



## Deployment Committee

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### **Meeting Date**

**December 11, 2020**



## **Deployment Committee**

**Lonnie Reed**

Board Chair

**Binu Chandy**

Deputy Director

DECD

**Michael Li**

Connecticut Department of Energy and  
Environmental Protection (DEEP)

**Shawn Wooden – Designee, Steven**

**Meier**

Treasurer

State of Connecticut

**Matthew Ranelli**

Partner

Shipman & Goodwin

845 Brook Street, Rocky Hill, CT 06067  
T 860.563.0015  
ctgreenbank.com



December 9, 2020

Dear Connecticut Green Bank Deployment Committee:

We have a special meeting of the Deployment Committee scheduled on Friday, December 11, 2020 from 11:30 a.m. to 12:00 p.m.

Please take note that this will be an online meeting only! Given the need to continue to maintain “social distancing” in the face of COVID-19, we are holding this meeting online only.

On the agenda we have the following items:

- **Consent Agenda** – approval of the meeting minutes for November 18, 2020; and
- **Investment Recommendations** – a share buyout offer from Acumentrics, a former equity investment in March of 2002 by the Green Bank’s predecessor – Connecticut Clean Energy Fund.

If you have any questions, comments or concerns, please feel free to contact me at any time. Looking forward to being with you all online in a few days.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Garcia", with a long horizontal line extending to the right.

Bryan Garcia  
President and CEO



## **AGENDA**

### **Special Meeting**

Deployment Committee of the  
Connecticut Green Bank  
845 Brook Street  
Rocky Hill, CT 06067

Friday, December 11, 2020  
11:30 a.m. – 12:00 p.m.

Dial (872) 240-3412  
Access Code: 179-601-101

Staff Invited: Sergio Carrillo, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Jane Murphy, Selya Price, and Eric Shrago

1. Call to order
2. Public Comments – 5 minutes
3. Consent Agenda – 5 minutes
4. Investment Recommendation – 15 minutes
  - a. Acumentrics Share Buyout Offer
5. Adjourn

Join the meeting online at <https://global.gotomeeting.com/join/179601101>

Or call in using your telephone:  
Dial (872) 240-3412  
Access Code: 179-601-101

***Next Regular Meeting: Wednesday, February 24, 2021 from 2:00-3:00 p.m.  
Colonel Albert Pope Board Room at the  
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT***



## **RESOLUTIONS**

Deployment Committee of the  
Connecticut Green Bank  
845 Brook Street  
Rocky Hill, CT 06067

Friday, December 11, 2020  
11:30 a.m. – 12:00 p.m.

Dial (872) 240-3412  
Access Code: 179-601-101

Staff Invited: Sergio Carrillo, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Jane Murphy, Selya Price, and Eric Shrago

1. Call to order
2. Public Comments – 5 minutes
3. Consent Agenda – 5 minutes

### **Resolution #1**

Motion to approve the meeting minutes of the Deployment Committee for November 18, 2020

4. Investment Recommendation – 15 minutes
  - a. Acumentrics Share Buyout Offer

### **Resolution #2**

**WHEREAS**, the Connecticut Green Bank (“Green Bank”) has a legacy ownership interest in Acumentrics Holdings Corporation (“Acumentrics”) is a Walpole, Massachusetts company, by virtue of assuming the assets and liabilities of the Connecticut Clean Energy Fund (as administered by Connecticut Innovations, Incorporated, “CCEF/CI”) when the Green Bank was formed July 1, 2011 pursuant to Public Act 11-80;

**WHEREAS**, Green Bank and other shareholders of Acumentrics will receive a proposal (the “Proposal”) to buy the 978,790 shares of common stock (the Shares”) Green Bank owns (which are held of record by Connecticut Innovations, Incorporated (“CI”) for the benefit of Green Bank) for a price per share of \$0.23 for a total sale price of \$225,121.70;

**WHEREAS**, staff has reviewed the valuation of Acumentrics completed by Carta Valuations LLC, following the guidance regarding valuation methodologies of the American Institute of Certified Public Accountants Accounting and Valuation Guide:

Valuation of Privately-Held-Company Equity Securities as Compensation, and has found the determination of value to be reasonable in the circumstances and summarized the background and findings related to the Shares in a memorandum submitted to the Deployment Committee dated December 11, 2020;

**WHEREAS**, the Deployment Committee, considered the potential for realization of economic benefit if the Green Bank retained the Shares versus disposing of the Shares pursuant to the Proposal, and determined that since the investment is not in line with the current business strategy of the Green Bank and the proceeds from sale of the Shares pursuant to the Proposal could be of benefit for programs or activities related to low-to-moderate families and vulnerable communities;

