CONNECTICUT GREEN BANK SM

Board of Directors

Meeting Date

September 12, 2019

Board of Directors

Mary Sotos

Senior Policy Advisor of Energy,

DEEP

Betsy Crum

Former Executive Director, Women's Housing Institute

Thomas M. Flynn

Managing Member, Coral Drive Partners LLC

Eric Brown

Senior Counsel, CT Business & Industry Association

John Harrity

President, Connecticut State Council of Machinists

Binu Chandy

Deputy Director,

DECD

Shawn Wooden

Treasurer, State of Connecticut

Matthew Ranelli, Secretary

Partner, Shipman & Goodwin LLP

Kevin Walsh

GE Energy Financial Services' Power and Renewable Energy

845 Brook Street, Rocky Hill, CT 06067
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CONNECTICUT
GREEN BANK

September 5, 2019

Dear Connecticut Green Bank Board of Directors:

We have a special meeting of the Board of Directors scheduled on **Thursday, September 12, 2019 from 11:30 a.m. to 1:00 p.m.** in the Colonel Albert Pope Board Room of the Connecticut Green Bank at 845 Brook Street, Rocky Hill, CT 06067. For those attending in person, lunch will be served.

The team has been working really hard over the summer! Thank you for allowing us to schedule this special meeting, and to then extend it by thirty minutes because we have A LOT of transactions on the agenda that we will need to expeditiously work through.

[Note – all those with (*) are agenda items whose materials will be coming by the close of business on Monday, September 9th]:

- **Consent Agenda** – review and approval of prior meeting minutes for July 18, 2019, and review and approval of staff approved transactions up to $500,000 and no more in aggregate than $1,000,000.

- **Committee Recommendations** – the Audit, Compliance and Governance Committee ("ACG Committee") would like to provide an update on the recent review of the recommendations from the Auditors of Public Account on the FY 16-FY17 audit. The ACG Committee would also like to provide an update on the board or director meeting attendance for FY19.

- **Financing Programs** – the staff is bringing a myriad of transactions that support our Comprehensive Plan and Budget, including:

    1. **C-PACE Transaction** – a conventional C-PACE transaction for a project in East Windsor;
    2. **C-PACE Credit Enhancement RFP** – a proposal for the Green Bank to provide capital to Greenworks Lending to incentivize Connecticut-based transactions by reducing their blended cost of capital;
    3. **PosiGen Credit Line Adjustment** – a modification to the LMI-PBI loan to support additional jobs in Connecticut through the creation of a corporate call center;
    4. **Fort Hill Farm Waste to Energy AD Project** – a modification of a prior loan guarantee to a loan for the AD project;
    5. **Capital for Change Smart-E Loan** – a funding facility with Amalgamated Bank to support additional residential clean energy financings by Capital for Change through the Smart-E Loan;
    6. **Hampshire Foundation Impact Investment** – an innovative financing partnership with a foundation that will invest in Green Bank assets and share financial returns with a Connecticut-based nonprofit; and

7. **Sustainable CT Partnership** (*) – a grant to a nonprofit organization in support of citizen engagement in communities that will result in additional project financings through Green Bank programs.

- **Incentive Programs** – support for Tranche 3 of SHRECs from the RSIP for a securitization (i.e., green bond issuance) and a warehouse facility.

As you can see, we have a number of transactions to work through. Thank you again for your willingness to regroup for this special meeting so that we can put these transactions in place and support the implementation of our Comprehensive Plan and Budget.

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

Until then, enjoy the upcoming weekend!

Sincerely,

Bryan Garcia
President and CEO

CONNECTICUT GREEN BANK

AGENDA

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

Thursday, September 12, 2019
11:30 a.m. to 1:00 p.m.

Dial (872) 240-3412
Access Code: 401-107-357

Staff Invited: Craig Connolly, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Jane Murphy, Selya Price, Eric Shrago, and Kim Stevenson

1. Call to order

2. Public Comments – 5 minutes

3. Consent Agenda – 5 minutes

    a. Meeting Minutes from July 18, 2019
    b. Approval of Transactions Under $500,000 but No More in Aggregate than $1,000,000

4. Committee Recommendations and Updates – 10 minutes

    a. Audit, Compliance and Governance Committee – 10 minutes

        i. APA Recommendations and Staff Responses
        ii. Board of Director Meeting Attendance

5. Financing Programs Recommendations – 60 minutes

    a. C-PACE Transaction – East Windsor
    b. C-PACE Credit Enhancement RFP – Third-Party Financier Investment
    c. PosiGen – Adjustment within Existing Credit Limit
    d. Fort Hill Farm Waste to Energy AD Project – Adjustment from Guaranty to Loan within Existing Credit Limit
    e. Capital for Change (C4C) Smart-E Funding Facility with Amalgamated
    f. Hampshire Foundation Impact Investment
    g. Sustainable CT – Partnership in Citizen Engagement

6. Incentive Programs Recommendations – 10 minutes

a. SHREC Green Bond RFP & SHREC Warehouse Resolution Adjustments

7. Adjourn

Join the meeting online at https://global.gotomeeting.com/join/401107357

Or call in using your telephone:
Dial (872) 240-3412
Access Code: 401-107-357

Next Regular Meeting: Friday, October 25, 2019 from 9:00-11:00 a.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

Thursday, September 12, 2019
11:30 a.m. to 1:00 p.m.

Dial (872) 240-3412
Access Code: 401-107-357

Staff Invited: Craig Connolly, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Jane Murphy, Selya Price, Eric Shrago, and Kim Stevenson

1. Call to order

2. Public Comments – 5 minutes

3. Consent Agenda – 5 minutes

    a. Meeting Minutes from July 18, 2019

Resolution #1

Motion to approve the meeting minutes of the Board of Directors for July 18, 2019

    b. Approval of Transactions Under $500,000 but No More in Aggregate than $1,000,000

Resolution #2

WHEREAS, on January 18, 2013, the Connecticut Green Bank (the "Green Bank") Board of Directors (the "Board") authorized the Green Bank staff to evaluate and approve funding requests less than $300,000 which are pursuant to an established formal approval process requiring the signature of a Green Bank officer, consistent with the Green Bank Comprehensive Plan, approved within Green Bank's fiscal budget and in an aggregate amount not to exceed $500,000 from the date of the last Deployment Committee meeting, on July 18, 2014 the Board increased the aggregate not to exceed limit to $1,000,000 ("Staff Approval Policy for Projects Under $300,000"), on October 20, 2017 the Board increased the finding requests to less than $500,000 ("Staff Approval Policy for Projects Under $500,000"); and

WHEREAS, Green Bank staff seeks Board review and approval of the funding requests listed in the Memo to the Board dated September 12, 2019 which were approved by Green

Bank staff since the last Deployment Committee meeting and which are consistent with the Staff Approval Policy for Projects Under $500,000;

NOW, therefore be it:

RESOLVED, that the Board approves the funding requests listed in the Memo to the Board dated September 12, 2016 which were approved by Green Bank staff since the last Deployment Committee meeting. The Board authorizes Green Bank staff to approve funding requests in accordance with the Staff Approval Policy for Projects Under $500,000 in an aggregate amount to exceed $1,000,000 from the date of this Board meeting until the next Deployment Committee meeting.

4. Committee Recommendations and Updates – 10 minutes

   a. Audit, Compliance and Governance Committee – 10 minutes

      i. APA Recommendations and Staff Responses
      ii. Board of Director Meeting Attendance

5. Financing Programs Recommendations – 60 minutes

   a. C-PACE Transaction – East Windsor

<u>Resolution #3</u>

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 $609,282 construction and (potentially) term loan under the C-PACE program to TR Associates 1, LLC., the building owner of 3 Thompson Road, East 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 Committee dated

September 5, 2019, 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.

b. C-PACE Credit Enhancement RFP – Third-Party Financier Investment

Resolution #4

WHEREAS, per 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 is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, to further its goal of building a robust and competitive C-PACE market in Connecticut, the Green Bank issued a Request for Proposals ("RFP") on May 20th, 2019 to develop a capital provider-owned capital facility with the goal of accelerating market growth;

WHEREAS, the Green Bank seeks to enter into a financing arrangement with the winner of the RFP: Greenworks Lending Holdings LLC and its affiliate entities (together being "GWL") to provide a $5,000,000 senior secured loan to support the deployment of third-party C-PACE financing;

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Connecticut Green Bank, is authorized to execute a loan agreement, intercreditor agreement, guaranty agreement and any other ancillary documentation with GWL with terms and conditions materially consistent with those presented in the memorandum dated September 5, 2019.

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.

c. PosiGen – Adjustment within Existing Credit Limit

Resolution #5

WHEREAS, the Connecticut Green Bank ("Green Bank") has an existing and successful partnership with PosiGen, Inc. (together with its affiliates and subsidiaries, "PosiGen") to support PosiGen in delivering a solar lease and energy efficiency financing offering to LMI households in Connecticut;

WHEREAS, the Green Bank Board of Directors (“Board) previously authorized the Green Bank’s participation in a credit facility (the “BL Facility”) encompassing all of PosiGen’s solar PV system and energy efficiency leases in the United States as part of the company’s strategic growth plan, in an amount not to exceed $15 million;

WHEREAS, that prior authorization for the BL Facility excluded financing by the Green Bank under a PBI-only financing facility, in order to provide financing for PosiGen against Performance Based Incentive (“PBI”) payments due to PosiGen under the Residential Solar Investment Program (“RSIP”), as such financing was expected to be provided by Inclusive Prosperity Capital, Inc. (“IPC”); and

WHEREAS, in anticipation of IPC being able to participate in a PBI-only financing facility to provide loans against PBI payments due to PosiGen under the RSIP, the Green Bank Board previously authorized the extension of credit by the Green Bank under such separate PBI-only facility to PosiGen in addition to the BL Facility, provided that Green Bank capital outstanding between such PBI-only facility and the BL Facility would not exceed the previously authorized $15 million total;

WHEREAS, IPC has loaned approximately $4m of its capital to PosiGen under a participation agreement with the Green Bank whereby IPC is providing (currently) approximately $3.9m in financing under the PBI-only financing facility;

WHEREAS, in order to loan additional funds to support the economic development investment by PosiGen in a regional call center being located within the State of Connecticut and the Green Bank Staff seeks permission to loan additional funds under the PBI-only facility as further explained in a memorandum to the Board dated September 5, 2019; and

WHEREAS, such additional loans to PosiGen via such PBI-only facility and together with any existing and incremental loans advanced by the Green Bank to PosiGen under the BL Facility would not exceed the previously authorized $15 million limit;

NOW, therefore be it:

RESOLVED, that the Green Bank Board authorizes the Green Bank to lend additional funds to PosiGen under the separate PBI-only facility in addition to the BL Facility, provided that Green Bank capital outstanding between such PBI-only facility and the BL Facility does not exceed the previously authorized $15 million total;

RESOLVED, that the Green Bank shall be permitted to co-lend with IPC to PosiGen under the PBI-only facility by the Green Bank selling down its position in the PBI-only facility to IPC on either the same terms as will exist between Green Bank and PosiGen or with Green Bank subordinated to IPC as explained in a memorandum to the Board dated September 5, 2019, as determined by Green Bank Staff; and

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

d. Fort Hill Farm Waste to Energy AD Project – Adjustment from Guaranty to Loan within Existing Credit Limit

Resolution #6

WHEREAS, in early 2013, Green Bank released a rolling Request for Proposals in the third round of solicitations for anaerobic digestion projects to participate in a statutorily mandated AD Pilot program, an initiative aimed at reducing landfill waste through the recycling of organics and helping to promote sustainable practices and economic prosperity of Connecticut farms and other businesses by using organic waste with on-site anaerobic digestion facilities to generate electricity and recoverable heat;

WHEREAS, Ag-Grid Energy, LLC submitted the Fort Hill Ag-Grid Anaerobic Digestion Facility proposal to develop in the City of Thompson a 450 kW anaerobic digestion project and, after a thorough review, was selected as a project that is consistent with the AD Pilot Program, Green Bank Comprehensive Plan and in the best interests of ratepayers;

NOW, therefore be it:

RESOLVED, that the President of Green Bank and any other duly authorized officer of Green Bank is authorized to execute and deliver definitive documentation materially based on the term sheet set forth in this due diligence package for financial support in the form of up to $850,000 of a loan guaranty or, alternatively a funded loan, as he or she shall deem to be in the interests of Green Bank and the ratepayers;

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

RESOLVED, that the Board's approval is conditioned upon the completion of Green Bank staff's due diligence review, including Green Bank's review and reasonable satisfaction with all project documentation that Green Bank is and is not a party to.

e. Capital for Change (C4C) Smart-E Funding Facility with Amalgamated

Resolution #7

WHEREAS, the Connecticut Green Bank ("Green Bank") entered into a Smart-E Loan program financing agreement with Capital for Change ("C4C");

WHEREAS, C4C is the largest and fastest growing Smart-E lender on the Green Bank Smart-E platform;

WHEREAS, C4C and Green Bank have substantially completed negotiations with Amalgamated Bank for a medium term loan facility to fund C4C's Smart-E Loan and other residential energy efficiency loan portfolio growth; and

WHEREAS, Green Bank staff recommend final approval by the Green Bank Board of Directors (the "Board") for a secured and subordinated medium term revolving loan facility for CEEFCo (the "CEEFCo Revolving Loan") in order to fund CEEFCo's residential energy efficiency and Smart-E Loan portfolio in partnership with Amalgamated Bank.

NOW, therefore be it:

RESOLVED, that the Board approves the CEEFCo Revolving Loan in an amount of up to $4.5 million in capital from the Green Bank balance sheet in support of energy efficiency and Smart-E Loans in partnership with Amalgamated Bank generally consistent with the memorandum submitted to the Board on September 5, 2019;

RESOLVED, that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the CEEFCo Revolving Loan on such terms and conditions as are materially consistent with the memorandum submitted to the Board on September 5, 2019; and

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

f. Hampshire Foundation Impact Investment

Resolution #8

WHEREAS, Connecticut Green Bank ("Green Bank") staff has submitted to the Green Bank Board of Directors (the "Board") a proposal for Green Bank or one of Green Bank's wholly-owned entities ("SPEs") to enter into an agreement with the Hampshire Foundation, or an organization related to Hampshire Foundation, for an impact investment of up to $1,000,000 (the "Hampshire Foundation Impact Investment") whereby the Hampshire Foundation Impact Investment would be used in order to reinvest funds in other Green Bank investments, programs or its operations and to deliver a grant or grants to Sustainable CT as explained in a memorandum to the Board dated September 5, 2019; and

WHEREAS, the Hampshire Foundation satisfies three criteria of the Strategic Selection and Award process of Green Bank operating procedures, namely: (1) uniqueness, (2) strategic importance and (3) urgency and timeliness;

WHEREAS, along with a general repayment obligation by the Green Bank (or, if such obligation of general repayment is by a Green Bank SPE, a general repayment obligation by such SPE together with, if necessary, a guarantee of the Green Bank), Hampshire Foundation could potentially be secured by a general non-exclusive pledge of a commercial solar PPA portfolio owned in part by Green Bank or its SPEs together with their related cash flows associated with the commercial solar PPA program;

WHEREAS, Green Bank staff recommends that the Board approve the proposed Hampshire Foundation Impact Investment, generally in accordance with memorandum summarizing the Hampshire Foundation Impact Investment and the terms generally presented to the Board in a memorandum dated September 5, 2019; and

WHEREAS, Green Bank would benefit from a process that would open the door of the Green Bank to a broader array of impact investors to supplement funding sources for the Green Bank and diversify the Green Bank's base of stakeholders and to support Sustainable CT;

NOW, therefore be it:

RESOLVED, that the Board approves Green Bank (or one of its wholly-owned SPEs on behalf of Green Bank and, if necessary, with a guarantee of the Green Bank) to enter into the Hampshire Foundation Impact Investment as a strategic selection;

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 Hampshire Foundation Impact Investment 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.

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.

g. Sustainable CT – Partnership in Citizen Engagement

Resolution #9

WHEREAS, the Comprehensive Plan and FY 2020 budget identify Sustainable CT as a partner of the Connecticut Green Bank ("Green Bank"), including an allocation of $100,000 from the FY 2020 Research and Development budget;

WHEREAS, Connecticut Green Bank ("Green Bank") staff has submitted to the Green Bank Board of Directors (the "Board") a proposal for Green Bank to enter into a grant agreement with Sustainable CT for $100,000 for programmatic purposes in order to increase our impact by applying the green bank model through Sustainable CT's programs as explained in a memorandum to the Board dated September 5, 2019;

WHEREAS, Sustainable CT satisfies all criteria of the Strategic Selection and Award process of Green Bank operating procedures, namely: (1) special capabilities, (2) uniqueness, (3) strategic selection, (4) multiphase, follow-on investment and (5) urgency and timeliness;

WHEREAS, the Green Bank's $100,000 Innovation in American Government Award is to be used to further the innovation and programs of the organization. The Green Bank has proposed and been approved to regrant $75,000 of these proceeds to Sustainable CT;

WHEREAS, Green Bank staff recommends that the Board approve a grant between the Green Bank and Sustainable CT, generally in accordance with memorandum summarizing the grant to the Board in a memorandum dated September 5, 2019; and

WHEREAS, Green Bank would benefit from Sustainable CT's public awareness and engagement program to increase participation in Green Bank's incentive and financing programs. Through the partnership, Green Bank and Sustainable CT are driving investment in projects in communities throughout the state.

NOW, therefore be it:

RESOLVED, that the Board approves Green Bank to enter into a Grant Agreement with Sustainable CT as a strategic selection;

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 Sustainable CT grant agreement 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.

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.

Incentive Programs Recommendations – 10 minutes

h. SHREC Green Bond RFP & SHREC Warehouse Resolution Adjustments

Resolution #10

WHEREAS, Connecticut Green Bank ("Green Bank") staff has submitted to the Green Bank Board of Directors ("Board") proposal(s) for Green Bank to proceed with agreements with Ramirez & Co, Stifel, Nicolaus & Company, Inc., or both as co-managers, (individually or collectively "Underwriters") whereby Underwriters would structure, arrange and secure funding in accordance with a proposed permanent taxable municipal bond securitization ("MBS") financing of Tranche 3 of the Solar Home Renewable Energy Credit ("SHREC") program as described in the Confidential Memorandum to the Board of Directors dated September 5, 2019;

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

WHEREAS, any bond or note issuance associated with the SHREC MBS 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(s) with the Underwriters or either Underwriter for the purpose of having Underwriters (or either Underwriter) structure, arrange and secure funding in accordance with a proposed permanent MBS financing of Tranche 3 of the SHREC program substantially as set forth in the Confidential Memorandum to the Board of Directors dated September 5, 2019;

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 engagement of Underwriters (or either Underwriter) for the SHREC Revolving Credit Facility, SHREC MBS, 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.

6. Adjourn

Join the meeting online at https://global.gotomeeting.com/join/401107357
Or call in using your telephone:
Dial (872) 240-3412
Access Code: 401-107-357
Next Regular Meeting: Friday, October 25, 2019 from 9:00-11:00 a.m.
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT

Board of Directors Meeting

September 12, 2019

Colonel Albert Pope Board Room

Board of Directors

Agenda Item #1

Call to Order

Board of Directors

Agenda Item #2

Public Comments

CONNECTICUT GREEN BANK

Board of Directors

Agenda Item #3

Consent Agenda

Consent Agenda
Resolutions 1 and 2

CONNECTICUT GREEN BANK

1. **Meeting Minutes** – approval of the meeting minutes of July 18, 2019

2. **Transactions Under $500,000 and No More than $1,000,000** – approval of staff approved transactions under $500,000 each and no more in aggregate than $1,000,000 (clears the queue for more staff approvals and report outs to Deployment Committee)

CONNECTICUT GREEN BANK

Board of Directors

Agenda Item #4

Audit, Compliance and Governance Committee

MOVED

Board of Directors

Agenda Item #5

Financing Program Recommendations

Board of Directors

Agenda Item #5a

Financing Program Recommendations

C-PACE Transaction (East Windsor)

3 Thompson Road, East Windsor

Ratepayer Payback

- **$609,282** for a 267 kW solar PV system and RTU upgrades
- Projected savings are **24,566 MMBtu** versus **$609,282** of ratepayer funds at risk.

REDACTED

- Ratepayer funds will be paid back in one of the following ways
  - (a) through a take-out by a private capital provider at the end of construction (project completion);
  - (b) subsequently, when the loan is sold down to a private capital provider; or
  - (c) through receipt of funds from the Town of East Windsor as it collects the C-PACE benefit assessment from the property owner.

3 Thompson Road, East Windsor

Terms and Conditions

- **$609,282** construction loan at 5% and term loan set at a fixed 5.75% over the 15-year term
- **$609,282** loan against the property
  - Property valued at **REDACTED**
  - Loan-to-value ratio equals **REDACTED**; Lien-to-value ratio equals **REDACTED**
- DSCR > **REDACTED**
- **REDACTED**
- **REDACTED**

3 Thompson Road, East Windsor

The Five W's

- **What?** Receive approval for a $609,282 construction and (potentially) term loans under the C-PACE program to TR Associates I, LLC to finance the construction of specified energy upgrade
- **When?** Project to commence 2019
- **Why?** Allow Green Bank to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until Green Bank sells it along with its other loan positions in C-PACE transactions.
- **Who?** TR Associates I, LLC, the property owner of 3 Thompson Road, East Windsor, CT
- **Where?** 3 Thompson Road, East Windsor, CT

3 Thompson Road, East Windsor

Project Tear Sheet

REDACTED

3 Thompson Road, East Windsor

Key Financial Metrics

REDACTED

Board of Directors

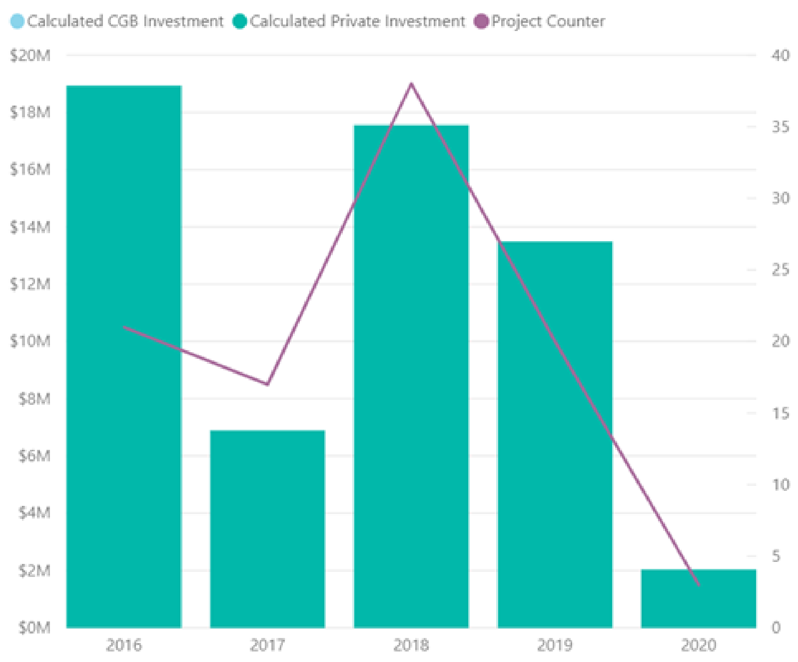
Agenda Item #5b

Financing Program Recommendations

C-PACE Credit Enhancement RFP

C-PACE RFP
$5M of Credit Enhancement

- Goal to increase third party volume in the market
  – C-PACE Activity by Fiscal Year (FY20 is year-to-date)



  – Other C-PACE markets opening up, rates higher 10-20 bps

C-PACE RFP
$5M of Credit Enhancement

- RFP Milestones

Project Milestone	Estimated Date
RFP Released	May 20, 2019
Clarification Questions Due	June 3, 2019
RFP Responses Due	June 17, 2019
Award Notification	July 1, 2019

  – Third party capital providers notified
    - C&I distribution lists
    - Direct email

- One proposal received by Greenworks Holdings LLC (“GWL”)
  – [redacted]

[redacted]

C-PACE RFP

GWL Proposed Structure

[redacted]

C-PACE RFP
Greenworks Proposal

[redacted]

C-PACE RFP
Greenworks Proposal

- Strategic benefits:

[redacted]

C-PACE RFP
Resolutions

WHEREAS, per 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 is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, to further its goal of building a robust and competitive C-PACE market in Connecticut, the Green Bank issued a Request for Proposals ("RFP") on May 20th, 2019 to develop a capital provider-owned capital facility with the goal of accelerating market growth;

WHEREAS, the Green Bank seeks to enter into a financing arrangement with the winner of the RFP: a [redacted]

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Connecticut Green Bank, is authorized to execute a loan agreement, intercreditor agreement, guaranty agreement and any other ancillary documentation with GWL with terms and conditions materially consistent with those presented in the memorandum dated September 5, 2019.

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.

Board of Directors

Agenda Item #5c

Financing Program Recommendations

PosiGen – Adjustment within Existing Credit Limit

PosiGen Facilities

Expanded BL Facility & PBI Facility Diagram

[redacted]

PosiGen PBI Financing Facility Background

CONNECTICUT GREEN BANK

- **<u>Existing Board Authorization</u>**
  - July 2018 – BoD approves "not-to-exceed $15 million" limit for PosiGen global back-leverage facility
  - Sept 2018 – BoD approves use of "not-to-exceed $15 million" limit for ***<u>both</u>*** PosiGen global back-leverage facility ***<u>and</u>*** the PBI/LMI-PBI funding facility pending participation by Inclusive Prosperity Capital (IPC)
- **<u>Collateral for $15m Back-Leverage Facility</u>** – collateralized by solar lease and energy efficiency financing agreement cash flows; intentionally excluded PBI cash flows
- **<u>Collateral for $5m PBI / LMI-PBI Facility</u>** – collateralized by PBI and LMI-PBI cash flows paid by Green Bank to Project Hold Co (and are carved out from the regular lease cashflows supporting the back-leverage facility)
- **<u>Differential Risk Profile</u>** –
  - PBI cash flows subject to production risk but not the credit risk of the underlying homeowners
  - Based on DNV GL analysis of SHREC production – PosiGen systems produce 100% of weather adjusted expected production based
- **<u>Financing by IPC</u>** – Since Dec 2018, Inclusive Prosperity Capital ("IPC") has participated in the $5m PBI / LMI-PBI Facility (100% Funded Participation)

PosiGen Expansion of CT Operations

- **<u>Operational Scope</u>** – Regional call center, operations depot and sales hub for Connecticut and surrounding markets (CT, NJ, NY & potentially RI & MA)
- **<u>Total Budget</u>** – [redacted]

PosiGen PBI Financing Facility

Adjustments to Enable Additional Funding

- **Purposes**
  - Additional Capital to fund CT Operations buildout in Bridgeport
  - Additional Capital for working capital needs in CT
- **Adjustments Proposed**
  - **Relax the Overcollateralization Constraint**
    - Rationale: Staff comfortable that the PBI cash flows are stable enough to support relaxation of this covenant which will permit additional funding required for expansion of CT operations
  - **Raise the Advance Rate against the Net Present Value (NPV) of future PBI and LMI-PBI cash flows from 90% to 95%**
    - Rationale: DNV GL analysis that PosiGen systems generated 100% of their weather adjusted expected output)
  - **Hold Constant the Discount Rate to determine the NPV of future PBI and LMI-PBI cash flows at 6.75% vs. higher facility interest rate (7.50%)**
    - Rationale – facility interest rate could drop in the future and it would be complicated to go back and forth between discount rates.
  - **Permit Additional Advances against Additional Systems Installed by PosiGen**
    - Rationale: Staff did not propose nor did the Board restrict the PBI / LMI-PBI facility to be a “non-restoring” facility (i.e., “draw once” with no “reborrowing” allowed). Staff is comfortable that as the pool of PBI cash flows expand – additional loans can be made against this growing pool of collateral.

