CONNECTICUT GREEN BANK

Deployment Committee

Meeting Date

May 27, 2020

Deployment Committee

Lonnie Reed
Board Chair

Binu Chandy
Deputy Director
DECD

Mary Sotos
Senior Policy Advisor for
DEEP

Shawn Wooden – Designee, Steven Meier
Treasurer
State of Connecticut

Matthew Ranelli
Partner
Shipman & Goodwin

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

May 20, 2020

Dear Connecticut Green Bank Deployment Committee:

We have a regular meeting of the Deployment Committee scheduled on Wednesday, May 27, 2020 from 2:00-2:30 p.m. in the Colonel Albert Pope Board Room of the Connecticut Green Bank at 845 Brook Street, Rocky Hill, CT 06067.

On the agenda we have the following items:

- **Consent Agenda** – approval of the meeting minutes for February 27, 2020, as well as an update on staff approved transactions that are less than $500,000 and no more in aggregate than $1,000,000, as well as an update on staff approved transaction restructurings and write-offs that are no less than $100,000 and no more in aggregate than $500,000.

- **Loan Loss Decision Framework and Process for Subsidiaries** – building on our current Loan Loss Decision Framework and Process for the Green Bank, the staff is proposing the same structure for the organization's subsidiaries. On May 19, 2020, the Audit, Compliance, and Governance Committee reviewed the proposed framework and are in support of recommending it to the Board of Directors.

- **Financing Programs** – an overview of the Green Bank's Solar MAP (Municipal Assistance Program) program.

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

Sincerely,

Bryan Garcia
President and CEO

AGENDA

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

Wednesday, May 27, 2020
2:00-2:30 p.m.

Dial (872) 240-3212
Access Code: 456-664-701

Staff Invited: Louise Della Pesca, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Jane Murphy, Selya Price, and Eric Shrago

1. Call to order

2. Public Comments – 5 minutes

3. Consent Agenda – 5 minutes

4. Proposed Loan Loss Decision Framework and Process – Subsidiaries – 10 minutes

5. Financing Programs – 10 minutes

   a. Overview of Solar MAP

6. Adjourn

Join the meeting online at https://global.gotomeeting.com/join/456664701

Or call in using your telephone:
Dial (872) 240-3212
Access Code: 456-664-701

Next Regular Meeting: Wednesday, September 23, 2020 from 2:00-3:00 p.m.
Colonel Albert Pope Board Room at the
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT

CONNECTICUT GREEN BANK

RESOLUTIONS

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

Wednesday, May 27, 2020
2:00-2:30 p.m.

Dial (872) 240-3212
Access Code: 456-664-701

Staff Invited: Louise Della Pesca, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Jane Murphy, Selya Price, and Eric Shrago

1. Call to order

2. Public Comments – 5 minutes

3. Consent Agenda – 5 minutes

Resolution #1

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

4. Proposed Loan Loss Decision Framework and Process – Subsidiaries – 10 minutes

Resolution #2

WHEREAS, on October 20, 2017, the Green Bank Board of Directors approved of a recommendation brought forth by both the ACG Committee and Deployment Committee to approve the authorization to amend the Staff Approval Policy to increase program funding requests for Projects Under $300,000 to $500,000 with an aggregate amount limit of $1,000,000 from the date of the last Deployment Committee meeting; and

WHEREAS, based on a recommendation brought forth by both the Deployment and ACG Committees, the Board approved and authorized the Green Bank staff to implement the Loan Loss Decision Framework and Process for managing assets requiring restructuring or write-off from the Green Bank's balance sheet and consistent with the memorandum to the Board dated June 13, 2018 ("Loan Loss Decision Framework and Process ") and for a similar framework to be developed at a future date for the Green Bank's special purpose vehicles (i.e., subsidiaries); and

WHEREAS, in response to the COVID-19 pandemic, the staff of the Green Bank proposed a modification to the Loan Loss Decision Framework and Process with regards to restructuring transactions, as well as the Green Bank's provision for loan losses, in order to help families and businesses manage through this public health crisis, which the Board approved on April 24, 2020.