**NOW**, therefore be it:

**RESOLVED**, that the Deployment Committee approves the sale by Connecticut Innovations, Incorporated as holder of record for the benefit of Connecticut Green Bank of the 978,790 common shares of Acumentrics Holdings Corporation for a price per common share of not less than \$0.23 as explained in a memorandum to the Deployment Committee dated December 11, 2020; 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 sale by Connecticut Innovations, Incorporated of the common shares of Acumentrics Holdings Corporation

5. Adjourn

Join the meeting online at <https://global.gotomeeting.com/join/179601101>

Or call in using your telephone:  
Dial (872) 240-3412  
Access Code: 179-601-101

***Next Regular Meeting: Wednesday, February 24, 2021 from 2:00-3:00 p.m.  
Colonel Albert Pope Board Room at the  
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT***

# ANNOUNCEMENTS

- **Mute Microphone** – in order to prevent background noise that disturbs the meeting, if you aren't talking, please mute your microphone or phone.
- **Chat Box** – if you aren't being heard, please use the chat box to raise your hand and ask a question.
- **Recording Meeting** – per Executive Order 7B (i.e., suspension of in-person open meeting requirements), we need to record and post this board meeting.
- **State Your Name** – for those talking, please state your name for the record.



CONNECTICUT  
**GREEN BANK** SM

# Deployment Committee Special Meeting

December 11, 2020



# Deployment Committee

## Agenda Item #1

### Call to Order

# Deployment Committee

## Agenda Item #2

### Public Comments

# Deployment Committee

## Agenda Item #3

### Consent Agenda

# Consent Agenda

## Resolution 1



1. **Meeting Minutes** – approval of meeting minutes of November 18, 2020

# Deployment Committee

## Agenda Item #4

### Investment Recommendation

### Acumentrics Share Buyout Offer

# Acumentrics

## Background

- Legacy CT Clean Energy Fund investment

### Solid Oxide Fuel Cell Products

Being wound down

### Rugged UPS Products

Continuing Business



06/08/2018 - 10:03

For Immediate Release:

6/8/18 Walpole, MA: Acumentrics, Inc., a leader in military power solutions, announced today that they were selected by Dynetics as a preferred partner in power on Phase III of the Defense Advanced Research Projects Agency (DARPA) Gremlins program. The Phase III objective is to demonstrate safe and reliable aerial launch and aerial recovery of multiple unmanned drone systems capable of employing and recovering diverse distributed payloads in volume quantities.

# Acumentrics

## Background - 2



- Issues with the Solid Oxide Fuel Cell business
  - ❑ Reliability issues
  - ❑ Cost reduction challenges
  - ❑ Shortage of bank credit / capital
  - ❑ Lack of buyers for the business
- “Last chance” investment in 2018 failed to save the business – took decision to close SOFC in May 2019
- Rugged UPS business strong – good product and solid customer base (military, first responders, etc.)
- Majority investors (Source Squared & Rick Pierro) simplified capitalization (forced conversions) + buyout offer

# Acumentrics

## Background - 3



- Chronology (abbreviated)
  - March 2002 – acquired 444,444 Class B Common for \$4,000,000
  - Investment was related to moving / developing manufacturing ops to CT (not fulfilled – resulting in legal action & mediation – as well as a State ethics investigation) – **settlement reached**
  - Under rights of the majority holders of the Series A Preferred and Series C Preferred, exercised their rights in 2020 to cause **all** shareholders, regardless of class, to convert to Common ownership (simplify structure pre re-cap Dec 2020)
  - CGB’s ownership (through CI) in Acumentrics Holdings post conversion consists of 978,790 shares of Class A Common with a value, per the “fairness opinion” valuation of 23 cents a share, equal to \$225,121.70.



# Acumentrics

## Fairness Opinion



- Management of Acumentrics engaged Carta Valuations, LLC, to perform a valuation analysis to derive the fair market value of the common equity of Acumentrics for the buyout offer
  - Determined value to be \$33.7 million
  - Per fully converted share = \$0.42
  - Reduced by a discount (45%) for lack of marketability
- Result: Class A Common ascribed a value per share of \$0.23
- CGB's ownership (978,790 shares) = \$225,121.70
- CGB Finance Team performed a “sanity check” based on a projection of EBITDA gleaned from recent financial information and statements of management
- Conclusion: the proposed value of \$0.42 is reasonable

## For Discussion: consideration of the buyout @ \$0.23 per share

- Options:
  - Take no action and continue to hold the common shares received on conversion
  - Elect to participate in the offer as a buyer pro rata to CGB's common shares as a percentage of all interested buyers  
(**Note: CGB might not be able to invest out of CT**)
  - Elect to sell CGB's common shares at the offer price (\$0.23), in which case the total willing buyer pool will be allocated to the total willing selling pool pro rata.
- Transaction to close by December 15, 2020

