of what they are doing, that they have the best intentions. She commented that the team should actively outreach to folks who will want to hear about it. She thanked the Green Bank team for thinking creatively and outside of the box to meet the mission of the Green Bank while reacting to the budget.

Commissioner Smith sought a motion to move.

Commissioner Klee moved and Matt Ranelli seconded. With no discussion, the board moved to vote. Seven in favor, zero opposed, with one abstention from John Harritty.

Resolution #4

RESOLVED, that the Board of Directors of the Connecticut Green Bank (Green Bank) authorize the President of the Green Bank and any other duly authorized officer of the Green Bank to participate in the formation of an independent non-profit non-stock corporation to further the purposes of the Green Bank, including by achieving operating leverage and attracting mission-oriented investors for a set of products serving underserved market segments.

Bryan Garcia noted that due to time limitations, the Resolution 5 related to the Green and Healthy Homes Initiative will be moved to the late April Board meeting.

6. **Incentive Business**

Commissioner Smith asked for a brief update on the SHREC program.

Bert Hunter discussed the updates to the SHREC program saying the Green Bank has a shortlist of investment banks, who are interested in providing funding. There are Connecticut banks interested in providing a warehouse of approximately $20 million.

Commissioner Smith raised question of the timing on the June cash flow to the State and whether that means one way or another the Green Bank will meet it.

Bert Hunter confirmed and continued with that securitization will take place in the fall so currently trying to source independent investor banks, so the Green Bank can move forward. In terms of the previously selected independent engineer DNV, Dale is working with them on data collection. The team issued the Green Bond Rating RFP, which received nine respondents.

Bettina Bronisz questioned what that means.

Eric briefly explained that this Green Bond Rating relates to the environmental attributes being financed by the SHREC bonds to be sold..

7. **Other Business**

Bryan Garcia remarked that materials on legislative items and key policies in play are included in the Board packages.

Brian Farnen reminded the board members to file their statements of financial interest with the Office of State Ethics. He discussed the key policies the Green Bank is watching. The Governor's bill which is an "aircraft carrier" of an energy bill that has major impact on overall energy policy. Overall, it advances the State's clean energy policies in a positive way. There is a bill raised by a small group of towns to reject the property tax exemption for third-party owned residential solar photovoltaic systems. Brian also remarked that there a few bills related to quasi-public agencies. These bills seek to rein in the autonomy and reconsider governance of independent quasi-public agencies, likely spurred by other quasi-public controversies that have been in the news lately.

Bryan Garcia recognized Brian Farnen for his team's award of "Best Inhouse Counsel".

8. **Adjourn**

Upon a motion made by Bettina Bronisz and seconded by Commissioner Klee the meeting was adjourned at 11:35am.

Respectfully Submitted,

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Catherine Smith, Chairperson

CONNECTICUT GREEN BANK
Board of Directors
Draft Minutes
Friday, April 27, 2018

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the "Green Bank")** was held on April 27, 2018, at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope boardroom.

1. **Call to Order**

Catherine Smith, Chairperson of the Green Bank, called the meeting to order at 9:02 a.m. Board members participating: Rob Klee, Betsy Crum (by phone), John Harrity, Matt Ranelli, Bettina Bronisz, and Eric Brown.

Members Absent: Tom Flynn, Gina McCarthy, and Kevin Walsh.

Others Attending: Guy West.

Staff Attending: Bryan Garcia, Bert Hunter, Eric Shrago, George Bellas, Mackey Dykes, Kerry O'Neill, Brian Farnen, Cheryl Samuels, Matt Macunas, Madeline Priest, Chris Magalhaes (by phone), Kim Stevenson, Ben Healey (by phone), Mike Yu (by phone), and Louise Venables (by phone) and Craig Connolly.

2. **Public Comments**

There were no public comments.

3. **Consent Agenda**

Upon a motion made by John Harrity, and seconded by, Eric Brown, the Board voted unanimously to approve.

Resolution #1

Motion to approve the minutes of the Board of Directors Meeting for April 3, 2018.

Resolution #2

WHEREAS, the Green Bank Board of Directors ("Board") has previously approved a loan to support FCE's development of a 3.7 megawatt high efficiency fuel cell project in Danbury, Connecticut (the "Term Loan"), as recommended and requested in the due diligence memorandum dated March 10, 2017 with terms and conditions for the Term Loan contained in the draft term sheet which accompanied the memorandum (the "Term Sheet");

WHEREAS, staff set forth in the project qualification memo dated January 26, 2018 a request for the Board to approve, and the Board as of that date did approve, updates to the previously-approved Term Sheet, to set a new deadline for advance of May 1, 2018, and the ability to sell off all, or a portion, of the Term Loan to 3rd party investors and the ability to guaranty all (for a fee or additional consideration), or a portion, of the amount of the Term Loan sold subject to subsequent Board approval on the terms and conditions thereof; and

WHEREAS, staff has set forth in the project qualification memo dated April 27, 2018 a request for the Board to approve an additional extension of the deadline for advance from May 1, 2018 to December 31, 2018.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors hereby approves the new deadline for advance of the Term Loan be extended to December 31, 2018.

4. **Investment Business – Clean Energy Finance**

   1. **C-PACE Transaction – South Windsor**

Mackey Dykes discussed the South Windsor C-PACE Transaction. He stated that it is the most significant Solar PV done through the C-PACE program, once it is completed. He said that it would be 1.375 MW on the roof. He stated that it has a slightly elevated LTV, but that the finance team is comfortable. He noted that the interest rate is a slight bit lower at 6%. He stated that Inter Solar has been working this deal for quite some time and that the Green Bank is honoring the rate. He noted that this deal meets the new investment threshold.

Upon a motion made by, John Harrity and seconded by, Eric Brown, the Transaction was approved.

Resolution #3

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

WHEREAS, the Green Bank Board of Directors (the "Board") has approved a $40,000,000 C-PACE construction and term loan program;

WHEREAS, the Green Bank seeks to provide a $3,115,000 construction and (potentially) term loan under the C-PACE program to Ticket Network Campus

Realty LLC., the building owner of 83 Gerber Road, South Windsor, Connecticut (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

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

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank is authorized to execute and deliver the Loan and, if applicable, a Feasibility Study Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board dated April 20, 2018, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board of Directors;

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

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

2. C-PACE Transaction – Fairfield (Tentative)

Mackey Dykes discussed the C-PACE Transaction in Fairfield. He stated that this is the first C-PACE project for this owner. He stated that this owner has a few buildings in CT. He stated that it is just over $500,000. He stated that they built in, up to $140,000 in roof upgrades. He stated that the cash flows on the project are negative for most of the years, but the SIR is positive. Commissioner Smith questioned if the cost of the roof repair was being included in the $500,000. Mackey stated that yes, it's in the cost, John Harrity questioned if there is anything that is left behind by the Green Bank showing that it is a CT Green Bank project. Mackey Dykes stated that typically, no, but in some cases, there is a large sign that points the system out to people. Commissioner Klee questioned if the power will benefit the tenants. He stated that if so, the tenants may want to highlight that they are being powered by Solar. Mackey Dykes stated that he would check into it, to take advantage of the marketing.

Upon a motion made by John Harrity and, seconded by, Commissioner Smith the Board voted unanimously to approve.

Resolution #4

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

WHEREAS, the Green Bank Board of Directors (the “Board”) has approved a $40,000,000 C-PACE construction and term loan program;

WHEREAS, the Green Bank seeks to provide a $512,632 construction and (potentially) term loan under the C-PACE program to Lake Hills Shopping Center, LLC, the building owner of 2264 Black Rock Turnpike, Fairfield, Connecticut (the "Loan"), to finance the construction of specified clean energy measures in line with the State’s Comprehensive Energy Strategy and the Green Bank’s Strategic Plan; and

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

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank is authorized to execute and deliver the Loan and, if applicable, a Feasibility Study Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board dated April 24, 2018, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board of Directors;

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

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

5. Incentive Business – RSIP/SHREC

a. SHREC Update

Mike provided an update on the SHREC. He discussed the monetization. He stated that that sales team had been very busy committing to all of the deals to PURA. He stated that they expect that this tranche will be larger than the first. He stated that they expect to generate 880,000 MWh over 15 years. He stated that between the two tranches, there would be $76 million in nominal cash flows. He stated that the cash to the Green Bank would between $36 and $42 million in upfront cash. He stated that this would take time and into the fourth quarter for them to reach. He stated that a hurdle is the budget sweep. He stated that to meet the liquidity demands of the sweep, they will use a joint proposal from Liberty and Webster Banks. He stated that it would be a short-term facility. He stated that the overall costs of the warehouse and the joint proposal were comparable with about a $15,000 difference. He stated that they're continuing relationships in the CT banking community. He stated that given the difficulties of working with other types of banks, they are keeping ties to the state as much as possible. He stated that for future tranches, being able to keep things in the warehouse will be important. He stated that they are looking at how to position themselves both immediately as well as, in the long term. He stated that they would renew the facility for future tranches.

Mike stated that with the upcoming sweep, they have a $5 million revolver to be drawn on to fund it. He stated that they would keep the revolver for liquidity over the next five years. He also discussed the structure of the warehouse, stating that they will set up an SPV to draw on. He stated that all would be taken out by securitization. Commissioner Smith questioned if they will be using the LLC. Bert Hunter stated, yes. Commissioner Smith questioned if that will be for all future Securitization. Bert Hunter stated that they believe that they can use the same LLC for the Term ABS. He stated that it might be necessary to establish a separate vehicle for each ABS to stand on its own. Commissioner Smith questioned the amounts. Bert Hunter stated that $9 million is the maximum draw against the first tranche but can go up to $16 million. He stated that they could draw down the balance once the second tranche is in place. Bettina Bronisz questioned if the purpose was due the anticipation of another sweep in 2019. Bert Hunter stated, yes. He stated that they've already anticipated the $1.3 million that they will have to turn over to the stated. Bettina Bronisz questioned why they need to do the securitization. Commissioner Smith stated that the SHREC is the most cash inefficient and that they need to make sure that they don't run out of cash due to the upfront costs. Bert Hunter stated that the revolver is separate security and has nothing to do with eh SHREC. Commissioner Smith stated that the revolver is only for short-term use as necessary. Matt Ranelli questioned how much wiggle room they have and what the risks are to the collateral if it doesn't produce the revenue they anticipate. Mike stated that all of the projections are based on the likelihood of performance at 50%. He stated that there is a 50% likelihood of underperformance, based on experience. He stated that a major engineering firm behind does these projections. He stated that they have no indication that this will underperform.