PosiGen PBI Financing Facility
Adjustments to Enable Additional Funding (2)

- **IPC and CT Green Bank to "co-lend"**
  - Permitted by existing agreement
- **IPC Participation to Remain "Fixed" and "Amortizing"**
  - For portfolio and mission diversification IPC will allocate remaining $1.2 million of remaining LMI funds to multifamily projects
  - IPC participation therefore will remain fixed and amortizing
- **Incremental capital from Green Bank to be repaid in the "waterfall" on a period by period basis AFTER IPC scheduled payments**
  - While subordinated, stability of PBI/LMI-PBI cash flows support this subordinated position
  - Yield enhancement for the facility for additional leverage (7.50% vs 6.75%)
    - IPC's Yield remains 6.75% (as IPC's risk profile is unchanged)
    - CGB's Yield becomes ~10% (resulting from 7.50% yield and "skim" of IPC's interest between 6.75% and 7.50%)
- **Allows PosiGen to "pay down" facility to recover the lower (existing) facility rate**

PosiGen PBI Financing Facility Resolutions

RESOLVED, that the Green Bank Board authorizes the Green Bank to lend additional funds to PosiGen under the separate PBI-only facility in addition to the BL Facility, provided that Green Bank capital outstanding between such PBI-only facility and the BL Facility does not exceed the previously authorized $15 million total;

RESOLVED, that the Green Bank shall be permitted to co-lend with IPC to PosiGen under the PBI-only facility by the Green Bank selling down its position in the PBI-only facility to IPC on either the same terms as will exist between Green Bank and PosiGen or with Green Bank subordinated to IPC as explained in a memorandum to the Board dated September 5, 2019, as determined by Green Bank Staff; and

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

Board of Directors

Agenda Item #5d

Financing Program Recommendations

Fort Hill Farm Waste to Energy AD Project

AD Program
Thompson Agricultural AD Project

CONNECTICUT GREEN BANK

Proposed Project Summary

- Project proposal submitted by Fort Hill Ag-Grid, LLC a SPE wholly owned by both Fort Hill Farms and Ag-Grid Energy, LLC
- 450 kW farm based Anaerobic Digester facility
- System to be located on a 1,000 acre multi-generation family owned and operated farm in Thompson, CT
- Farm currently has ~ 390 cows, 200 milking – plans for adding 150 milking cows over next 5 years.
- Facility will process ~ 40,000 tons/year of manure, food scraps & other organic materials - 70/30 mix of food scraps to manure/other organics.
- System will produce ~ 3.5 MWh of electricity annually, ~200,000 kWh to be used by farm.
- Digester will produce ~ 73 million ft^3/year of biogas

AD Program

Thompson Agricultural AD Project

<u>Proposed Project Cost / Funding Sources</u>

- Project capital cost estimate ➔ $4.815M

[redacted]

- **Owner/Borrower: Fort Hill Ag-Grid, LLC**

[redacted]

AD Program

Thompson Agricultural AD Project

- **EPC Contractor: RCM International**
  - 30+ years experience; designed and built over 100 farm digesters

AD Program

Thompson Agricultural AD Project

Capital Structure Diagram – CGB Guaranty

[redacted]

AD Program

Thompson Agricultural AD Project

Capital Structure Diagram – CGB Loan

[redacted]

AD Program
Thompson Agricultural AD Project

Green Bank Role & Exposure Summary

- Green Bank Role:
  - Guarantor for portion of senior debt with a maximum exposure of $850,000 out of a Total Project Capital Cost of $4.8 million (18%)
  - Subordinated or Pari-Passu lender – same $850,000 maximum exposure

- Green Bank Impact: Green Bank Participation is a requirement of Senior Lender participation;
  - $4.8M of private capital and grants leveraged with $850k Green Bank Balance Sheet Guaranty **or** pari-passu or subordinated loan.
  - 35,478,000 kWh of electricity and 164,688 MMBtu thermal energy produced over 10-year initial operating term

Board of Directors

Agenda Item #5e

Financing Program Recommendations

Capital for Change Smart-E & EE Loan Funding Facility

Capital for Change

Smart-E & EE Loan Funding Facility

- Joined Smart-E late 2016
- Loan growth exceeding expectations
- Largest Smart-E lender
- Good dispersion of credits
  - As a CDFI, attracts more low / moderate income households
- Reasonable credit losses (approx. 1.75% … in line with nat'l avg)
- Problem is with Current Funding Line
  - Webster Bank LOC is amortizing (5 yrs vs 10 yrs for program loans)
  - Consequently – program loan growth (Smart-E and C&LM loans) are draining CEEFCo liquidity, stressing resources
  - If unaddressed, would need to stop originating loans until refinancing

Capital for Change

Smart-E & EE Loan Funding Facility

- Staff Assisting C4C to Recapitalize funding for Smart-E & EE Loans
- Ongoing relationship with C4C (formerly CHIF) since 2014 to assist with funding for this portfolio
- Arranged Webster Bank LOC 2015/16 – conditions don't fit business model
- Undertaking restructuring of the facility with a new lender

- April 2019: $1.5M Bridge Loan (unsecured) to Capital 4 Change ("C4C")
  - **Smart-E Only**
  - **Repaid via larger recapitalization of their current CEEFCo funding**
  - **6 month bridge**

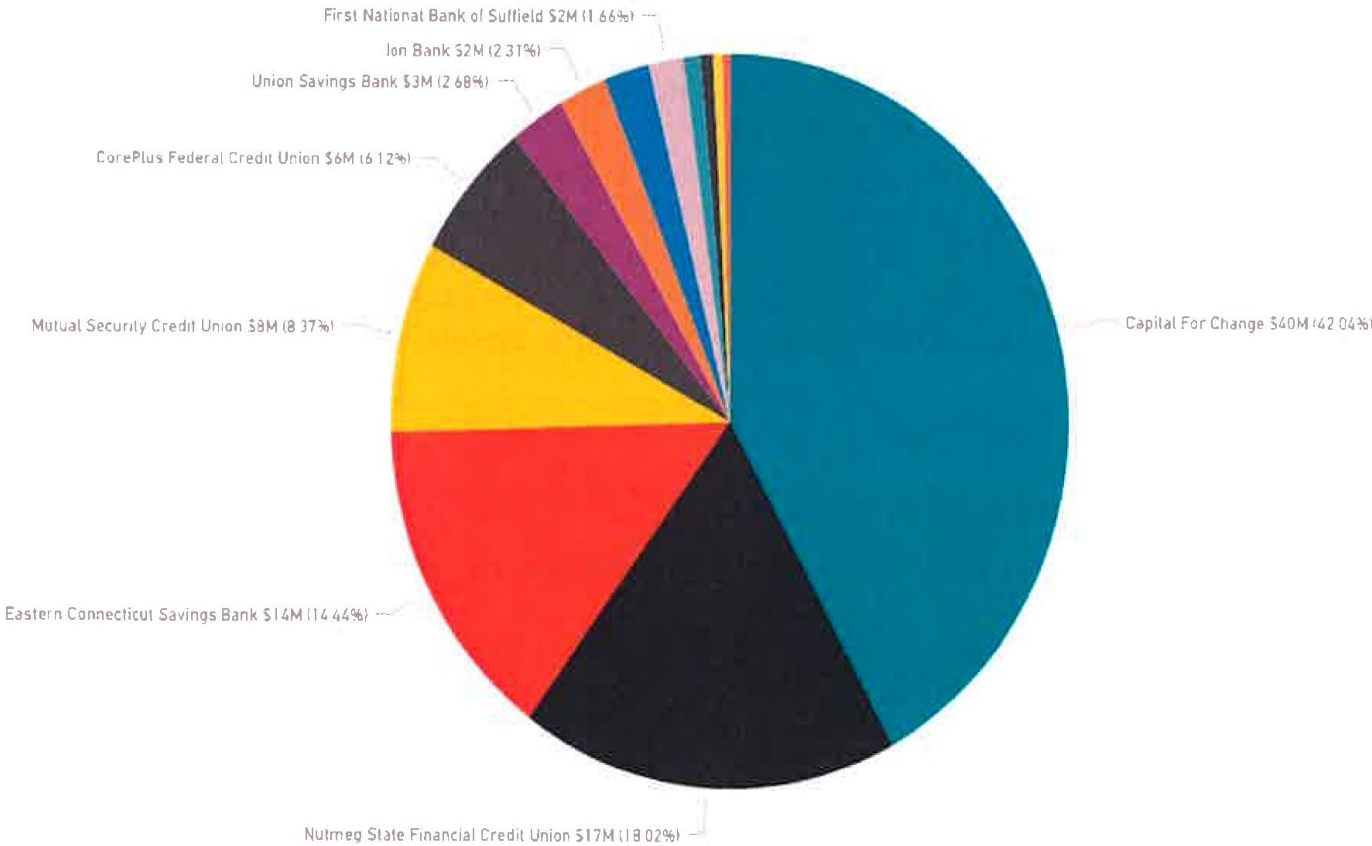
- C4C now in receipt of $25m Term sheet (Amalgamated Bank)

- $4.5M Medium Term Revolving Loan to CEEFCo (100%-owned subsidiary of C4C) Request for full approval
  - **secured & subordinated (Amalgamated Bank)**
  - **Smart-E as well as Energy Efficiency loans under the utility C&LM Plan**

Capital for Change

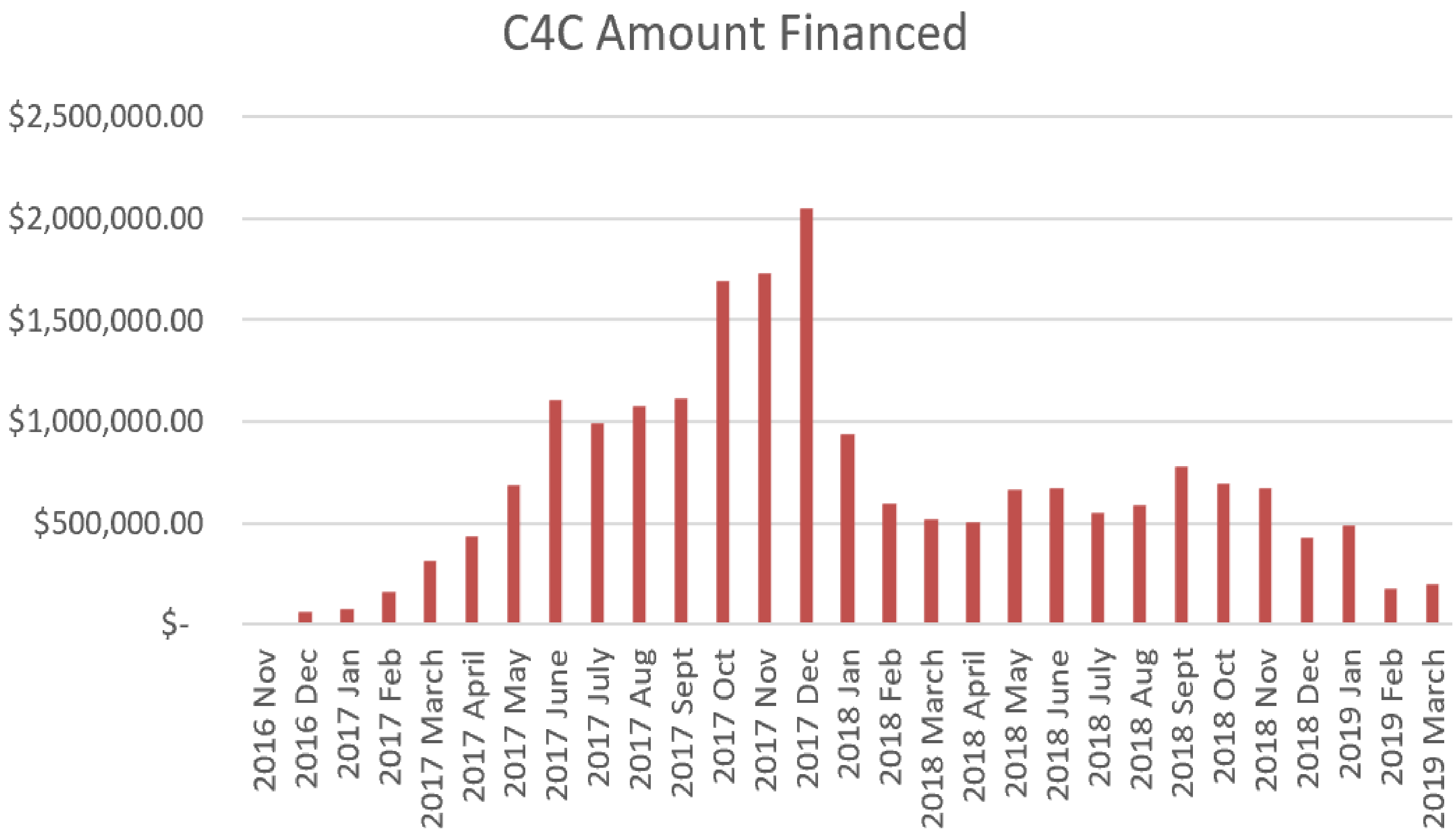
Capitalization for Smart-E & EE Loans

CLOSED CAPITAL DEPLOYED BY LENDER



Capital for Change

Capitalization for Smart-E & EE Loans



Capital for Change

Capitalization for Smart-E & EE Loans

$4.5 million medium term revolver

- Up to a $4.5 million secured and subordinated medium term revolving loan to CEEFCo in partnership with Amalgamated Bank
- Satisfy C4C/CEEFCo's funding needs for energy efficiency and Smart-E loans booked by CEEFCo ("CEEFCo Revolving Loan")
- CEEFCo Revolving Loan will be a 3 year medium term revolving loan
- The sole source of repayment for the CEEFCo Revolving Loan will be the proceeds from consumer loan payments of the CEEFCo loan portfolio and CEEFCo equity.
- Pricing is [redacted]
- Closing would be within 3-4 weeks

Capital for Change
Capitalization for Smart-E & EE Loans

Capital Stack

- CEEFCo Equity in the loan pool: 10% (cash)
- Amalgamated Bank – Senior: 70-80%
- Green Bank Subordinated: 10%-15%

Capital for Change

Capitalization for Smart-E & EE Loans

RESOLVED, that the Board approves the CEEFCo Revolving Loan in an amount of up to $4.5 million in capital from the Green Bank balance sheet in support of energy efficiency and Smart-E Loans in partnership with Amalgamated Bank generally consistent with the memorandum submitted to the Board on September 5, 2019;

RESOLVED, that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the CEEFCo Revolving Loan on such terms and conditions as are materially consistent with the memorandum submitted to the Board on September 5, 2019; and

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

Board of Directors

Agenda Item #6

Incentive Program Recommendations

SHREC Green Bond RFP and SHREC Warehouse

SHREC Warehouse
Resolutions

- Requested by Lender's Counsel
  - More specificity
  - References final documentation
- Substantively similar
- Reviewed and approved by Green Bank and external counsel

SHREC Securitization for Tranche 1 and 2

Transaction Summary

CONNECTICUT GREEN BANK

CONNECTICUT GREEN BANK

SHREC 2019-1 stands out in the ABS market as a one-of-its-kind securitization of REC-only revenue streams and compares favorably to its peers

CONNECTICUT GREEN BANK

Solar Home Renewable Energy Credits Backed Notes

SHREC 2019-1

$38,600,000

RBC

Sole Structuring & Placement Agent

March 2019

Transaction Highlights

- On March 26, 2019, Connecticut Green Bank successfully issued its inaugural ABS transaction backed by SHREC receivables generated by residential solar PV systems participating in the Green Bank's RSIP program
- SHREC 2019-1 was the Green Bank's first securitization for any of their financing and incentive programs and introduced a new asset class to the ABS market
- The marketing effort was focused on a select group of investors including previous buyers of solar and renewable energy bonds
  - Connecticut Green Bank met with ~12 investors during the ABS East and SFIG Vegas conferences and held calls with ~6 other potential accounts
- Ultimately, the deal was placed to a single investor
- SHREC 2019-1 priced at an all-in yield of 5.246%, benefiting from recent shifts in the yield curve
  - Of note, SHREC 2019-1 was able to achieve a single-A yield of 5.153%, 40-60bps tighter than the most recent lease/PPA pricings from November and December
- SHREC 2019-1 also achieved the highest single-A advance rate among recent peer solar lease/PPA deals of 80.2%, ~5-15% higher than comparable ABS

[redacted]

Full Pricing Details

Class	Balance	Rating (KBRA)	WAL (yrs)	Expected Final Maturity	Legal Final Maturity	Benchmark	Spread (bps)	Coupon (%)	Yield (%)
A	$36,800,000	A-	7.75	March 2033	June 2044	Int. Swaps	+285	5.09	5.153
B	$1,800,000	BBB-	7.75	March 2033	June 2044	Int. Swaps	+485	7.04	7.153
Total	**$38,600,000**		**7.75**				**+294**	**5.18%**	**5.246%**

RFP Summary for Tranche 3

Underlying Cash Flows

Tranche 3:

- Executed June 28, 2019
- ~4,800 systems with 656,000 MWh of generation remaining
- $48 per SHREC
- $31.5 million of nominal cash flows

Comparison of Tranches

	Tranche 1	Tranche 2	Tranche 3
Number of Systems	~ 6,700	~ 7,230	~ 4,800
SHREC ($/MWh)	$50	$49	$48
Nominal Cash Flow (at proposed securitization)	~ $30.9M	~ $40.7M	~ $31.5M

RFP Summary for Tranche 3

Requested the following in the RFP:

ABS or taxable municipal bond options

- with portion available to CT retail investors
- confirming municipal bond structure permissible

Efficient structuring and low transaction costs

- including option for future tranches

Attract broader array of environmental, social, and governance-focused investors

High Level Summary of Proposals

Received Proposals from Stifel, Ramirez, and RBC

[redacted]

Scoring Rubric

Structure (35)	Cost of Services (30)	Flexibility & Fit (10)	Unique Terms under PSA (5)	Expertise and Track Record (20)
1) Facility size/Advance rate: Fits monetization needs 2) Future Tranches: Addresses CGB desire for potential monetization of future tranches, including pricing information 3) Credit enhancements 4) Credit/Green Bond ratings 5) Retail component	1) Cost of capital (with and without insurance), bridge and term - Underlying base rate - Spread 2) Upfront costs: Underwriting/origination fees, estimated legal expenses 3) Ongoing costs: Future tranche monetization expenses 4) Other	1) Timeline: Ideal response contains detailed and convincing timeline for all significant work areas 2) ESG / Green Bond expertise	1) Review of PSAs attached to Response	1) Scale and reputation 2) Capital markets advisory capabilities 3) Investor research and outreach 4) Rating agency knowledge 5) ABS/Municipal Bond Experience

- Further reviews by Green Bank municipal advisors

SHREC Monetization
Municipal Bond Proposal

[redacted]

- Taxable municipal bonds

[redacted]

- Green Bank as Issuer
- Leverages high advance rate and low cost of capital

[redacted]

- Collateral: Solar Home Renewable Energy Credits from Tranche 3
- [redacted]

SHREC Monetization

Next Steps

[redacted]

- Strategic benefits:

[redacted]

SHREC Monetization
Municipal Bond

[redacted]

Board of Directors

Agenda Item #4ai

Audit, Compliance and Governance Committee

APA Recommendations and Staff Responses

APA Response to Findings

1. CGB should strengthen controls over payroll to include a reconciliation between internal and Core- CT records.

Action (Accounting):

Green Bank will annually reconcile and revisiting for FY18. FY19 is complete with follow-up items relating to retiree health still to be addressed. The FY18 reconciliation has not yet been performed. The staff will report out to the ACG Committee on FY18 and FY19 when complete.

2. CGB should revise its bylaws to require separation agreements be approved by its Board based on the recommendations of the Budget & Operations Committee.

Action (Legal):

All severance agreements will be approved by the Board and these changes will be reflected in revised policy procedures that will be brought through ACG Committee this Fall.

APA Response to Findings

3. CGB should consider requiring a refundable application fee that would cover costs related to the review of potential C-PACE projects.

Action (CI&I):

In 2018, we revised CPACE contract structure and pricing model with our outside vendor SRS eliminating project cancellation fees. CGB is charging all third-party C-PACE capital providers a program administration fee to offset the administrative costs of the program.

3 (cont'd). CGB should consider requiring a refundable application fee that would cover costs related to the review of potential C-PACE projects..

Action (CI&I):

As part of the revisions that occurred in 2018 described above, CGB is charging all third-party C-PACE capital providers a program administration fee to offset the administrative costs of the program.

APA Response to Findings

4. CGB should strengthen controls to ensure compliance with reporting requirements as prescribed by Statute.

Action (Accounting):

CGB will (1) meet with the appropriate reporting authorities (e.g., OFA, OLR, etc.), including the APA, to determine the appropriate deadline schedule, (2) prioritize timely reporting as a performance goal for senior staff, (3) establish automated reminders to staff at the beginning of each fiscal year, and (4) report out status twice a year to the ACG Committee.

5. CGB should strengthen internal controls by ensuring that applications are properly completed prior to the execution of a financing agreement.

Action (Finance and Program Teams):

All strategic selections will be through an application process that tracks our strategic selection criteria. C-PACE team will also ensure all applications are complete.

APA Response to Findings

6. CGB should strengthen controls by ensuring that RSIP inspection reports are properly documented and contain the date and time of the inspections.

Action (RSIP Team):

Inspection reports updated with time and dates.

7. CGB should strengthen controls to ensure compliance with the General Statutes. If the CGB determines that any of its statutes are impractical or outdated, it should request a legislative change.

Action (Legal):

Legislative fix will be sought out (again) next legislative session (success here is somewhat out of our control.)

Board of Directors

Agenda Item #4aii

Audit, Compliance and Governance Committee

Board of Director Meeting Attendance

APA Response to Findings

9. **CGB did not have adequate procedures in place to ensure that it followed board membership and attendance requirements.**

Action (President and Legal):

An annual letter from the Chair of ACG will be issued to Board members to ensure and improve attendance to scheduled meetings. After missing 3 consecutive meetings, the Board member would receive a letter of notice to improve attendance. CGB will also strive to ensure less Special meetings are scheduled.

Board of Directors

Agenda Item #7

Adjourn

Board of Directors of the
Connecticut Green Bank
Meeting Minutes

Thursday, July 18, 2019
9:00 – 11:00 a.m.

A meeting of the Board of Directors of the **Connecticut Green Bank (the "Green Bank")** was held on Thursday, July 18, 2019 at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope Board Room.

Note – In the absence of a new Chairperson yet to be assigned by Governor Lamont, Mr. Garcia, President & CEO, acted as Chair for today's meeting.

1. Call to order

Mr. Garcia called the meeting to order at 9:06 a.m.

Board members participating: Eric Brown, Binu Chandy (by phone), Betsy Crum (by phone), John Harrity, Mary Sotos (by phone), Matt Ranelli (by phone)

Members Absent: Thomas M. Flynn, Kevin Walsh

Staff Attending: Will DeTeso, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Matt Macunas, Jane Murphy, Cheryl Samuels, Eric Shrago, Louise Venables, Mike Yu

Others Attending: Mike Trahan from Solar CT

2. Public Comments

Mike Trahan from Solar CT stated their members are in support of solar battery storage and Solar Contractors see it as part of the next logical step in the industry. Mr. Trahan went on to say the CTGB ("Green Bank") has industry support and hopes the Green Bank can move quickly to implement. Mr. Garcia explained that the Green Bank is working with electric distribution companies and DEEP through the Joint Committee and thanked Mr. Trahan for his comments.

3. Consent Agenda

Meeting Minutes from June 28, 2019 – FY 2019 Performance Memos – FY 2019 Governance Memo – Approval of Requests over $75,000 – Green Bank Impact Report

Resolution #1

Motion to approve the meeting minutes of the Board of Directors for June 28, 2019.

Resolution #2

WHEREAS, in July of 2011, the Connecticut General Assembly pass Public Act 11-80 (the Act), "AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT'S ENERGY FUTURE," which created the Connecticut Green Bank (the "Green Bank") to develop programs to finance and otherwise support clean energy investment per the definition of clean energy in Connecticut General Statutes Section 16-245n(a);

WHEREAS, the Act directs the Green Bank to develop a comprehensive plan to foster the growth, development and commercialization of clean energy sources, related enterprises and stimulate demand clean energy and deployment of clean energy sources that serve end use customers in this state;

WHEREAS, the Board of Directors of the Connecticut Green Bank approved a Comprehensive Plan for FY 2017, FY 2018 and FY 2019 including approving annual budgets and targets for FY 2017, FY 2018 and FY 2019.

NOW, therefore be it:

RESOLVED, that Board has reviewed and approved the Program Performance towards Targets for FY 2019 memos dated July 18, 2019, which provide an overview of the performance of the Infrastructure, Residential, Commercial, Industrial, and Institutional sectors with respect to their FY 2019 targets.

Resolution #3

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80 (the Act), "AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT'S ENERGY FUTURE," which created the Connecticut Green Bank (the "Green Bank") and vests the power in a Board of Directors comprised of eleven voting and on non-voting member; and

WHEREAS, the structure of the Board of Directors is governed by the bylaws of the Connecticut Green Bank, including, but not limited to, its powers, meetings, committees, and other matters.

NOW, therefore be it:

RESOLVED, that Board has reviewed and approved the Overview of Compliance Reporting and the Board of Directors and Committees for FY 2019 memo dated July 18, 2019 prepared by staff, which provides a summary report of the FY 2019 governance of the Board of Directors and its committees of the Connecticut Green Bank.