# Acumentrics

## Resolutions



**RESOLVED**, that the Deployment Committee approves the sale by Connecticut Innovations, Incorporated as holder of record for the benefit of Connecticut Green Bank of the common shares (following conversion of the Series B Preferred Stock) of Acumentrics Holdings Corporation (the “Company”) for a price per common share of not less than \$0.23 as explained in a memorandum to the Deployment Committee dated December 11, 2020; 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 sale by Connecticut Innovations, Incorporated of the common shares of Acumentrics Holdings Corporation

# Deployment Committee

Agenda Item #5  
Adjourn



**DEPLOYMENT COMMITTEE OF THE  
CONNECTICUT GREEN BANK**  
Regular Meeting Minutes

Wednesday, November 18, 2020  
2:00 – 3:00 p.m.

A regular meeting of the Deployment Committee of the **Connecticut Green Bank (the “Green Bank”)** was held on November 18, 2020.

**Due to COVID-19, all participants joined via the conference call.**

Committee Members Present: Binu Chandy (DECD), Michael Li (DEEP), Matt Ranelli

Committee Members Absent: Steven Meier

Staff Attending: Sergio Carrillo, Mackey Dykes, Brian Farnen, Bryan Garcia, Jane Murphy, Selya Price, Cheryl Samuels, Ariel Schneider, Eric Shrago, Nicholas Zuba

Others present: Giulia Bambara

**1. Call to Order**

- Bryan Garcia called the meeting to order at 2:04 pm.

**2. Public Comments**

- No public comments.

**3. Consent Agenda**

**Resolution #1**

Motion to approve the minutes of the Deployment Committee meeting for May 27, 2020.

**Upon a motion made by Binu Chandy and seconded by Matthew Ranelli, the Deployment Committee voted to approve Resolution 1. None opposed or abstained. Motion unanimously approved.**

**4. Financing Program Recommendations and Updates**

**a. Mystic Aquarium C-PACE Project (Revision)**

- Mackey Dykes summarized that the Mystic Aquarium would like to add another Solar PV system to the project after the Board had approved the \$1,285,872 loan term. The Green Bank needs another approval due to the loan increase to \$1,458,419.

## Subject to Changes and Deletions

- Michael Li asked if the financial situation was comfortable. Mackey Dykes responded affirmatively. There were additional projections done based on possible stressful scenarios and the financial team was happy with the results.
- Michael Li asked about the marketing conditions discussed at the previous Board Meeting as an incentive for the lower interest rate. Mackey Dykes answered that he spoke with the CEO of the Mystic Aquarium, who was on board with the idea. The Green Bank Marketing team has been working on the proposal and the marketing plan will be included in the financing agreement.

### **Resolution #2**

**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 Deployment Committee in September of 2019 approved a **\$1,285,872** construction and term loan under the C-PACE program to Sea Research Foundation, Inc., the building owner of 55 Coogan Blvd, Mystic, Connecticut, 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 Board of Directors in October of 2020 reauthorized the C-PACE financing for a **\$1,259,862** construction and term loan under the C-PACE program at a concessional rate to Sea Research Foundation, Inc., the building owner of 55 Coogan Blvd, Mystic, 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 as more fully explained in a memorandum submitted to the Board dated October 16, 2020 (the "Memorandum"); and

**WHEREAS**, the Aquarium seeks to include additional solar PV which would increase the C-PACE financing to **\$1,458,419**.

**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 in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the Memorandum, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 180 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

## Subject to Changes and Deletions

deem necessary and desirable to affect the above-mentioned legal instruments.

**Upon a motion made by Matthew Ranelli and seconded by Binu Chandy, the Deployment Committee voted to approve Resolution 2. None opposed or abstained. Motion approved unanimously.**