Matt Ranelli questioned how long they would need the bridge before the revenues are adequate not to need the warehouse. Mike stated that the bridge is 12 months and stated that they should be up and running before that time. Bettina Bronisz questioned why they are not taking the lowest cost. Bert Hunter stated that if you walk through the economics of the fees that facility would have to stay in place and the Green Bank would end up paying only about $15,000 difference after taking into account the fees and interest. Bettina Bronisz questioned if they could negotiate it down to something lower. Bert Hunter stated that overall, they'd be in a situation that would increase the difference between the two, but strategically having the Connecticut banks in place is very important. He stated that it does reflect a slightly higher cost, but that is where they landed regarding Connecticut banks.

Mike discussed the Term ABS, the proposal by RBC. He stated that they are going through the rating process and that the Green Bank has confidence in their ability. He stated that they'd have the conversation on the advanced rate side, as well as, the interest rate side, and the lowest pricing. Bert Hunter stated that there are no assurances, it is just what each firm expects. He stated that RBC has more confidence and that that is very encouraging. Mike stated that they recommend getting a rating from either S & P or Kroll. He stated that they are currently running a Green Bank RFP. He stated that they would provide an update to the Board. Bert Hunter stated that regarding rating, Eversource is rated A, by the S & P. He stated that their target would be to have the senior work and the junior slice in the securitization.

Bettina Bronisz questioned why they are calling it a Green Bond. Eric Shrago stated that it's based on the Green Bond initiative. Bettina Bronisz also questioned the pricing. Mike stated that they are looking at the SWAPS and matching those. Bettina Bronisz questioned if it would be a fixed rate. Mike stated that yes, it would be a fixed rate. Bert Hunter stated that they are setting the rate just over the Treasury Yield Code. Commissioner Smith questioned what the SWAP rate is today? Bert Hunter stated that it is usually about 10 – 20 basis points.

Mike discussed the proposed structure. Commissioner Smith stated that this is a different tone than the one established for the warehouse. Bert stated that yes, it is different. Eric Brown questioned the external societal benefit. Bettina Bronisz discussed the Green Bonds in Europe and their success. Eric Brown stated that they need to make certain that this is done with the highest level of data and that it is very verifiable. Commissioner Smith stated that they would track it over the life of the bonds. Bryan Garcia stated that they have the production based on the metering. He stated that it is input into the EPA backed models.

Upon a motion made by Commissioner Klee and, seconded by John Harrity the Resolution on the warehouse passed.

Resolution #5

WHEREAS, Connecticut Green Bank ("Green Bank") staff has submitted to the Green Bank Board of Directors ("Board") a proposal for Green Bank to enter into an agreement with Webster Bank and Liberty Bank ("Webster-Liberty") for a $16,000,000 secured revolving line of credit ("SHREC Revolving Credit Facility") whereby the SHREC Revolving Credit Facility would be used for a period of up to one year in order to bridge Green Bank's short-term liquidity and working capital needs prior to funding anticipated from the permanent asset backed securitization ("ABS") financing of Tranche 1 and Tranche 2 of the Solar Home Renewable Energy Credit ("SHREC") program;

WHEREAS, along with a general repayment obligation by the Green Bank, Webster-Liberty would be secured by a first priority security interest in, and an absolute assignment of all cash flows associated with Tranche 1 and Tranche 2 of the SHREC program and, in the event of a payment default under the SHREC Revolving Credit Facility, such additional Tranches of SHRECs as required by the Lenders together with all commercially necessary rights thereunder (the "SHREC Collateral"); and

WHEREAS, Green Bank staff recommends that the Board approve the proposed SHREC Revolving Credit Facility, generally in accordance with the terms of the summary term sheet presented to the Board on April 27, 2018.

NOW, therefore be it:

RESOLVED, that the Board approves Green Bank to enter into the SHREC Revolving Credit Facility with Webster-Liberty substantially as set forth in the memorandum to the Board dated April 27, 2018;

RESOLVED, that the Board approves Green Bank to establish a bankruptcy remote special purpose entity 100% owned by Green Bank, if required by the lenders to secure their interest in the SHREC Collateral;

RESOLVED, that the President, Chief Investment Officer and General Counsel of Green Bank; and any other duly authorized officer of Green Bank, is authorized to execute and deliver on behalf of Green Bank any of the definitive agreements related to the SHREC Revolving Credit Facility and to establish the SPV and any other agreement, contract, legal instrument or document as he or she shall deem necessary or appropriate and in the interests of Green Bank and the ratepayers in order to carry out the intent and accomplish the purpose of the foregoing resolutions; and

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

Resolution #6

WHEREAS, Connecticut Green Bank ("Green Bank") staff has submitted to the Green Bank Board of Directors ("Board") a proposal for Green Bank to proceed with an agreement with the Royal Bank of Canada ("RBC") whereby RBC would structure, arrange and secure funding in accordance with a proposed permanent asset backed securitization ("ABS") financing of Tranche 1 and Tranche 2 of the Solar Home Renewable Energy Credit ("SHREC") program as described in the Confidential Memorandum to the Board of Directors dated April 27, 2018;

WHEREAS, RBC was selected pursuant to a Request for Proposal process as set for in the Operating Procedures of the Green Bank; and

WHEREAS, any bond or note issuance associated with the SHREC ABS financing will be subject to definitive documentation which will require approval by the Board.

NOW, therefore be it:

RESOLVED, that the Board approves Green Bank to enter into a Professional Services Agreement with RBC for the purpose of having RBC structure, arrange and secure funding in accordance with a proposed permanent ABS financing of Tranche 1 and Tranche 2 of the SHREC program substantially as set forth in the Confidential Memorandum to the Board of Directors dated April 27, 2018;

RESOLVED, that the President, Chief Investment Officer and General Counsel of Green Bank; and any other duly authorized officer of Green Bank, is authorized to execute and deliver on behalf of Green Bank any of the definitive agreements related to the SHREC Revolving Credit Facility and to establish the SPV and any other agreement, contract, legal instrument or document as he or she shall deem necessary or appropriate and in the interests of Green Bank and the ratepayers in order to carry out the intent and accomplish the purpose of the foregoing resolutions; and

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

b. Revolver

Bert Hunter provided a high-level overview of the revolver. He stated that they are concerned about the timing of the sweep and that they have to maintain a minimum cash balance free and clear of $4 million. He stated that that is why they decided to explore a revolving credit facility. Louise discussed the terms of the facility and the structure of the repayment. She stated that there is a $5 million revolving line of credit within one year of the date of closing. She stated that the facility has interest payable only on the amount that is drawn. She stated that there is a small upfront commitment fee. She stated that the collateral is the Solar Lease One. Bettina Bronisz questioned if there is an unused fee. Louise stated that there is not, just the commitment fee. Bettina Bronisz questioned what the commitment fee was. Bert Hunter stated that it's $20,000. Bettina Bronisz questioned what the interest rate was. Bert Hunter stated it is Prime. Bettina Bronisz questioned who Union Savings Bank was. Kerry O'Neill stated that they are a Smart E Lender. Bettina Bronisz questioned how much Solar Lease One was worth. Louise stated that it's roughly $7 million. Commissioner Smith questioned the expectation about the need to draw this down and how long. Bert Hunter stated that it looks like the current cash situation using the Webster/Liberty Facility, they would probably not need to use the revolver to make the $14 million payment in June. Commissioner Smith questioned if that will leave them with $4 million in the bank. George Bellas stated that they should have north of $6 to $7 million plus the $9 million from the facility. He stated that they are predicting about $15 million in the bank after the draw from the warehouse.

Upon a motion made by Commissioner Klee and, seconded by Bettina Bronisz, the Board voted unanimously to approve.

<u>Resolution #7</u>

WHEREAS, Connecticut Green Bank ("Green Bank") staff has submitted to the Green Bank Board of Directors ("Board") a proposal for Green Bank to enter into an agreement with Union Savings Bank ("USB") for a $5,000,000 secured revolving line of credit ("Revolving Credit Facility") whereby the Revolving Credit Facility would be used in order to meet the Green Bank's short-term liquidity and working capital needs for period of up to one year;

WHEREAS, along with a general repayment obligation by the Green Bank, USB would be secured by a first priority security interest in, and an absolute assignment of all cash flows associated with, the CT Solar Lease 1 Notes portfolio (the "Collateral"); and

WHEREAS, Green Bank staff recommends that the Board approve the proposed Revolving Credit Facility, generally in accordance with the terms of the summary term sheet presented to the Board on April 27, 2018.