Upon a motion made by Bettina Bronisz and seconded by John Harrity, the Board voted to approve Resolution 1, Resolution 2 and Resolution 3. Motions approved unanimously.

Green Bank Impact Report
Mr. Garcia shared that he, Mr. Hunter and Mr. Shrago attended the Green Bank Summit in Washington, DC recently and stated that CT has had a large impact on the industry. Mr. Harrity likes the Impact Investment sheet the social and environmental impact of which Mr. Garcia reviewed and how partnering with local banks and working with private investment industry has benefited the Green Bank as well.

4. Committee Recommendations and Updates

a. Budget & Operations Committee

i. Approval of FY 2020 Budget and Targets
Mr. Harrity worked a long time with committee and staff vetting the budget and determining where all want the Green Bank to move forward and stay sustainable no matter the "political" weather. Mr. Shrago shared that their work included sustainability with a plan to move forward and exceed goals.

In a memo to the Board, budget variances year-on-year were noted.
<u>Incentive Programs</u> – The unit's budget is increasing due to contractual obligations (interest expense) and statutory programs (RSIP Incentives). These costs are recovered via SHREC or financed through federal dollars (ARRA).
<u>Financing Programs</u> – Operating expenses have increased, as have revenues, leading to a decrease in net revenues under expenses year-on-year of $244K.
<u>Operating Expense Variance</u> – Consulting and professional fees (amortized bond issuance costs), personnel, research and product development) and depreciation—skewing numbers quite a bit.
Mr. Brown asked if there was a timeframe for self-sufficiency and asked for a forecast? Mr. Shrago provided a cash flow basis review but stated that the accounting basis is further out. . The plan is to use interest income to make investments in order to create self-sustainability. The Senior Team continues trying to balance the Investment Strategy and Mr. Brown wants to continue to understand these objectives. Mr. Shrago further announced that they will have a continual review of cash flow and expenses and are looking to automate with a new program.

<u>Resolution #4</u>

WHEREAS, on June 12, 2019 the Connecticut Green Bank ("Green Bank") Budget and Operations ("B&O") Committee recommended that the Green Bank Board of Directors ("Board") approve the Fiscal Year 2020 Targets and Budget;

WHEREAS, staff of the Green Bank have reviewed the year-on-year variances in the budget and revised the proposal based upon this analysis and upon feedback from the Board of Directors; and

WHEREAS, the members of the B&O Committee recommends that the Board authorizes Green Bank staff to enter into or extend the professional services agreements (PSA's) currently in place with the in place with the following, contingent upon a competitive bid process having occurred in the last three years (except Cortland Capital Services and Inclusive Prosperity Capital):

I. Adnet Technologies, LLC
II. Clean Power Research, LLC
III. Cortland Capital Services
IV. CSW, LLC
V. Inclusive Prosperity Capital
VI. Locus Energy LLC
VII. ReCurve Analytics, Inc.
VIII. Stephen Turner, Inc.
IX. Sustainable Real Estate Solutions, Inc.

For fiscal year 2020 with the amounts of each PSA not to exceed the applicable approved budget line item.

NOW, therefore be it:

RESOLVED, that the Green Bank Board hereby approves; (1) the FY 2020 Targets and Budget, and (2) the PSA's with the 8 strategic partners listed above.

Upon a motion made by John Harrity and seconded by Bettina Bronisz the Board voted to approve Resolution 4. No further questions—Motion approved unanimously.

Mr. Harrity thanked all who worked on the budget and resolution information.

ii. Comprehensive Plan – FY 2020 and Beyond
Mr. Harrity suggested issuing the PowerPoint plan to complement and explain the Comprehensive Plan.
Previously Mr. Ranelli felt that draft 2 of the suggested Mission Statement did not fully reflect Green Bank's mission. Mr. Garcia reviewed the revised draft 2 of the Green Bank's Mission Statement and asked Mr. Ranelli to comment and provide feedback and suggestions. Mr. Brown asked if Mr. Ranelli looked back at enabling legislation? Although he did look back to review language, he did not review legislation and would be glad to do so.
Further discussion included how to quantify "prosperous", missing "all [of society]" to ensure inclusion of not just wealthy but LMI homeowners as well, include "private" capital, approval of the inclusion of "climate change", looking back at bi-partisan legislation to determine adding footnotes, include energy savings (as the most expensive state we should be conscience of fiscal responsibility.) Mr. Brown pointed out there is a company moving from CT to another state in order to save one-third of their current (CT) energy costs. Mr. Ranelli in agreement as flow of capital being a "net" positive—which mitigates the contrary.

<u>**Resolution #5**</u>

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80 (the "Act"), "AN ACT CONCERNING TH ESTABLISHMENT OF THE DEPARTMENT OF

ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT'S ENERGY FUTURE," which created the Connecticut Green Bank (the "Green Bank") to develop programs to finance and otherwise support clean energy investment per the definition of clean energy in Connecticut General Statutes Section 16-245n(a);

WHEREAS, the Act directs the Green Bank to develop a comprehensive plan to foster the growth, development and commercialization of clean energy sources, related enterprises and stimulate demand clean energy and deployment of clean energy sources that serve end use customers in this state;

WHEREAS, Article V of the Green Bank Operating Procedures requires the Green Bank Board of Directors (the "Board") to adopt an Annual Plan for each forthcoming fiscal year;

WHEREAS, the Board of Directors reviewed and approved the FY 2020 targets and budget on June 28, 2018 and July 18, 2019, which together with the Comprehensive Plan, are effectively the Annual Plan;

NOW, therefore be it:

RESOLVED, that the Board approves of the Comprehensive Plan for FY 2020 and Beyond as presented to the Board on June 28, 2019 and July 18, 2019, and subject to nonmaterial modifications made by the officers.

Upon a motion made by Bettina Bronisz and seconded by Betsy Crum the Board voted to approve—with changes and additions—Resolution 5. No further questions—Motion approved unanimously with changes and additions.

5. Green Bonds

Mr. Garcia began by reviewing the overall bond goals (scale-up investment and lower the cost of capital) and the team working on bond development. Mr. Garcia continued by sharing that he has watched the team bring together innovative green financing for the future. Mr. Garcia handed over the reins to Mr. Hunter and Mr. Bob Lamb to proceed with this subject.

Mr. Lamb reviewed the bond structure explaining the savings and rating benefit we can gain. He went on to state there are two underlying indentures; 'Municipal' and 'other' and we are looking to achieve the same rating as the State. Mr. Lamb stated his firm, Lamont Financial, continues to work with rating agency regarding the S&P ratings on "pool" of bond with the goal to create a rating of an A or higher. S&P established stress tests which any bonds issued by the Green Bank must pass to get to a rating and the S&P wants to work with the Green Bank to determine a rating.

Mr. Farnen reviewed the green bond issuance timeline which continues with Board, staff and additional Bond Team members developing and approving work over the next five months. This timeline may be adjusted for approvals.

Ms. Bronisz stated she has been working with Green Bank staff regarding municipal bond possibilities and is very excited with the development of this type of funding. She went on to say that these bond opportunities will put a spotlight on the Green Bank and "kudos" and "mazel tov" to the Green Bank. As Mr. Garcia pointed out, there is a feeling of excitement in the room for this financing opportunity. Ms. Bronisz feels an A rating is very possible and the structure is tailor-made for this bond issuance. Mr. Lamb shared that this is a great introduction to the Board and is very pleased with it. Mr. Ranelli is pleased with the small investor possibilities to which Mr. Garcia agreed that the bond issuance is a priority for small investors and Mr. Harrity is also excited for the future.

6. Incentive Programs Updates and Recommendations

a. RSIP Step 15

Additional work is required on this issue as identified during the July 12, 2019 Deployment Committee meeting. This item has been removed from the agenda of this meeting with a plan to re-present at the next Board of Directors meeting.

b. SHREC Warehouse Funding Facility & SHREC Securitization Update

Mr. Mike Yu reviewed the underlying cash flows included in Tranche 3 executed on June 28, 2019 with Eversource and UI at $48/SHREC and $31.5M of nominal cash flows.

The Warehouse Proposal includes a joint proposal from Liberty Bank and Webster Bank and builds upon the prior facility backed by Tranche 1 and Tranche 2. Mr. Yu shared that Banks are willing to go higher in advance levels as they are more comfortable with investment now that the Green Bank has demonstrated it can sell SHREC-backed bonds in the capital markets. The Warehouse proposal has a revolving credit facility feature (Green Bank can draw and pay back) with interest only and a 12-month maturity. The strategic benefits of this proposal are solidifying banking relationships within the state (continue to come in with other deals with banks), improve Green Bank's securitization leverage and improve liquidity. Ms. Bronisz asked about any unused fee which Mr. Hunter addressed.

Mr. Yu reviewed the proposed structure diagram and when Mr. Ranelli asked if the information from the utilities has been accurate, Mr. Yu explained how the production estimates for the systems are reviewed by our engineering firm (DNV) for all Tranches to ensure reliability and accuracy; they are heavily examined and due diligence completed and the last component is to take out, under securitization.

The SHREC bond RFP is underway – Underwriting proposals are due to get rates in advance—due in early August—Balance of high advance rate and low cost of capital, ABS (open to all investors) or Municipal Bond, and retail component. Asking Board for approval to move forward and staff will come back with the additional figures. Mr. Hunter spoke of green bond investor and more participants in our structure. Mr. Harrity shared that "we make the road by walking (blazing trails)" and group deserves it! Ms. Bronisz added that the green bond movement is another 'quiver' in the pocket of the Green Bank for investors. Mr. Hunter shared that previously the Green Bank was not ready for bond investment – it did not have available revenue streams that could be readily securitized, but now we do.

<u>**Resolution #7**</u>

WHEREAS, Connecticut Green Bank ("Green Bank") staff recommends to the Green Bank Board of Directors ("Board") a proposal for Green Bank to enter into an agreement with Webster Bank and Liberty Bank (the "Lenders") for a $14,000,000 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") or municipal bond financing of Tranche 3 of the Solar Home Renewable Energy Credit ("SHREC") program;

WHEREAS, along with a general repayment obligation by SHREC WAREHOUSE 1 LLC, a wholly-owned subsidiary of Green Bank ("CGB SPV Borrower"), Webster-Liberty would be secured by a Green Bank guaranty of CGB SPV Borrower's obligations under the SHREC Revolving Credit Facility in addition to a first priority security interest in, and an absolute assignment of all cash flows associated with Tranche 3 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 July 18, 2019.

NOW, therefore be it:

RESOLVED, that the Board approves Green Bank to enter into the SHREC Revolving Credit Facility with the Lenders substantially as set forth in the memorandum to the Board dated July 11, 2019;

RESOLVED, that the Board approves and ratifies the establishment by Green Bank of SHREC WAREHOUSE 1 LLC as a wholly-owned subsidiary of Green Bank ("CGB SPV") and to provide the Lenders with a guaranty of CGB SPV obligations as borrower under the SHREC Revolving Credit Facility in addition to the SHREC Collateral;

RESOLVED, that the President, and any other duly authorized officer of Green Bank, is authorized to execute and deliver on behalf of Green Bank and CGB SPV any of the definitive agreements related to the SHREC Revolving Credit Facility and the establishment of CGB 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 empower 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.

Upon a motion made by Bettina Bronisz and seconded by John Harrity the Board voted to approve Resolution 7. No further questions—Motion approved unanimously.

7. Financing Programs Updates and Recommendations

a. C-PACE Warehouse Funding Facility
Mr. Hunter began with stating that a prior Revolving Credit facility was arranged with Amalgamated Bank pursuant to an RFP, backed by Solar Lease 1 program notes in December 2018.
The decision to pursue this C-PACE Warehouse Funding Facility will allow more funding flexibility, prepare investments for bond structure and the Warehouse Funding to be backed by C-PACE projects which can be repaid with proceeds from the master bond facility, asset sale, funded participation with a third-party or extending the short-term line.
The selection of Amalgamated Bank, as Mr. Hunter explained, as a "ready, willing & able" lender who will move quickly with existing documentation and same pricing as

with Revolving Credit Facility which includes low fees and a specific interest rate as explained in the memorandum circulated to the Board.

Resolution #8

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 arrangement with Amalgamated Bank ("Amalgamated") for a $10,000,000 secured line of credit ("Credit Facility") extended to a Green Bank special purpose vehicle ("CGB SPV") whereby the Credit Facility would be used in order to cover the short-term expenses of the C-PACE program and to extend C-PACE loans; and

WHEREAS, the selection of Amalgamated as the provider of the Credit Facility follows the closure of a similar credit facility transaction, for which Amalgamated was selected as provider after completion of a Request for Proposals ("RFP") process in accordance with Green Bank operating procedures;

WHEREAS, the Board may alternatively consider the selection of Amalgamated by the Board under the Strategic Selection and Award process of Green Bank's Operating procedures as the credit facility satisfies three of the requisite criteria: (1) Strategic Importance, (2) Follow-on Investment, and (3) Urgency and Timeliness;

WHEREAS, along with a general repayment obligation by the CGB SPV, Amalgamated would be secured by a first priority security interest in and portfolio of 36 C-PACE loans (the "Collateral") and a guarantee by Green Bank of CGB SPV's obligations; and

WHEREAS, Green Bank staff recommends that the Board approve the proposed Credit Facility, generally in accordance with memorandum summarizing the Credit Facility and the terms of the summary term sheet, both presented to the Board on July 19, 2019.

NOW, therefore be it:

RESOLVED, that the Board approves CGB SPV to enter into the Credit Facility with Amalgamated guaranteed by Green Bank and approves of Amalgamated to be the sole source provider of the Credit Facility; and

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 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.

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.

Upon a motion made by Eric Brown and seconded by Matt Ranelli the Board voted to approve Resolution 8. No further questions—Motion approved unanimously.

Mr. Hunter congratulated the Board for finalizing the approvals required for funding arrangements that are needed for the Green Bank's capital requirements for FY20.

b. C-PACE Credit Enhancement RFP – Update
Mr. Yu stated it has been a challenge to continue to grow the 3rd party lender CPACE market and presented the results of an RFP to find new opportunities for CTGB to help. Noted that other C-PACE markets are opening-up with rates higher than 10-20 bps.
Greenworks Lending ("GWL") recommends a $5M proposal to lend for C-PACE deals. Interest rate will be based on number of CT deals, flow and cap and gain of interest income with less risk as C-PACE securitization is less risky.
Mr. Hunter shared that the finance business is a 'basis point' business and Mr. Dykes added that though they had a similar credit enhancement offer in the market when C-PACE became "open-market", there were no previous takers. GWL is the largest capital provider in Connecticut and was the only lender who responded to Green Bank's RFP.
Discussion included with questions from Ms. Bronisz as to whether amounts were finalized (nothing set in stone and they continue to discuss), although CTGB had more in mind, GWL looking at a $10M investment, GWL in good financial health (GWL has three securitizations which will back and secure plan.) Mr. Hunter and Mr. Dykes will continue to work on plan/proposal and thanked Ms. Bronisz for her questions.

c. Small Business Energy Advantage – Municipal and State Facilities
Financing facility with Eversource and Amalgamated Bank – Mr. Dykes reviewed existing program and current structure. Expanding availability in capital to fill gaps in program. Green Bank has received few requests to expand loans of programs (from Amalgamated.)
Facility has purchased nearly $41M in SBEA loans in two purchases.
Request made to the Board includes expanding the loan term to seven years as well as a maximum individual original loan principal balance of $1M for both state and municipal borrowers, clarifying the definition of 'municipal borrower' and clarifying the exemption from the $1M aggregate outstanding loan balance for state borrowers.
Mr. Dykes related that many projects are currently on hold due to financing issues so hopefully these changes would release these projects so they can move forward. Discussion included; any losses we incur are covered by CT Energy Efficiency Board and How to gather data on what portion of projects are state and municipal, Mr. Ranelli also stated there should be a non-appropriations clause for Board of Education loans. As Mr. Ranelli has a concern that Boards of Education cannot incur debt, this issue will be taken off-line for review and clarification.

Resolution #9

WHEREAS, pursuant to Conn. Gen. Stat. Section 16-24n the Connecticut Green Bank ("Green Bank") has a mandate to develop programs to finance clean energy investment for small business, industrial and municipal customers in the State;

WHEREAS, Green Bank's Board of Directors (the "Board") approved, at its October 26, 2018 meeting, a such approval was modified by the Board at its December 14, 2018 meeting, Green Bank's $5,555,555 participation as a subordinated lender in a Master Purchase and Servicing Agreement (the "Master Agreement") which was later entered into by Green Bank, AB, each as a purchaser, and The Connecticut Light and Power Company ("CL&P"), as seller on December 20, 2018;

WHEREAS, the Board approved, at its April 18, 2019 meeting, certain modifications to the Master Agreement;

WHEREAS, staff recommends the Board approve: (i) further amendments to the Master Agreement (including, but not limited to, an increase of Green Bank's commitment by $1,111,112) as more particularly described in that certain memorandum dated July 11, 2019 and submitted to the Board, and (ii) an assignment of all of Green Bank's interest in the Master Agreement and all SBEA loans previously purchased thereunder to CEFIA Holdings, LLC, Green Bank's wholly owned subsidiary;

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 and amendment to the Master Agreement and assignment thereof to CEFIA Holdings, LLC materially consistent within the memorandum submitted to the Board dated July 11, 2019 and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 270 days from the date of authorization by the Board; 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 affect the above-mentioned legal instruments.

Upon a motion made by John Harrity and seconded by Bettina Bronisz the Board voted to approve Resolution 9. No further questions—Motion approved unanimously.

Mr. Garcia took a break from the agenda to present the Executive Order #1 signed by newly elected Governor Lamont. The EO1 – 'Directs executive branch state office buildings and vehicle fleets to become greener and more energy efficient through an expanded "Lead By Example" sustainability initiative aimed at reducing the state's carbon footprint and reducing the cost of government operations.' As a gift to Mr. Harrity—who was thinking of retiring from the Green Bank Board—Mr. Garcia asked Governor Lamont for the one pen he used to sign the EO1 and had his assistant Cheryl arrange for the EO1 and pen to be beautifully framed for presentation to Mr. Harrity. Since Mr. Harrity has decided to remain on the Board (lucky for the Green Bank!), Mr. Garcia thought the framed EO1 could be hung in the Rocky Hill office of the Green Bank to share with all who enter—until Mr. Harrity does retire from the Board. Mr. Harrity stated he enjoys the commitment of the Governor and State and likes the thought of it [the EO1) being prominently hung (in the Green Bank office) for all to see.

d. Impact Investor and Small Business Energy Advantage
   Mr. Hunter presented the introduction to the New York Quarterly Meeting of the Society of Friends ("QMSF") and the investment from an impact investor. This is a strategic investment to open the door to other impact investors which the Green Bank now plans to engage with more of these groups.

Introduction to Green Bank came from IPC with a $250K, 3-year PRI. The Religious Society of Friends has had a historic commitment to social justice and charity and the Friends commitment to simplicity—to resisting materialism and consumerism—finds expression in work on behalf of sustainability which attracted QMSF to IPC and Green Bank in search of suitable impact investments.
The impact investment will likely be $500K or up to $1M with a 'non-exclusive' pledge of the economic interests held by Green Bank (CEFIA Holdings) in the portfolio of SBEA loans proceeds with an optional guaranty by CGB. This investment has a maximum duration of 3 years (1 year minimum with automatic annual renewals—with annual call @ QMSF's option upon 90-days notice – as requested by Director Bronisz, Green Bank would have a similar "call" to retire the obligation if desired). The benefit to CGB is a loan to CGB at LIBOR +1.25% (impact investor would be paid the transaction yield less than 100 basis points). This will also allow CGB to 'test"—via a short-term investment—how impact investors may respond to this and other portfolio offerings.

Resolution #10

WHEREAS, Connecticut Green Bank ("Green Bank") staff has submitted to the Green Bank Board of Directors (the "Board") a proposal for Green Bank or one of Green Bank's wholly-owned entities to enter into an agreement with the New York Quarterly Meeting of the Society of Friends (QMSF), or an organization related to QMSF, for an impact investment of up to $1,000,000 (the "QMSF Impact Investment") whereby the QMSF Impact Investment would be used in order to reinvest funds in other Green Bank investments, programs or its operations; and

WHEREAS, the QMSF satisfies three criteria of the Strategic Selection and Award process of Green Bank operating procedures, namely: (1) uniqueness, (2) strategic importance and (3) urgency and timeliness;

WHEREAS, along with a general repayment obligation by the Green Bank (or, if such obligation of general repayment is by a Green Bank SPE, a general repayment obligation by such SPE together with, if necessary, a guarantee of the Green Bank), QMSF would be secured by a general non-exclusive pledge of a portfolio of loans owned in part by Green Bank or its SPEs together with their related cash flows associated with the Small Business Energy Advantage financing facility;

WHEREAS, Green Bank staff recommends that the Board approve the proposed QMSF Impact Investment, generally in accordance with memorandum summarizing the QMSF Impact Investment and the terms of the summary term sheet, both presented to the Board on July 12, 2019; and

WHEREAS, Green Bank would benefit from a process that would open the door of the Green Bank to a broader array of impact investors to supplement funding sources for the Green Bank and diversify the Green Bank's base of stakeholders;

NOW, therefore be it:

RESOLVED, that the Board approves Green Bank (or one of its wholly-owned SPEs on behalf of Green Bank and, if necessary, with a guarantee of the Green Bank) to enter into the QMSF Impact Investment as a strategic selection;

RESOLVED, that the Board directs staff to develop a process in collaboration with members of the Deployment Committee for opening the door of the Green Bank to impact investment for the Board's approval prior to the end of calendar year 2019;

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 QMSF Impact Investment 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.

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.

Upon a motion made by John Harrity and seconded by Matt Ranelli the Board voted to approve Resolution 10. Bettina Bronisz abstained. No further questions—Motion approved.

e. Connecticut Green Bank Solar PPA Program Updates
   i. IPC Construction Financing Facility
      Ms. Venables explained the IPC spinoff and its strategic partnership with Green Bank for the development and long-term ownership of commercial solar projects originated by the Green Bank. IPC is moving forward with its plans to finance projects. Per Mr. Hunter, with same secure arrangement using an SPV, CGB can take over as ultimate owner if necessary. Ms. Bronisz asked about financing details and Mr. Hunter explained that lending term funds to IPC for the solar fund program then IPC (if desired) would provide the construction loan. With dominion over projects and the SPV, CGB is in a safe position as a secured lender—so the arrangement is "a wash" as lender in terms of security. It was confirmed that the construction facility is only for financing CT assets. Mr. Hunter confirmed question from Ms. Bronisz that $15M coming from the CGB balance sheet.

<u>**Resolution #11**</u>

WHEREAS, the Connecticut Green Bank ("Green Bank") is uniquely positioned to continue developing a commercial solar power purchase agreement ("PPA") pipeline through local contractors in response to continued demand from commercial-scale off-takers.

WHEREAS, the Green Bank has established a strategic partnership with Inclusive Prosperity Capital Inc. ("IPC") for development and long-term ownership of commercial solar PPA projects originated by the Green Bank in order to leverage private capital and free up resources for the Green Bank;

WHEREAS, there is still a demonstrated need for flexible capital to continue expanding access to financing for commercial-scale customers looking to access solar via a PPA, while both bolstering project returns for investors and enhancing project savings profiles for customers; and

WHEREAS, the Green Bank is implementing a Sustainability Plan that invests in various clean energy projects as a lender to generate a return to support its sustainability in the coming years.

NOW, therefore be it:

RESOLVED, that the Board of Directors approves funding, in a total no-to-exceed amount of $5million in new credit, subject to budget constraints, for a revolving construction financing facility provided by Green Bank to IPC to be utilized for the construction of commercial solar PPA projects in Connecticut.

RESOLVED, that the President of Green Bank; and any other duly authorized officer of Green Bank, is authorized to execute and deliver, any contract or other legal instrument necessary to create such facility and authorize advances from it on such terms and conditions as are materially consistent with the memorandum submitted to the Green Bank Board on July 18, 2019; and

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

Upon a motion made by Eric Brown and seconded by John Harrity the Board voted to approve Resolution 11. No further questions—Motion approved unanimously.

ii. Modification of Board approval to accommodate sale of PPA projects
Ms. Venables shared how there is interest in commercial solar projects and a continued, demonstrated need for flexible financing to support development of commercial solar in CT and there are new market entrants with the ability to provide long-term financing and tax equity in order to energize projects that CGB develops. As such, there are third-parties interested in acquiring CGB-developed projects in exchange for a development fee and opportunity for CGB to provide long-term debt to third-party-ownership structures with on-going interest income to CGB. Therefore, staff requests modification of Board approval (granted October 19, 2018) to accommodate the sale of commercial PPA projects to third parties.

<u>Resolution #12</u>

WHEREAS, the Connecticut Green Bank ("Green Bank") is uniquely positioned to continue developing a commercial solar PPA pipeline through local contractors in response to continued demand from commercial-scale off-takers;

WHEREAS, the market for commercial solar PPA financing continues to evolve, as various financing providers are entering the small commercial solar financing space with the ability to provide long-term financing for projects originated by the Green Bank;

WHEREAS, there is still demonstrated need for flexible capital to continue expanding access to financing for commercial-scale customers looking to access solar via a PPA, while both bolstering project returns for investors and enhancing project savings profiles for customers; and

WHEREAS, the Green Bank is implementing a Sustainability Plan that invests in various clean energy projects and products to generate a return to support its sustainability in the coming years.

NOW, therefore be it:

RESOLVED, that the Board of Directors approves funding, in a total not-to-exceed amount of $15 million in new money, subject to budget constraints, for the continued development of commercial-scale solar PV PPA projects, to be utilized for the following purposes pursuant to market conditions and opportunities:

1. Development capital;
2. Construction financing;
3. Financing one or more 3rd-party ownership platforms, in the form of sponsor equity and/or debt; and
4. Sell solar PPA projects developed by Holdings to third parties.

RESOLVED, that the President of Green Bank, and any other duly authorized officer of Green Bank, is authorized to execute and deliver, any contract or other legal instrument necessary to continue to develop and finance commercial PPA projects on such terms and conditions as are materially consistent with the memorandum submitted to the Green Bank Board on October 19, 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 as they shall deem necessary and desirable to effect the above-mentioned legal instrument.

Upon a motion made by Eric Brown and seconded by John Harrity the Board voted to approve Resolution 12. No further questions—Motion approved unanimously.

f. Kresge Foundation PRI and Inclusive Prosperity Capital
In January 2017 the Green Bank Board approved a $3M Program Related Investment (PRI) from the Kresge Foundation. For a variety of reasons, the pipeline of projects have been struggling to move forward. With more opportunities outside of CT, the Green Bank, IPC and Kresge agree the best way to deploy these funds is to "open the funnel" by expanding the use of funds into other states—including CT. Green Bank, IPC and Kresge agree to transition the PRI—through an assignment—from the Green Bank to IPC.