WHEREAS, on May 19, 2020, the Audit, Compliance and Governance Committee recommended that the Board of Directors approve of the Staff proposed Loan Loss Decision Framework and Process for Subsidiaries for managing assets requiring restructuring or write-off from the Green Bank's balance sheet and consistent with the memorandum presented to the Deployment Committee dated May 20, 2020.

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommends that the Board of Directors approve of the Staff proposed Loan Loss Decision Framework and Process for Subsidiaries for managing assets requiring restructuring or write-off from the Green Bank's balance sheet and consistent with the memorandum dated May 20, 2020.

5. Financing Programs – 10 minutes

    a. Overview of Solar MAP

6. Adjourn

Join the meeting online at https://global.gotomeeting.com/join/456664701

Or call in using your telephone:
Dial (872) 240-3212
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Next Regular Meeting: Wednesday, September 23, 2020 from 2:00-3:00 p.m.
Colonel Albert Pope Board Room at the
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT

ANNOUNCEMENTS

- **Mute Microphone** – in order to prevent background noise that disturbs the meeting, if you aren't talking, please mute your microphone or phone.

- **Chat Box** – if you aren't being heard, please use the chat box to raise your hand and ask a question.

- **Recording Meeting** – per Executive Order 7B (i.e., suspension of in-person open meeting requirements), we need to record and post this board meeting.

- **State Your Name** – for those talking, please state your name for the record.

Deployment Committee Meeting

May 27, 2020

Deployment Committee

Agenda Item #1

Call to Order

Deployment Committee

Agenda Item #2

Public Comments

Deployment Committee

Agenda Item #3

Consent Agenda

Consent Agenda
Resolution 1

1. **Meeting Minutes** – approval of meeting minutes of February 27, 2020

- **Funding Requests Under $500,000 and No More in Aggregate than $1,000,000** – 5 staff approved C-PACE transactions totaling $625,803

- **Loan Losses Below $100,000 and No More in Aggregate than $500,000** – through Q3 of FY 2020, there have been no loan loss restructurings or write-offs…however, experiencing restructurings and write-offs as a result of COVID-19 that will be reported in next report

Deployment Committee

Agenda Item #4

Proposed Loan Loss Decision Framework and Process for Subsidiaries

Connecticut Green Bank
Balance Sheet and Assets of Subsidiaries

- **Green Bank** – Loan Loss Decision Framework and Process has been in place since June 13, 2018 (modified for COVID-19 on April 24, 2020)
- **Subsidiaries** – Green Bank establishes subsidiaries to enable public-private partnerships to support its mission and has built $64.6 million in principal and interest producing assets
- **Restructurings and Write-Offs** – as the Green Bank continues to invest its resources through its subsidiaries with the expectation of getting its principal and interest back over time, there will inevitably be instances when restructuring transactions and/or loan losses will occur
- **Oversight** – the Deployment Committee, per the Bylaws (i.e., Section 5.3.3(ii, iv, v, vi, viii)) has oversight over managing the assets
- **Process** – senior staff is proposing a loan loss decision framework and process for its subsidiaries for consideration by ACG Committee (May 19, 2020), Deployment Committee (May 27, 2020), and then Board of Directors (June 26, 2020)

Loan Loss Decision Framework

Proposed Structure for Subsidiaries

Type of Loss Anticipated	Amount of Principal Outstanding		
	<$100,000	$100,000-$1,000,000	>$1,000,000
Provisional Loss Reserve	Staff (with review and reporting from the Auditor)		
Restructuring	Staff	Deployment	BOD
Restructuring COVID-19	Staff		(1) Staff for certain program transactions (2) BOD for all other transactions
Write-Off	Staff	ACG	BOD

The proposed Loan Loss Decision Framework and Process for Subsidiaries is based exactly on current practice for the Green Bank with respect to all requirements (e.g., calculation, documentation, review and approval, reporting, and COVID-19 restructurings)

Loan Loss Decision Framework
Resolution 2

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommends that the Board of Directors approve of the Staff proposed Loan Loss Decision Framework and Process for Subsidiaries for managing assets requiring restructuring or write-off from the Green Bank's balance sheet and consistent with the memorandum dated May 20, 2020.