NOW, therefore be it:

RESOLVED, that the Board approves Green Bank to enter into the Revolving Credit Facility with USB and approves of USB as a strategic selection to be the sole source provider of the Revolving Credit Facility;

RESOLVED, that the Board directs the Vice President Finance and Administration and the Chief Investment Officer of Green Bank to determine procedures for use of the

Revolving Credit Facility, including as part of such procedures the consent of the Chair of the Board or, in the Chair's absence, the consent of the Vice Chair of the Board (such procedures to be agreed by the President and Chief Executive Officer, the Chair of the Board and the Vice Chair of the Board and advised to the entire Board prior to any use of the Revolving Credit Facility);

RESOLVED, that the President, Chief Investment Officer and General Counsel of Green Bank; and any other duly authorized officer of Green Bank, is authorized to execute and deliver on behalf of Green Bank any of the definitive agreements related to the Revolving Credit Facility and any other agreement, contract, legal instrument or document as he or she shall deem necessary or appropriate and in the interests of Green Bank and the ratepayers in order to carry out the intent and accomplish the purpose of the foregoing resolutions; and

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

6. **<u>Non-Profit Organization – Underserved Markets</u>**

   1. **Green and Healthy Homes Initiative**

      Kerry O'Neill discussed the Green and Healthy Homes Initiative. She stated that its unique in that they will not contract with them unless they raise the foundation money. She stated that they do need permission to enter into an agreement. Commissioner Klee stated that this a big part of the project because there is a big energy burden. He stated that there is a huge gap in funding. He stated that this has been holding them back for a while and costing the state a lot of money. Kerry O'Neill stated that this is an opportunity to take advantage of things built into the Affordable Care Act. She stated that GHHI had piloted a model, the No Wrong Door model. It's a single intake service that addresses all of the issues in the home. She stated that outcomes are better health and related energy issues. She stated that the partnership is with the Green Bank and the Department of Health along with six other agencies. She stated that they are exploring programs to tap into the public health side. She stated that GHHI is the only organization of its kind in the country. She stated that they have to move quickly to work with energy funding providers. She stated that Connecticut is the first state to get access to Medicaid claims data. She stated that they would not be using any Green Bank funds. She stated that it would only be paid to the extent that funders come forward. Commissioner Klee stated that this segment is hard, but it has worked in other challenging areas. Kerry O'Neill stated that the Green Bank is going to be an intermediary going into homes and putting all the funding sources together on the revenue side. She stated that each state is different. She stated that the Pilot design has a big data design to it. John Harrity questioned if they track the people that use the service or if it's more actuarily. Kerry O'Neill stated that they use the Medicaid claims to see the dollars. She stated that at the Pilots they will be tracking individuals. She stated that the Pilots will be 18 months to 3 years. Commissioner Smith stated that this seems to be way beyond the Green Bank's expertise. Kerry O'Neill stated that this came out of years of focusing on Low Income. She stated that they courted GHHI for two years. She stated that the Green Bank is not experts, but that they're the contracting agency. Eric Brown questioned how much of the Green Bank's money would be used. Kerry O'Neill stated that none of the Green Bank's money would be used. She stated that the agreements will be written so that they don't get any money unless the Green Bank raises it. Brian Farnen stated that there will be a value to the contract even if the Green Bank is not required to pay it. He stated that from an audit perspective, it's safest to have it. He stated that they can revise the Resolution.

Upon a motion made by Matt Ranelli and, seconded by Betsy Crum, the Board voted unanimously to approve, with the change in the Resolution.

Resolution #8

WHEREAS, the Connecticut Green Bank ("Green Bank") actively seeks to support the goal of supporting affordable and healthy buildings in low-to-moderate income and distressed communities across the state, as articulated in an organizational goal in its Comprehensive Plan.

WHEREAS, the Connecticut Green and Healthy Homes Project involves the following state agencies and organizations that are aligned in their common goals related to health, housing and energy: Connecticut Green Bank, Department of Public Health, Green & Healthy Homes Initiative, Department of Social Services, Department of Energy & Environmental Protection, Department of Housing, Department of Children and Families, Office of Early Childhood, Office of Chief State's Attorney, United Illuminating, and Eversource.

WHEREAS, Green and Healthy Homes Initiative (GHHI) has proposed a scope of work for research and project design for Phase II of the Project for $200,000 to support the Green Bank's efforts to accelerate energy efficiency and clean energy generation across Connecticut; and

WHEREAS, Project partners are securing foundation and other grant funding in addition to Department of Energy Solar Energy Technologies Office grant funds to cover the full cost of GHHI's engagement.

WHEREAS, the proposed scope of work as a strategic selection and award pursuant to Green Bank Operating Procedures Section XII pursuant to the rationale in the memorandum to the Board of Directors dated March 27, 2018 setting forth GHHI's unique opportunity and approach to developing an integrated model to address health, housing, and energy needs in the Connecticut Green and Healthy Homes Project;

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized to accept the GHHI proposal, and in so doing obligate the Green Bank in a total amount not to exceed $200,000 with terms and conditions consistent with the memorandum submitted to the Board of Directors dated March 27, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from March 27, 2018; and

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

2. **Staff Transitions**

Bryan Garcia discussed the staff transitions along with the establishment of the non-profit. He stated that they would continue to serve the mission of underserved markets and credits. He stated that they support an orderly transition of the staff as well as, how to maintain continuity regarding benefits and pay. He stated that there would be four areas transitioning. He stated that the goal is for June 13th for PSA's drafted for each of those four areas. He stated that they are using the shared service MOU that they had with Connecticut Innovations and using that as a basis. He stated that that's the structure to go to the non-profit organization. He stated that in years 1 – 3 there will be a savings of about $350,000 and in years 4 – 6 there will be almost $1 million. Eric Brown questioned who would be paying for the benefits. Kerry O'Neill stated that it would be the non-profit. Bryan Garcia stated that the Green Bank would pay at a 40% level, and not the 78% level. He stated that as the non-profit grows there will be 0% compensation from the Green Bank to the non-profit. Commissioner Smith questioned if the Green Bank would get anything back. Bert Hunter stated that the services are what the Green Bank gets back. Brian Farnen stated that the staff would be acting as a servicing agency on behalf of the Green Bank. Commissioner Smith questioned if they're the servicing agency, how will the Green Bank stop paying them. Eric Shrago stated that they will still be paying for the program, but not the salary. Commissioner Smith stated that she's concerned that the Green Bank is in less financial security than the new non-profit. Bryan Garcia stated that the key priority is continuing benefits and ensuring continuity. He stated that they would be working on developing benefits and recommending benefits for the non-profit. He stated that they would notify the staff of them being hired to the non-profit and notify them of their end of work with the Green Bank. He stated that the contract for services between the Green Bank and the non-profit would be executed in early July. He discussed the timeline and stated that this is tough, but that they all share a very common mission. He stated that the non-profit would be with the Green Bank as they transition over time.

Upon a motion made by John Harrity and, seconded by Commissioner Klee, with an abstention from Bettina Bronisz the Resolution passed.

Resolution #9

WHEREAS, on December 15, 2017, the Board of Directors of the Green Bank approved of a budget mitigation strategy consistent with the Sustainability Pathway Strategy, including the need for staff to present a detailed business plan, budget, and transition plan for certain employees to a Nonprofit;

WHEREAS, on April 3, 2018, the Board of Directors of the Green Bank was presented by staff a detailed business plan to which the Board of Directors then authorized the President and any other duly authorized officers of the Green Bank to participate in the formation of an independent nonprofit non-stock corporation to further the purposes of the Green Bank, including achieving operating leverage and attracting mission-oriented investors for a set of products serving underserved market segments; and

WHEREAS, on April 27, 2018, the Board of Directors of the Green Bank was presented a staff transition plan for those individual staff members of the Green Bank transitioning to the Nonprofit.

NOW, therefore be it:

RESOLVED, that the Board of Directors of the Green Bank authorizes the President of the Green Bank and any other duly authorized officer of the Green Bank to ensure the orderly transition of individuals transitioning from the Green Bank to the Nonprofit, taking into consideration, but not limited to, the Advisory Opinion No. 2018-2 by the Office of State Ethics;

RESOLVED, that the Board of Directors of the Green Bank authorize the President of the Green Bank and any other duly authorized officer of the Green Bank to provide assistance to the Nonprofit to identify, analyze, and recommend benefits options for the staff transitioning from the Green Bank to the Nonprofit; and

RESOLVED, that the Board of Directors of the Green Bank directs the President of the Green Bank to notify the individuals that will be transitioning from the Green Bank to the Nonprofit of their last day with the Green Bank tentatively planned for June 30, 2018.

3. Business Plan – Assumptions

Bert Hunter provided a high-level overview of the business lines of the non-profit as well as, the origination strategy. Kerry O'Neill discussed the NRDC and their different programs.

Bert Hunter provided a high- level overview of the assumptions and the partners. He stated that Posigen is a back-level facility. He stated that they are talking to Solar Financiers currently. He stated that there's a Community Reinvestment Act Portfolio. He stated that this is the type of business outlined in the business plan. He stated that it's an outline of the strategy. Commissioner Smith questioned if the $42 million in the first year is transferring off the Green Bank Balance Sheet. Bert Hunter stated that it's mostly new money. He stated that they are not touching the Green Bank's Balance Sheet. Bettina Bronisz questioned how much ratepayer or state funds would be used. Bert Hunter stated that they are getting $6.5 million from DEEP. Commissioner Klee stated that those are dollars that are not going to any programs. Commissioner Smith questioned if they've ever done that much business in one year to hit the $42 million. Bert Hunter stated that they have been limited to the Connecticut market, but that they have done $16 million in financing. Commissioner Smith questioned what the level of risk is to the Green Bank and also the new entity. Bert Hunter stated that there is zero risk to the Green Bank. Bryan Garcia stated that they've been able to demonstrate over the last five years and that capital providers see the value of the non-profit. Bert Hunter stated that they've had to share the deployment with other capital providers. He stated that this is more focused on retaining that on the in the non-profit. Kerry O'Neill stated that in the last two years they had done about $65 million.

Bettina Bronisz questioned if they are taking revenues from the Green Bank's Balance Sheet. Bert Hunter stated that they're not taking any revenues from the Green Bank's Balance Sheet. Brian Farnen stated that the program where there is a financial gain that is moving to the non-profit would be the Commercial Solar PPA. Commissioner Smith suggested that they have a special session to continue the discussion.

7. <u>Other Business</u>

There was no other business.

8. <u>Adjourn</u>

Upon a motion made by John Harrity and seconded by, Bettina Bronisz, the meeting was adjourned at 11:01 a.m.

Respectfully submitted,

____
Catherine Smith, Chairperson

CONNECTICUT GREEN BANK

Business Plan for Creation of a

Mission-Aligned Nonprofit and Affiliated Entity for

Regional Clean Energy Deployment

in Underserved Market Segments

April 2018

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This project is made possible with support from the Hampshire Foundation in the form of a $50,000 grant, part of which is being used to fund exploration into opportunities that exist outside of Connecticut to further their goal of replicating successful Green Bank/low-to-moderate financing models more broadly.

This document was produced with the assistance of Forsyth Street Advisors, through the firm's engagement via the Green Bank's LMI/CDFI Research Agenda PSA.

Any legal, entity governance, or capital strategies outlined in this paper are subject to legal analysis vis-à-vis the Connecticut Green Bank Enabling Statute and Connecticut Code of Ethics, among others.