<u>Resolution #13</u>

WHEREAS, the Connecticut Green Bank ("Green Bank") will continue to pursue opportunities to deploy private capital to support affordable, clean, and resilient energy to property owners in Connecticut in collaboration with Kresge and Inclusive Prosperity Capital ("IPC");

WHEREAS, the Kresge Foundation ("Kresge") is a private foundation that funds arts and culture, environment, education, health, community development and human resources;

WHEREAS, the Connecticut Green Bank's ("Green Bank") success in securing a Program Related Investment ("PRI") through a Kresge competitive solicitation can be leveraged to expand investment opportunities for IPC in and beyond Connecticut;

WHEREAS, Kresge is eager to partner with IPC to support the deployment of clean energy systems that also provide energy resilience; and

WHEREAS, Green Bank staff recommends that the Board authorize staff to determine the final arrangements to effect the transfer of the Kresge PRI from Green Bank and its wholly-owned subsidiary, CGB KCF LLC, to IPC as outlined in the memorandum to the Board dated June 11, 2018 (the "Board Memo").

NOW, therefore be it:

RESOLVED, that the Board approves staff's proposal to transfer the PRI from Kresge to IPC using one of the approaches outlined in the Board Memo or such other approach that results in Green Bank and any of its subsidiaries from having any further payment obligation in respect of the Loan Agreement entered into by and between Kresge and CGB KCF LLC on December 6, 2017 or any material residual obligation (other than repayment) in respect of these arrangements; 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 and outcomes.

Upon a motion made by Bettina Bronisz and seconded by John Harrity the Board voted to approve Resolution 13. No further questions—Motion approved unanimously.

Board delayed discussion on agenda item 5. Green Bonds to await the attorney, Bob Lamb, (who worked on the bond development program) to join the meeting. Discussion occurred at this time during meeting.

8. Adjourn

Upon a motion made by John Harrity and seconded by Bettina Bronisz the meeting was adjourned at 11:15am.

Respectfully submitted,

____

Mary Sotos, Vice Chairperson

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CONNECTICUT GREEN BANK

Memo

To: Board of Directors of the Connecticut Green Bank – Deployment Committee of the Connecticut Green Bank

From: Bryan Garcia (President and CEO)

Date: September 12, 2019

Re: Approval of Funding Requests below $500,000 and No More in Aggregate than $1,000,000 – Update

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At the October 20, 2017 Board of Directors (BOD) meeting of the Connecticut Green Bank ("Green Bank") it was resolved that the BOD approves the authorization of Green Bank staff to evaluate and approve funding requests less than $500,000 which are pursuant to an established formal approval process requiring the signature of a Green Bank officer, consistent with the Comprehensive Plan, approved within Green Bank's fiscal budget and in an aggregate amount not to exceed $1,000,000 from the date of the last Deployment Committee meeting. This memo provides an update on funding requests below $500,000 that were evaluated and approved. During this period, 3 projects were evaluated and approved for funding in an aggregate amount of approximately $870,794. If members of the board or committee would be interested in the internal documentation of the review and approval process Green Bank staff and officers go through, then please request it.

[redacted]

[redacted]

[redacted]

[1] The Company is putting in a $55,840 equity contribution to the project.

[redacted]

[redacted]

STATE OF CONNECTICUT

AUDITORS' REPORT
CONNECTICUT GREEN BANK
(FORMERLY THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY)
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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July 31, 2019

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes we have audited certain operations of the Connecticut Green Bank (CGB), formerly known as the Clean Energy Finance and Investment Authority, for the years ended June 30, 2016 and 2017. The mission of this quasi-public agency is to support the Governor's and Legislature's energy strategy to achieve cleaner, cheaper and more reliable sources of energy while creating jobs and supporting local economic development. It was created to promote energy efficiency and investment in renewable energy sources. To achieve this mission the Green Bank uses limited public resources to attract private capital investment in order to make clean energy more accessible to customers.

The objectives of the audit were to evaluate internal controls over significant functions, compliance with policies, procedures and legal provisions, and the economy and efficiency of certain management practices and operations. The audit resulted in 7 recommendations. Recommendation 4 was repeated from the prior audit.

Page 12	The Connecticut Green Bank should strengthen internal controls over payroll to include a reconciliation between internal and Core-CT records.
Page 13	The Connecticut Green Bank should revise its bylaws to require separation agreements be approved by its board of directors based on the recommendations of the Budget and Operations Committee.
Page 17	The Connecticut Green Bank should consider requiring a refundable application fee that would cover costs related to the review of potential C-PACE projects.
Page 18	The Connecticut Green Bank should strengthen internal controls to ensure compliance with reporting requirements as prescribed by the Connecticut General Statutes.
Page 23	The Connecticut Green Bank should strengthen internal controls by ensuring that applications are properly completed prior to the execution of a financing agreement.
Page 26	The Connecticut Green Bank should strengthen internal controls by ensuring that inspection reports are properly documented and contain the date and time of the inspections.
Page 28	The Connecticut Green Bank should strengthen internal controls to ensure compliance with the General Statutes and bylaws. If the Connecticut Green Bank determines that any of its statutes are impractical or outdated, it should request a legislative change.

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

ROBERT J. KANE

July 31, 2019

AUDITORS' REPORT
CONNECTICUT GREEN BANK
(FORMERLY THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY)
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017

We have audited certain operations of the Connecticut Green Bank (CGB) in fulfillment of our duties under Sections 1-122 and Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2016 and 2017. The objectives of our audit were to:

1. Evaluate the bank's internal controls over significant management and financial functions;

2. Evaluate the bank's compliance with policies and procedures internal to the bank or promulgated by other state agencies, as well as certain legal provisions, including but not limited to whether CGB has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grants and other financial assistance, as applicable; and

3. Evaluate the effectiveness, economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the bank, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the department's management and the state’s information systems, and was not subjected to the procedures applied in our audit of the bank. For the areas audited, we identified:

1. Deficiencies in internal controls;

2. Apparent noncompliance with legal provisions; and

3. Need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors’ Findings and Recommendations in the accompanying report presents findings arising from our audit of CGB.

COMMENTS

FOREWORD

The Connecticut Green Bank (CGB) was established through Public Act 11-80, effective July 1, 2011. CGB operates primarily under Chapter 283, Section 16-245n of the General Statutes. Subsection (d)(1)(A) of that section includes CGB as a public instrumentality and political subdivision of the state. Pursuant to Section 1-120 of the General Statutes, CGB is a quasi-public agency subject to the requirements in Chapter 12. As a quasi-public agency, CGB’s financial information is included as a component unit in the State of Connecticut’s Comprehensive Annual Financial Report (CAFR).

The Connecticut Green Bank administers the Connecticut Clean Energy Fund that was previously administered by Connecticut Innovations (CI). Originally the Clean Energy Finance and Investment Authority (CEFIA), it was renamed the Connecticut Green Bank on June 6, 2014 through Public Act 14-94.

The Connecticut Green Bank’s mission is to support the Governor’s and Legislature’s energy strategy to achieve cleaner, cheaper and more reliable sources of energy while creating jobs and supporting local economic development. It was created to promote energy efficiency and investment in renewable energy sources. To achieve its mission, CGB uses limited public resources to attract private capital investment in order to make clean energy more accessible to consumers. In accordance with Section 16-245n(d)(1)(B), CGB's purpose includes: (1) developing separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as CGB may determine, (2) supporting financing or other expenditures that promote investment in clean energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of clean energy sources and related enterprises, and (3) stimulating demand for clean energy and the deployment of clean energy sources within the state that serve end use customers in the state.

The principal source of CGB revenue is utility customer assessments made by the Public Utilities Regulatory Authority in accordance with Section 16-245n of the General Statutes. It is a charge per kilowatt-hour to each end-user of electrical services provided by utility companies in the State. Utility customer assessments can be used for both general and administrative expenses and program expenses of the CGB. During the audited period, the charge was 1 mill per kilowatt-hour. It is this assessment that provides the largest source of revenue for the CGB. CGB also receives a portion of Connecticut's funds from the Regional Greenhouse Gas Initiative (RGGI) for the financing of energy efficiency and renewable energy projects. Funds from RGGI auctions are used to fund commercial property assessed clean energy program (C-PACE) loans. Other sources of revenue include renewable energy certificate (REC) sales, clean renewable energy bond (CREB) sales, and the federal government.

When the Connecticut Green Bank was formed, it was primarily a grant organization. It issued grants to fund solar projects and provided incentive programs to encourage the participation of energy users. In fiscal year 2013, CGB decided to transition to innovative, low-cost financing of clean energy deployment to reduce reliance on grants, rebates, and other subsidies. This transition enabled CGB to invest its funds in activities that generate a return and create revenue that can be reinvested in solar energy for Connecticut. CGB now invests over 80% of its resources in loans, leases, and credit enhancements.

Component Units

The Connecticut Green Bank has 6 private subsidiaries intended to increase financing for different projects. The subsidiaries are legal, separate for-profit companies created to originate and administer the CGB solar and hydro energy programs as follows:

CEFIA Holdings, LLC

CEFIA Holdings, LLC (CEFIA Holdings) is a Connecticut limited liability corporation, owned by the Connecticut Green Bank (99%) and Connecticut Innovations (1%). It funds a portfolio of residential solar loans and investments in solar photovoltaic and solar thermal equipment for the benefit of Connecticut homeowners, businesses, not-for-profits and municipalities through its CT Solar Lease 2 program. CEFIA Holdings acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation and arrange for the leasing of the solar assets (or sale of energy under power purchase agreements) to the end users. CEFIA Holdings is also responsible for procuring insurance, maintenance and warranty services for the ultimate owner of the solar assets, CT Solar Lease II. CEFIA Holdings sells the residential and commercial projects to CT Solar Lease II before the projects are placed in service. After acquiring the residential and commercial projects, CT Solar Lease II administers the portfolio of projects with the assistance of an outside corporation. CEFIA Holdings is presented in CGB's financial statements as a blended unit.

CT Solar Loan I, LLC

CT Solar Loan I is a limited liability corporation wholly owned by CEFIA Holdings established to make loans to residential property owners for the installation of photovoltaic equipment. It is presented as a blended unit in CGB's financial statements.

CEFIA Solar Services, Inc.

CEFIA Solar Services is a Connecticut corporation, owned by CEFIA Holdings. It was established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic, solar thermal equipment and the sale of energy, as it is the managing member of CT Solar Lease II. CEFIA Solar Services has an ownership interest in CT Solar II (1%) and is the managing member of the entity responsible for performing all management and operational functions pursuant to the operating agreement of CT Solar Lease II. CEFIA Solar Services is presented as a discrete unit in CGB's financial statements.

CT Solar Lease II, LLC

CT Solar Lease II is a Connecticut limited liability corporation that acquires the title to residential and commercial solar projects from the developer, CEFIA Holdings, using capital from its members along with non-recourse funding from participating banks. Repayment to participating banks is predicated upon the property owners' repayment to CT Solar Lease II of the advanced installation funds, as well as revenue from production-based incentives. CT Solar Lease II is owned by an outside investor-member limited liability company (99%) and by CEFIA Solar Services (1%) as the managing member. This entity is presented as a discrete unit in CGB's financial statements.

CT Solar Lease 3, LLC

CT Solar Lease 3 is a Connecticut limited liability company and is a subsidiary of CEFIA Solar Services Inc. It was formed to acquire title to solar photovoltaic equipment and related power purchase agreements (PPA) for not-for-profits, commercial enterprises and municipalities, from CEFIA Holdings LLC using capital from its members. The company has two members, CEFIA Solar Services Inc. (its managing member) and Firstar Development, LLC (its investor member). This entity is presented as a discrete unit in CGB's financial statements.

CGB Meriden Hydro, LLC

CGB Meriden Hydro, LLC is a single member limited liability corporation created for the purchase and leaseback of a hydroelectric facility. The hydroelectric facility was purchased from the facility's developer, Hanover Pond Hydro LLC (Hanover Pond), pursuant to a sale and leaseback agreement. Hanover Pond remits a monthly lease payment to CGB Meriden Hydro equal to the monthly payment made by the City of Meriden to Hanover Pond for the purchase of electricity generated by the hydroelectric facility.

Significant State Legislation

Public Act 16-212, effective June 10, 2016, removed CGB from under CI for administrative purposes only. CGB may enter into a memorandum of understanding or other arrangement with CI with respect to the provision or sharing of space, office systems or staff administrative support. In addition, CGB was granted additional powers including to have perpetual succession as a body corporate and to adopt bylaws, policies and procedures for the regulation of its affairs and the conduct of its business; to make and enter into all contracts and agreements that are necessary or incidental to the conduct of its business; to invest in, acquire, lease, purchase, own, manage, hold, sell and dispose of real or personal property or any interest therein; to borrow money or guarantee a return to investors or lenders; and to hold patents, copyrights, trademarks, marketing rights, licenses or other rights in intellectual property.

Public Act 17-2 (June 2017 Special Session), effective October 30, 2017, diverted $14 million from the Clean Energy Fund to the General Fund, and $10 million from the Regional Greenhouse Gas Account to the General Fund in fiscal years 2018 and 2019.

Board of Directors and Administrative Officials

Pursuant to Section 16-245n subsection (e) of the General Statutes, the powers of CGB are vested in and exercised by a board of directors. The CGB board consists of eleven voting and 2 nonvoting members, each with knowledge and expertise in matters related to the purpose and activities of CGB, and includes 4 members appointed by the Governor, 4 members appointed by various legislative leaders, the State Treasurer, the commissioner of the Department of Energy and Environmental Protection (DEEP), and the commissioner of the Department of Economic and Community Development (DECD). In addition, the president of CGB serves on the board in an ex-officio, nonvoting capacity. The Governor appoints the chairperson of the board. The board adopts bylaws and procedures it deems necessary to carry out its functions. The members of CGB's board of directors as of June 30, 2017, were as follows:

Appointed by the Governor:

Reed E. Hundt
John Harrity
Kevin Walsh
Gina McCarthy

Legislative Appointments:

Thomas M. Flynn
Vacant * Eric Brown appointed on August 3, 2017
Matthew Ranelli
Elizabeth Crum

Ex-Officio:

Catherine H. Smith, Chairperson, Commissioner, DECD
Robert Klee, Commissioner, DEEP
Denise L. Nappier, State Treasurer

Non-voting Members:

Bryan Garcia, President of CGB
Vacancy

In addition, the board set up several committees and sub-committees to assist it in making decisions related to CGB. During the audited period, the CGB board had 4 standing committees: Audit, Compliance, and Governance Committee; Budget and Operations Committee; Deployment Committee; and the Joint Committee of the CT Energy Efficiency Board and the CGB Board of Directors. Bryan Garcia served as president throughout the audited period and continues to serve in that capacity.

RÉSUMÉ OF OPERATIONS

The financial position of CGB as of June 30, 2016 and 2017 is presented below. For comparative purposes, the amounts for the fiscal year ended June 30, 2015 are also presented. The financial position of CGB as of June 30, 2017, per its audited financial statements, is presented below.

	Fiscal Years Ended June 30,		
	2017	**2016**	**2015**
Assets			
Current:			
Cash and Cash Equivalents	$ 37,148,283	$ 48,072,061	$ 39,893,649
Accounts Receivable	404,807	1,430,622	35,155
Utility Remittance Receivable	2,507,659	2,670,634	2,518,850
Other Receivables	770,003	430,002	313,228
Due from Component Unit	-	-	-
Prepaid Expenses and Other Assets	10,012,025	4,245,806	1,030,251
Contractor Loans	-	2,272,906	3,112,663
Current Portion of Solar Lease Notes	869,831	845,479	803,573
Current Portion of Program Loans	1,910,048	1,378,242	10,264,825
Total Current Assets	53,622,656	61,345,752	57,972,194

Non-Current:			
Portfolio Investments	$1	$ 1,000,000	$1,000,000
Bonds Receivable	3,328,530	3,492,282	1,600,000
Solar Lease Notes, less Current Portion	7,242,822	8,162,635	9,015,437
Program Loans, less Current Portion	40,296,113	31,889,275	30,253,119
Renewable Energy Credits	654,767	812,770	933,054
Investment in Component Units	-	-	-
Capital Assets, Net of Depreciation and Amortization	61,510,207	58,114,914	26,971,087
Asset Retirement Obligation, Net	2,535,104	2,261,472	1,029,196
Restricted Assets:			
Cash and Cash Equivalents	22,063,406	9,749,983	8,799,005
Total Noncurrent Assets	137,630,950	115,483,331	79,600,898
Total Assets	**$191,253,606**	**$176,829,083**	**$137,573,092**
Deferred Outflows of Resources			
Deferred Amount for Pensions	9,978,107	2,575,368	1,669,961
Total Deferred Outflows of Resources	**9,978,107**	**2,575,368**	**1,669,961**
Liabilities			
Current Maturities of Long-Term Debt	$2,647,159	$1,794,181	$ 307,203
Accounts Payable and Accrued Expenses	8,660,946	2,984,746	5,820,170
Due to Component Units	-	-	-
Due to Outside Agency	-	30,127	49,516
Custodial Liability	1,844,791	2,155,128	647,964
Unearned Revenue	871,714	6,258,204	2,518,537
Total Current Liabilities	14,024,610	13,222,386	9,343,390
Asset Retirement Obligation	3,020,405	2,528,335	1,094,125
Long-Term Debt, Less Current Maturities	29,736,999	18,567,419	3,546,321
Fair Value of Interest Rate Swap	540,877	1,627,864	660,073
Pension Liability	25,245,439	16,096,113	14,899,766
Total Liabilities	**$72,568,330**	**$52,042,117**	**$ 29,543,675**
Deferred Inflows of Resources			
Deferred Amount for Pension	-	-	532,135
Net Position			
Invested in Capital Assets	$560,527	$655,737	$ 26,971,087
Restricted Net Position:			
Nonexpendable	60,026,996	58,709,303	1,000
Restricted for Energy Programs	16,843,271	5,294,983	8,799,005
Unrestricted (Deficit)	51,232,589	62,702,311	73,396,151
Total Net Position	**$128,663,383**	**$127,362,334**	**$ 109,167,243**

During the fiscal year ended June 30, 2017, cash decreased $10,923,778 compared to fiscal year 2016 mostly due to an increase in payments for the Residential Solar Incentive Program and a decrease in RGGI auction proceeds.

Capital assets increased by $31,143,827 and $3,395,293 in fiscal years 2016 and 2017, respectively, as a result of the continued acquisition of solar equipment by CT Solar Lease 2 LLC.

The Connecticut Green Bank has invested in emerging technology companies as equity investments and technology innovation programs and projects. As of June 30, 2017, portfolio investments represent equity and debt investments in 3 companies. CI manages CGB's portfolio investments. In the absence of readily determinable market values, investments are carried at fair value as estimated by the Valuation Committee of CI, using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. Those estimated values may differ significantly from the amounts ultimately realized from the investments due to the inherent uncertainty of valuations, and the differences could be material. This is commonplace with investments such as those held by CGB and disclosed in CGB's audited financial statements.

A schedule of revenues, expenses and changes in net assets for the fiscal years ended June 30, 2016 and 2017, follows. The financial position of CGB as of June 30, 2017, per its audited financial statements, is presented below.

	Fiscal Years Ended June 30,		
	2017	**2016**	**2015**
Operating Revenues			
Utility Remittances	$26,404,349	$26,605,084	$ 27,233,987
Grant Revenue	98,486	589,917	192,274
RGGI Auction Proceeds	2,392,647	6,481,562	16,583,545
Energy System Sales	-	-	16,689
REC Sales	2,570,647	2,653,783	1,474,488
Other Income	2,500,419	1,457,889	793,435
Total Operating Revenue	**$ 33,966,548**	**$ 37,788,235**	**$ 46,294,418**
Operating Expenses			
Cost of Goods Sold – Energy Systems	$-	$-	$ -
Grants and Program Expenditures*	-	-	22,130,676
Grants and Incentive Programs*	17,084,211	10,644,334	-
Program Administration Expenses*	16,824,382	16,497,328	-
General and Administrative Expenses	5,725,394	4,706,315	3,117,376
Total Operating Expenses	39,633,987	31,847,977	25,248,052
Operating Income (Loss)	**$ (5,667,439)**	**$ 5,940,258**	**$ 21,046,366**
NonOperating Revenue (Expenses)			
Interest Income –Promissory Notes	$2,921,710	$2,895,504	$ 2,217,368
Interest Income – Short Term Cash Deposits	223,298	120,613	93,949
Interest Expense LT Debt	(1,222,384)	(730,839)	(119,345)
Interest Income – Component Units	-	-	-
Interest Expense – Component Units	-	-	-
Payments to State of Connecticut	-	-	(19,200,000)
Distributions to Member	(436,452)	(301,548)	(104,579)
Realized Gain (Loss) on Investments	(93,974)	(33,723)	(1,180,285)
Unrealized Gain (Loss) on Investments	(999,998)	-	-
Unrealized Gain (Loss) on Interest Rate Swap	1,086,987	(967,791)	(660,073)
Provision for Loan Losses	(956,489)	(1,021,826)	(563,825)
Total Nonoperating Revenue (Expenses)	**$522,698**	**$(39,610)**	**$ (19,516,790)**

Change in Net Position before Payments to State of Connecticut and Capital Contributions	(5,144,741)	5,900,648	1,529,576
Capital Contributions	6,445,790	12,294,443	6,844,430
Change in Net Position	1,301,049	18,195,091	8,374,006
Net Position – Beginning of year	127,362,334	109,167,243	100,793,237
Net Position – End of Year	**$128,663,383**	**$127,362,334**	**$109,167,243**
*Program Administration Expenses were broken out of the Grant and Program Expenditures line item in 2016			

Revenues

During the fiscal year ended June 30, 2017, grant revenue decreased $491,431 compared to fiscal year 2016 due to a decrease in federal grant awards. CGB's goal is to reduce reliance on grants, rebates, and other subsidies and move towards innovative low-cost financing of clean energy deployment.

CGB received payments from the state for the Regional Greenhouse Gas Initiative (RGGI) for the financing of energy efficiency and renewable energy projects through the CGB C-PACE Program. RGGI auction proceeds decreased from $16.5 million during the 2014-2015 fiscal year to $6.4 million and $2.3 million in fiscal years 2016 and 2017, respectively. Public Act 13-247 allowed the Commissioner of the Connecticut Department of Energy and Environmental Protection to transfer additional RGGI auction proceeds to CGB to support energy efficiency financing opportunities. This allocation was not continued during fiscal years 2016 and 2017.

CGB owns Class 1 Renewable Energy Certificates (REC) that are generated by certain commercial renewable energy facilities for which CGB provided the initial funding. Through its Residential Solar Incentive Program, CGB owns the rights to future REC generated by facilities installed on residential properties. Revenues from REC sales increased from $1,474,488 in fiscal year 2015 to $2,570,647 in fiscal year 2017.

Expenditures

Total expenditures for grants and programs were $27,141,662 in fiscal year 2016 and $33,908,593 in fiscal year 2017, an increase of $6,766,931. General and administrative expenditures increased $1,019,079 from $4,706,315 in fiscal year 2016 to $5,725,394 in fiscal year 2017. Total operating expenditures increased $7,786,010 from $31,847,977 in fiscal year 2016 to $39,633,987 in fiscal year 2017. Grant expenditures fluctuate from year to year, as the expenditures are based on the achievement of contract milestones by the grantee. In addition, CGB is transitioning to a financing model from primarily issuing grants to fund renewable energy and energy efficiency programs.

Other Examinations

Independent public accountants audited the Connecticut Green Bank's financial statements for the years under review. Those audits provided assurance that the financial statements presented fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of CGB as of June 30, 2016 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As an integral part of their financial statement audits, the independent public accountants provided reports on compliance and internal control over financial reporting. These reports disclosed no instances of noncompliance concerning these requirements. The reports on internal control indicated that no material weaknesses in internal control over financial reporting were identified.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our audit identified the following reportable conditions.

Reconciliation of Payroll Records

Criteria: Effective internal control monitoring procedures dictate that internal records should be reconciled to those maintained by other state fiscal offices.

Condition: We noted discrepancies regarding payroll account balances between Core-CT and Connecticut Green Bank (CGB) internal records for fiscal years ended June 30, 2016 and 2017, totaling $552,214 and $89,365, respectively. CGB uses Core-CT to process its payroll and uses the Intacct Financial Management and Accounting System for its remaining accounting functions. According to Core-CT, the total CGB payroll and fringe benefit balance for fiscal years ended June 30, 2016 and 2017 totaled $8,195,757 and $8,776,143 respectively. Additionally, CGB was unable to identify $12,250 in payroll costs recorded in Core-CT.

Cause: CGB was not reconciling the payroll records in its accounting system to Core-CT.

Effect: Inadequate reconciliation procedures increase the risk that errors will go undetected and could result in the financial statements being misstated.

Recommendation: The Connecticut Green Bank should strengthen internal controls over payroll to include a reconciliation between internal and Core-CT records. (See Recommendation 1.)

Agency Response: "The Green Bank acknowledges that reconciling its financial records to records maintained by the State Comptroller's CORE accounting system has not been a part of its internal accounting controls over its own accounting and financial reporting system because it does not use the CORE system for accounting and financial reporting. On a bi-weekly basis the Green Bank accesses CORE to generate payroll and benefits registers. The Green Bank uses these registers as support for its bi-weekly remittance to the State Treasurer for employee compensation and benefits paid on its behalf. The Green Bank has not been informed by the State Comptroller's office that it owes the State additional reimbursement for employee compensation and benefits for fiscal years 2017 and 2016.

The Green Bank's financial records are audited each year by an independent certified public accounting firm. Part of the audit includes a review of its internal controls over its accounting records. These audited financial records become a part of its published Comprehensive Annual

Financial Report. The Green Bank was not made aware of any adjustments or material internal control weakness in the area of accounting for payroll disbursements for fiscal years 2017 and 2016.

Subsequent to receiving this finding the Green Bank was able to reconcile its records to the CORE records. The unreconciled differences that require further review were $1,325 for fiscal 2017 and $89 for fiscal 2016. Reconciling items include year-end accounting accruals and payments to third parties for employee related expenses. Since the Green Bank does not use the CORE system for its accounting system, this activity is not recorded in CORE."

Questionable Severance Agreements

Criteria: Sound business practices dictate that quasi-public agency payroll expenses should be necessary and reasonable in nature and amount.

Section 5.3.2 of the Connecticut Green Bank bylaws states that the Budget and Operations Committee's responsibilities includes matters of employee separation and severance.

The CGB severance policy is intended to recognize the service of employees and mitigate the burden of displacement when a reduction in force is deemed necessary. It is not intended to set a standard for termination of employees under other circumstances.