### **5. Incentive Program Recommendations and Updates** **a. RSIP-E Step 16 and 17 Update**

- Sergio Carrillo gave an update to the RSIP Extension program (RSIP-E). The RECs generated will be known as REC-Es.
- The Green Bank met with the utilities Eversource and United Illuminating who were not interested in a long-term transaction. Eversource and UI suggested reaching out to creditworthy Load Serving Entities (LSEs) or Brokers for a short-term transaction alternative. The Green Bank received two quotes from the three LSEs contacted, the third did not respond. Both proposals include a fixed price, which has volume requirements and penalties for not fulfilling those volumes, or a unit-contingent price, which is more flexible based on volume though it is at a lower price. Overall, the prices are much higher than the \$20 average price per REC over 15 years the Green Bank estimates will be needed to cost recover the incentives provided through the RSIP-E Program, and thus it was decided to go with a unit-contingent plan. The Green Bank estimates there will be at least 75,000 RECs available to sell.
  - LSE #2 expressed their interest in the project and is offering the same price for both a fixed basis and unit-contingent basis transaction.
  - Matthew Ranelli asked if the buyer would be required to buy the RECs offered, and Sergio Carrillo answered they would be up to the amount within the contract. So, if the contract was for 70,000 RECs and the Green Bank generated 80,000 RECs, then the buyer is not obligated to purchase the 10,000 remaining.
    - Binu Chandy asked who would then buy the remaining RECs. Sergio Carrillo said they could be sold to the LSE, but not within the contract, or may be sold in the market at the current price at sale. Sergio Carrillo doesn't expect REC prices to be higher than what is being offered. However, the risk may be if the market is oversaturated, the RECs could sell for a low price or not at all. Matthew Ranelli noted that issue would be present within a fixed price plan regardless.
- Sergio Carrillo stated the Green Bank is currently engaged in contract negotiations with LSE #2 for a unit-contingent transaction and is expected to complete negotiations within 10 days.
  - Michael Li asked if the creditworthiness of the two LSEs is about equal. Sergio Carrillo stated no, as LSE #2 is very large and financially stable, and LSE #1 is less stable and though large, not as large as LSE #2.
  - Matthew Ranelli asked if there were other LSEs within the market who may be worth investigating in the future. Sergio Carrillo stated yes, there are dozens of LSEs and of that group, a small handful are large and the most worth pursuing.
    - Matthew Ranelli stated his concern as to whether an RFP is required for this contract, to adhere to auditing requirements. Sergio Carrillo stated that the Green Bank will also be reaching out to brokers to be sure there are at least 4 quotes total and is in communication with 2 brokers currently. The brokers do not offer purchase prices as far out as 2023 and 2024 however, though official quotes will be received as part of the due diligence for this project.

Subject to Changes and Deletions

**6. Adjourn**

**Upon a motion made by Matthew Ranelli and seconded by Michael Li, the Deployment Committee Meeting adjourned at 2:31 pm.**

Respectfully submitted,

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Michael Li, Chairperson

DRAFT





# Legacy Investment Memo

**To:** Connecticut Green Bank Deployment Committee  
**CC:** Bryan Garcia, President and CEO; Brian Farnen, General Counsel and CLO; Eric Shrago, Managing Director of Operations; Jane Murphy, VP Finance & Administration  
**From:** Bert Hunter, EVP and CIO  
**Date:** December 11, 2020  
**Re:** Proposal from Buying Shareholders of Acumentrics Holdings Corporation to Purchase CGB Legacy Shareholding (held by Connecticut Innovations Incorporated)

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## Clean Energy Fund Legacy Investments and CT Innovation Administration and Management

The Connecticut Clean Energy Fund made numerous early stage investments in clean energy technologies. The Connecticut Green Bank (Green Bank) has rights and ownership of these legacy investments by virtue of assuming the assets and liabilities of the Connecticut Clean Energy Fund (as administered by Connecticut Innovations, Incorporated, "CCEF/CI") when the Green Bank was formed in 2011 pursuant to Public Act 11-80.

As Connecticut Innovation's (CI) investment team has valuable experience in the evaluation, negotiation, closing, administration and management of equity investments, or investments with equity characteristics, in technology companies, the Green Bank utilized CI to manage the legacy early stage investments of the Connecticut Clean Energy Fund under an Updated and Restated Memorandum of Understanding dated September 29, 2014.

Acumentrics Holdings Corporation ("Acumentrics") is a Walpole, Massachusetts company that is one of these legacy investments. Based on CI's guidance, oversight and input as well as our independent review, the Green Bank makes the following recommendations to the Green Bank Board of Directors regarding the Acumentrics' investment.

### Acumentrics Investment Background

In an effort related to attracting Acumentrics to Connecticut to establish a manufacturing facility for its solid oxide fuel cell (SOFC) business, the CCEF/CI made a \$4 million investment (via a Series B preferred stock issuance by Acumentrics) in March of 2002. CCEF/CI also entered into a supply agreement pursuant to which CCEF/CI paid \$1.5 million for the delivery of certain products. See attached chronology attached as Exhibit A.

Acumentrics never relocated or established operations in Connecticut which led to an arbitrated settlement over claims which CCEF/CI asserted against Acumentrics exceeding \$11 million.

Following a series of capital raises (no additional funds were invested by CCEF/CI beyond the original \$4 million), the CCEF/CI position stands at 978,790 shares of common stock (the “Shares”). CCEF/CI ends up today with common stock, rather than preferred stock that it originally held, due to lead investors in the Series A Preferred and the Series B Preferred obtaining the rights to cause a conversion of all classes of Preferred (A, B and C) into common shares (see Exhibit B). The holders of the Series A Preferred and the Series B Preferred (referred to herein as “Source Squared Group”) exercised their rights to cause a conversion of all classes last month (November) as a prelude to the proposed offer to other shareholders seeking to exit at this time for \$0.23 per common share (the “Proposal”, see Exhibit C).