I. INTRODUCTION: THE CONNECTICUT GREEN BANK IS A CLEAR SUCCESS STORY

Founded in 2011 as the first green bank in the United States, the Connecticut Green Bank (Green Bank) was established to develop programs that will leverage private sector capital to create long-term, sustainable financing for energy efficiency and clean energy to support residential, commercial industrial and institutional sector implementation of energy efficient and clean energy measures. This report provides a business plan for expanding the Green Bank's efforts to increase the scale of sustainably financing clean energy investment, with an emphasis on underserved market segments including low-to-moderate income ("LMI") communities and unconventional credits. This will be achieved through creation of an independent affiliated nonprofit lender (the "Nonprofit") able to surmount the barriers to effectively meeting the needs of underserved market segments.

The Green Bank Model Effectively Promotes Adoption of Clean Energy

Green Bank programs such as C-PACE, Solar for All with PosiGen, Smart-E Loan, Green Bank Solar PPA, and Multifamily have continued to grow and represent a significant portion of the organization's transactions. Over the past five years, the Green Bank has catalyzed the investment of nearly $1.2 billion in investment into Connecticut's clean energy economy. In recognition of this pathbreaking work, the Green Bank won the 2017 Innovations in American Government Award by the Harvard University Ash Center for Democratic Governance & Innovation.

A Unique Track Record of Promoting "Inclusive Prosperity" Within the Climate Mission. As the Green Bank has evolved, an increased focus has been on supporting affordable and healthy buildings in LMI communities by reducing their energy burden and addressing health and safety issues. The Green Bank finances clean energy projects that yield significant savings on energy costs and reductions in greenhouse gas emissions across all sectors — for residents, commercial and industrial businesses large and small, for nonprofits, and institutions including state and local governments. This mission is framed in the goal of promoting inclusive prosperity — ensuring that *everyone* has access to the financial and ecological benefits of clean energy. The Green Bank works hard to ensure that no matter what census tract someone lives or works in, whether they are poor or affluent, whether the community is urban or suburban or rural, everyone is included in the benefits of a clean energy economy – as well as healthier and environmentally just communities. Further, clean energy projects bring jobs and opportunity — opportunity for growth for businesses, opportunity for economic stability and prosperity for families and communities.

The Green Bank's product suite at the intersection of community development, clean energy, and climate impacts — the Multifamily, Commercial Solar financing (with a focus on nonprofit and public purpose buildings), Solar for All, Smart-E Loan and flexible project finance programs — directly speaks to inclusive prosperity. These products focus on serving low- and moderate-income communities but have a broad enough mandate and structure to serve other clean energy and/or green projects hosted by "unconventional" credits — a segment that remains challenging for traditional lenders to finance. Through these programs, the Green Bank has deployed $350 million within underserved communities and underinvested market segments since 2013, with an average of over $65 million in the last two fiscal years.

The Green Bank's Success is Translatable Elsewhere. The Green Bank has achieved this success through its ecosystem approach of matching <u>capital supply</u> with <u>project demand</u> leveraging channel and program partners already working on the ground in all types of communities – from medium and small cities to suburban, exurban and rural settings. Having solved many of the project structuring and transaction size challenges that thwart other institutions from meeting the needs of underserved market segments, the Green Bank product suite is ready to be further expanded within its home market and applied to other geographies.

II. MARKET CONTEXT

The Current Green Bank Model Still Faces Barriers for Underserved Market Segments

Despite the success outlined above, the Green Bank faces barriers to achieving a greater level of activity, caused by a combination of operational, capital, and structural limitations. These limitations combine to prevent the Green Bank from effectively addressing underserved segments of the market at scale:

- **Operational Inefficiencies.** Personnel overhead (currently 78%) required by Green Bank in-house staff limits the expansion of staff-intensive products, especially those that require substantial in-house origination or management of origination / asset management platforms.
- **Quasi-Governmental Structure.** The quasi-governmental status of the Green Bank causes its structure, products, and investments to be influenced by state public policy and budget considerations that reduce flexibility and market responsiveness. The recent budget "sweeps" by the Connecticut Legislature resulted in a loss of approximately 55% of the Green Bank's revenue in FY18 and FY19. These cuts are emblematic of the long-term risks to sustaining the Green Bank's investing activities across all market segments in the face of the state's fiscal crisis.
- **Limited Scale.** Underserved segments of the clean energy market — especially affordable multifamily housing, unsubsidized low- and moderate-income residential, small and medium enterprises, and community facilities — require a specialized market channel and origination approach that is difficult to provide at scale within the Green Bank.
- **Missed Opportunities.** A combination of operational, capital and structure limitations prevent the Green Bank from effectively addressing underserved segments of the market at scale, resulting in lost opportunities. Expanding the pool of capital available for these activities could enable capturing this additional deal flow.

Market Scan Identified Significant Gaps

The market scan conducted by Forsyth Street identified significant gaps in segments of the broader clean energy market:

- **Missing Link Between Capital and Demand-Generation.** Currently, no single entity plays an effective proactive demand-generation and capital provider role, limiting the scale in underserved segments of the market. For instance, there are entities that focus on generating demand for clean energy projects in LMI housing, but they require outside sources of capital to execute projects — sources that are attracted only to demand of sufficient scale and with counterparties that understand specific underwriting criteria as well as nuanced constraints of such capital sources.
- **Capital Sources Are Limited for Key Market Segments.** Certain segments of the market — especially projects below utility scale and those with unconventional credits — do not have access to appropriately-priced or structured capital for clean energy. Furthermore, the capital available for clean energy projects in LMI cannot cover the broader needs of buildings, such as health or safety or other capital needs, which must be concurrently addressed in order to move clean energy projects forward.

The Green Bank has an Ongoing Commitment to Serve its Market and Beyond

The proven successes of the Green Bank in Connecticut show that this model can be applied in other municipalities and regions looking to increase economic activity, lessen the energy burden on their residents, and advance clean energy adoption within LMI communities. The current lack of federal leadership on clean energy and climate policies, especially concerning the green bank movement and investment in clean energy deployment within LMI communities, demands bottom-up solutions and urgent action. The Green Bank has the expertise and the capability to expand its model to these underserved markets and advance its own efforts within Connecticut.

Leveraging and Extending the Success of the Green Bank Model. As a leader of the green bank movement, the Connecticut Green Bank can expand its success and provide solutions for underserved segments of the market to green banks in other municipalities and states. By creating a mechanism for sharing experiences, best practices, and financing capabilities in challenged segments of the clean energy market through the creation of the Nonprofit, the Nonprofit will help to address the Green Bank's strategic commitment to lead a movement to create larger impact across the Northeast and beyond. By serving as a partner to current and future green banks, the Nonprofit can supplement product delivery capabilities of these emerging green banks by offering a channel for product delivery and origination with an already successful track record.

Meeting the Needs of Existing Green Bank Service Providers. Because the Green Bank is constrained to activity within Connecticut, existing contractors and service providers are not able to utilize the Green Bank as a channel outside of Connecticut. Through the creation of a regional Nonprofit able to serve communities and organizations both within and outside of Connecticut, the Green Bank's current contractors and service providers would be able to broaden their services and meet the needs of their target markets and regional customer bases through their existing Green Bank relationships. Additionally, many of these partners are located within Connecticut — by helping local companies grow their market within the region advances the economic development of the state.

III. THE NONPROFIT'S OBJECTIVES

Rationale for Creating an Affiliated Nonprofit

As the Green Bank has proven its model and expanded the scale of its activities, it is experiencing increasing challenges to operational scale and efficiency which only can be overcome by expanding product reach across multiple market segments and broadening the focus of the Green Bank. An affiliated Nonprofit could be the appropriate vehicle to expand successful financing approaches and programs incubated in the Green Bank and address the barriers to scale outlined above and achieve requisite higher operational efficiencies.

The Nonprofit Would Address Current Barriers Faced by the Green Bank. An affiliated nonprofit lender could overcome the barriers the Green Bank faces in addressing the needs of underserved market segments at scale by bringing new efficiencies, capital, and an increased scale of operations for current Green Bank products focused on underserved market segments. The Nonprofit will seek to address the following limitations in the current Green Bank model:

- **Help the Green Bank Focus on its Core Investing Business.** Given the current budget environment within Connecticut, and despite the Green Bank's proven successes, the Green Bank recognizes the need to adjust its strategy and implement a plan to manage the more limited resources available for its investments in the current state fiscal environment. With a substantial portion of public resources currently being surrendered to Connecticut's general fund and as a precaution against the uncertainties of future ratepayer support, the Green Bank is working to become self-sustainable in 4-7 years by cutting its operating expenses and generating a stream of recurring revenue by investing its current public capital at higher rates of return. For instance, the Multifamily and Smart-E Loan programs do not consistently meet this new higher return criteria and without scale are on a longer path to sustainability requiring greater scale, both of which can be achieved in the Nonprofit while preserving much needed capital for investment within the Green Bank.
- **Operating Leverage.** The Nonprofit would be able to operate with reduced overhead — enabling greater efficiencies for products requiring personnel-intensive origination (e.g. Commercial Solar, Smart-E Loan and Multifamily programs). Overhead rates at roughly half of what is paid by the Green Bank is estimated to save as much as $335,000 annually across the programs that will be housed at the Nonprofit at current staffing levels.
- **Leveraging the Success of the Green Bank Model While Promoting Greater Efficiency Within the Green Bank.** The current Green Bank strategy and state budget environment limits the designated Green Bank programs' capacity to continue to grow at a critical juncture when they are ready for the next level of scale, especially given competing demands for limited Green Bank resources. A Nonprofit would afford these programs (and future initiatives) the freedom and flexibility to continue to grow, without limiting their access to sufficient capital and resources, in doing so, allows the Green Bank to keep these key products in the Connecticut market.
- **Access to New Capital Providers.** The Nonprofit would have flexibility to pursue and structure capital sources from Community Reinvestment Act (CRA) motivated institutions and other mission-motivated investors. These investors, while attracted by its demonstrated success, have proven to be reluctant to engage with the Green Bank given the state budget environment and the resulting sweeps.
- **Regional Scale.** The Nonprofit will be able to operate throughout the Northeast and beyond and will have access to additional pools of capital not available to the Green Bank. By serving a larger market, the Nonprofit would be able raise and deploy capital more efficiently than an entity limited to Connecticut only (while true of all products, this is immediately beneficial for the raise of the next

Commercial Solar fund where investors are requiring a greater scale). While Connecticut remains the primary market for the Nonprofit's products, the Green Bank benefits from increased capital and operational efficiencies as a result of this regional scale. Certain products and programs intended to be operated out of the Nonprofit are not able to reach their full potential in the Connecticut market alone.