Condition: During the audited period, CGB eliminated 3 positions yet made corresponding severance payments equal to 26 weeks of salary for all 3 employees, totaling $148,526. The employees received benefits in addition to salary while employed. CGB refilled these positions at lower compensation levels within 1 to 11 months. Furthermore, the severance agreements were approved by the Budget and Operations Committee as required by the bylaws but not approved by the board of directors.

In addition, CGB provided a transition agreement to one of these employees in which it allowed the employee to maintain employment until vesting for retirement benefits. Furthermore, it appears that the employee's duties did not change during the transition agreement. The transition agreement specified the following:

> "WHEREAS, Employee is currently an Associate Director of Outreach; and WHEREAS, Employer has made the decision to eliminate the position of Employee, and thus wishes to transition Employee's role with Employer according to the terms specified below.

> Employee will continue to be paid his salary through January 31, 2017, and will retain his title as Associate Director of Outreach.
>
> Employee's employment with Employer will end on January 31, 2017, and will be characterized as an immediate job elimination in conjunction with a retirement.
>
> Employee shall devote his best efforts in performing duties of his position as Associate Director of Outreach during the transition period."

In response to budget sweeps enacted by Public Act 17-2, CGB eliminated 4 positions during fiscal year 2018 and made corresponding severance payments to the 4 employees, totaling $130,450. One of the employees whose position was eliminated in fiscal year 2018 was considered a new hire due to the severance payments during fiscal year 2017. That employee worked for CGB for 10 months before receiving a severance agreement.

Cause: CGB informed us that it eliminated the positions as part of a reallocation of resources within the marketing department.

The CGB bylaws do not require the full board of directors to approve employee separations and severance agreements. Instead, the board assigns its Budget and Operations Committee, by a majority vote, (consisting of 3 of the board's members) the approval of severance payments.

Effect: The severance payments may not have been a prudent use of CGB resources.

Recommendation: The Connecticut Green Bank should revise its bylaws to require separation agreements be approved by its board of directors based on the recommendations of the Budget and Operations Committee. (See Recommendation 2.)

Agency Response: "Severed Employees

Per the Employee Handbook[1] of the Connecticut Green Bank, employment with the organization is "at will," which means "that either party may terminate the relationship at any time for any reason, with or without cause".

[1] Employee Handbook of the Connecticut Green Bank (p. 10)

In order to further the mission of the Green Bank, the Marketing Department underwent a restructuring to better align its support of the organization. On June 7, 2016, the Budget & Operations Committee exercised its powers as stated in the Bylaws of the Green Bank (i.e., Section 5.3.2) to assure "the <u>just and fair treatment of all employees</u> of the Green Bank, including employment policies and practices, employee training, development, evaluation and advancement, employee compensation and benefits, and <u>matters of employee separation and severance</u>" by unanimously accepting and approving the recommendation of the President and CEO and VP of Human Resources to release three employees – see Table 1.

Table 1. Breakdown of Employees Severed in FY 2016 and FY 2017

Position	Salary	Benefits	Years of Service	Date of Notice	Last Day of Service
Senior Manager	$ 85,589	$ 68,200	11.5	6/8/16	6/30/16
Senior Manager	$ 93,920	$ 75,136	15.0	6/8/16	6/30/16
Associate Director	$117,542	$ 94,033	10.0	6/8/16	1/31/17
Total	**$297,051**	**$ 237,369**	**36.5**		

These employees collectively served the State of Connecticut for 36.5 years of public service with total salaries of $297,051 and benefits of $237,369, receiving a maximum severance of $148,526, or 26-weeks of salary. Per the Severance Policy of the Green Bank, the Budget & Operations Committee can determine the nature and amount of the severance considering such factors as the length of service and circumstances of separation.

For the Associate Director position, the individual was allowed to stay onboard through a transition agreement to complete the closure of a program (i.e., Clean Energy Communities Program). Having led and administered the program for 10 years, the employee had developed valuable relationships with many of its stakeholders and beneficiaries. As such, the employee's tenure enabled them to close the program down in the most efficient and diplomatic way possible. To this end, the employee's ability to not only wind down the program on schedule but also preserve the organization's community and stakeholder relationships in the process, was not seen as one that could have been replicated with an immediate termination, and therefore the employee was offered a transition agreement. The employee's final responsibilities were to determine what incentives cities and towns were to receive through the program, notice the cities and towns of the end of the program and the process for them to redeem their incentives, and to ensure that proper paperwork was in place to payout the remaining incentives earned by the town.

The Green Bank considers the termination of “at will” staff thoughtfully, especially those that have served the State of Connecticut a total of 36.5years at the Green Bank and its predecessor organizations (i.e., Connecticut Clean Energy Fund administered by Connecticut Innovations). In an effort to better adjust our marketing resources to better serve the mission and new direction of the organization, the President and CEO, with support from the Director of Marketing, felt it necessary to sever the employees with the review and approval of the Budget & Operations Committee. As difficult as this decision was, acknowledging the service of those severed with maximum severance, reducing organizational operating expenses, and maintaining the stability, continuity, and productivity of those staff not severed, was a management decision that reflects how the organization treats its people with just and fair treatment.

New Hired Employees
Following the severance of these employees, three (3) new staff were hired at different levels – see Table 2.[2]

Table 2. New Staff Hires into the Marketing Department

Position	Salary	Benefits	Start Date
Assistant	$ 35,000	$ 28,000	5/8/17
Senior Associate	$ 75,000	$ 60,000	10/18/16
Associate Director	$ 109,641	$ 87,713	1/17/17
Total	**$ 219,641**	**$ 175,713**	

These new hires not only saved the organization $139,066 in salary and benefits, but more importantly, their knowledge, skills, and abilities were more in line with the direction the organization was taking – leading to an improvement in overall performance of the Marketing Department in support of the mission of the organization.

It should be noted that an additional four (4) employees were severed in FY 2018 as a result of State of Connecticut sweeps of $16.3 million a year for each of FY 2018 and FY 2019 – see Table 3.

[2] It should be noted that one (1) of the new hires was terminated on February 15, 2018 and received a severance of $4,712 or 7 weeks of service per the Employee Handbook, as a result of the State of Connecticut sweeps of $16.3 million in each of FY 2018 and FY 2019.

Table 3. Employees Severed in FY 2018 as a Result of the Sustainability Plan Approved by the Board of Directors of the Connecticut Green Bank in Response to the Sweeps

Position	Salary	Benefits	Years of Service	Date of Notice	Last Day of Service
Assistant	$ 35,000	$ 28,000	0.5	1/8/18	2/15/18
Senior Associate	$ 74,684	$ 59,747	8.0	1/8/18	3/1/18
Associate Director	$ 119746	$95,797	10.5	1/8/18	3/1/18
VP of HR	$ 71,410	$57,128	11.0	1/8/18	6/28/18
Total	**$ 300,840**	**$240,672**	**29.0**		

Given the unfortunate circumstances of the State of Connecticut's fiscal situation and it's sweep of the Green Bank, the Board of Directors approved of a Sustainability Plan on December 15, 2017 that included severance of these employees, including the recognition that "Given the nature of the situation, there will also need to be a transition and reduction in staff that will need to be handled in a compassionate, thoughtful, and methodical manner, which we can discuss in executive session."[3] Per the Employee Handbook, all severed staff members were provided the maximum severance per the policy totaling $130,450 based on the time they have served the State of Connecticut. The Vice President of Human Resources stayed on an additional six months to assist the organization through this period of transition.

The President and CEO of the Green Bank raised the Auditors of Public Account's recommendation for the organization to revise its bylaws to require separation agreements be approved by the Board of Directors based on the recommendation of the Budget and Operations Committee at its October 26, 2018 Board of Directors meeting. After a full discussion, the Board instructed staff for any severances involving more than one person or one package with a value of more than $125,000, then they will be brought through the Budget and Operations Committee for a review and recommendation with final approval and authorization by the Board of Directors. With the passage of Public Act 18-137 (the "Act"), Green Bank staff intends to modify its Severance Policy, and subsequent Agreements, to be consistent with the Act."

[3] Sustainability Pathway – FY 2018, FY 2019 and Beyond memo from Bryan Garcia, President and CEO, to the Board of Directors of the Connecticut Green Bank on December 15, 2017.

Cancellation Fees Incurred for Proposed Projects

Criteria: Sound business practices dictate that applicants share responsibility over loan application processing fees.

Condition: During the audited period, Connecticut Green Bank incurred $141,500 in cancellation fees for Commercial Property Assessed Clean Energy (C-PACE) projects that did not move forward. Our review disclosed that CGB incurred 28 $1,750 cancellation fees for one C-PACE financing applicant, totaling $49,000. CGB provided documentation on all $141,500 in C-PACE cancellation fees. The cancellation fees reflect costs for project review. The applicant is not responsible for these costs, regardless of whether they move forward with the project.

Cause: CGB does not require C-PACE applicants to share in costs related to project review.

Effect: The cancellation fees are not a prudent use of CGB resources.

Recommendation: The Connecticut Green Bank should consider requiring a refundable application fee that would cover costs related to the review of potential C-PACE projects. (See Recommendation 3.)

Agency Response: "In many projects, project development work still needs to be done after a preliminary loan application comes to the Green Bank. The Green Bank has contracted with Sustainable Real Estate Solutions (SRS) to work with contractors and customers to develop these projects. The potential customer is still in a sales process at this point and economic projections for a project still need to be created and presented to the customer. They will then decide whether to "buy" the loan from the Green Bank. Like any traditional business sales process, the potential customer does not carry responsibility for the work done by the seller to develop a proposal for that potential customer. The market would not support an attempt to charge customers directly. The Green Bank and SRS, as the parties who benefit from a closed deal, share the upfront risk in these customer acquisition activities. Since most of the upfront project development work, and therefore risk, is borne by SRS, the Green Bank pays SRS these cancellation fees to partly offset that and keep them providing this essential service to the market. The Green Bank recoups these costs through closing fees and interest earned on deals that close."

Auditors' Concluding Comment:

C-PACE applicants can choose to seek alternative funding with other providers after development work has been performed, leaving Connecticut Green Bank to cover the cost of associated fees for projects that did not move forward. It is not realistic nor customary for financial institutions to cover a loan applicant's project proposal costs if they decide to go to another lender. We believe that it is good business practice for the applicant to have a stake in the financing process by charging a refundable application fee as to avoid applicants shopping for a better deal at the expense of the Green Bank.

Untimely Reporting

Criteria: Section 1-123 (b) of the General Statutes requires that, for the quarter commencing July 1, 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a financial report to the legislature's Office of Fiscal Analysis.

Section 16-245 (n)(f)(1) of the General Statutes requires that the board shall issue annually a report to the Department of Energy and Environmental Protection reviewing the activities of the Connecticut Green Bank (CGB) in detail and shall provide a copy of such report, in accordance with the provisions of section 11-4a, to the joint standing committees of the General Assembly having cognizance of matters relating to energy and commerce.

Public Act 11-80, Section 103 (a) states that CGB shall, on or before March 1, 2012, establish a three-year pilot program to promote the development of new combined heat and power projects in Connecticut. Public Act 11-80, Section 103 (c) requires on or before January 1, 2016 CGB shall report to the joint standing committee of the General Assembly having cognizance of matters relating to energy regarding the program established pursuant to subsection (a) of this section and whether such program should continue.

Section 1-123 (a) of the General Statutes requires that the board of directors of each quasi-public agency shall annually submit a report to the Governor and the Auditors of Public Accounts. Such report shall include, but not be limited to, the following: (6) the affirmative action policy statement, a description of the composition of the agency's work force by race, sex, and occupation, and a description of the agency's affirmative action efforts.

Section 4-33a of the General Statutes requires that all boards of trustees of state institutions, state department heads, boards, commissions, other state agencies responsible for state property and funds and quasi-public agencies, as defined in section 1-120, shall promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of state or quasi-public agency funds or breakdowns in the safekeeping of any other resources of the state or quasi-public agencies or contemplated action to do the same within their knowledge.

Condition: Our review disclosed that CGB did not submit the following reports in a timely manner for the fiscal years ended June 30, 2016 and 2017:

- Two of the 8 quarterly financial reports.
- Both annual reports on programs and activities undertaken.
- The report on Combined Heat and Power Pilot Program.

Review of the Section 1-123(a) Annual Report revealed section 6 of the 2016 report lacked a description of the composition of the agency's workforce by race, sex, and job title as well as a description of the agency's affirmative action efforts.

CGB failed to promptly notify the Auditors of Public Accounts of the improper use of funds by 2 contractors involved in the Residential Solar Investment Program as required by Section 4-33a of the General Statutes. The improper use of funds consisted of a contractor receiving CGB funds, totaling $80,357 in outstanding loans, for projects never completed. Additionally, another contractor incurred numerous violations including the submission of fraudulent equipment packing slips for payment on 66 projects.

Cause: CGB did not have adequate internal controls in place for reporting.

Effect: CGB did not comply with statutory reporting requirements.

Recommendation: The Connecticut Green Bank should strengthen internal controls to ensure compliance with reporting requirements as prescribed by the Connecticut General Statutes. (See Recommendation 4.)

Agency Response: "Statutorily Required Reporting

Section 1-123 subsection (b) quarterly financial report:

The Green Bank was late in filing two quarterly financial reports. Both the 9/30/2015 report and the 12/31/2015 report were filed on 5/31/2016, respectively beyond the close of their respective quarters. Beginning with the quarter ended 3/31/2016 CGB has and continues to submit quarterly financial reports on a timely basis as follows:

- Quarterly Financial Cash Flow Report – 3/31/2016 – submitted on 5/31/2016
- Quarterly Financial Cash Flow Report – 6/30/2016 – submitted on 8/10/2016

- Quarterly Financial Cash Flow Report – 9/30/2016 – submitted on 11/8/2016
- Quarterly Financial Cash Flow Report – 12/31/2016 – submitted on 2/23/2017
- Quarterly Financial Cash Flow Report – 3/31/2017 – submitted on 5/10/2017
- Quarterly Financial Cash Flow Report – 6/30/2017 – submitted on 8/9/2017
- Quarterly Financial Cash Flow Report – 9/30/2017 – submitted on 12/21/2017
- Quarterly Financial Cash Flow Report – 12/31/2017 – submitted on 2/28/2018
- Quarterly Financial Cash Flow Report – 3/31/2018 – submitted on 5/17/2018

Section 16-245 subsection (n)(f)(1):

The Green Bank submitted its FY 2016 annual report to the DEEP and to the legislative energy and commerce committees on 12/1/2017. The FY 2017 annual report was sent on 8/24/2018.

By statute the Green Bank "shall issue [these reports] annually." To date, the Green Bank has strived to include all activity during that calendar year and then submit the report in the following calendar year. Knowing now that this is considered to be a late filing, the Green Bank will work to produce and submit said reports, during the same calendar year that the fiscal year ends.

Public Act 11-80, Section 103 (a):

A 2015 law (Public Act 15-152(c)) had extended a reporting deadline for a separate program in an adjacent subsection of existing law, and was misinterpreted as applying to the broader section of that law. Public Act 11-80, Section 103 - as amended by Public Act 12-2, Section 156 - was in 2015 amended by Public Act 15-152(c) to split the reporting deadlines for the Combined Heat and Power Pilot Program and the Anaerobic Digestor Pilot Program.

This was also explained in the introductory paragraph of the Green Bank's report to the legislative Energy and Technology Committee – pertaining to this statutory mandate - on the Combined Heat and Power Pilot Program, filed 1/1/17:

"This report is being filed later than the statutory deadline due to confusion with interpreting the amended language of Public Act 15-152, which extended the reporting filing date for the Anaerobic Digestion Pilot

Program from January 1, 2016 to January 1, 2018. This same extension was thought to apply to the CHP Pilot Program deadline as well (see amended statute in Appendix 1)."

Section 1-123 (a) (6) Affirmative Action Policy:

We did locate the Affirmative Action Policy document meant to be submitted with the FY16 annual report in our files that was unintentionally omitted. We did property submit this report in FY17.

State Auditor Notification Finding

The use of funds by one contractor involved in the Residential Solar Investment Program (RSIP) relates to loans from the Green Bank to the contractor that went into default and were not paid back. Both the State Police and the Connecticut Department of Consumer Protection were notified by the Green Bank and involved early on due to alleged improper behavior by the contractor and concern over the potential negative impact on the contractor's customers.

For the second contractor involved in the RSIP referenced in this finding, the Green Bank initiated misconduct proceedings against the contractor, and subsequently the contractor entered into a settlement agreement where all RSIP projects were completed and contractual obligations were met. Although both contractors were alleged to have acted improperly, at no time was there "any unauthorized, illegal, irregular or unsafe handling or expenditure of state or quasi-public agency funds or breakdowns in the safekeeping of any other resources of the state or quasi-public agencies" which would trigger the statutory requirements under CT General Statute Section 4-33.

As such, it is the Green Bank's position that the (i) failure of a third-party borrower to repay a loan, and (ii) settlement agreement entered into by the Green Bank to resolve alleged improper behavior by such third-party contractor does not trigger the statutory requirements under CT General Statute Section 4-33. The Green Bank also took appropriate actions with relevant authorities and notified the State Auditors as it relates to the first contractor referenced above in an abundance of caution.

Voluntary Reporting

It should be noted that beyond all of the statutory reporting requirements of the Connecticut Green Bank in which it provides materials directly to the legislative and executive branches of government, that the organization also voluntarily reports out to the general public in other meaningful ways as well.

For example, the Connecticut Green Bank makes all of its Annual Reports, Comprehensive Annual Financial Reports, and Auditors of Public Account reports easily accessible on its website.[4]

And given that the Green Bank receives a majority of its funding from electric ratepayers (i.e., Clean Energy Fund per Section 16-245n(b) and regional greenhouse gas initiative allowance proceeds (per Section 22a-200(c)), it was among the first quasi-public agencies to participate in Open Connecticut. Through Open Connecticut, the Green Bank voluntarily provides check-book level vender payment data (i.e., from FY 2015 through FY 2017). Whether its funding is through ratepayers or taxpayers, the Connecticut Green Bank has voluntarily provided additional information to the general public to make it easier for them to follow where their dollars are going as they have a right to know.

All those public, quasi-public, private, or nonprofit organizations that receive such ratepayer and/or taxpayer funds to support the implementation of various public policies on energy, should consider beyond statutory reporting and include voluntary reporting such as through Open Connecticut."

Auditors' Concluding Comment:

The second RSIP contractor committed violations including the submission of fraudulent equipment packing slips for payment on 66 projects. This would require Connecticut Green Bank to notify the Auditors of Public Accounts in accordance with Section 4-33a of the General Statutes.

Inadequate Loans and Grants Procedures

Criteria: Section 16-245n(a) of the Connecticut General Statutes requires that projects involve clean energy technology, which include solar photovoltaic energy, solar thermal, geothermal energy, wind, ocean thermal energy, wave or tidal energy, fuel cells, landfill gas, hydropower, hydrogen production and hydrogen conversion technologies, low emission advanced biomass conversion technologies, alternative fuels, used for electricity generation including ethanol, biodiesel, usable electricity from combined heat and power systems with waste heat recovery systems, thermal storage systems, other energy resources and emerging technologies which have significant potential for commercialization and which do not involve the combustion of coal, petroleum or petroleum products, municipal solid waste or nuclear fission.

[4] https://www.ctgreenbank.com/strategy-impact/reporting-transparency/

Sound business practices dictate that applications be properly completed prior to the execution of a financing agreement.

Sound business practices dictate that agencies maintain adequate supporting documentation for all stages of a project, which must be kept on file for audit purposes.

Condition: CGB informed us that it notifies Commercial Property Assessed Clean Energy Program(C-PACE) applicants of the documents they need to provide, but they are initially not required to submit a formal application when seeking financing.

We were unable to determine the scope and compliance of projects related to energy efficiency solutions for colleges and universities, because the Connecticut Green Bank did not maintain adequate documentation.

We were unable to determine compliance with Section 16-245n(a) of the General Statutes for 2 projects related to the Clean Energy Communities Program, because CGB did not maintain project completion reports.

Cause: CGB does not have a formal application process in place.

CGB does not maintain adequate supporting documentation for all stages of a project.

Effect: Without a formal application, CGB could grant financing to unqualified recipients.

We are unable to determine whether CGB complied with CGS 16-245n(a) without adequate documentation.

Recommendation: The Connecticut Green Bank should strengthen internal controls by ensuring that applications are properly completed prior to the execution of a financing agreement. (See Recommendation 5.)

Agency Response: "C-PACE Program

The Green Bank does not require an application for financing for C-PACE projects that are funded by third party capital providers since the Green Bank does not provide any funding or financing for those projects. In those cases, the Green Bank fulfills an administrative function to ensure the statutory obligation for a C-PACE assessment is met and collects the necessary documents from the third-party capital providers to ensure that obligation is met. The Green Bank maintains an internal checklist for each of these projects to ensure the required documentation is collected to fulfill the statutory obligation.

For projects that request CPACE funding from the Green Bank, an application is required and can be found at http://www.cpace.com/Building-Owner/Get-Started/Apply-Now. In addition to this application, the information is collected to ensure the statutory obligation for a CPACE assessment is collected along with the following financial information from the applicant:

- Current year budget OR YTD income/expense statement for the property
- Documentation showing rental relationship between sole tenant and property ownership entity *FOR OWNER-OCCUPIED BUILDINGS ONLY*
- Previous two years' income/operating statements, statements of cash flows and balance sheets for the property (e.g. Building Owner Entity). Audited or reviewed for all statements is preferred; if unaudited/unreviewed, supply complete copy of most recent 2 years tax return packages
- Previous two years' audited (if available) income/operating statements, statements of cash flows, and balance sheets (audited or reviewed, if available) for the tenants' business (e.g. Business Entity). *This is for buildings where at least 2/3 of currently leased square footage is occupied by a tenant controlled totally or in part by the owner of the real estate.*
- Table listing all tenants, their monthly (or annual) lease payments, the percentage of the building they occupy and the end date of their existing leases. *This is for properties with tenants only.*

Campus Efficiency Now
In 2012, the Clean Energy Finance and Investment Authority (CEFIA) Board approved entering into a partnership with GreenerU to offer the Campus Efficiency Now (CEN) pilot program to members of the Connecticut Conference of Independent Colleges. Through CEN, GreenerU and CEFIA would finance and implement energy efficiency projects through an Energy Savings Agreement structure to allow colleges and universities to avoid debt financing and pay for the projects through realized energy savings. As a result of internal staff turnover, the final project documentation from GreenerU for projects financed by the Green Bank at the University of New Haven and University of Hartford were not properly filed. After learning of this issue, the Green Bank requested and received the required documentation from GreenerU. No further investments were made through the CEN.

Clean Energy Communities Program
The Clean Energy Communities program was a point-based grant program that encouraged cities and towns to invest in clean energy. The Green Bank executed a memorandum of understanding with each town and

municipality participating in the program. The MOU, as well as several subsequent communications explained the reward process and the types of documentation required to qualify the municipalities' planned use of the grant funds. Among the criteria cited in the MOU were the Green Bank's right to review any contract for which reward funds were being requested, as well as a requirement for all participating municipalities to submit purchase orders and invoices resulting from the work performed under their respective contracts. The MOUs did not demand subsequent review of disbursement documents (e.g. checks or wires), due to the fact that Connecticut municipalities' internal accounting control procedures and records are required by statute to be subject to the scrutiny of independent, annual audits."

Auditors' Concluding Comment:

CGB informed us during our review that it does not require an application for C-PACE projects it funds or those that are funded by third-party providers. We identified the lack of an application for C-PACE projects funded by Connecticut Green Bank during our testing.

Incomplete Inspection Reports

Criteria: Sound business practices dictate that inspection reports include customer name, date of inspection, and an inspection checklist or other method of project review.

Condition: We found that four employees of the State Department of Education (SDE) Connecticut Technical High School System performed inspections of Connecticut Green Bank programs. SDE did not consider this to be a dual employment issue and did not document the lack of an overlap in hours worked. Our audit testing sought to confirm that these inspectors performed consulting services on their own time and that a conflict did not occur. We could not confirm this because none of the 16 SDE employee inspection reports we reviewed included the date and time of the inspections. Additionally, 3 reports only consisted of photos and 3 did not include the address or project name.

Cause: CGB does not have adequate procedures in place for the review of inspection reports.

Effect: We were unable to determine if a conflict existed between services performed for each entity.

We were unable to determine when inspections took place or whether an adequate inspection took place.

CGB is issuing payments for inspections without knowing the date, time, and location of the inspection.

Recommendation: The Connecticut Green Bank should strengthen internal controls by ensuring that inspection reports are properly documented and contain the date and time of the inspections. (See Recommendation 6.)

Agency Response: "The Green Bank administers the Residential Solar Investment Program (RSIP) per Public Act 15-194. The RSIP has provided incentives to nearly 28,000 households totaling $115 million in incentives and nearly $870 million in total investment in the state economy since its inception in 2012.

The RSIP program currently has 12 inspectors who are responsible for:

- Inspecting residential solar PV projects assigned to them by Green Bank staff, including contacting the customer, conducting the inspection, and writing up a report; and
- Inspecting Smart-E projects and measures as assigned by Green Bank staff.

Of the 12 inspectors, the four (4) inspectors sited are employees with the Connecticut Technical High School System working for the State Department of Education (SDE), where they have expertise in energy-related matters.

The Human Resources Administrator for the SDE determined that since the Green Bank is a quasi-public agency, that it is not considered a state agency and thus there is not a dual employment situation. Therefore, it was determined that SDE employees may enter into contractual agreements with the Green Bank as a result. Regardless of this determination by SDE, the Green Bank believes that no conflict of interest would exist for the performance of these inspections.

The Human Resources Administrator for the SDE subsequently informed the state employees that if they held a second job outside of the state, that they must complete an Outside Employment Form. Each of the four state employees who have outside employment completed an Outside Employment Form.

The four (4) inspectors in question have inspected 777 projects during FY2016 and FY2017 – see Table 5

Table 5. Overview of Inspectors in Question

Inspector	# of Inspections FY2016	# of Inspections FY2017
Inspector #1	244	226
Inspector #2	4	0
Inspector #3	4	23
Inspector #4	159	117
Total	**411**	**366**

Given that the APA is raising a concern that employees of the SDE who have dual employment with the Green Bank as inspectors, the Green Bank has revised all inspection reports, specifically SMART-E inspection report, to include site arrival and departure times, total travel time and mileage (see the attached revised SMART-E inspection report). Also, Green Bank will require site arrival and departure times, total travel time and mileage on invoices submitted for payment."

Auditors' Concluding Comment:

We were unable to determine if a conflict existed due to inadequate procedures regarding review of inspection reports.