Deployment Committee

Agenda Item #5a

Financing Programs

Solar MAP

SOLAR MAP Municipal Assistance Program

CONNECTICUT GREEN BANK

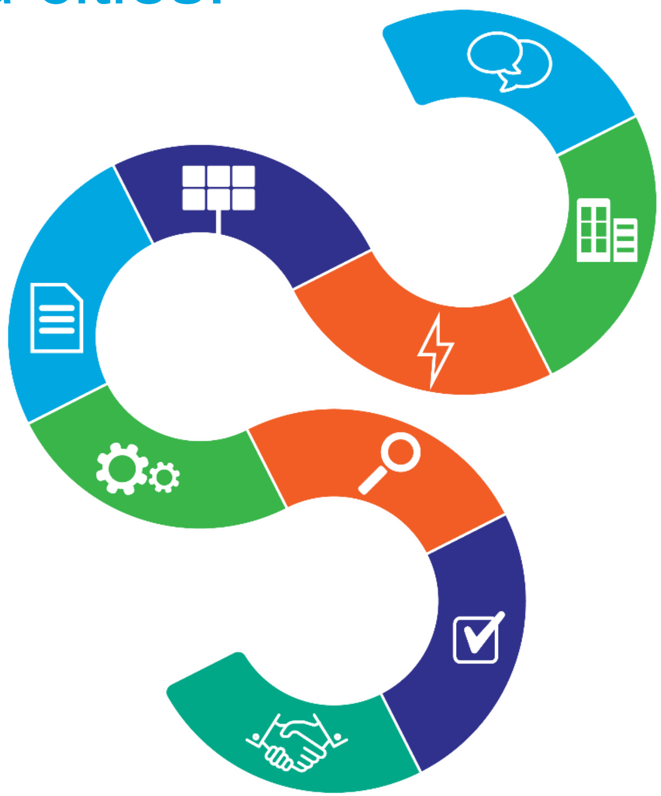
Sustainable CT Local Actions. Statewide Impact.

CSW ENERGY

Less work. More benefits.
Now even easier for towns and cities.

- Makes it even easier for municipalities to access renewable energy and achieve energy savings using the Green Bank Solar PPA

- Provides technical assistance support that simplifies every step of the process



1 **Engage.** The SolarMAP team will meet with you to understand your municipality's goals, gather information and identify key participants, and explain the SolarMAP process in more detail.

2 **Design.** Using the information you provide, the SolarMAP team will perform analysis of municipal sites, review energy demand, and develop system designs.

3 **Review.** After you review the system designs, the SolarMAP team will solicit proposals from qualified solar contractors and select the best proposal.

4 **Execute.** Once a proposal has been selected, the SolarMAP team will work with you to execute the PPA and begin construction of the solar project(s).