- **Graduation Path to Self-Sustaining, Mission-Aligned Entity.** Products can have the option to "graduate" from the Green Bank to the Nonprofit in order to grow in a self-sustaining entity removed from public budgetary pressures and lack of access to sufficient capital. In turn, this enables more efficient deployment of capital for the Green Bank.

The Nonprofit Expands the Ability of the Green Bank to Replicate its Success in Additional Underserved Markets. The Green Bank will allow for its successful model of serving LMI communities and unconventional credits to be replicated to regions beyond the State's borders through the Nonprofit. In addition, a mission-aligned Nonprofit working in coordination with the Green Bank would attract new forms of capital to impact the Green Bank's mission, addressing and expanding upon the multiple concepts and ideas that are currently part of the Green Bank's model. The Green Bank would be able to achieve operating leverage and source a lower cost of capital across its broader capital stack, all while deploying additional capital to promote energy efficiency and renewable resources and creating greater social impact throughout the region.

The Nonprofit Will Serve Various Underinvested Communities

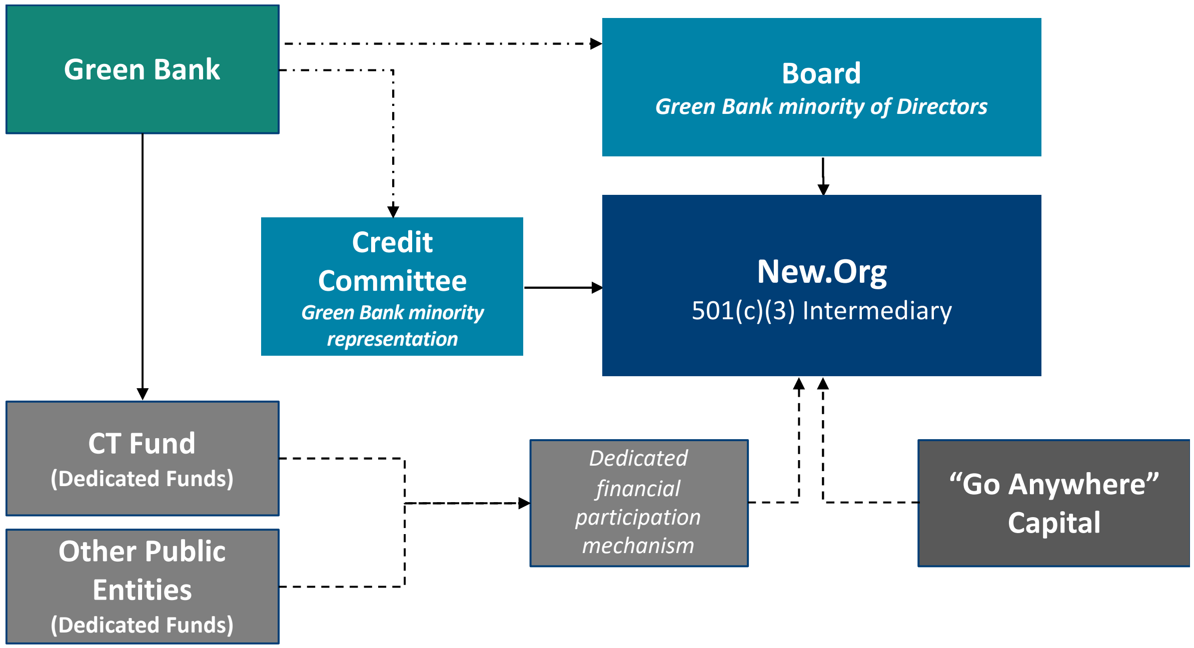
In order to create a greater impact, the Nonprofit will seek to serve underinvested communities in Connecticut and beyond. The experience of the Green Bank and others who have analyzed credit performance is that that there are other more effective predictors of poor repayment performance other than levels of income – such as job stability and degrees of indebtedness. Also, the Green Bank recognizes the benefits in credit underwriting of new cash flow freed up by significant energy savings. Communities with unconventional credits, disaggregated projects and individuals with lower credit scores require a skilled intermediary that can scale and are often ignored or passed over by contractors and lenders looking to serve "safer," traditional and more affluent communities and neighborhoods where they are capable of generating a return. An intermediary such as the Nonprofit can act within this lending and co-developer capacity, and will be able to help move projects towards scale and execution.

IV. STRUCTURE & GOVERNANCE

A. Independence from the Green Bank Through the Creation of a New 501(c)(3)

In order to achieve desired levels of scale, as well as access pools of capital outside the State of Connecticut, the new entity will need to be an independent, but affiliated 501(c)(3) nonprofit organization[1]. The Nonprofit would have its own mission that would be complementary to the Green Bank's clean energy mission, as well as those of mission-driven investors.

The Nonprofit would have its own Board of Directors (self-perpetuating) which would be legally in control of the entity. The Nonprofit would also have a Credit Committee (as a subcommittee of the Board) that would make decisions on discretionary approvals within investment policies agreed upon by the Board and under the requirements of creditor agreements.



The independence of the Nonprofit from the Green Bank is critical to achieving investor confidence in the accountability of the organization to its mission and to investors, separate from the Green Bank mission and obligations. That said, it will be necessary to continue to ensure that the Nonprofit is operating to help fulfill the Green Bank's mission in Connecticut. To this end, the Green Bank would be represented as a minority of the Nonprofit's Board of Directors. The Green Bank may have minority representation on the Credit Committee and / or other Board Committees. Any funds invested by the Green Bank in the Nonprofit-controlled activities will be subject to the investment agreement and will flow through the Green Bank-controlled "CT Fund" entity. Care must be taken in the formation and first year's operations of the Nonprofit, given it is arising out of a quasi-public agency. This requires that several state Code of Ethics conditions and requirements are met. These are discussed below.

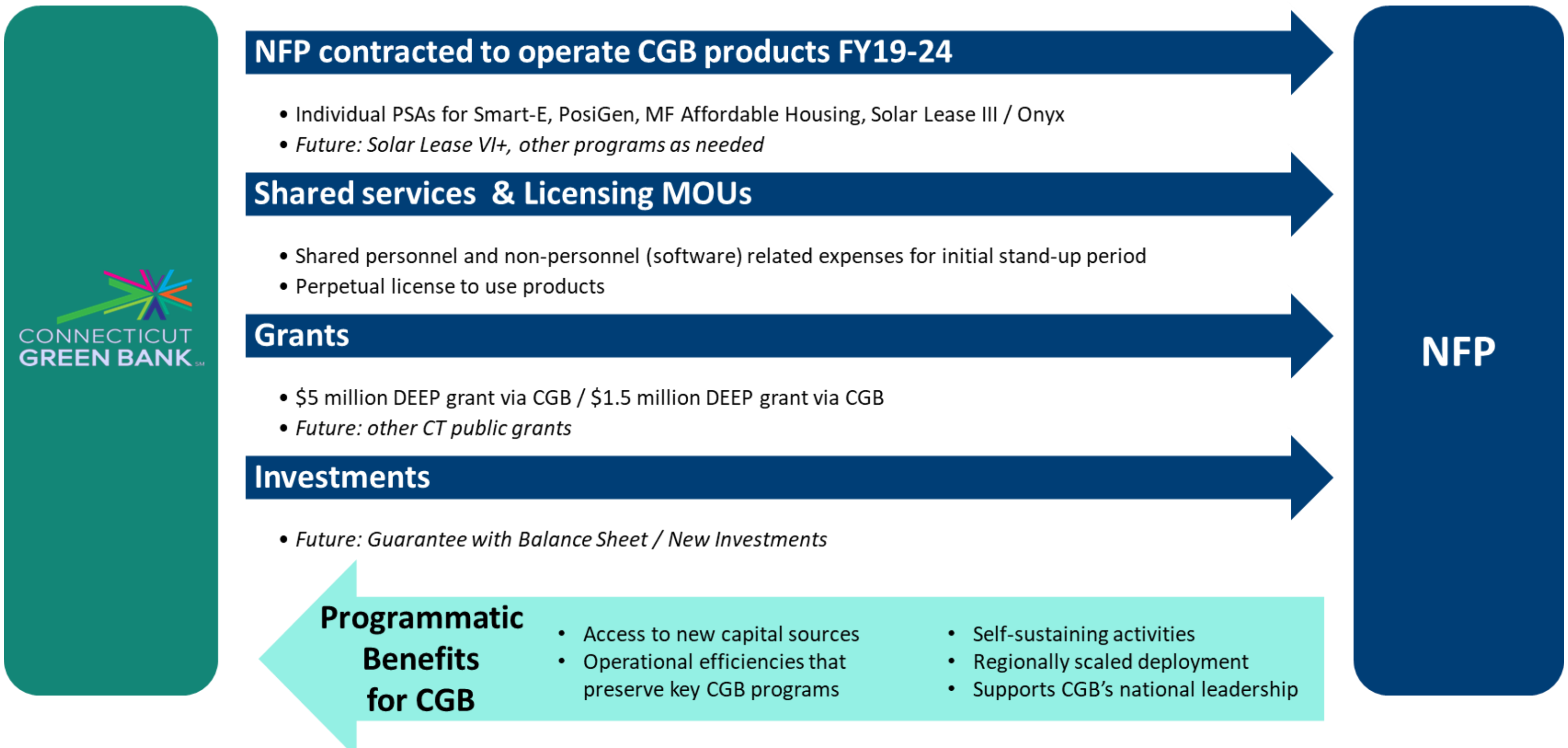
[1] Information in this section is subject to legal analysis vis-à-vis Green Bank Enabling Statute, Connecticut Code of Ethics, and Internal Revenue Code, among others.