Inadequate Monitoring of Board Member Attendance

Criteria: Section 16-245n(e)(1) of the Connecticut General Statutes states that the powers of the Connecticut Green Bank (CGB) shall be vested in and exercised by a board of directors, which shall consist of 11 voting and 2 nonvoting members.

Article 4.6 of the CGB bylaws states that directors or their designees who miss more than 3 consecutive meetings shall be asked to become more active on the Board.

Condition: The Connecticut Green Bank Board of Directors has not filled a nonvoting position since August 2011.

Three board members missed more than 3 consecutive board meetings and CGB could not provide adequate documentation that it asked the board members to become more active.

Cause: CGB did not have adequate procedures in place to ensure that it followed board membership and attendance requirements.

Effect: CGB was not operating in compliance with the General Statutes and its bylaws related to board membership and attendance.

Recommendation: The Connecticut Green Bank should strengthen internal controls to ensure compliance with the General Statutes and bylaws. If the Connecticut Green Bank determines that any of its statutes are impractical or outdated, it should request a legislative change. (See Recommendation 7.)

Agency Response: "Per Section 16-245n(e)(1), the following is a breakdown of the Board of Directors of the Green Bank – see Table 4.

Table 4. Overview of the Board of Directors of the Connecticut Green Bank

Position	Appointee	Voting
Commissioner of DECD (or designee)	Ex Officio	Yes
Commissioner of DEEP (or designee)	Ex Officio	Yes
State Treasurer (or designee)	Ex Officio	Yes
Finance of Renewable Energy	Governor	Yes
Finance of Renewable Energy	Governor	Yes
Labor Organization	Governor	Yes
R&D or Manufacturing	Governor	Yes
Investment Fund Management	Minority Leader of House	Yes
Environmental Organization	President Pro Tempore of Senate	Yes
Finance or Deployment	Minority Leader of Senate	Yes
Residential or Low Income	Speaker of the House	Yes
President of the Green Bank	Ex Officio	No
~~Connecticut Innovations~~	~~Ex Officio~~	~~No~~

The three (3) members that missed more than three (3) consecutive meetings included:

- two (2) appointees of the Governor, and
- one (1) appointee of the Minority Leader of the Senate.

One of the Governor's appointees (i.e., R&D or Manufacturing) was in a career transition. Both the Governor's second appointee and the Minority Leader of the Senate's appointee have been noticed of their missing three

(3) consecutive meetings and were asked by the Chair, President and CEO, and General Counsel and CLO to become more active on the board.

As a result of the revisions to the Board of Directors of the Green Bank through Public Act No. 16-212, Connecticut Innovations' ex officio board position was explicitly removed from the Board of Directors in 2016. However, the Public Act was passed without a conforming change in the same statutory subsection of C.G.S. Sec. 16-245n(e)(1); presently this subsection still erroneously references two "non-voting" members even though Connecticut Innovations was removed, leaving only one remaining non-voting member - the President and CEO of the Connecticut Green Bank. This discrepancy can only be remedied through a legislative change that is to some extent outside the control of the Green Bank. Although this change was requested during the 2018 Regular Session, the request was not incorporated into any bill proposals enacted by the General Assembly. In 2019 this same legislative change was actively sought out by the Green Bank and was incorporated into Senate Bill 960 as amended and passed by the Senate by 33-0 with three abstentions; this legislation failed to receive action in the House.

For the unfilled "nonvoting" member of the Board of Directors, it is the Green Bank's position that no such unfilled position exists pursuant to the passage of Public Act No. 16-212. To address the discrepancy, the Green Bank will continue to request a legislative change (commonly referred to as a technical fix) to remove the erroneous reference to a second nonvoting member from the Board of Directors.

In the future, the Green Bank will notify the appointing authority of their appointee's violation of Article 4.6 in the Bylaws for them to determine an appropriate course of action for their designee."

RECOMMENDATIONS

The prior report on the Connecticut Green Bank contained 3 recommendations. Two were implemented and one is repeated.

Status of Prior Audit Recommendations:

- Connecticut Green Bank should consider revising their policies to address when established contracts should go through the RFP process to ensure that services are being obtained in the most cost-effective manner. They should also establish internal controls to ensure that strategically selected vendors will, whenever possible, be picked on a competitive basis. **We noted improvements in this area and this recommendation is not repeated.**

- Connecticut Green Bank should improve internal controls to track outstanding commitments and obtain approvals when funds are recommitted. **We noted improvements in this area and this recommendation is not repeated.**

- Connecticut Green Bank should strengthen internal controls to ensure compliance with reporting requirements as prescribed by the Connecticut General Statutes. **We found that reports were not filed in a timely manner, and this recommendation is repeated within Recommendation 4.**

Current Audit Recommendations:

1. **The Connecticut Green Bank should strengthen internal controls over payroll to include a reconciliation between internal and Core-CT records.**

   Comment:

   We noted discrepancies regarding payroll account balances between Core-CT and Connecticut Green Bank (CGB) internal records for fiscal years ended June 30, 2016 and 2017, totaling $552,214 and $89,365, respectively. CGB uses Core-CT to process its payroll and uses the Intacct Financial Management and Accounting System for its remaining accounting functions. According to Core-CT, the total CGB payroll and fringe benefit balance for fiscal years ended June 30, 2016 and 2017 totaled $8,195,757 and $8,776,143, respectively. Additionally, CGB was unable to identify $12,250 in payroll costs recorded in Core-CT.

2. **The Connecticut Green Bank should revise its bylaws to require separation agreements be approved by its board of directors based on the recommendations of the Budget and Operations Committee.**

   Comment:

   During the audited period, CGB eliminated 3 positions yet made corresponding severance payments equal to 26 weeks of salary for all 3 employees, totaling $148,526. The employees received benefits in addition to salary while employed. CGB refilled these positions at lower compensation levels within 1 to 11 months. Furthermore, the severance agreements were approved by the Budget and Operations Committee as required by the bylaws but not approved by the board of directors.

In addition, CGB provided a transition agreement to one of these employees in which it allowed the employee to maintain employment until vesting for retirement benefits. Furthermore, it appears that the employee's duties did not change during the transition agreement.

In response to budget sweeps enacted by Public Act 17-2, CGB eliminated 4 positions during fiscal year 2018 and made corresponding severance payments to the 4 employees, totaling $130,450. One of the employees whose position was eliminated in fiscal year 2018 was considered a new hire due to the severance payments during fiscal year 2017. That employee worked for CGB for 10 months before receiving a severance agreement.

3. The Connecticut Green Bank should consider requiring a refundable application fee that would cover costs related to the review of potential C-PACE projects.

Comment:

During the audited period, Connecticut Green Bank incurred $141,500 in cancellation fees for Commercial Property Assessed Clean Energy (C-PACE) projects that did not move forward. Our review disclosed that CGB incurred 28 $1,750 cancellation fees for one C-PACE financing applicant, totaling $49,000. CGB provided documentation on all $141,500 in C-PACE cancellation fees. The cancellation fees reflect costs for project review. The applicant is not responsible for these costs, regardless of whether they move forward with the project.

4. The Connecticut Green Bank should strengthen internal controls to ensure compliance with reporting requirements as prescribed by the Connecticut General Statutes.

Comment:

Our review disclosed that CGB did not submit the following reports in a timely manner for the fiscal years ended June 30, 2016 and 2017:

- Two of the 8 quarterly financial reports.
- Both annual reports on programs and activities undertaken.
- The report on Combined Heat and Power Pilot Program.

Review of the Section 1-123(a) Annual Report revealed section 6 of the 2016 report lacked a description of the composition of the agency's workforce by race, sex, and job title as well as a description of the agency's affirmative action efforts.

CGB failed to promptly notify the Auditors of Public Accounts of the improper use of funds by 2 contractors involved in the Residential Solar Investment Program as required by Section 4-33a of the General Statutes. The improper use of funds consisted of a contractor receiving CGB funds, totaling $80,357 in outstanding loans, for projects never completed.

Additionally, another contractor incurred numerous violations including the submission of fraudulent equipment packing slips for payment on 66 projects.

5. **The Connecticut Green Bank should strengthen internal controls by ensuring that applications are properly completed prior to the execution of a financing agreement.**

   Comment:

   CGB informed us that it notifies Commercial Property Assessed Clean Energy Program(C-PACE) applicants of the documents they need to provide, but they are initially not required to submit a formal application when seeking financing.

   We were unable to determine the scope and compliance of projects related to energy efficiency solutions for colleges and universities, because the Connecticut Green Bank did not maintain adequate documentation.

   We were unable to determine compliance with Section 16-245n(a) of the General Statutes for 2 projects related to the Clean Energy Communities Program, because CGB did not maintain project completion reports.

6. **The Connecticut Green Bank should strengthen internal controls by ensuring that inspection reports are properly documented and contain the date and time of the inspections.**

   Comment:

   We found that four employees of the State Department of Education (SDE) Connecticut Technical High School System performed inspections of Connecticut Green Bank programs. SDE did not consider this to be a dual employment issue and did not document the lack of an overlap in hours worked. Our audit testing sought to confirm that these inspectors performed consulting services on their own time and that a conflict did not occur. We could not confirm this because none of the 16 SDE employee inspection reports we reviewed included the date and time of the inspections. Additionally, 3 reports only consisted of photos and 3 did not include the address or project name.

7. **The Connecticut Green Bank should strengthen internal controls to ensure compliance with the General Statutes and bylaws. If the Connecticut Green Bank determines that any of its statutes are impractical or outdated, it should request a legislative change.**

   Comment:

   The Connecticut Green Bank Board of Directors has not filled a nonvoting position since August 2011.

   Three board members missed more than 3 consecutive board meetings and CGB could not provide adequate documentation that it asked the board members to become more active.

ACKNOWLEDGEMENT

The Auditors of Public Accounts would like to recognize the auditors who contributed to this report:

JoAnne Sibiga
Joseph Onion

CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut Green Bank during the course of our examination.

Joseph Onion
Staff Auditor

Approved:

John C. Geragosian
State Auditor

Robert J. Kane
State Auditor

3 Thompson Road: A C-PACE Project in East Windsor, CT

Address	3 Thompson Road, East Windsor, CT 06088			
Owner	TR Associates I, LLC			
Proposed Assessment	$609,282			
Term (*years*)	15			
Term Remaining (*months*)	Pending construction completion			
Annual Interest Rate[1]	5.75%			
Annual C-PACE Assessment	$61,489			
Savings-to-Investment Ratio	1.96			
Average DSCR	[redacted]			
Lien-to-Value	[redacted]			
Loan-to-Value	[redacted]			
Projected Energy Savings (mmBTU)		EE	RE	Total
	Per year	223	1,086	1,310
	Over EUL	3,349	16,300	19,650
Estimated Cost Savings (incl. ZRECs and tax benefits)	Per year	$12,342	$90,496	$102,838
	Over EUL	$185,132	$1,357,446	$1,542,578
Objective Function	41 kBTU / ratepayer dollar at risk			
Location	East Windsor			
Type of Building	Industrial			
Year of Build	1970			
Building Size (*sf*)	29,965			
Year Acquired by Owner	2008			
As-Complete Appraised Value[2]	[redacted]			
Mortgage Lender Consent	[redacted]			
Proposed Project Description	Solar rooftop ballasted system			
Est. Date of Construction Completion	Pending closing			
Current Status	Awaiting Board of Director Approval			
Energy Contractor	[redacted]			
Notes				

[redacted]

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CONNECTICUT GREEN BANK

CONFIDENTIAL TO THE BOARD

(ACTIVE RFP PROPOSAL UNDER NEGOTIATION)

Memo

To: Connecticut Green Bank Board of Directors

From: Bert Hunter, EVP and CIO and Mike Yu, Director, Clean Energy Finance

CC: Bryan Garcia, President and CEO; Brian Farnen, General Counsel and Mackey Dykes

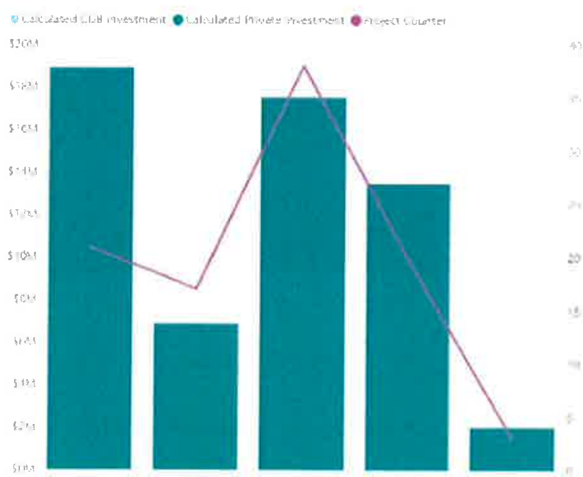
Date: September 5, 2019

Re: C-PACE Credit Enhancement RFP

Request for $5m Credit Enhancement Facility – Greenworks Lending Holdings LLC

The Connecticut Green Bank (the "Green Bank") administers and seeks to further develop the market for investing in commercial energy improvement for Connecticut through the Commercial Property Assessed Clean Energy ("C-PACE") program. Pursuant to that goal and as part of the State's Comprehensive Energy Strategy and the Green Bank's Comprehensive Plan, the Green Bank Board of Directors (the "Board") approved a $40,000,000 C-PACE construction and term loan program to originate C-PACE transactions. In addition to funding C-PACE transactions itself, the Green Bank supports a robust and competitive C-PACE market in Connecticut, with private capital sources of financing provided by Qualified Capital Providers ("CPs"). Figure 1 summarizes CP activity over the life of the program. Strengthening the CP market, with multiple capital providers, will allow a larger deployment of clean energy at a more affordable cost to customers.

Figure 1. C-PACE CP Activity by Fiscal Year (FY20 is to-date)



To further its goal of building a robust and competitive C-PACE market in Connecticut, the Green Bank issued a Request for Proposals ("RFP") on June 17th, 2019 to develop a CP-owned capital facility with the goal of accelerating market growth. The Green Bank is seeking a structure that would enable greater C-PACE deployment with up to $5 million of Green Bank credit enhancement. The structure would (1) be an external facility (i.e., not funded on the books of the Green Bank) and (2) establish or be under the control of an entity as the lender of record for C-PACE loans separate and not under the control of the Green Bank.

Based on the results of the RFP, the Green Bank has agreed to terms whereby Green Bank would provide Greenworks Lending Holdings LLC ("GWL") with financing secured by C-PACE receivables either (a) at a general corporate level or (b) at an SPE level with a parent guaranty, to facilitate greater C-PACE growth within Connecticut. What follows below are some key highlights associated with the proposed financing:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

Pricing

In order to ensure sufficient incentive to develop Connecticut-based C-PACE deals, [redacted]

[redacted]

[redacted]

Security

[redacted]

[redacted]

In addition to the cash flows from the securitizations, the Loan would also be secured by a guaranty from GWL. [redacted]

[redacted]

Fundamentally, Green Bank staff believes that GWL, an established player in the C-PACE field with tremendous origination experience, will be an excellent investment as the Green Bank encourages third-party capital participation in the market. Together, the thoughtfulness of this GWL's proposal, their understanding of the C-PACE product, and their comprehensives responses to staff's questions and comments throughout the diligence process, have all demonstrated that they are the best fit for a Green Bank investment in scaling up C-PACE as a significant asset class, which will benefit not only Connecticut property owners and ratepayers, but also help demonstrate the overall investable nature of C-PACE nationwide.

Staff requests BOD approval to execute the documentation necessary to provide a $5 million loan to Greenworks Lending or subsidiary.

RESOLUTIONS

WHEREAS, per 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 is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, to further its goal of building a robust and competitive C-PACE market in Connecticut, the Green Bank issued a Request for Proposals ("RFP") on May 20th, 2019 to develop a capital provider-owned capital facility with the goal of accelerating market growth;

WHEREAS, the Green Bank seeks to enter into a financing arrangement with the winner of the RFP: Greenworks Lending Holdings LLC and its affiliate entities (together being "GWL") to provide a $5,000,000 senior secured loan to support the deployment of third-party C-PACE financing;

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Connecticut Green Bank, is authorized to execute a loan agreement, intercreditor agreement, guaranty agreement and any other ancillary documentation with GWL with terms and conditions materially consistent with those presented in the memorandum dated September 5, 2019.

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.

Submitted by: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO, Mackey Dykes, Vice President, and Michael Yu, Director.

Greenworks Lending LLC

Preliminary Term Sheet

These terms are for discussion purposes only and do not constitute an offer or agreement by CGB or commitment by CGB to enter into a financing agreement. The terms set forth herein, including indicative pricing terms, are not the complete terms and conditions of any financing agreement and are subject to withdrawal and change at any time. The final approval and completion of the proposed facility described in this term sheet will be dependent upon, among other things, the completion of satisfactory due diligence and document review by CGB and the execution of definitive documentation acceptable to CGB, the terms of which may differ substantially from the terms set forth herein.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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CONNECTICUT GREEN BANK

Investment Modification Memo

To: Connecticut Green Bank Board of Directors

CC: Bryan Garcia, President and CEO; Jane Murphy, Vice President of Finance and Administration; Brian Farnen, General Counsel and CLO; Eric Shrago, Director of Operations

From: Bert Hunter, EVP and CIO[1]

Date: September 5, 2019

Re: Modification of Performance Based Incentive (PBI) Financing Facility for PosiGen

---

Background

In 2018, the Connecticut Green Bank ("Green Bank") Board of Directors (the "Board") approved the following changes to the Green Bank's credit relationship with PosiGen, Inc. and its subsidiaries (collectively, "PosiGen") to support the company's further growth as it continues to serve low- and moderate-income ("LMI") customers with its solar lease plus energy efficiency financing offering (a Summary of the CGB / Posigen Credit Relationship and description of the credit facilities is attached as Appendix A):

1. At the July 27, 2018 regular meeting of the Board – approval for Green Bank's participation in an expanded back-levered credit facility[2] (the "Expanded BL Facility") up to $15,000,000 of total principal outstanding with the Green Bank to be collateralized – in a subordinated position – through PosiGen solar leases and energy efficiency contracts in Connecticut and around the country.

---

[1] This memorandum was prepared with the assistance of Chris Magalhaes, Chief Investment Officer, Inclusive Prosperity Capital

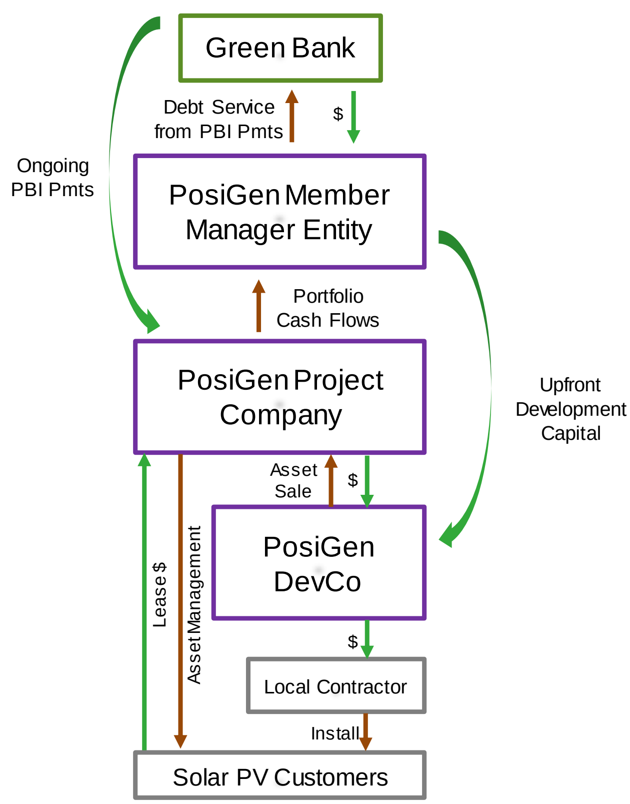
[2] In response to the unique challenges of matching the demands of secured permanent debt and tax equity investments, many renewable energy project finance deals use a back-levered debt structure. When a solar PV partnership finances using a back-levered structure, this simply moves the debt from the project level up to a holding company level, above the tax equity investor level, such that the sole collateral securing the debt is the sponsor-side equity interests and the associated cash held by the holding company borrower. This alleviates tax equity investor's concern over "foreclosure risk" which would unwind the tax benefits the tax equity has paid for. As a result of the high quality of the solar asset and the relatively low operating risk, the value of the sponsor-side cash flow streams in an operational solar facility can be significant enough to fully secure permanent debt for the project in this back-levered structure, even without project-level collateral.

This not-to-exceed amount of $15 million of the Expanded BL Facility authorization excluded from the financing facility (and the associated collateral package) specific cash flows associated solely with Connecticut systems, namely, the Performance Based Incentive ("PBI") and Low-to-Moderate Income Performance Based Incentive ("LMI-PBI") for third party owned residential solar PV systems paid out to PosiGen under the Residential Solar Investment Program ("RSIP").

2. At the September 18, 2018 Special meeting of the Board – in anticipation that the Green Bank's new spin-out entity, Inclusive Prosperity Capital, Inc. ("IPC") would provide financing for the PBI and LMI-PBI portions of the PosiGen's cash flows, but recognizing delays in IPC receiving its initial capitalization from the Connecticut Department of Energy and Environmental Protection ("DEEP") for LMI transactions (including PosiGen), the Board approved Green Bank use of the authorization for $15 million in debt financing for PosiGen under the Expanded BL Facility for the PBI and LMI-PBI facility ("PBI facility") so long as outstanding balances for the Green Bank combined between the Expanded BL Facility and the PBI facility stay within the existing not-to-exceed amount of $15 million as authorized by the Board in June 2018.

Structure

The following diagram is intended to remind staff of how the cash flows associated with a PBI financing facility move between Green Bank and the PosiGen entities. As opposed to financing against PosiGen's solar leases, the PBI facility avoids the credit risk of PosiGen's customers but does accept the production risk that is inherent to the payments associated with the Green Bank's PBI and LMI-PBI under the RSIP.



Present Situation

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Resolutions

WHEREAS, the Connecticut Green Bank ("Green Bank") has an existing and successful partnership with PosiGen, Inc. (together with its affiliates and subsidiaries, "PosiGen") to support PosiGen in delivering a solar lease and energy efficiency financing offering to LMI households in Connecticut;

WHEREAS, the Green Bank Board of Directors ("Board) previously authorized the Green Bank's participation in a credit facility (the "BL Facility") encompassing all of PosiGen's solar PV system and energy efficiency leases in the United States as part of the company's strategic growth plan, in an amount not to exceed $15 million;

WHEREAS, that prior authorization for the BL Facility excluded financing by the Green Bank under a PBI-only financing facility, in order to provide financing for PosiGen against Performance Based Incentive ("PBI") payments due to PosiGen under the Residential Solar Investment Program ("RSIP"), as such financing was expected to be provided by Inclusive Prosperity Capital, Inc. ("IPC"); and

WHEREAS, in anticipation of IPC being able to participate in a PBI-only financing facility to provide loans against PBI payments due to PosiGen under the RSIP, the Green Bank Board previously authorized the extension of credit by the Green Bank under such separate PBI-only facility to PosiGen in addition to the BL Facility, provided that Green Bank capital outstanding between such PBI-only facility and the BL Facility would not exceed the previously authorized $15 million total;

WHEREAS, IPC has loaned approximately $4m of its capital to PosiGen under a participation agreement with the Green Bank whereby IPC is providing (currently) approximately $3.9m in financing under the PBI-only financing facility;

WHEREAS, in order to loan additional funds to support the economic development investment by PosiGen in a regional call center being located within the State of Connecticut and the Green Bank Staff seeks permission to loan additional funds under the PBI-only facility as further explained in a memorandum to the Board dated September 5, 2019; and

WHEREAS, such additional loans to PosiGen via such PBI-only facility and together with any existing and incremental loans advanced by the Green Bank to PosiGen under the BL Facility would not exceed the previously authorized $15 million limit;

NOW, therefore be it:

RESOLVED, that the Green Bank Board authorizes the Green Bank to lend additional funds to PosiGen under the separate PBI-only facility in addition to the BL Facility, provided that Green Bank capital outstanding between such PBI-only facility and the BL Facility does not exceed the previously authorized $15 million total;

RESOLVED, that the Green Bank shall be permitted to co-lend with IPC to PosiGen under the PBI-only facility by the Green Bank selling down its position in the PBI-only facility to IPC on either the same terms as will exist between Green Bank and PosiGen or with Green Bank subordinated to IPC as explained in a memorandum to the Board dated September 5, 2019, as determined by Green Bank Staff; and

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

Submitted by: Bert Hunter, EVP and CIO (assisted by Chris Magalhaes, CIO, Inclusive Prosperity Capital)

Appendix A

Summary of CGB / Posigen Credit Relationship

Below is a timeline of key events summarizing relevant, debt financing-related milestones in the PosiGen program between original approval in June 2015 and December 2018:

[redacted]

[redacted]

Appendix B

Summary of Posigen Ops & Call Center Buildout Funding

[redacted]

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Thompson Agricultural Anaerobic Digestion Project

Board Memo

September 5, 2019

Document Purpose: This document contains background information and due diligence on the Fort Hill Ag-Grid AD facility and the stakeholders involved, including Fort Hill Farms (multi-generation family owned and operated farm), Ag-Grid Energy LLC, developer and Fort Hill Ag-Grid LLC, a special purpose entity created for the sole purpose of this project. This information is provided to the Deployment Committee for the purposes of reviewing a Project Update Memo.

In some cases, this package may contain among other things, trade secrets, and commercial or financial information given to the Green Bank in confidence and should be excluded under C.G.S. §1-210(b) and §16-245n(D) from any public discourse under the Connecticut Freedom of Information Act. If such information is included in this package, it will be noted as confidential.

Project Modification Memo

To: Green Bank Board of Directors (the "Board")

From: Bert Hunter, EVP & Chief Investment Officer[1]

CC: Bryan Garcia (President & CEO), Selya Price (Director of Statutory and Infrastructure Programs), Brian Farnen (General Counsel & CLO), Eric Shrago (Managing Director – Operations) and Jane Murphy (VP Finance & Administration)

Date: September 5, 2019

Re: Financing Modification for Fort Hill Ag-Grid Anaerobic Digestion Facility

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Purpose

With regards to Connecticut's [potentially] first ever farm-based anaerobic digestion project, Connecticut Green Bank ("Green Bank") staff is requesting approval for the **optionality** of converting $850,000 of unfunded balance sheet guaranty (which has been previously approved by the Board, as discussed below) to a direct project-level loan for up to $850,000 at an interest rate of 5.00% P.A. and over a 10-year fully amortizing term, and at financing terms that generally match those of the senior lender to the project (e.g. the interest rate and potential priority in cashflow waterfall would be different, as is standard in Green Bank financings, but the repayment profile and project exposure would be mirrored).