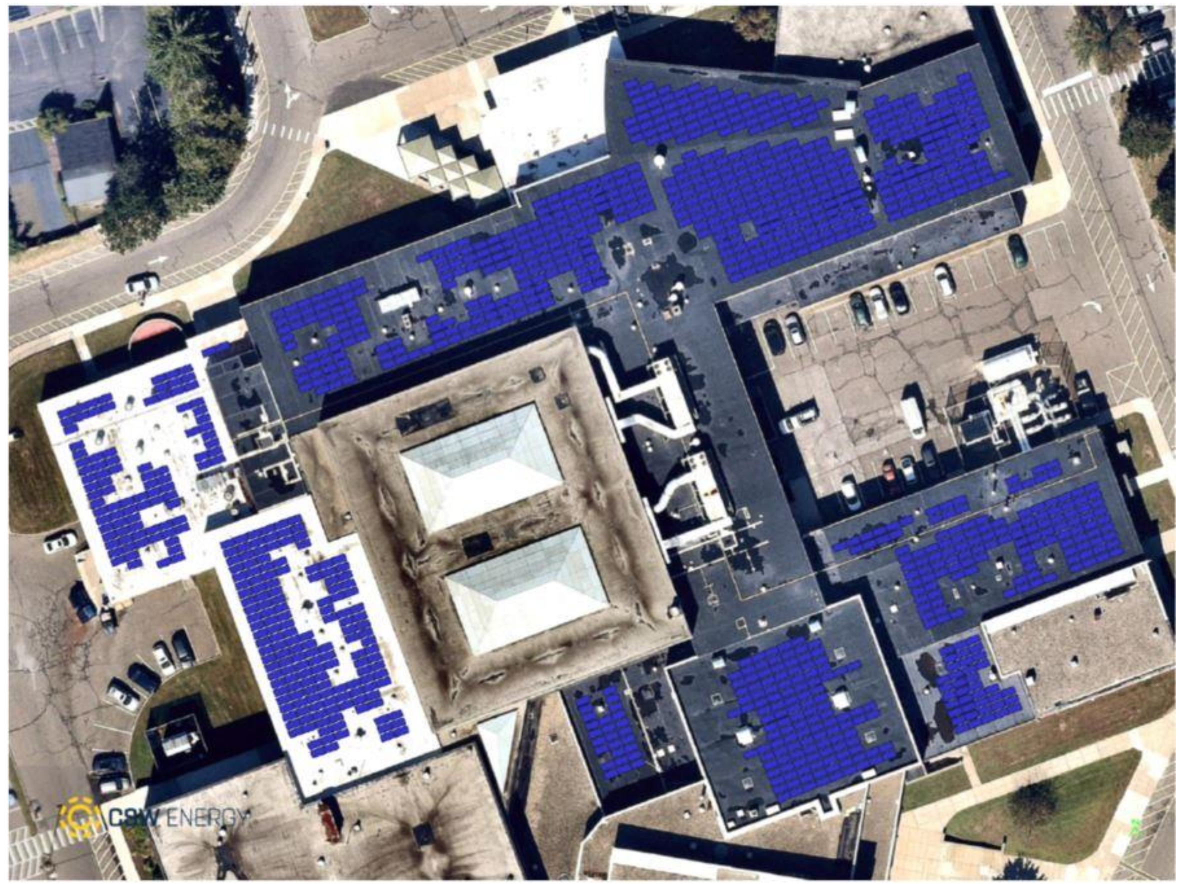
Solar MAP Team

A quasi-state agency and trusted partner to municipalities, is using solar to put towns and cities in charge of their energy costs. With the Green Bank's 'Green Bank Solar PPA,' municipalities can go solar, enjoying peace of mind and other benefits.

CSW Energy is experienced in working with municipalities to develop solar PV projects. Green Bank is working with CSW Energy to help municipalities to analyze their portfolio of buildings and identify opportunities for solar, get connected with a contractor, and access attractive financing through SolarMAP.

Branford High School

Project Details	
Project size (kW DC)	350
Estimated Annual Production (kWh)	510,218.00
Effective Utility Rate	$0.1131
Potential Pricing	
PPA Rate	$0.090
Not-to-Exceed Construction Cost	$1.80/W
PPA Discount to Utility	20%



Branford High School

Savings		
Term Savings	$	448,671
Average Annual Savings	$	22,434
First Year Savings	$	11,735
Operations & Maintenance Cost Included		

Model and Finance Assumptions	
System Size kW	350 kW
Solar Energy Generated	510,218 kWh
Annual Solar System Degradation	0.64%
Solar Energy PPA Price	$0.090 /kWh
Solar Energy Escalator	0.00%
Utility Energy Price	$0.113 /kWh
Utility Energy Escalator	2.00%

Town	Sustainable CT	Buildings Submitted	Buildings Passed Desktop Review	Systems Proposed	Solar PV Deployment Potential (MW)	Status
Manchester	Yes	10	10	10	1.989	LOI in process
Bristol	Yes	32	21	6	0.845	Final presentations
Mansfield	Yes	28	16	2	0.194	LOI in process
Woodbridge	Yes	9	5	2	0.140	**LOI executed**
Bolton	Yes	10	7	1	0.280	**LOI executed**
Branford	Yes	14	14	5	1.120	**LOI executed**
Groton	No	3	3	2	0.600	**LOI executed**
Orange	No	1	1	1	0.103	Final presentations
Portland	Yes	21	6	1	0.069	**LOI executed**
Total		**128**	**83**	**30**	**5.340**	

Deployment Committee

Agenda Item #5

Adjourn

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

Thursday, February 27, 2020
2:30 – 3:15 p.m.