### **Acumentrics Lines of Business**

Prior to 2020, Acumentrics had two lines of business, one being the SOFC business that CCEF/CI sought to attract to Connecticut and the other being the manufacturing and sale of a line of military and industrial battery-based rugged uninterruptible power supplies (“RUPS”) for providing high-quality power in harsh environments. The SOFC business was never profitable, consumed cash, and after several tries (including an investment by Source Squared Group) and an inconsistent performance record, was liquidated.

The RUPS business has demonstrated some level of profitability (annual EBITDA ~\$2 million, see Exhibit C, page 2). While there seems to be a growing market for the RUPS business, there can be no assurance that sales of RUPS products and resulting EBITDA would progress at a rate that would result in a valuation materially superior to the valuation determined by Carta Valuations LLC (see Carta Valuation supplied via BoardEffect). (Note: staff determined that EBITDA would need to grow at a consistent rate of approximately 20% per annum in order to breakeven with the Carta valuation). So while there could be the potential for additional appreciation in the value of Green Bank’s Shares, there is no assurance given Green Bank’s relatively immaterial ownership interest (1.18%) that Green Bank could influence a cash exit of any or all of the Shares within a reasonable period of time.

### **Recommendation**

Given Green Bank’s relatively immaterial ownership interest in Acumentrics and owing to this immaterial interest Green Bank’s inability to influence a cash exit of any or all of the Shares within a reasonable period of time, and given the reasonableness, in the circumstances of limited marketability, of the value of the Shares, and the fact that the investment is not in line with the current business strategy of the Green Bank and the proceeds from sale of the Shares pursuant to the Proposal could be of benefit for programs or activities related to low-to-moderate families and vulnerable communities, staff recommends the sale by CI as holder of record for the benefit of Connecticut Green Bank of the 978,790 common shares of Acumentrics Holdings Corporation for a price per common share of not less than \$0.23 as explained in the Proposal.

## Resolutions

**WHEREAS**, the Connecticut Green Bank (“Green Bank”) has a legacy ownership interest in Acumentrics Holdings Corporation (“Acumentrics”) is a Walpole, Massachusetts company, by virtue of assuming the assets and liabilities of the Connecticut Clean Energy Fund (as administered by Connecticut Innovations, Incorporated, “CCEF/CI”) when the Green Bank was formed July 1, 2011 pursuant to Public Act 11-80;

**WHEREAS**, Green Bank and other shareholders of Acumentrics will receive a proposal (the “Proposal”) to buy the 978,790 shares of common stock (the Shares”) Green Bank owns (which are held of record by Connecticut Innovations, Incorporated (“CI”) for the benefit of Green Bank) for a price per share of \$0.23 for a total sale price of \$225,121.70;

**WHEREAS**, staff has reviewed the valuation of Acumentrics completed by Carta Valuations LLC, following the guidance regarding valuation methodologies of the American Institute of Certified Public Accountants Accounting and Valuation Guide: Valuation of Privately-Held-Company Equity Securities as Compensation, and has found the determination of value to be reasonable in the circumstances and summarized the background and findings related to the Shares in a memorandum submitted to the Deployment Committee dated December 11, 2020;

**WHEREAS**, the Deployment Committee, considered the potential for realization of economic benefit if the Green Bank retained the Shares versus disposing of the Shares pursuant to the Proposal, and determined that since the investment is not in line with the current business strategy of the Green Bank and the proceeds from sale of the Shares pursuant to the Proposal could be of benefit for programs or activities related to low-to-moderate families and vulnerable communities;

**NOW**, therefore be it:

**RESOLVED**, that the Deployment Committee approves the sale by Connecticut Innovations, Incorporated as holder of record for the benefit of Connecticut Green Bank of the 978,790 common shares of Acumentrics Holdings Corporation for a price per common share of not less than \$0.23 as explained in a memorandum to the Deployment Committee dated December 11, 2020; 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 sale by Connecticut Innovations, Incorporated of the common shares of Acumentrics Holdings Corporation