Following conversations with the developer in 2016, the Green Bank received a project loan proposal in January 2017 from a special purpose entity (SPE), wholly owned by both Fort Hill Farms and Ag-Grid Energy LLC ("Fort Hill Ag-Grid, LLC"), for a 450 kW anaerobic digestion ("AD") facility to be built on the property at 260 Quaddick Road, Thompson CT (the "Project"), under the then statutorily mandated Anaerobic Digestion Pilot Program (the "AD Program"), as defined in PA 11-80, Section 103 and amended by PA 15-152. At the time, this program was a key component of the Green Bank's comprehensive plan and budget for FY 2017 thru FY 2018.

As a result of the budget sweeps, Green Bank withdrew several loan commitments for proposed projects being brought forward under the AD Program. However, Green Bank support for the Project was repositioned as an unfunded balance sheet guaranty, and as such was presented to and approved

[1] This memorandum was prepared with the assistance of Chris Magalhaes, Chief Investment Officer, Inclusive Prosperity Capital

by the Green Bank Board of Directors Deployment Committee ("Deployment Committee") and the Board itself. The reasons for continued support of the Project are several:

- Integrating AD with dairy farms 1) produces more steady electricity generation (vs solar PV, for instance), 2) enhances farm sustainability with improved manure management, odor reduction and nutrient management, and 3) generates an additional source of income for the farm thus improving farm/business financial viability.
- AD's on dairy farms are in harmony with both energy and environmental sustainability as 1) AD's produce baseload electricity consistently 24/7; 2) AD's have a very small foot print (about 1/9th the footprint of an equivalent solar farm) and thus minimizes the use of farm land for power generation; 3) AD's not only produce electricity but also provide significant amount of heat which can replace fuel (e.g., oil or wood) used on the farm; 4) scrubbers used in the AD systems remove sulphur, thereby reducing odor on the farms; 5) AD's reduce methane emission coming from manure enhancing air quality at the dairy farm and the neighboring community as well as reduce greenhouse gases.
- In addition to producing electricity, AD's have several benefits for the farm, the community and the state. AD's allow for better organic waste management. A 300 kW farm based AD can recycle about 22,000 tons of food waste annually. Organic food waste when mixed with manure would allow AD's on dairy farms to produce higher amounts of electricity.
- Finally, while the Green Bank has successfully supported the financing of a commercial, standalone AD facility for recycling organic waste alone, we have yet to support AD for agriculture. This transaction is also being supported by Live Oak Bank (the "Senior Lender"), the Small Business Administration ("SBA") Lender and Development Company Loan Program, the USDA Rural Energy for America Program ("REAP") in the form of a $244,000 grant, the Connecticut Department of Agriculture in the form of a $49,999 grant, and the developer's own equity investment in the amount of $465,000.

Background

As a follow up to the May 23, 2017 Update Memo (the "Update Memo") from Connecticut Green Bank ("Green Bank") Staff to the Green Bank Deployment Committee (the "Deployment Committee") (attached) summarizing a long term, below market loan to Fort Hill Ag-Grid, LLC for the Project, in December 2017, Staff recommended a revised structure for the Project. Under the structure proposed to the Board at that time, the Green Bank would have provided a partial loan guaranty to Farm Credit East for the debt financing of the Project (the "Guaranty"), which was to be a condition of Farm Credit East's (the then senior lender at the time) participation in the Project's financing structure. The Guaranty represented an alternative to the originally anticipated financing request referenced in the Update Memo, which was originally planned as a subordinated project loan to directly finance approximately 20% of the Project. The reason for the change in Green Bank financing structure was to preserve capital resources that had been impacted by the sweep of approximately 50% of the system benefit charge and all regional greenhouse gas initiative funds.

This alternate guaranty structure was approved in principle, subject to final confirmation of project parameters (which was to have been confirmed to the Board (or the Deployment Committee) at a subsequent meeting of the Board (or Deployment Committee)) to enable the then senior lender and the grant parties (explained below) to proceed with their approvals for the project. Green Bank participation was, and continues to be, critical to the other participants to obtain their approvals for the Project. In the intervening period Staff has continued to provide guidance and high-level support to the developer; making introductions to relevant potential investors, advising on financeability of key project parameters, and overall continuing to communicate the importance of the project's potential attributes (clean energy, waste management, and farm/agriculture business viability) to the Green Bank, the community, and the state..

As time progressed and the Project evolved, the developer made a strategic decision to switch senior lenders to Live Oak Bank (an introduction made by Green Bank staff), and in turn Live Oak Bank, in its new role as Senior Lender, was able to receive support and confirm Project eligibility under the SBA program referenced above. Despite the SBA support however, the Senior Lender still required Green Bank participation in the Project to cover loan amounts and project costs uncovered by the SBA (typically SBA credit enhancement does not cover 100% of project exposure). The Green Bank has therefore been left with an option with regards to its participation: either continue with the unfunded guaranty approach, or become a direct lender again and advance against a portion of the project at an interest rate and tenor that aligns with the Green Bank's financial sustainability plan.

From the Project's perspective, the upside of a Green Bank loan would be that each dollar guaranteed by the Green Bank for the Project would be charged twice (the Green Bank capital charge fee for the guaranty and the Senior Lender's interest rate) whereas the upside of a Green Bank guaranty would be a more streamlined (and thus potentially cost effective) financial structuring process (due to not having to integrate two distinct lenders into the Project). From the Green Bank's perspective, a direct loan would provide for a higher interest rate and more compensation whereas an unfunded guaranty would preserve liquidity. **In both cases, Green Bank support remains necessary for Project development and Green Bank would be receiving risk-adjusted returns commensurate with its Project and liquidity exposure**.

So, in both cases, the total risk exposure to Green Bank would be $850,000 (as previously approved in principle by the Board), but would proceed either as a guaranty or as a loan depending on the Project financing scenario ultimately pursued by the developer. In either the guaranty scenario or the loan scenario, Green Bank participation would also be contingent on the following project parameters (as summarized below, and described in more detail later in the Memo):

1.) Appropriate conditions precedent
2.) Confirmation of commitments for Grants, Tax Equity, and Debt
3.) Agreed upon capital charge fee pricing for Green Bank guaranty (tentatively proposed at 2% to match the SBA guaranty fee) OR senior loan interest rate (tentatively proposed as 5% for a maximum of 10 years – consistent with Green Bank's rate of return benchmark)
4.) Determination of a Base Case pro forma model
5.) Review of final language of the Operating Agreement that confirms cashflows associated with both Tax Equity and development fees

Project Summary

Background

Fort Hill Farms currently has over 390 cows, 200 milking, and is part of dairy farm cooperative named The Farmer's Cow, which supplies products to both large, big box groceries and local markets[2]. The farm has been regarded as "Best in New England" by Yankee Magazine, named Connecticut Tourism Ambassadors, and in 2013 was the first ever winner of Thompson's "Business of the Year" Award[3]. Ag-Grid Energy LLC is a project developer focused on anaerobic digestion technology, and with experience currently developing projects on dairy farms, including a 300 cow farm and a 150 cow farm, located in Massachusetts[4].

The Project will process manure from the farm, along with additional outside food waste, and will produce electricity, heat, and enriched organic byproducts, which will deliver direct energy savings to Fort Hill Farms and will provide value streams to Fort Hill Ag-Grid, LLC that will be monetized into cash flows for system and capital cost repayments.

Project Costs and Funding Sources

The base case project scope ("Base Case") includes a turnkey digester system, developed by Ag-Grid Energy LLC, that is capable of processing farm-produced manure and outside food waste in a liquid "slurry" form that is already partially broken down and separated from packaging/non-organic material. The projected maximum all-in capital cost of the Base Case, inclusive of contingency for construction, is approximately $4.8 million, as broken down below:

[2] Fort Hill Farms, http://forthillfarms.com/about-fhf/our-history/, (May 20, 2017).
[3] Ibid.
[4] AG Grid Energy, http://aggridenergy.com/our-projects/, (May 20, 2017).

<u>Base Case Project Costs and Sources</u>: $4,815,663

[redacted]

For the purposes of project financing, development, and ownership, it is staff's understanding that Fort Hill Ag-Grid, LLC will be structured as a partnership, and the tax equity investment, which is predicated on the successful "Safe Harbor" of an Investment Tax Credit ("ITC") for the project by Fort Hill Ag-Grid, LLC, will be structured as a "front-levered" partnership "flip", wherein debt service payments are prioritized ahead of cash payments to tax equity in the cash flow distribution waterfall, and the terms dictating the sharing of tax benefits/liabilities and residual cash flows between the Fort-Hill Ag-Grid, LLC equity position and the tax equity position are to be contained in an Operating Agreement (the finalization/execution of which, and the Green Bank review of which, will be a condition of Green Bank's participation as noted in the section above).

Live Oak Bank is expected to have a portion of its loan principal balance outstanding covered by a loan guaranty from the SBA. The Green Bank's participation will be limited to $850,000 regardless of whether that participation is as an unfunded guaranty or a direct loan. The net result of the collective SBA and Green Bank participations with respect to Live Oak Bank is to reduce Project risk to a level that is acceptable to the Senior Lender, thus making Live Oak Bank's participation in the capital stack possible and at an interest rate that project cash flows can support, which in turns makes the project a more viable option for the Fort Hill Farms and more likely to succeed.

Green Bank's participation in the capital structure has been a condition for the Project from the start because of the Green Bank's ability to credit enhance the project from a senior lender's perspective, and although Green Bank's support could come in the form of either an unfunded guaranty or a direct loan the result of the Green Bank's capital exposure/support to the Project is nonetheless the same: it reduces Senior Lender exposure to the Project and therefore reduces risk, which in turn reduces overall financing costs, and which in turn make fore a more viable Project.

In terms of compensating Green Bank for the risk exposure it faces, Green Bank debt participation would be paid in interest on its capital outstanding and a Green Bank guaranty would be paid a "capital charge" fee for its at-risk capital (which is similar, in concept, to interest accrued on principal outstanding). The amount and terms of the capital charge fee would match the fee charged by the SBA for its guaranty capital at risk (understood to be 2%), and the interest rate on a Green Bank loan would be 5%.

Project Viability/Economics

The Project is expected to benefit from an allocation of Virtual Net Metering Credits. The allocation will allow the Project to monetize excess electricity production (net of what is utilized on the farm) at rates that are materially higher than wholesale rates. Additional revenue streams include food waste tipping fees and Class I REC sales.

The below pro forma cash flow excerpt provides a snapshot of base case Project cash flows:

[redacted]

These assumptions do not tell the full story however, as for example from a structural perspective there is also tax equity participation, and from a risk perspective (a.) the project is still in development and certain revenues may not materialize or costs may be higher than expected, (b.) even cash flows that do materialize may have levels of volatility/uncertainty that result in higher capital costs or lower periodic cash flows, and (c.) grants may not materialize or there could be unexpected cash outflows due to tax equity participation as a result of financial structuring and/or regulatory risk. That all said, as the below sensitivity analysis shows, expected project cash flows have enough cushion to tolerate downside scenarios while still maintaining the ability to repay debt (assuming sweeps, as appropriate) – the importance of flexible, low-cost financing becomes all the more important however under such scenarios. Furthermore, Green Bank staff will require, and complete, additional types of analysis to further mitigate downside risk, including an After-Tax, tax equity distribution/allocation waterfall, before any commitment of participation (guaranty or loan) is made.

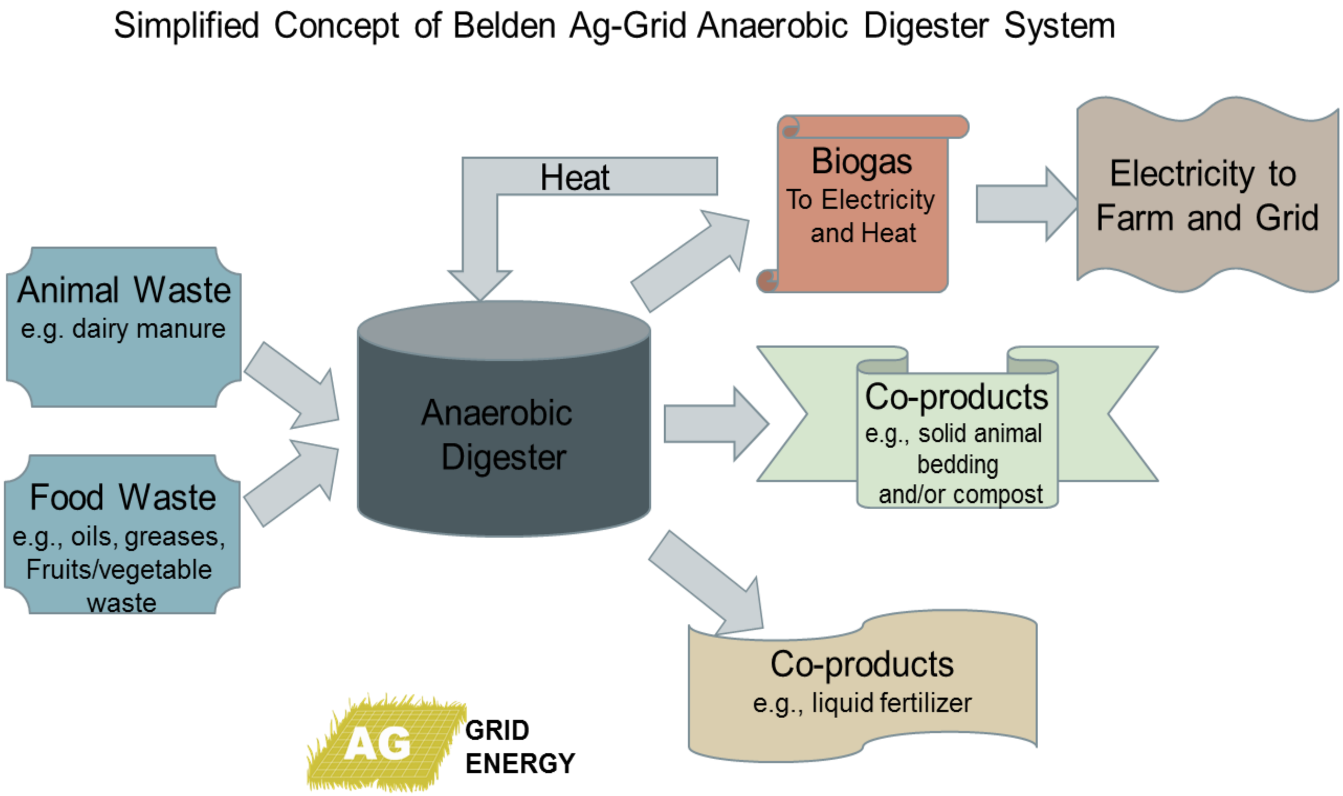
[redacted]

The sensitized case here assumes all virtual net metering credits and tipping fee revenues are discounted by 25%. The result is that while over the course of the financing term there is enough cash, in aggregate, to cover debt service payments (i.e. the "average" DSCR above 1 means total cash over the financing term can cover total debt service payments over the financing term), in effect such total repayment would only occur with the help of sweeping cash in early years and applying excesses to cover later shortfalls. Thus, lenders would have to identify potential shortfalls early on and act accordingly. That all said, it is worth reiterating that there is still upside associated with the project that is not accounted for in any of the scenarios (e.g. the pro formas give no credit to Class I RECs after 2025).

Low-cost financing is an important feature of making the project work, given the uncertainty surrounding project cash flows. That said, it is also important to note that even under a highly distressed scenario, the project still has a very reasonable likelihood for repaying the project debt (inclusive of Green Bank debt if the loan scenario is chosen), which reduces the risk exposure to the Green Bank's position as a guarantor (if the guaranty scenario is chosen). The debt assumptions included in this analysis are based off of analyses done by the Senior Lender for Senior Lender's own credit approval memo. Senior Lender debt would be priced at PRIME plus a 2.00% spread (7.25% at the time of the Senior Lender's analysis) over a 10-year fully amortizing term. Additionally, the Senior Lender debt has an 18-month interest only period for capital drawn during construction, with a 6 month extension for that interest-only period that carries an additional fee of 0.50% of outstanding principal (constructs that would be mirrored by the Green Bank should the loan scenario be chosen).

Project Details

The digester to be used on Fort Hill Farms will be a co-digester, able to take animal waste, cow manure in this case, as well as organic food waste. This waste is pumped into the tank of the anaerobic digester (AD) where the manure and food waste are continuously mixed. The digester produces a substance called digestate, of which the solid form is used by the farm as animal bedding and the liquid form as fertilizer for the crops. The biogas generated in the digester tank is then converted into electricity to be used on the farm and the excess electricity sold to the utility grid.



The Fort Hill Ag-Grid, LLC business plan involves receiving organic food waste, in a processed slurry form acceptable by the digester, providing an opportunity to large food manufacturers, local companies, or universities to dispose of their waste in compliance with Connecticut's new recycling laws. The new Connecticut statute for recycling of source-separated organic materials states that all large food waste generators with a projected annual volume of 104 or more tons per year (greater than 2 tons per week) of source separated organic material that are located within 20 miles of a permitted recycling facility must send their organic materials to such a recycling facilty. In 2020, the projected annual volume triggering regulation decreases to 52 tons per year.

The rationale behind this new recycling policy stems from the fact that commercial businesses find it difficult to dispose of the food waste they generate and such food waste causes problems within the traditional waste stream. Consequently, a large amount of food waste is either not getting recycled or is being hauled to states not yet affected by a food waste ban (i.e. Pennsylvania) and dumped in landfills. The Project will provide an option to nearby producers of food waste to not only meet the recycling requirements but also convert the food waste into useful clean renewable energy. Additionally, these large food waste generators can promote their business through advertisement, conveying the environmentally friendly nature of their food waste disposal procedures as well as the resulting production of clean energy.

Strategic Plan

Is the project proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

The Project conforms to the Anaerobic Digestion ("AD") pilot program, as defined in PA 11-80, Section 103, which is a key component of the Green Bank comprehensive plan and budget for FY 2016/2017. The project as proposed meets all of the criteria of the program and therefor is consistent with Green Bank's Comprehensive Plan. Statutorily, Green Bank is permitted to use its resources for expenditures (i.e. grants, loans, and PPA's) that promote investment in clean energy in accordance with Green Bank's Comprehensive Plan – this project is a loan or a loan guaranty.

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the project lifetime) form the project versus the dollars of ratepayer funds at risk?

The Project is expected to produce approximately 31,047,000 kWh of electricity over the 10-year initial operating term. The maximum Green Bank exposure is $850,000.

The objective function for this project is up to 36.5 kWh per $1 of ratepayer funds at risk for clean electricity produced.

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

If the Green Bank guaranty is selected, up to $850,000 in exposure will not result in any outflow of capital, unless there is an event of default on the project. The compensation to the Green Bank for taking on this risk, in the form of a capital charge fee, is not yet determined but is expected to be approximately 2% in line with the SBA guaranty fee.

If the Green Bank loan is selected, up to $850,000 in exposure will be funded from Green Bank capital. The compensation to the Green Bank for taking on this risk, in the form of an interest rate, is not yet determined but is expected to be approximately 5% for 10 years.

Capital Expended

How much of the ratepayer and other capital that Green Bank manages is being expended on the project?

Depending upon whether the guaranty or loan is selected, ratepayer or other Green Bank capital may or may not be expended – but the Green Bank is exposed to the same maximum risk exposure in an event of default on the project. The maximum capital at risk under either scenario is $850,000.

Risk

What is the maximum risk exposure of the ratepayer funds the project?

$850,000 as explained above.

Risks and Mitigation Strategies

The major risks of the Project is that it is unable to perform as expected (i.e. technology risk), the overall project development is more costly or time-consuming than expected (i.e. development risk), the Project is more costly to run that expected or is unable to monetize revenue streams as expected (i.e. operating risk), and/or that key federal, state, or local laws and regulation, ranging from tax law to environmental regulations, somehow inhibit or impair the Project (i.e. regulatory risk).

Green Bank's mitigation strategy is to require that as many variables associated with the project as possible are confirmed or mitigated before Green Bank capital is put at risk. For the avoidance of doubt, the Green Bank will not agree to enter into any arrangement unless all of the conditions listed in the "Purpose" section of this Memo are met in a way satisfactory to the Green Bank.

In addition, Green Bank will monitor the ongoing performance of the Project closely, and will work closely with the facility owners and senior lender as an advisor and development partner, in order to help give the Project the best prospects for success (and in doing so, provided Green Bank with reduced risk to its capital exposure).

Resolutions

WHEREAS, in early 2013, Green Bank released a rolling Request for Proposals in the third round of solicitations for anaerobic digestion projects to participate in a statutorily mandated AD Pilot program, an initiative aimed at reducing landfill waste through the recycling of organics and helping to promote sustainable practices and economic prosperity of Connecticut farms and other businesses by using organic waste with on-site anaerobic digestion facilities to generate electricity and recoverable heat;

WHEREAS, Ag-Grid Energy, LLC submitted the Fort Hill Ag-Grid Anaerobic Digestion Facility proposal to develop in the City of Thompson a 450 kW anaerobic digestion project and was selected as a project that is consistent with the AD Pilot Program, Green Bank Comprehensive Plan and in the best interests of ratepayers;

NOW, therefore be it:

RESOLVED, that the President of Green Bank and any other duly authorized officer of Green Bank is authorized to execute and deliver definitive documentation materially based on the term sheet set forth in this due diligence package for financial support in the form of up to $850,000 of a loan guaranty or, alternatively a funded loan, as he or she shall deem to be in the interests of Green Bank and the ratepayers;

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

RESOLVED, that the Board's approval is conditioned upon the completion of Green Bank staff's due diligence review, including Green Bank's review and reasonable satisfaction with all project documentation that Green Bank is and is not a party to.

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CONNECTICUT GREEN BANK

Memo

To: Connecticut Green Bank ("Green Bank") Board of Directors (the "Board")

From: Bert Hunter, EVP & Chief Investment Officer

CC: Bryan Garcia, President and CEO; Brian Farnen, General Counsel and CLO; Jane Murphy, VP of Admin and Finance

Date: September 5, 2019

Re: Authorization of $1.5M Bridge Loan (unsecured) to Capital 4 Change ("C4C") for Interim Funding for C4C's funding for Smart-E Loans

Authorization of up to $4.5M Medium Term Revolving Loan (secured & subordinated) to CEEFCo (100%-owned subsidiary of C4C) for Funding CEEFCo's investment in Energy Efficiency Loans (including Smart-E Loans) in partnership with Amalgamated Bank

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Background & Summary of Request for Approval

At the April 26, 2019 meeting of the Connecticut Green Bank (the "Green Bank") Board of Directors (the "Board"), the Board approved a $1.5M Bridge Loan (unsecured) to Capital 4 Change ("C4C") for Interim Funding for C4C's Smart-E Loans portfolio. At the same time, the Board gave "in principle" authorization for up to $4.5M for a Medium Term Revolving Loan (secured & subordinated) to CEEFCo (a 100%-owned subsidiary of C4C) for Funding CEEFCo's investment in Energy Efficiency Loans (including Smart-E Loans) in partnership with a private capital source. The private capital source, Amalgamated Bank, has now issued a preliminary term sheet (attached as Appendix 1) to C4C. Accordingly, Green Bank is bringing forward its request for final approval for the "up to" $4.5M Secured Medium Term Revolving Loan facility.

Capital for Change (formerly, the Connecticut Housing Investment Fund) ("C4C"), in partnership with the Green Bank, provides loans to Connecticut single family property owners seeking to finance solar PV and other renewable energy systems and energy efficiency upgrades under Green Bank's Smart-E loan program.[1] As will be more fully explained in this memorandum, the growth of C4C's Smart-E loan portfolio has greatly exceeded both the expectations of C4C staff and the capabilities of C4C's underlying capital facility that supports

---

[1] Pursuant to the Green Bank Sustainability Plan passed by the Board in December 2017 and to a Professional Services Agreement, beginning August 3, 2018, certain aspects of the Smart-E Loan program are being managed by Inclusive Prosperity Capital, Inc. ("IPC")

its Smart-E loan portfolio. In fact, C4C is Green Bank's largest and most active Smart-E lender, with over $23 million in loan originations since joining Smart-E in 2016. As a result of this growth, C4C's funding source for Smart-E is no longer keeping pace with its Smart-E loan expansion; capital availability under that facility is contracting instead of expanding due to factors exogenous to the actual portfolio performance and economics. Consequently, C4C and Green Bank are working to source – on an expedited basis – a financing facility to accommodate C4C's current Smart-E loan portfolio as well as expected loan growth over the next 18-24 months (with renewal and expansion options with the selected lender).

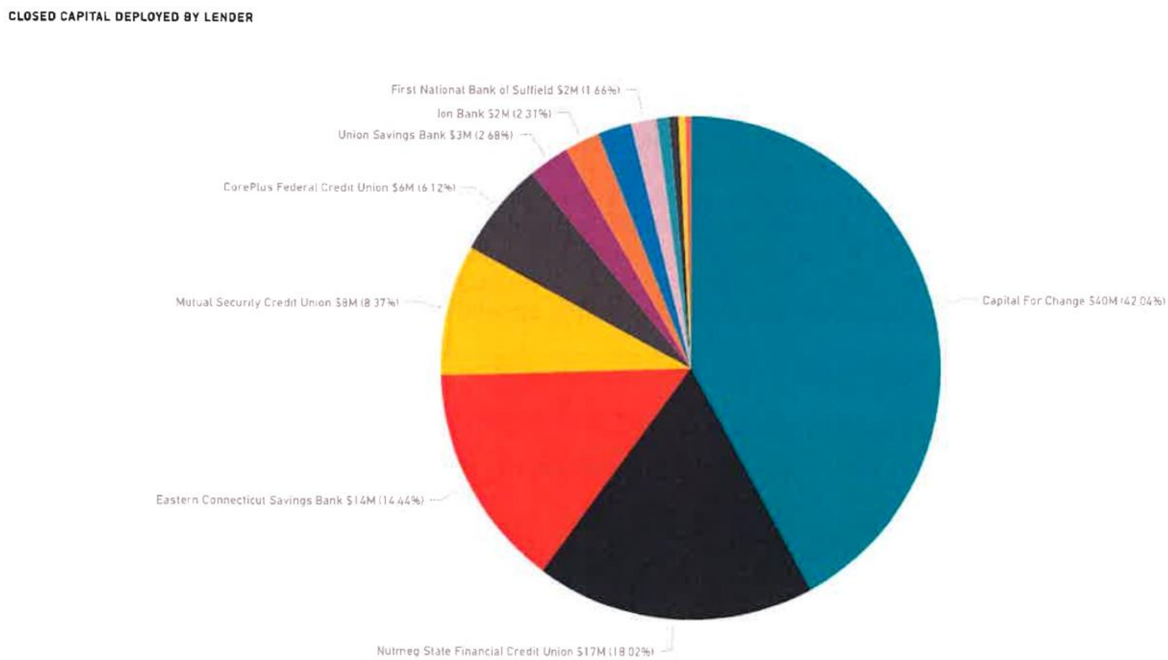
As noted above, in April of this year, the Board gave approval for a $1.5 million unsecured "balance sheet" loan to C4C to bridge C4C's funding needs exclusively for Smart-E loans originated by C4C in its 100%-owned subsidiary: CEEFCo ("C4C Bridge Loan"). The C4C Bridge Loan has enabled C4C to continue to originate loans for the Smart-E loan program, which has been critically important during the spring and summer residential HVAC sales cycle. As explained at the time of approval, the primary source of repayment for the C4C Bridge Loan will be the revolving credit facility being sourced jointly by C4C and Green Bank, with secondary and tertiary sources of repayment being C4C itself and/or the underlying loan portfolio, respectively, should a revolving credit facility fail to materialize. Now that the terms of the revolving credit facility are being finalized, repayment for the C4C Bridge Loan is fully expected to be from proceeds from the revolving credit facility.