Board Structure and Make-up

At the inception of the Nonprofit, the Board will be comprised of 2 representatives from the Green Bank, 2 executive staff of the Nonprofit that have transitioned employment from the Green Bank to the Nonprofit, and 1 investor representative (to be drawn from the anchor investors in the Nonprofit). The Nonprofit and its initial Board will engage in a strategic exercise to determine the appropriate composition and make-up of the Board after an initial start-up period. Considerations such as the requirements of representation by additional significant investors, both public and private, will be balanced with strategic appointments that round out critical Board capabilities related to risk management and oversight, operations, and market entry and development.

The Nonprofit's Relationship to the Green Bank

While the new Nonprofit would be independent of the Green Bank, it would have a close working relationship and aligned mission. The relationship would be controlled by the key elements outlined below.



The Green Bank Will Provide $16 Million in Support Over Six Years. Through a combination of a $6.5 million performance-based grant and a proposed $10 million multi-year services agreement from the Green Bank, the Nonprofit expects to start with a base of $16 million in resources in the form of capital and revenue through June 2024. The grant investment is comprised of two grants from the Connecticut Department of Energy and Environmental Protection (DEEP): the $1.5 million EnergizeCT Health and Safety Revolving Loan Fund and a proposed $5 million grant made to the Green Bank with the express purpose of being regranted to the Nonprofit for investment in LMI activities. These grant investments will be established as a dedicated fund to ensure Green Bank funds are applied to eligible activities within Connecticut (additional details below in Capitalization). Despite that restriction this support provides an initial capital base to both attract a set of other philanthropic or public-sector co-investors and to leverage other layers of capital (senior and subordinate) for investment activities to be made by the Nonprofit. Additionally, the services agreements described below provide a repeatable revenue stream needed to secure the foundation of a sustainable business as the Nonprofit scales up and grows its other revenue sources.

The Green Bank and the Nonprofit Will Negotiate Services Agreements. The Green Bank and the Nonprofit plan to establish a series of multi-year product-specific service agreements between the two entities, as well as a memorandum of understanding (MOU) for shared services, given the overlap and close relationships between the product sets and focus areas. The proposed service agreements and MOU with the Nonprofit will need to allow the Nonprofit to run the scaled products on the Green Bank's behalf, outline any performance targets or milestones, and also determine how the Green Bank continues to support these products. This approach allows the Green Bank to ensure on-going programmatic goals and deployment targets are met in the contracted products, while freeing up additional funding resources that were previously dedicated to those programs. In addition, the relationship increases operating leverage for the Green Bank by reducing costs associated with personnel overhead and spreading the costs of on-going product infrastructure and support needed (e.g. for technology platforms, asset management, etc.) over a regional operation.

The program-specific services agreements will outline how the Nonprofit will support the Green Bank in the Connecticut market for the implementation and administration of those products. Each of these agreements will include a description of the activities the Nonprofit will perform for the Green Bank and vice versa, staff allocations, budget, any technology needs or other resources from the Green Bank, and performance-based targets and milestones. There will be an agreement for each of the following:

- Commercial Solar Fund;
- Multifamily Lending;
- Residential Low-Income Programs – covering PosiGen and other low-income initiatives; and
- Smart-E Loan Program.

The MOU will cover services the Green Bank will be providing to the Nonprofit (and vice versa) and licensing of intellectual property related to specific products and programs. Transition services covered include accounting, loan servicing, marketing services, IT, telecommunications, and office space. The licensing will include use in Connecticut and outside of Connecticut and cover all product specific intellectual property, marketing assets, market data, and terms of use.

In addition to these services agreements, the Nonprofit will secure grants from various foundations to cover the initial operations cost of expanding its offerings beyond Connecticut.

Option for Future Green Bank Investments. The Green Bank may decide to invest in Nonprofit products or investing activities at a future date, to the extent that the investment meets the Green Bank's targeted return profile and strategic priorities, and to the extent that the Green Bank has available capital. For example, the Green Bank may decide to invest in a new regional Commercial Solar fund or to provide a balance sheet guarantee as it relates to Connecticut projects.

Establishing the Green Bank Relationship. The formal and legal establishment of the Nonprofit involves processes with varying levels of complexity. The strategic decision to form the Nonprofit and the initial grant from and service agreements with the Green Bank is a critical step that demonstrates foundational support for the Nonprofit's establishment and will help other funders to commit. The Green Bank will also need to similarly approve its involvement in the Nonprofit's governance structure, and any legal structure required for the Green Bank to convey Connecticut-designated funds for the Nonprofit's use. The mechanisms for future investments by the Green Bank or balance sheet guarantees issued by the Green Bank for use of the Nonprofit will be determined at that time.

B. Ethics Law Compliance

Requirements for Forming an NGO out of a Quasi-Public State Agency

The formation of the Nonprofit would represent the exercise of express powers of the Green Bank set forth in subdivision (ix) of Section 16-245n(d)1(D), which reflects a legislative determination that the public purposes of the Green Bank can be furthered through its involvement in the formation, ownership, management or operation of other business entities that may present an opportunity to leverage Green Bank resources through participation in clean energy enterprises and activities with other public and private participants.

The Green Bank is aware that the proposed formation of the Nonprofit, the anticipated contracts between the Green Bank and the Nonprofit, and the transition of current Green Bank employees to the Nonprofit may raise issues under the Code of Ethics for Public Officials, including

> (i) the involvement of such employees while in state service in the creation of an outside employment opportunity (see Advisory Opinion No. 1997-1);
> (ii) the possible application of the one-year "jobs ban" (Section 1-84b(f)) if the transitioning employees were to be personally and substantially involved while still in state service in the award by the Green Bank of contracts to the Nonprofit; and
> (iii) the applicability to the administration of the continued Green Bank programs by former Green Bank employees of the one-year prohibition on contact with such employees' former agency (Section 1-84b(b)).

The Green Bank has received an informal staff opinion from the Connecticut Office of State Ethics (OSE) that it is possible to proceed with the Nonprofit as envisioned and consistent with the conditions of the DEEP $5 million grant without violating applicable provisions of the Code of Ethics for Public Officials. The Green Bank has filed a petition for a formal Advisory Opinion on the same issues addressed informally by OSE staff and expects the Advisory Opinion to be approved and issued by the Citizen's Ethics Advisory Board in April 2018.

The main findings and mitigates from the Ethic's Opinion are set forth below.

Transitioning Employees Not Creating an "Outside Employment Opportunity"

The informal Ethics Opinion concludes that the Nonprofit does not violate the prohibition on a state or quasi-public employee creating an outside employment opportunity for their own benefit because it represents a management and board-directed strategic initiative, not the creation of a private employment opportunity by the individual Green Bank employees. Since the transitioning employees have operational responsibility for the programs that will move to the Nonprofit and are therefore familiar with how those programs work, they will provide staff level technical suggestions for terms and conditions to be incorporated in the contract(s) between the Green Bank and the Nonprofit. That technical input will be provided to members of the Green Bank senior management, and it will be those members of senior management (who will remain at the Green Bank), not any of the transitioning employees, who will conduct any contract negotiations with representatives of the Nonprofit. Those same members of senior management, and not the transitioning employees, will be responsible for the contract award process at the Green Bank, consisting of a recommendation to the Green Bank Board that the proposed contracts be authorized and approved. And in order to avoid even an appearance of misuse of official position, it is proposed (consistent with other Advisory Opinions dealing with comparable situations) that the total value of compensation (salary and benefits) for each of the transitioning employees be no greater during the first year than it was at the Green Bank. Thereafter, compensation would be subject to an overall standard of reasonableness consistent with IRS rules for tax-exempt organizations and would be subject to reporting on Form 990.

Jobs Ban Not Triggered but Employees Must Transition Before Contract(s) Execution

On the "jobs ban", the informal opinion concludes that it is triggered by any substantive involvement in the process of contract development by the transitioning employees, even if they are not determining or approving the contract terms. But the opinion does confirm that the "jobs ban" could still be avoided if the transitioning employees leave the Green Bank before the contracts between the Green Bank and the Nonprofit are executed. As the transitioning employees will be involved in the contract development process because they are subject matter experts and essential for preparation of the various scopes of works for the continued Green Bank programs, the transitioning employees must leave the Green Bank before the contracts are executed between the Green Bank and the Nonprofit.

One-Year Limitation on Types of Interaction

Under Section 1-84b(b) of the Code of Ethics, there is a prohibition for the first year after leaving the Green Bank, any representation of the interests of the Nonprofit back before the Green Bank by any of the transitioning employees. To remain compliant with a recognized exception from Section 1-84b(b) of the Code of Ethics, during at least the first year, contact between the transitioning employees and those still at the Green Bank will be limited to matters of management and administration of the continued Green Bank programs pursuant to the contracts entered into by the Green Bank and the Nonprofit. The transitioning employees will not seek amendments to those contracts, solicit further assistance or grants from the Green Bank on behalf of the Nonprofit, or seek other discretionary action by the Green Bank for the benefit of the Nonprofit.

C. Potential Component Unit GASB Considerations

The Green Bank worked with its audit firm to identify any considerations in the establishment and governance of the Nonprofit or contracting between the Green Bank and the Nonprofit that might cause the Green Bank to report the Nonprofit as a component unit on its audited financial statements. The approach being taken is consistent with the findings of that analysis. Some of the critical factors enabling the Green Bank to not report the Nonprofit as a component unit include: the Green Bank having minority control of the Nonprofit Board and any committees responsible for the financial operating budget, the Green Bank not being responsible for any Nonprofit financial deficits or required to assume any Nonprofit debt, and the Green Bank not holding an equity interest in the Nonprofit.

D. Other Public Entities' Funding

It is anticipated that the Nonprofit will have the opportunity to work in states or municipalities that have discretionary funds to invest, and that they would view an investment in the Nonprofit (at either a product or at a fund level) as aligned with their public purpose and goals. For instance, a green bank in another region may want to invest funds in the Nonprofit to go towards affordable multifamily housing retrofits, or as part of a regional commercial solar fund. The Nonprofit will need to be able to segment the funds of any public entities that come with them a geographic constraint and/or a certain purpose. This will be handled in a manner similar to the segregation of Green Bank funds, and similarly public entities would have dominion over these funds through a negotiated investment agreement.