Submitted by: Bert Hunter, EVP and CIO

## Acumentrics/Connecticut Innovations - Chronology:

- In March of 2002, Connecticut Innovations entered into a purchase agreement to purchase 444,444 shares of Acumentrics' Class B Common Stock for which it paid \$4M. In addition, Connecticut Innovations entered into a supply agreement in which CI prepaid Acumentrics \$1.5M for the delivery of certain products.
- By 2004, Acumentrics was in breach of both the Purchase Agreement and the Supplier Agreement. The Purchase Agreement required Acumentrics to move its manufacturing operations to Connecticut by no later than December 25, 2003, which it had not, and, pursuant to the Supplier Agreement, Acumentrics was obligated to deliver to Connecticut Innovations certain products within the time period set forth in the Supplier Agreement, also which it had not. By this time, Connecticut Innovations had paid \$5.5M to Acumentrics and Acumentrics has not performed under either the Purchase Agreement or the Supplier Agreement.
- In October 22, 2004, Connecticut Innovations exercised its Right To Put, set forth in the Purchase Agreement, requiring Acumentrics to purchase from Connecticut Innovations all shares of Common Stock. The Right To Put as defined in the Purchase Agreement called for the payment to Connecticut Innovations from Acumentrics of the purchase price of the shares, plus an amount calculated to yield an aggregate twenty-five percent (25%) per annum annually compounded rate of return on the purchase price from the date of each such payment to the date that the Put Price is paid to Connecticut Innovations. The exercise of the Right to Put set certain events in motion, most notably, the Demand for Arbitration.
- By August of 2005, in recognition of CIs' strong legal position, a mediation process was begun. The key issue at the mediation was how to convert Connecticut Innovations' equity investment and prepayment to debt, and recognize Connecticut Innovations desire to be made whole under the Purchase Agreement and the Supplier Agreement and discharge its fiduciary obligation to the rate payers of the State of Connecticut, while recognizing a necessary forbearance to permit the continued viable existence of Acumentrics.
- In September 2005, the mediation ultimately resulted in an MOU that would take Connecticut Innovations' equity investment of \$4M, together with the 1.5M equipment prepayment, and convert them into a preferred debt instrument, in which the \$4M portion would be increased on conversion to the amount necessary to provide to Connecticut Innovations a twenty-five percent (25%) annually compounded rate of return on such monies from the date advanced. The entire debt would carry a reasonable interest rate and maturity schedule and Connecticut Innovations would agree to defer any interest payments in the first year. Upon an institutional equity financing on terms agreed to by Connecticut Innovations and the lead investors in such financing, the entire Connecticut Innovations debt would convert into equity. Connecticut Innovations' representative stated that there was an additional loss not reflected in the restructuring document, namely, the loss of the non-move to Connecticut in terms of jobs, fuel cells and other anticipated economic benefits to the State of Connecticut. Connecticut Innovations emphasized that Connecticut Innovations needs to move from an equity position to a debt position, Acumentrics' representative stated that the existing lenders could block and/or need to approve new debt.
- In September 2005, CI demanded \$10M to settle its claims with Acumentrics.
- By March of 2006, with interest and penalties as set forth in two agreements, Connecticut Innovations claim against Acumentrics had grown to \$11.6M.



**APPENDIX D**

August 3<sup>rd</sup> 2018

**Board of Directors**

**Acumentrics Holding Corporation**

Dear fellow Board members,

In our discussions about the proposed Series D Preferred of Acumentrics Holding Corporation, we asked Holding's management and counsel to confirm our **existing rights** as holders of a majority of the Series A Preferred and Series C Preferred, to cause conversion of all current classes of Preferred (A, B and C) at Holdings. This was confirmed.

We thought that it would be helpful to the Board and to the other shareholders of Holdings, to know our current thinking on whether and when we might exercise these existing rights to simplify the Holdings Cap Table.

Our current thinking is that we currently anticipate exercising these rights some time in 2019. We believe that the viability of Atrex will be clear in that timeframe and that consequent decisions on Atrex, including sale, winding down or 3<sup>rd</sup> party expansion financing are likely to lead to a need to simplify the Holdings capital structure then as a precursor to a likely reorganization of the three company structure.

James Wilson

James Rosenfield

65 Upland Road, Brookline MA 02445  
Telephone: (617) 396-4236



## SHAREHOLDER LETTER

*November 9<sup>th</sup>, 2020*

***Dear investors***

I am writing to provide an update on Acumentrics Holdings Corporation ('the company') since I wrote to you on August 3<sup>rd</sup>, 2018 offering participation in the Series D Preferred financing of up to \$5 million and to inform you of two important new events;

- a) The Board of Directors has received a notice of intent from Source Squared to initiate a conversion of all preferred shares to Common shares, as anticipated in my August 2018 letter
- b) Source Squared and Rick Pierro have indicated their intent to offer to underwrite a one-time buyout offer to all investors pro-rata up to \$2 million, at the price of \$0.23 per share as set by CARTA, an independent valuation firm engaged by Acumentrics. Current preferred shareholders will have the contractual right to participate in this offer as sellers or buyers based on their common shares on conversion

The Series D financing closed in August 2018 at \$2.5 million for 37.1% of the equity, with a \$2.5 million follow on right. The initial \$2.5 million was used, as planned, to provide financing for a final effort to turn around the company's fuel cell subsidiary, Atrex Holdings, Inc. This effort was not successful. Atrex lost \$2.7 million in 2018 and entered 2019 showing no material improvement in revenues or operating losses and continued problems in system reliability, so we made the decision to close the business in May 2019. We asked investors to fund their optional follow-on \$2.5 million Series D financing in two tranches, in June and August 2019. The first tranche was used to fund the wind down of Atrex including a settlement with creditors and sale of the equipment and IP for modest amounts to an Ohio and an Indian company. As part of the wind down we were able to preserve the Atrex NOL's in the Company. The second tranche we retained for general corporate purposes at the company.