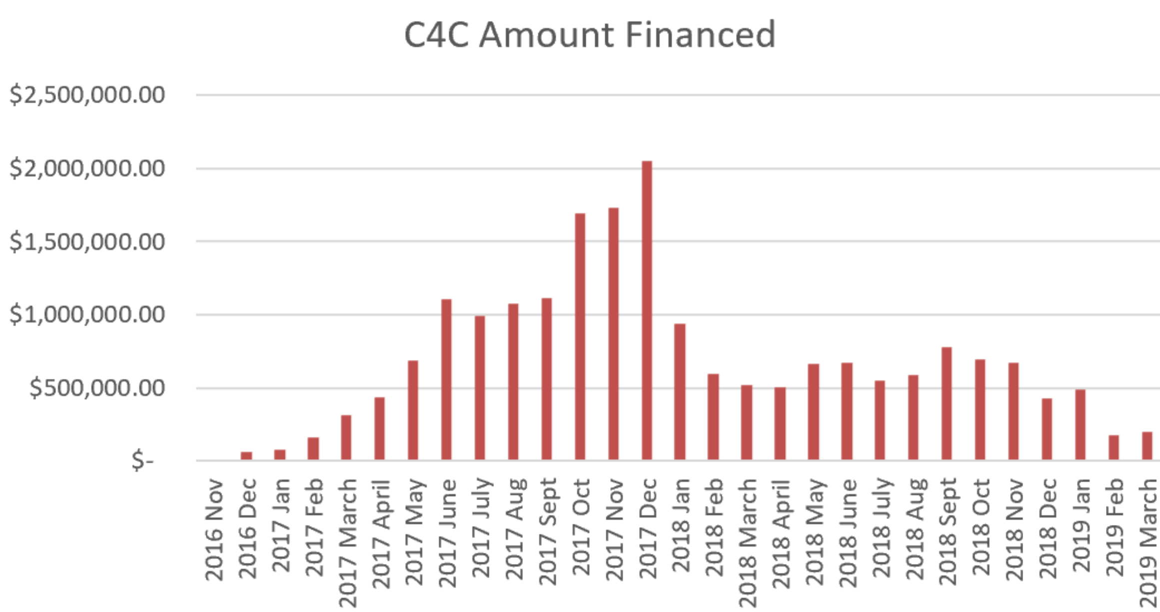
The purpose of this memorandum is to request final approval for up to a $4.5 million secured and subordinated medium term revolving loan to CEEFCo in partnership with Amalgamated Bank which will satisfy C4C/CEEFCo's funding needs for energy efficiency and Smart-E loans booked by CEEFCo ("CEEFCo Revolving Loan"). The CEEFCo Revolving Loan will enable CEEFCo to originate loans for the CEEF and Smart-E loan programs. The facility would refinance the current outstanding Webster amortizing loan facility into a 3 year medium term revolving loan facility. The sole source of repayment for the CEEFCo Revolving Loan will be the proceeds from consumer loan payments of the CEEFCo loan portfolio and CEEFCo equity.

C4C and Green Bank Partnership

C4C and Green Bank have mission-alignment and longstanding programmatic relationships, particularly for multifamily programs. In April 2014, the Board approved the Low Income Multifamily Energy Loan (formerly, the Multifamily Permanent Energy Loan, - or "LIME"), under which C4C, in partnership with the Green Bank, provides loans to Connecticut multifamily property owners seeking to finance solar PV and other renewable energy systems and energy efficiency upgrades. In June 2016, the Board reauthorized the LIME program under amended guidelines and authorized the Green Bank's provision of $1,000,000 in capital financing and $625,000 of repurposed ARRA-SEP funds for a loan loss reserve to support an initial capital pool of $3,000,000. In February 2017, the Board approved deployment of an additional $2.5M from Green Bank balance sheet capital to C4C to finance those additional properties in the LIME pipeline. This $3.5M in total funding capacity is provided to C4C by Green Bank on terms that are for a maturity of up to 20 years and at an interest rate of 3% per annum. There is currently $3.1 million outstanding under this facility with recourse to C4C.

C4C joined the Smart-E loan program in late calendar 2016. C4C quickly became Green Bank's leading originator of Smart-E loans as demonstrated by the chart below.





Since joining Smart-E, C4C has originated over $23 million in loans for residential projects. As per the chart above, Smart-E volume for C4C (as well as for other Smart-E lenders) declined in early 2018 with the end of the interest rate buydown (IRB). The IRB had brought program rates down to 2.99%. However, even without the IRB, C4C's loan growth remains strong with monthly volume that can fluctuate from $250,000 to $500,000. As anticipated, the $1.5M C4C Bridge Loan has provided funding for C4C's Smart-E loans through the spring and summer which has given time for Amalgamated Bank to complete its diligence on C4C and to negotiate key terms of the more permanent revolving credit facility.

Existing Funding for C4C Smart-E Loans

Smart-E is funded from C4C's CEEFCo, a wholly-owned subsidiary purposed to finance residential clean energy measures – primarily for Smart-E as well as for the Connecticut Energy Efficiency Fund (the "CEEF"). At present, CEEFCo's portfolio funding for its loans has been sourced as follows:

[redacted]

The Webster line of credit is amortizing – originally over seven years but recently reduced to five years – which means that it is contracting while the underlying loan portfolio of growing. This facility structure is partially a construct of the portfolio growth exceeding expectations (as noted above), and it creates a fundamental mismatch between the CEEFCo business model – whereby its loan portfolio grows over time –and the Webster line which amortizes over a shorter period than underlying loan amortizations. So not only is the Webster line not funding future loan growth, but it is draining cash resources of CEEFCo as the amortization of the Webster line exceeds the principal amortization of the underlying portfolio of assets. This fundamental mismatch is to be resolved with a new facility from another lender, better suited to the loan portfolio's characteristics, sourced by very encouraging discussions that C4C and Green Bank have had with Amalgamated Bank. Amalgamated has substantially completed its review of all diligence materials and its underwriting process.

Medium Term Revolving Credit Facility for CEEFCo

As explained above, C4C and Green Bank are in discussions with a major financial institution concerning a medium term revolving credit facility for CEEFCo ("CEEFCo Revolving Loan"). Green Bank would be subordinate in the capital stack as follows:

CEEFCo Equity in the loan pool:	10% (minimum)
Green Bank Subordinated:	10% - 15%
Financial Institution – Senior:	70% - 80%

A facility that would support a loan pool between $30 to $40 million is being discussed (current loan outstanding: $26.9 million). Green Bank would fund up to $4.0 to $4.5 million of this pool with CEEFCo providing at least 10% of the pool of loans outstanding and the senior lender providing the balance of funding. The term sheet from Amalgamated Bank suggests they will fund 80% of the portfolio capital requirement. With C4C providing 10% of the capital, this would leave Green Bank with 10%. However, with terms and conditions not yet final, Green Bank seek the flexibility to increase its share to 15% provided C4C is not less than 10% (i.e., Amalgamated Bank may slip to 75%).

Loss experience for the CEEFCo portfolio has been good, with non-performing loans equal to 1.9% of the $26.9 million portfolio. This non-performing ratio is in line for the industry – which tends to be in the 1.5% to 2.5% area.

C4C Financial Condition

C4C is in good financial health. Represented below is the parent-level company which is the entity to which the Green Bank loan would be made. Unrestricted cash decreased from 2017 to 2018 due to advances to CEEFCo (where the Smart-E advances are made) and about $1 million in building and equipment acquisition related to new office space. Restricted cash declined and liabilities increased tracing to loan growth. The proposed $1.5 million loan would represent approximately 2.4% of loans C4C at the parent level would have available from third parties.[2]

[redacted]

Request

Green Bank staff requests:

> Final approval for up to a $4.5 million secured and subordinated medium term revolving loan to CEEFCo in partnership with Amalgamated Bank which will satisfy C4C/CEEFCo's funding needs for energy efficiency and Smart-E loans booked by CEEFCo ("CEEFCo Revolving Loan"). The CEEFCo Revolving Loan will be a 3 year medium term revolving loan facility. The sole source of repayment for the CEEFCo Revolving Loan will be the proceeds from consumer loan payments of the CEEFCo loan portfolio and CEEFCo equity. Pricing is to be equivalent to Amalgamated Bank plus 0.25%. to compensate Green Bank for its subordinate position (see Appendix 2).

Green Bank Financial Statements

How is the project investment accounted for on the balance sheet and profit and loss statements? Upon execution of definitive documentation, the Green Bank will advance a portion of the medium term loan to C4C, leading to a reduction in cash and cash equivalents on the asset side of the Green Bank's balance sheet and a concomitant increase in short-term loans. Subsequent draws will be made to C4C upon C4C's request and certifying the borrowing base with Amalgamated Bank.

Resolutions

WHEREAS, the Connecticut Green Bank ("Green Bank") entered into a Smart-E Loan program financing agreement with Capital for Change ("C4C");

WHEREAS, C4C is the largest and fastest growing Smart-E lender on the Green Bank Smart-E platform;

WHEREAS, C4C and Green Bank have substantially completed negotiations with Amalgamated Bank for a medium term loan facility to fund C4C's Smart-E Loan and other residential energy efficiency loan portfolio growth; and

WHEREAS, Green Bank staff recommend final approval by the Green Bank Board of Directors (the "Board") for a secured and subordinated medium term revolving loan facility for CEEFCo (the "CEEFCo Revolving Loan") in order to fund CEEFCo's residential energy efficiency and Smart-E Loan portfolio in partnership with Amalgamated Bank.

NOW, therefore be it:

RESOLVED, that the Board approves the CEEFCo Revolving Loan in an amount of up to $4.5 million in capital from the Green Bank balance sheet in support of energy efficiency and Smart-E Loans in partnership with Amalgamated Bank generally consistent with the memorandum submitted to the Board on September 5, 2019;

RESOLVED, that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the CEEFCo Revolving Loan on such terms and conditions as are materially consistent with the memorandum submitted to the Board on September 5, 2019; and

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

Submitted by: Bryan Garcia, President and CEO and Bert Hunter, EVP and CIO

Appendix 1

September 3rd, 2019

PRELIMINARY TERM SHEET

Indicative Summary of Terms and Conditions Concerning a $25,000,000 Line of Credit for Connecticut Energy Efficiency Finance Company (CEEFCo)

For Discussion Purposes Only – Confidential – This is Not a Commitment

This Indicative Summary of Terms and Conditions or Preliminary Term Sheet describes certain of the principal terms and conditions of the proposed line of credit described below, is for discussion purposes only and is not to be construed in any way as a commitment or undertaking of Amalgamated Bank, or any of its subsidiaries or affiliates, to provide a loan or any other type of financing. This Preliminary Term Sheet supersedes any and all prior correspondence, written and oral, concerning a proposed loan with regard to the proposed line of credit. The actual terms and conditions under which Amalgamated Bank may be willing to provide the line of credit to the Borrower (as hereinafter defined) shall be subject to, inter alia, satisfactory completion by Amalgamated Bank of its due diligence process, obtaining necessary internal credit approvals and the negotiation, execution and delivery of definitive documentation. The pricing and terms included in this Preliminary Term Sheet are based on market conditions on the date hereof and are subject to change.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

AMALGAMATED BANK

By: ______________________

ACKNOWLEDGED AND AGREED:

By: ______________________

Name:

Title:

Appendix 2

September XX, 2019

PRELIMINARY TERM SHEET

Indicative Summary of Terms and Conditions Concerning a $4,500,000 Line of Credit for Connecticut Energy Efficiency Finance Company (CEEFCo)

For Discussion Purposes Only – Confidential – This is Not a Commitment

This Indicative Summary of Terms and Conditions or Preliminary Term Sheet describes certain of the principal terms and conditions of the proposed line of credit described below, is for discussion purposes only and is not to be construed in any way as a commitment or undertaking of Connecticut Green Bank, or any of its subsidiaries or affiliates, to provide a loan or any other type of financing. This Preliminary Term Sheet supersedes any and all prior correspondence, written and oral, concerning a proposed loan with regard to the proposed line of credit. The actual terms and conditions under which Connecticut Green Bank may be willing to provide the line of credit to the Borrower (as hereinafter defined) shall be subject to, inter alia, satisfactory completion by Connecticut Green Bank of its due diligence process, obtaining necessary internal credit approvals and the negotiation, execution and delivery of definitive documentation. The pricing and terms included in this Preliminary Term Sheet are based on market conditions on the date hereof and are subject to change.

Connecticut Green Bank (the "Green Bank"), is prepared to offer a line of credit (the "Line" or the "Line of Credit") to CEEFCo (the "Borrower") upon the terms and subject to the conditions outlined below:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

CONNECTICUT GREEN BANK

By: ______________________

ACKNOWLEDGED AND AGREED:

By: ______________________

Name:

Title:

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CONNECTICUT GREEN BANK

CONFIDENTIAL TO THE BOARD

(ACTIVE RFP PROPOSALS UNDER NEGOTIATION)

Memo

To: Connecticut Green Bank Board of Directors

From: Bert Hunter, EVP and CIO and Mike Yu, Director, Clean Energy Finance

CC: Bryan Garcia, President and CEO; Brian Farnen, General Counsel and CLO; Dale Hedman, Consultant (Retiree); Eric Shrago, Director of Operations, Jane Murphy, Vice President of Finance and Administration; Selya Price, Director, Infrastructure Programs

Date: September 5, 2019

Re: (a) SHREC Securitization RFP Recommendation

(b) Adjustments to SHREC Warehouse Funding Resolutions

In a memo to the Connecticut Green Bank (the "Green Bank") Board of Directors (the "Board") dated July 11, 2019, staff provided an update on its Solar Home Renewable Energy Credit ("SHREC") warehouse funding facility (the "Warehouse Facility") and a related securitization RFP. Since that meeting, staff closed the $14m revolving line of credit facility with Webster Bank and Liberty Bank (the "Lenders") on July 31. During the final closing stages of this credit facility, Lenders' counsel recommended a set of more resolutions that reflect the final documentation which would supersede the resolutions passed by the Board on July 18 to approve the Warehouse Facility. Those new resolutions are presented later in this memo.

Since the July 18th Board meeting, staff have also continued working on an RFP for the monetization of the third tranche ("Tranche 3") of SHREC systems. Tranche 3 was executed with the utilities on June 28, 2019 and is comprised of 4,818 systems that have received PURA approval as Class I REC generators. Generation projections for Tranche 3 based on P50[1] estimates from Solar Anywhere indicate approximately $31.5 million of gross SHREC revenue over the 15-year life of the tranche based on a price of $48 per SHREC.

Staff issued an RFP for underwriters on June 28th and received three proposals in early August. Responses included one asset-backed proposal and two taxable municipal bond securitization proposals. All proposals expressed confidence in being able to close a transaction in Q4 2019. Below is a summary of the three proposals:

[1] P50 is a statistical level of confidence suggesting that we expect to exceed the predicted solar resource/energy yield 50% of the time. P90 indicates we expect to exceed the yield 90% of time.

	Royal Bank of Canada ("RBC")	Stifel, Nicolaus & Company, Inc. ("Stifel")	Ramirez & Co. ("Ramirez")
[redacted]	[redacted]	[redacted]	[redacted]
Upfront Money	[redacted]	[redacted]	[redacted]
Cost of Services	- [redacted]	- [redacted]	- [redacted]

RBC – As underwriter for the asset-backed securitization ("ABS") of Tranche 1 and Tranche 2, RBC felt that another 144A tack-on issuance under the existing Master Trust Indenture was the most efficient monetization of Tranche 3. Another ABS issuance would build on the success of the first ABS transaction, and with all of the legal documentation is in place, the prospective timeline to placement would be faster than municipal-backed securitizations ("MBS"). [redacted] Because of the nature of ABS transactions and the size of the issuance, the SHREC notes would likely be placed is just one investor, and would be unavailable to retail investors. In order to reach retail investors, RBC proposes that the Green Bank issue a subsequent "mini-bond" in the municipal market based on residual cashflows from both securitizations wrapped by a Green Bank guarantee. The bonds would be issued by a special purpose vehicle wholly owned by the Green Bank.

Stifel - Although Stifel has an active presence in the ABS market, they believe that given the size of the Tranche 3 offering, the municipal bond market will produce a more favorable financing for the Green Bank and will allow for participation by Connecticut retail investors. Stifel's recommendation is to use [redacted] he Green Bank would be the issuer of the bonds.

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[2] When financing is secured by cash flows from the assets being financed, the term "advance rate" is used to describe in percentage terms how much is being loaned against the total value of the assets. For instance, if $1,000,000 in assets (such as consumer loans) are being financed with a loan of $800,000, the advance rate is 80%.

Under Stifel's structure, the Green Bank could expect [redacted] Stifel has a strong retail presence in Connecticut with four offices and 19 sales executives who manage $1.5B in assets for individuals. For SHRECs, Stifel has a plan to target bond funds, professional money managers, and sophisticated individual investors who have a preference for green bonds. [redacted]

Ramirez – Similar to Stifel, Ramirez believes the Green Bank would be best served by issuing taxable municipal bonds with a hybrid municipal/ABS structure. In their proposal, the issuance would consist of [redacted] The Green Bank would be the issuer of the bonds.

Interest Rate Assumptions

		Benchmark US Treasury					
Maturity	Par	Bench	Coupon	Maturity	Yield	Spread	Yields
02/01/20	[redacted]	T2	1.750%	7/31/2021	1.610%	[redacted]	[redacted]
02/01/21	[redacted]	T2	1.750%	7/31/2021	1.610%	[redacted]	[redacted]
02/01/22	[redacted]	T3	1.500%	8/15/2022	1.548%	[redacted]	[redacted]
02/01/23	[redacted]	T5	1.750%	7/31/2024	1.535%	[redacted]	[redacted]
02/01/24	[redacted]	T5	1.750%	7/31/2024	1.535%	[redacted]	[redacted]
02/01/25	[redacted]	T7	1.875%	7/31/2026	1.608%	[redacted]	[redacted]
02/01/26	[redacted]	T7	1.875%	7/31/2026	1.608%	[redacted]	[redacted]
02/01/27	[redacted]	T10	1.625%	8/15/2029	1.700%	[redacted]	[redacted]
02/01/28	[redacted]	T10	1.625%	8/15/2029	1.700%	[redacted]	[redacted]
02/01/29	[redacted]	T10	1.625%	8/15/2029	1.700%	[redacted]	[redacted]
02/01/34	[redacted]	T10	1.625%	8/15/2029	1.700%	[redacted]	[redacted]

Summary

Based on an assessment made by the SHREC Team of the various proposals from three financial institutions, Stifel's and Ramirez's proposals were determined to offer the best value for the Green Bank's needs for (a) an efficient structuring and low cost transaction with (b) high advance rates and low cost of capital that (c) appeals to a broad array of environmental, social, and governance-focused investors, both retail and institutional. In particular, being able to reach retail investors with this issuance would further the Green Bank's mission to spread clean energy investment opportunities as well as deepen our internal expertise in both municipal and mini-bonds.

As next steps, Staff along with Green Bank consultants will be meeting with both Stifel and Ramirez to discuss their proposal, flexibility within the structure (to do serial bonds and/or super sinkers) and conduct further diligence (week of September 9th). [redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]

SHREC Taxable Municipal Bond

Resolutions

[redacted]

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

WHEREAS, any bond or note issuance associated with the SHREC MBS 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(s) with the Underwriters or either Underwriter for the purpose of having Underwriters (or either Underwriter) structure, arrange and secure funding in accordance with a proposed permanent MBS financing of Tranche 3 of the SHREC program substantially as set forth in the Confidential Memorandum to the Board of Directors dated September 5, 2019;

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 engagement of Underwriters (or either Underwriter) for the SHREC Revolving Credit Facility, SHREC MBS, 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.

SHREC Warehouse

All of the members of the Board of Directors (the "**Board**") of the Connecticut Green Bank, a quasi-governmental agency of the State of Connecticut (the "**Green Bank**"), which is the sole member of SHREC Warehouse 1 LLC, Connecticut limited liability company (the "**Company**"), hereby consent to and adopt the following resolutions for and on behalf of the Green Bank and, in the Green Bank's capacity as the sole member of the Company, for and on behalf of the Company.

WHEREAS, on July 31, 2019, based on prior approvals obtained from the Board, the Company entered into a Credit Agreement (the "**Credit Agreement**") with Webster Bank, National Association ("**Webster**"), as Administrative Agent (in such capacity, as "**Agent**") and as a lender and Liberty Bank, as Lead Arranger and as a lender (Webster and Liberty Bank, in their capacities as lenders, are referenced to herein collectively as, "**Webster-Liberty**"), whereby Webster-Liberty have made available to the Company a Fourteen Million and 00/100 Dollar ($14,000,000.00) secured revolving line of credit ("**Loan**") for the purpose of financing the Tranche 3-2019 (as defined in the Credit Agreement) Solar Home Renewable Energy Credit program ("**Tranche 3-2019 SHRECs**"); and

WHEREAS, a true, correct and complete copy of the Credit Agreement is attached hereto as Exhibit A; and

WHEREAS, to induce Webster-Liberty to make the Loan to the Company, Green Bank guaranteed the Loan pursuant to the Guaranty (as defined herein); and

WHEREAS, along with a general repayment obligation by the Company, Agent and/or Webster-Liberty are secured by, and the Company and the Green Bank are authorized to secure the Loan and the Guaranty by, among other things, granting to Agent and/or Webster-Liberty (i) a first priority security interest in all assets of the Company, (ii) a collateral assignment of and security interest in all of the Company's and the Green Bank's right, title and interest in the Tranche 3-2019 SHRECs and all rights and obligations relating thereunder under those certain Master Purchase Agreements for the Purchase and Sale of Solar Home Renewable Energy Credits by and between the Green Bank and each of The Connecticut Light & Power Company d/b/a Eversource Energy and The United Illuminating Company each dated February 7, 2017, each as amended by those certain First Amendments, dated July 30, 2018 (as amended, the "**MPA's**"), which collateral assignment and security interest shall include any and all rights to payment of money under the MPA's with respect to Tranche 3-2019 and those other attributes and rights associated with the Tranche 3-2019 SHRECs, (iii) a collateral assignment of all of the right, title and interest in that certain Sale and Contribution Agreement by and between Green Bank and the Company, dated as of the date hereof including without limitation, any security interest created under Section 2.2(b) of the Sale and Contribution Agreement, and (iv) a security interest in the MPA Collection Account, the Webster Interest Reserve Account and the Liberty Interest Reserve Account (together, the "**SHREC Collateral**"); and

WHEREAS, Webster-Liberty has requested and the staff of Green Bank has recommended that the Board provide additional resolutions ratifying and approving the Loan and the Green Bank's guarantee thereof in accordance with the terms of the Loan Documents.

NOW, therefore be it:

RESOLVED, that the Green Bank hereby ratifies and approves the formation and organization of the Company and the filing of its Certificate of Organization with the Secretary of State of the State of Connecticut; and be it further

RESOLVED, that the Green Bank hereby ratifies and approves the Loan from Liberty-Webster to the Company pursuant to the terms of the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement); and be it further

RESOLVED, that each of the Company and the Green Bank be and it hereby is, at the time it entered into the Loan and/or the Guaranty was, authorized to secure the Loan and the Guaranty by, among other things, granting to Agent and/or Webster-Liberty a first priority security interest in and to its property, including, without limitation the SHREC Collateral; and be it further

RESOLVED, that the Board hereby authorizes, directs, ratifies and approves the Green Bank's entering into that certain (i) Collateral Assignment of Master Purchase Agreements and Other Loan Documents ("**Collateral Assignment**"), (ii) Pledge and Security Agreement ("**Pledge**"), which constitutes a first priority pledge and security interest to Agent of Green Bank's 100% membership interest in the Company, and (iii) Guaranty Agreement ("**Guaranty**"; and together with the Collateral Assignment and the Pledge, the "**Guaranty Documents**"); and be it further

RESOLVED, that the Board hereby authorizes, directs, ratifies and approves (i) the Green Bank's execution, delivery and performance of the Guaranty Documents and all of the Green Bank's obligations under the Guaranty Documents and (ii) the Company's execution, delivery and performance of the Credit Agreement and the other Loan Documents and all of the Company's obligations under the Credit Agreement and the other Loan Documents; and be it further

RESOLVED, that the actions of Bryan Garcia in his capacity as the President and Chief Executive Officer of Green Bank ("**Garcia**"), Roberto Hunter in his capacity as the Chief Investment Officer of Green Bank ("**Hunter**") and Brian Farnen in his capacity as General Counsel and Chief Legal Officer of Green Bank ("**Farnen**"; and together with Garcia and Hunter, each an "**Authorized Signatory**"), are hereby ratified and approved with regard to the negotiation, finalization, execution and delivery, on behalf of Green Bank and the Company, of the Guaranty Documents, the Credit Agreement and the other Loan Documents and any other agreements that they deemed necessary and appropriate to carry out the foregoing objectives of Green Bank and/or the Company, and any other agreements, contracts, legal instruments or documents as they deemed necessary or appropriate and in the interests of Green Bank and/or the Company in order to carry out the intent and accomplish the purpose of the foregoing resolutions are hereby ratified and approved; and be it further

RESOLVED, that the Authorized Signatories be, hereby are, and at the time of the execution of the Guaranty Documents, the Credit Agreement and the other Loan Documents were, authorized, empowered and directed, for and on behalf of the Green Bank and the Company (in the Green Bank's capacity as the sole member of the Company), to execute and deliver the Guaranty Documents, the Credit Agreement and the other Loan Documents; and be it further

RESOLVED, that any other actions taken by any Authorized Signatory are hereby approved and ratified to the extent that such Authorized Signatory or Authorized Signatories have deemed such actions necessary, appropriate and desirable to effect the above-mentioned legal instrument or instruments.

CONNECTICUT GREEN BANK℠

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