E. Establishing Charitable Mission

The mission of the Nonprofit is to preserve and protect the environment and to promote environmental conservation, while lessoning the burdens of government imposed upon the Green Bank.

Consistent with this mission, the Nonprofit will complement the activities of the Green Bank (1) by furthering the statutorily-prescribed essential public and government functions of the Green Bank, and (2) by protecting, preserving and promoting the environment as a tax-exempt charitable organization described in Section 501(c)(3) of the Internal Revenue Code.

More specifically, the Nonprofit will, among other charitable initiatives, (1) further the purposes of the Green Bank as described in section 16-245n(d)(1)(B) of the Connecticut General Statutes, (2) promote the environment and solutions for climate change through clean energy, sustainability measures and healthy and resilient building improvements, and (3) focus on underserved market segments including LMI communities and unconventional credits. Lessening the burdens of government and promoting the environment with an emphasis on LMI communities and unconventional credits are appropriate purposes for tax-exempt 501(c)(3) charitable organizations.

From a timing point of view, the Nonprofit could be incorporated as a Connecticut nonstock corporation within a week or two of after the approval of its establishment by the Green Bank. An application to the Internal Revenue Service for recognition of the Nonprofit as a tax-exempt 501(c)(3) charitable organization could be prepared and submitted to the IRS within four weeks after the incorporation of the Nonprofit.

V. THE NONPROFIT'S PRODUCTS AND PIPELINE

A. Product Expansion to the Nonprofit

The product set provided by the Nonprofit will be comprised of licensed Green Bank products that have proven their success within the current Connecticut market and are ready to operate at market scale. The proprietary aspects of these products and programs, while still belonging to and marketed within Connecticut as Green Bank products, will be offered in Connecticut and elsewhere under an exclusive perpetual license from the Green Bank to the Nonprofit. These products and programs are all ready for the next level of investment and scale that can be provided by the capital sources the Nonprofit can attract, and have the opportunity and the ability to work beyond Connecticut. The Green Bank products mentioned below are working and producing meaningful volume, and potentially demonstrate an approach to deploying capital and product development that would be native to the Nonprofit. Some, like Commercial Solar or Low-Income Multifamily Energy (LIME) and pre-development loans could be ready to be deployed fairly soon after closing on initial capital, while others (such as Smart-E) would require additional time and involvement of a public-sector sponsor and public credit enhancement funds to launch the program in a geographic scope outside of Connecticut.

Product and Service Overview

The products for the Nonprofit listed below represent a set of approaches to financing clean energy projects for underserved market segments that would be able to provide a range of financial and mission returns to the Nonprofit and its investors[2]. Each is based on a set of strategies that have been successfully deployed by the Green Bank, but require varying levels of operational support. Third party commercial solar and multifamily lending would require significant sales infrastructure or partner channels to scale and would require additional planning and investment to achieve a larger scale for back-end operations. Both single-family project and flexible project finance have more modest requirements for support, and would either be provided by a partner, or, in the case of flexible project financings, could be provided in-house. The Smart-E Loan program requires a program sponsor in any market it expands to and would require additional planning and investment to achieve the scale needed. It is important to note that unlike the other products, the Smart-E Loan program is a fee for service model. Additional product details are provided as an Appendix.

Because of the Nonprofit's ability to expand into new markets, the Nonprofit will strategically identify specific markets and communities where its products can develop a sufficient channel and can create the most impact. The Nonprofit will seek to expand its product set and operate in markets where its financing is either aligned with (and additional to) existing market transaction structures or serves to create that alignment through existing channels and partners in need of capital. The Nonprofit will also leverage current Green Bank partners with developed origination strategies looking to expand their customer base to regions outside Connecticut.

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[2] In the context of the Nonprofit, the term "investors" refers to classes of capital providers, such as foundations, that often make "program-related investments, (or "PRIs") which are funds made available to nonprofit organizations on terms that will accept below market returns in exchange for certain defined outcomes that address one or more of the foundation's missions or desired impacts.

Product	Green Bank Examples	Product Description	Example Transactions	Financial Sustainability	Operational Support Needed
Commercial Solar Fund	Solar on housing authorities, small and medium enterprises community assets, muni buildings	Providing more affordable third-party financing in underserved markets where the Green Bank has excelled. Customers include nonprofits, houses of worship, affordable housing, schools, local businesses.	Emerging pipeline of opportunities, especially in states with LMI carve-out requirements Regional opportunities beyond CT include inquiries from MA, RI, NY, NJ, DC and MD-based developers.	Works where solar incentives are viable.	Requires significant sales infrastructure or partner/channels to scale. Underwriting infrastructure needs are more limited. Requires planning to achieve larger scale for back-end operations.
Green and Healthy LMI Multifamily / Community Facility Lending (Term Loans)	LIME Catalyst Navigator/Sherpa C-PACE (as capital provider)	Equipment and unsecured term loans to buildings, bringing a holistic package (inclusive of pre-development capital) of solutions that help to address common building challenges in LMI and underserved markets.	Requires "real estate" rather than pure "energy" financing lens but energy unlocks cash flow HUD RAD conversions provide scalable opportunity to inject "green financing" into larger capital stacks while encouraging above-code building upgrades and design.	Feasible where mission-aligned capital is available for credit enhancement.	
Single Family Project Finance with Implementer (Debt/Equity Stakes)	PosiGen	Debt and equity investments at a better price and at a given risk position to a best-in-class partner(s) who has the potential to scale.	Global back leverage facility collateralized by existing and future portfolio.	Needs efficient and effective market channel to be viable.	Relies on partner that can operate at scale.
Flexible Project Finance (Debt/Equity Stakes)	Danbury Fuel Cell Wind Colebrook South (Technology-specific development partners)	Debt and equity investments in chunky, more economically valuable projects where the Nonprofit can use the Green Bank's financing approach to take a risk position at a cheaper price.	Regular opportunities outside current geographic footprint, including fuel cell projects serving non-IG credits, small hydro opportunities associated with existing civil infrastructure, and anaerobic digestion projects.	Good spread & deal fees.	Modest requirements. Can be done in house.
Smart-E Loan Program	Network of local Lenders and Program-vetted Contractors	Long-term, low-cost unsecured financing for single-family homeowners implementing energy efficiency and renewable energy improvement projects	Emerging opportunities to provide this program to other green banks or public sponsors who have funds to support credit enhancement and program operations during ramp-up where contractor fees don't cover expenses	Contractor origination fees at scale in markets with inefficient housing stock or demand for renewables.	Relies on building a partner portfolio outside of CT; Proven penetration in low- and moderate-income census tracts

B. Pipeline Development and Origination Strategy

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

VII. REVENUE PLAN

[redacted]

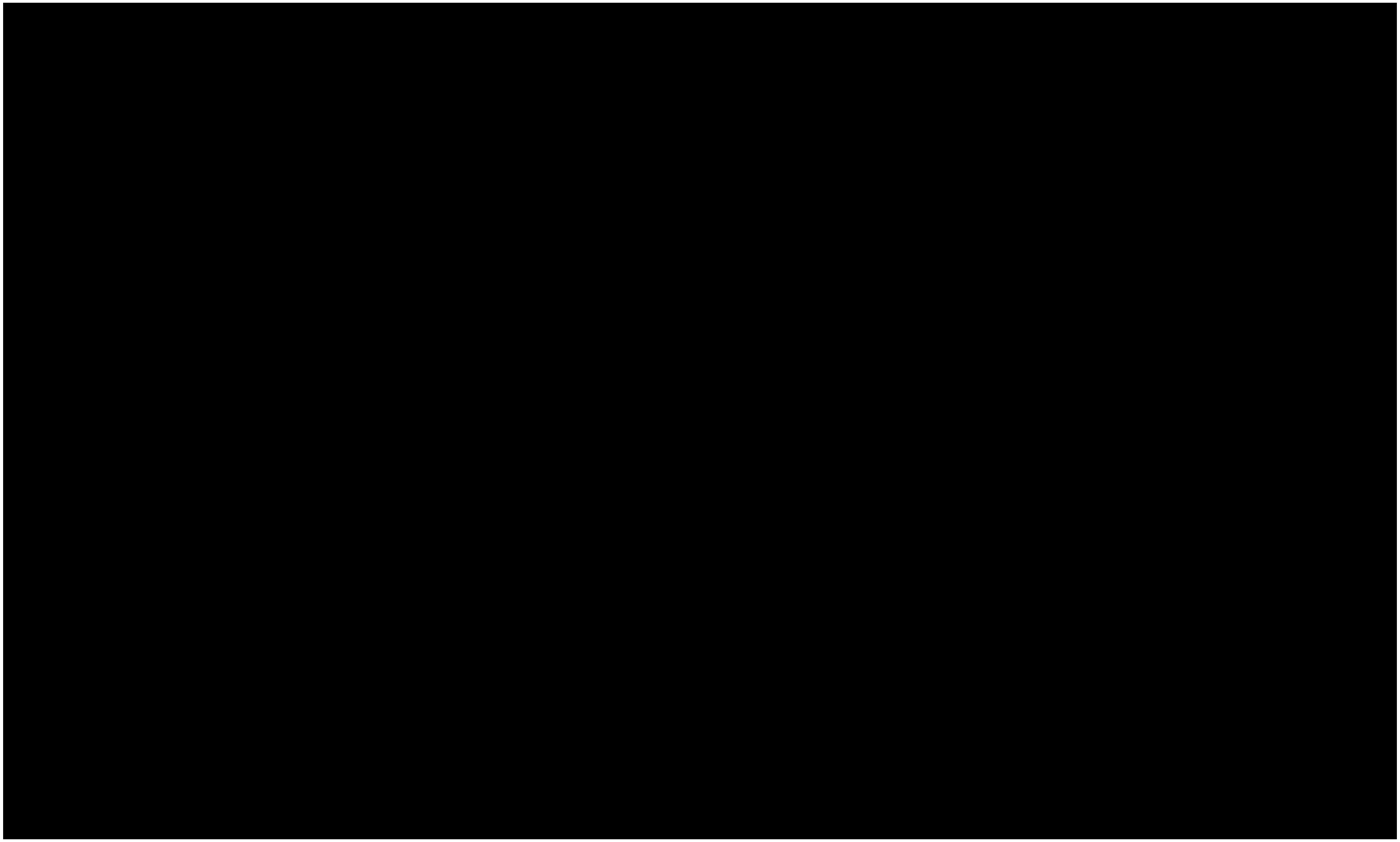
[redacted]

[redacted]

[redacted]

VIII. Capitalization

[redacted]



B. Pro Forma Balance Sheet

The below table shows the growth of the Nonprofit's balance sheet.