A special meeting of the Deployment Committee of the **Connecticut Green Bank (the "Green Bank")** was held on February 27, 2020 at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope Board Room.

Committee Members Present: Bettina Bronisz (on the phone), Binu Chandry (on the phone), Lonnie Reed, Matt Ranelli (on the phone)

Committee Members Absent: Michael Li (on behalf of Mary Sotos)

Staff Attending: Louise Della Pesca (on the phone), Mackey Dykes (on the phone), Bryan Garcia, Bert Hunter, Brian Farnen (on the phone) Alex Kovtuneko, Alysse Lembo-Buzzelli, Desiree Miller (phone), Cheryl Samuels, Ariel Schneider, Eric Shrago

Others present: none.

Bryan Garcia asked the Deployment Committee if they would be comfortable with him sitting in as acting Chairperson while Mary Sotos is unavailable. The Committee approved.

1. Call to Order

- Bryan Garcia called the meeting to order at 2:33 p.m.

2. Public Comments

- No public comments.

3. Consent Agenda

a. Meeting Minutes from September 25, 2019

<u>Resolution #1</u>

Motion to approve the meeting minutes of the Deployment Committee for September 25, 2019.

Upon a motion made by Bettina Bronisz and seconded by Matt Ranelli, the Deployment Committee voted to approve Resolution 1. None opposed or abstained. Motion approved unanimously.

4. Financing Programs

a. Skyview Ventures – part 1

- Louise Della Pesca summarized the proposed transaction with Skyview Ventures, their history, and the Green Bank's existing relationship with them.
    - Bettina Bronisz asked for more information about the 6 projects that Skyview Ventures sold which represent 1.5 MW. Ms. Della Pesca clarified the projects were sold by CGB to Skyview Ventures in 2019 and were commercial PPA solar projects but are similar to other projects developed in the last 5-6 years.
    - Bettina Bronisz asked if the projects were sold to get more cash up-front. Ms. Della Pesca answered that the current intent of developing the projects was to funnel commercial solar projects into IPC, but at this point IPC has yet to establish its platform to take them over. Bettina asked when IPC would be ready. Ms. Della Pesca stated that IPC is very close to doing so, are in negotiations to finalize it now, and are hoping for completion in April or May of 2020.
- Ms. Della Pesca continued to explain that the use of proceeds from this transaction will be for Skyview Venture's continued development and the financing of CT clean energy projects. This is being presented to the Deployment Committee because the Green Bank did not develop the projects however, Skyview Ventures did.
- Ms. Della Pesca summarized the transaction structure and details of the 20 commercial solar PPA project included in this transaction. She continued to the describe the operational risks and mitigants, stating the biggest risk is possibility of project underperformance. Diligence was done and the Green Bank is comfortable with the projects' expected performance, however. Tests were done comparing their underperformance against the cashflows and there is a sizable buffer.
    - Bettina Bronisz asked if the Green Bank was comfortable at the lower production rates. Ms. Della Pesca answered yes, and the Green Bank has a portfolio that proves it will be very unlikely to happen. Bert Hunter asked if each PPA has a production assurance requirement. Ms. Della Pesca stated there are no production guarantees for these projects. Not including them will favor the Green Bank if it were to take the projects over in the case of default, as the Green Bank would not be required to make the projects produce at a certain level.
- Bert Hunter stated that there is a requirement under the EPC that states if there is a failure in production, it must be addressed. Skyview Ventures would have to make sure the projects are back in service. There is compelling economic reason to ensure their success. Ms. Della Pesca clarified while the projects don't have production guarantees from the installer, there is a 2-year Workmanship Warrantee from the start of the PPA project and in the debt documentation is the requirement to have a maintenance plan. She stated the 5-year performance reports from projects clearly show that Skyview Ventures has been a good asset manager and that they keep their projects up and running.
- Ms. Della Pesca also stated that if in a worst-case scenario, the projects do default, the type of project is one that the Green Bank understands and is well within its capabilities to manage.
- Matt Ranelli stated the monetary amount is not an issue, it's the collections. Bert Hunter explained that the Board approved a facility to put debt against projects. However, those are projects that CEFIA Holdings that the Green Bank develops, but in this particular case the development was done by an outside party. This is why this transaction is