We completed the wind down of Atrex in October 2019. The company now has just the one business line, the original rugged UPS division that was spun out in 2015 as a separate business (Acumentrics, Inc.).

The Acumentrics, Inc. business is performing well. The table below summarizes the financial results we forecast in 2018 compared to actual results through 2019 and current estimate for 2020 compared to Board approved budget.:





000's	2018		2019		2020	
	8/18 Forecast	Actual	8/18 Forecast	Actual	Original Budget	Current Estimate
Revenue	\$ 13,907.0	\$ 14,351.0	\$ 18,134.0	\$ 18,460.0	\$ 24,055.6	\$ 24,100.0
Gross Profit	\$ 6,034.0	\$ 6,124.0	\$ 8,132.0	\$ 6,486.0	\$ 9,298.0	\$ 9,037.5
Gross Margin	43.3%	42.7%	44.8%	35.1%	38.7%	37.5%
Op-ex	\$ 4,498.0	\$ 4,336.0	\$ 5,278.0	\$ 5,178.0	\$ 6,270.0	\$ 6,637.5
EBITDA	\$ 1,539.0	\$ 1,788.0	\$ 2,853.0	\$ 1,308.0	\$ 3,027.7	\$ 2,400.0
EBITDA Margin	11.1%	12.5%	15.7%	7.1%	12.6%	10.0%

EBITDA performance in 2019 was disrupted due to an unusual large shift in product mix sales from originally forecasted high margin units to actually produced lower margin product. This caused several challenges in our supply chain leading to increased cost of goods sold.

Our actual results through September 2020 have been tracking very close to budget and well ahead of 2019. We have seen increased operating expenses due to the COVID-19 pandemic which has negatively impacted EBITDA. We therefore expect to end the year essentially on budget on revenues but with EBITDA closer to \$2.3M.

Acumentrics will not know the full impact of this Worldwide pandemic for several years. Given the long sales cycle for developing new opportunities, we were less impacted in 2020 due to the work done starting many years ago. The economic slowdown that has resulted from COVID may impact revenue growth into 2022 and beyond.

Following the wind down of Atrex last year, the Board had received notice from Source Squared of its intent to trigger conversion of all Preferred shares to Common shares. Source Squared notified the Board of this intent in 2018 prior to closing the Series D Preferred round of financing and I had included this notice of intent in my letter of August 3<sup>rd</sup>, 2018, Appendix D.

With the Atrex asset sale process completed, Source Squared has indicated its intent to initiate conversion of Preferred to Common therefore triggering a Board discussion of a potential buy-out offer to investors. This discussion began at the end of last year, was put on hold on the outbreak of the Covid-19 pandemic and has now been brought back.

On review of these discussions earlier this year:

- The company commissioned a CARTA 409A valuation of the business, both for planned employee option issuance and as a basis for buy-out consideration pro-forma conversion of all Preferred to Common.
- The CARTA valuation dated October 21<sup>st</sup>, 2020 is attached as Appendix A and shows a value of \$0.23 per share of Common
- The Board has considered whether or not to exercise its right of first refusal for any shares tendered at this price and has decided to waive its pre-emption right based on management's recommendation to reserve as much capital as possible in case there is a slowdown in business due to COVID-19. As I stated above, there are many unknowns regarding the true impact of this pandemic to our business.



Following the Board's decision to waive its pre-emptive right at this time, Source Squared and Rick Pierro have indicated their willingness to underwrite a one-time offer to all investors pro-rata up to \$2 million to sell at the CARTA valuation of \$0.23 a share.

You should expect to receive this formal offer next week. My understanding from Company counsel is that each of you, on receipt of the formal offer, will be able either:

1. To take no action and continue to hold the common shares you receive on conversion
2. To elect to participate in the offer as a buyer pro rata to your common shares as a percentage of all interested buyers.
3. To elect to sell your common shares at the offer price, in which case the total willing buyer pool will be allocated to the total willing selling pool pro rata.