Pro Forma Balance Sheet (Figures in '000s)

	FY19 Year End	FY20 Year End	FY21 Year End	FY22 Year End
Assets				
Cash / Cash Equivalents	[redacted]			
Loans				
Single Family				
Multifamily				
Commercial Solar PPAs				
Total Investment Assets				
Total Assets				
Liabilities				
Senior Debt Capital				
Subordinate Debt Capital				
Total Liabilities				
Net Assets				
Equity-Equivalent PRIs				
Grants				
Retained Earnings				
Total Net Assets				
Liabilities + Net Assets				

C. Financial Sensitivity of Model

A breakeven analysis conducted of two scenarios for the end of year three (see below) shows that the Nonprofit can only be self-sustaining within a reasonable timeframe if it has a regional scale. This is due to the higher origination volume available operating regionally, and a more favorable cost of senior capital available for scaled regional deployment. Further, the regional deployment scenario is more robust — it is able to withstand higher senior capital interest rates, and is able to weather more adverse loan loss scenarios.

Break-Even Values for Cost of Capital and Loan Loss Rates FY 2021 Year End (Year 3)		Net Interest Revenue Alone Covers OpEx
SCENARIO 1 (Regional expansion) Full projected commercial solar, single-family project finance and term lending origination Senior Debt Capital @ [redacted] Loan Loss @ [redacted]	Loan Loss Rate (@ [redacted] Capital) Senior Capital Rate (@ [redacted] Loan Loss)	[redacted] [redacted]
SCENARIO 2 (Connecticut Only) 40% of commercial solar origination 50% of projected single-family project finance origination 28% of term lending origination Senior Debt Capital @ [redacted] Loan Loss @ [redacted]	Loan Loss Rate (@ [redacted] Capital) Senior Capital Rate (@ [redacted] Loan Loss)	[redacted] [redacted]

This shows that for Scenario 1 (the base case) to achieve breakeven, the annual loan loss rates must be no greater than [redacted] assuming senior capital is held constant at [redacted] and cost of senior capital must be no greater than [redacted] assuming annual loan loss rates are held constant at [redacted].

For Scenario 2, there is no loss rate that achieves breakeven assuming the cost of senior capital is [redacted] and cost of senior capital must be no greater than [redacted] assuming annual loss rates are held constant at [redacted].

A full sensitivity analysis is provided as an Appendix.

IX. Timeline for Implementation

This report has outlined a business plan for the creation of the Green Bank's affiliated Nonprofit. This Nonprofit is capable of bringing certain existing Green Bank products to market-scale levels, while allowing the Nonprofit to pursue new markets for these products, as well as raise capital, outside the boundaries of Connecticut.

The Green Bank intends to establish the Nonprofit in the second quarter of this year, and have it operational on July 1, 2018 (the start of the Green Bank's fiscal year). At that time, the Green Bank will seed the Nonprofit with a grant for ongoing support for investment associated with LMI activities solely in the Connecticut market (through the Connecticut Department of Energy and Environmental Protection). In addition, the Green Bank and the Nonprofit will enter into a series of product-specific long-term professional services agreements ("PSAs") that will provide six years of operational support for the Nonprofit staff and non-staff expenses to serve core programmatic goals in the Connecticut market. The Nonprofit will continue to raise additional external capital to expand and operate at its planned regional scale.

The Green Bank's goal is to close on funds shortly after the Nonprofit is fully formed and operational in Q3, 2018 with an initial deployment of investments from mid-Q3 to late Q1 2019.

Initially, the Nonprofit will be focused on operationalizing the relationship with the Green Bank and its activities in the Connecticut market. Expansion to other markets would occur once Connecticut operations are stabilized and capital and grant support for activities outside Connecticut are secured.

Q1 2018

- Initial Capital Raising Outreach and Legal Analysis / Review

April

- Receive Green Bank Board approval for participation in enabling an independent Nonprofit
- File Nonprofit organization incorporation in CT; develop governance docs

May

- File 501(c)(3) application with IRS
- Green Bank staff transitioning to the Nonprofit are officially notified of termination of employment on June 29, 2018
- Nonprofit officially notices the staff transitioning from the Green Bank of an offer of employment starting on July 2, 2018
- Ongoing capital raising
- Draft and complete PSAs and MOU between the Green Bank and the Nonprofit

June

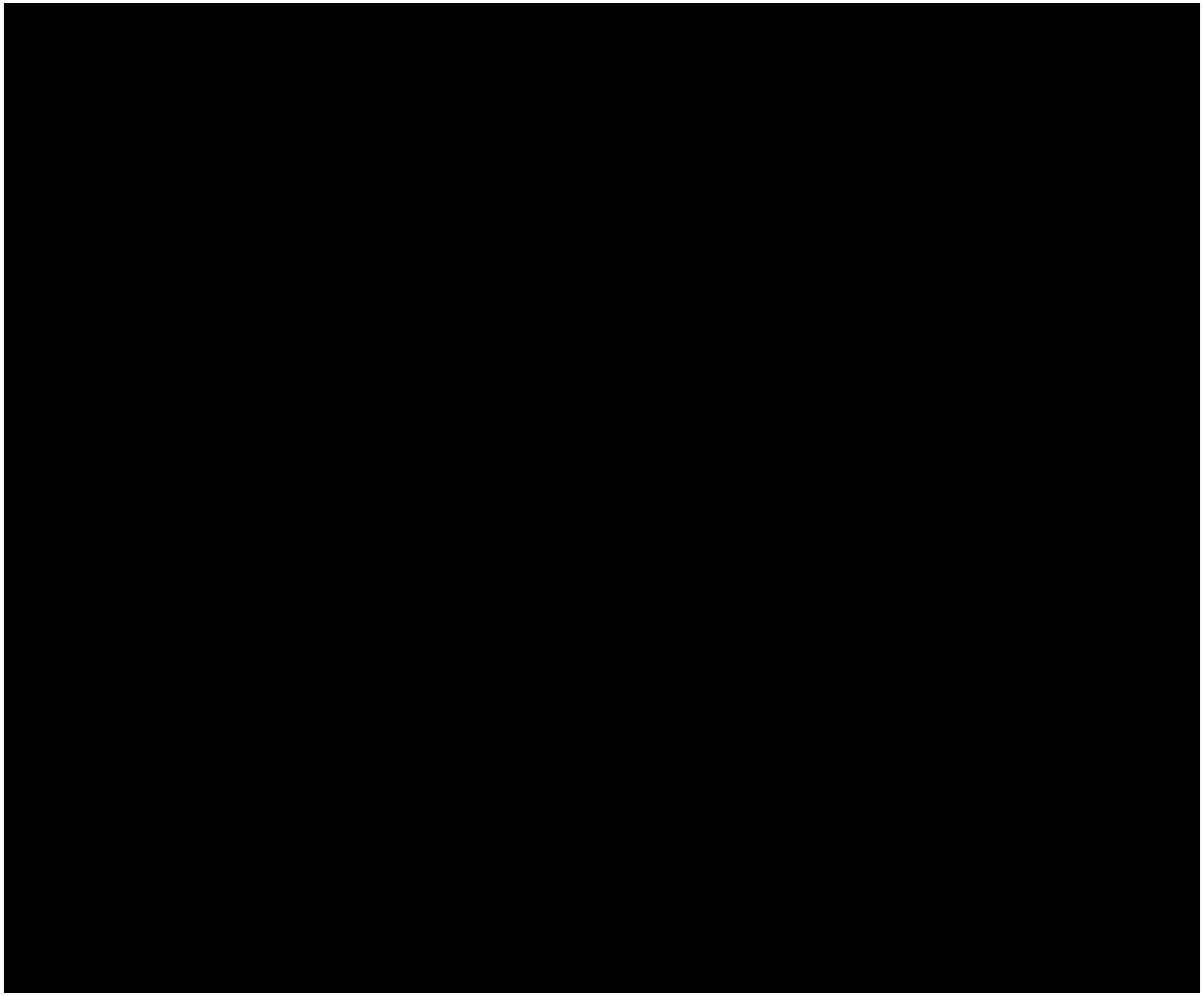
- Board approves PSAs and MOU between the Green Bank and the Nonprofit and for re-grant of DEEP grants

July

- July 2, 2018: Transferred staff begin employment at Nonprofit
- July 3, 2018: The Green Bank and the Nonprofit execute the PSAs, MOU and investment grant agreements; funds are wired to the Nonprofit based on contracts executed, including $6.5 million DEEP grant funds

APPENDIX I – PRODUCT DETAILS

Single Family Project Finance with Implementer



Green and Healthy LMI Multifamily and Community Facility Lending

[redacted]

Commercial Solar Fund

[redacted]

Flexible Project Finance

[redacted]

Smart-E Loan Program

[redacted]

APPENDIX II – OPERATIONS BUDGET DETAIL

The below table shows the details of the operations budget, including a breakdown of expenses attributable to the investing business and the Smart-E fee for service business.

Pro Forma Operations Budget Detail (Figures in '000s)

	FY19	FY20	FY21	FY22
Staff Expense	[redacted]			
Investment Business				
Smart-E				
Total Staff Expense				
Non-Staff Expense				
Business Development and Marketing				
Investment Business				
Smart-E				
Business Development and Marketing Subtotal				
Product Administration				
Investment Business				
Smart-E				
Product Administration Subtotal				
Overhead				
Investment Business				
Smart-E				
Overhead Subtotal				
Total Non-Staff Expense – Investment Business				
Total Non-Staff Expense – Smart-E				
Total Non-Staff Expense				
Total Expense – Investment Business				
Total Expense – Smart-E				
Total Expense				

APPENDIX III – DATA TABLES FOR FINANCIAL SCENARIOS

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]