In anticipation of this offer, I therefore want to provide you with the shareholding and company financial information you may need, and I accordingly attach:

1. The CARTA valuation (which includes preliminary financial forecasts through 2022). At \$0.23 per share of Common, the CARTA valuation is roughly equivalent to an enterprise value of \$24 million, which would represent 1.3 times 2019 revenue, 18.5 times 2019 EBITDA, 1 times estimated 2020 revenue and 10 times 2020 estimated EBITDA.
2. Audited financials for the year ended December 31<sup>st</sup>, 2019 and management prepared financials through 3<sup>rd</sup> quarter 2020

You can find a detailed analysis of your holdings in the CARTA software which you all should have access to. The CARTA platform provides investment amounts, date, and current holdings including the number of as converted common shares.

I have requested that Source Squared close on this transaction by December 15, 2020, therefore I am asking all of you to respond to any company or prospective buyer correspondence as soon as possible.

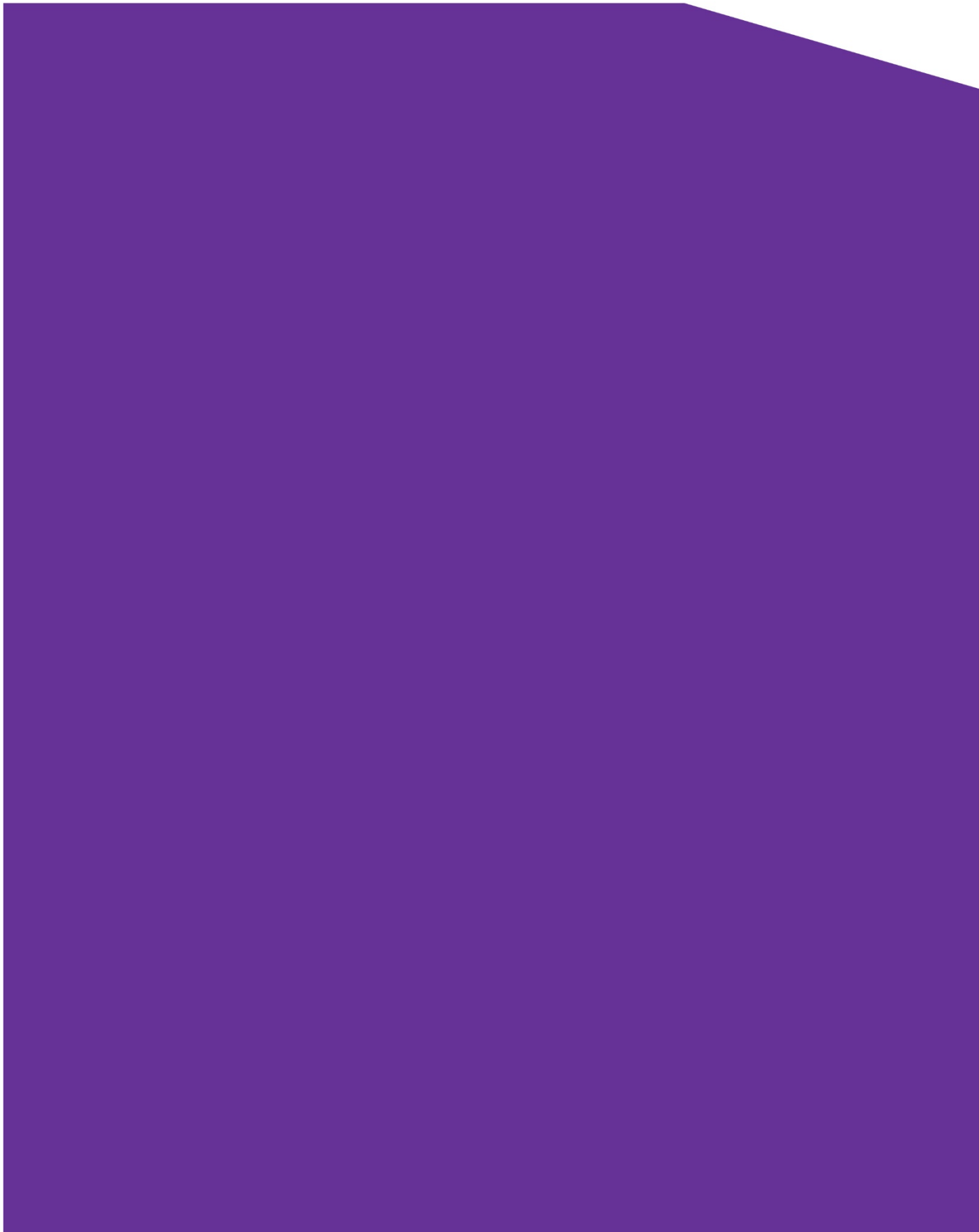
I am available to all of you should you have any questions and need assistance with any of the information being shared.

THANK YOU

A handwritten signature in blue ink, appearing to be 'John C. Cerulli', written in a cursive style.

Sincerely,  
John C. Cerulli  
Chief Executive Officer





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