being put forth for strategic selection. He continued that next on the agenda, staff is putting forth the motion to recommend an addendum to a previous Board approval to allow the Green Bank to approve commercial solar PV projects developed by 3rd party developers for debt financing.

- Lonnie Reed asked if this will help the Green Bank expand its reach, since these types of projects are happening more often. Mr. Hunter answered yes. He explained that since the federal tax credits and ZRECs are in decline, there is a push for developers to get projects in under existing policy, but these are relatively small and so banks aren't geared up to do the diligence to support the developers' financing requests for them. But the Green Bank has something unique through experience that allows it to service those developers at a smaller scale and keep the market going.
- Matt Ranelli asked for clarification about the memo on Board Effect with notes about the due diligence and if they are outdated. Ms. Della Pesca stated they are not outdated, but the Green Bank's technical due diligence is nearly complete and should be fully complete by the time the transaction is presented to the Board at their meeting in March.
- Matt Ranelli asked if there were any choice of law provision that will keep the money within CT and not another state, since Skyview Ventures is an out-of-state LLC. Ms. Della Pesca stated the intent would be to have all documentation written within CT law. Brian Farnen stated that yes, the documentation will clearly state that the money is to be used within Connecticut only.
- Matt Ranelli asked in terms of strategic selection if there was a way to articulate how this advances the Green Bank's statutory mission. He expressed concern for the risk of crowding out banks that want to get into these projects, despite their small size, but wants to make sure the money is being used well. Ms. Della Pesca stated that before getting to this point, the Green Bank had Skyview Ventures explain why they couldn't do this transaction with a commercial lender. They stated there was no desire for the banks to diligence the projects as this is a small transaction and the transaction cost was high. Because the Green Bank developed that relationship with Skyview in the previous transaction to sell projects to Skyview with financing, it set these precedents that would make for a smooth and cost effective transaction, so that was part of Skyview Venture's choice.
- Matt Ranelli stated he would have to recuse himself from voting because they are projects he worked on and wants to avoid any possible conflict of interest.

Resolution #2

WHEREAS, the Connecticut Green Bank ("Green Bank") has significant experience in the development and financing of commercial solar PPA projects in Connecticut;

WHEREAS, the Green Bank continually seeks new ways to work with private sector partners to meet the demonstrated need for flexible capital to continue expanding access to financing for commercial-scale customers looking to access solar and savings via a PPA;

WHEREAS, the Green Bank has established a working relationship with a private sector Connecticut solar developer, Skyview Ventures, and through that relationship the Green Bank has an opportunity to deploy capital for the development of clean energy in Connecticut; 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 Deployment Committee recommends for the approval by the Board of Directors the strategic selection of Skyview Ventures as a counterparty to a transaction, described further in the following resolution, with CEFIA Holdings, LLC; and

RESOLVED, that the Deployment Committee recommends for the approval by the Board of Directors a transaction in which CEFIA Holdings LLC will provide a special purpose vehicle, wholly owned by Skyview Ventures, with a senior secured lending facility in an amount not to exceed $2,300,000 on terms and conditions substantially consistent with those described in a memorandum to the Deployment Committee dated February 20, 2020.

Upon a motion made by Binu Chandry and seconded by Matt Ranelli, the Deployment Committee voted to approve Resolution 3. None opposed or abstained. Motion approved unanimously.

Bryan Garcia asked the members of the Deployment Committee if the meeting could be extended by 15 minutes to work through the entire agenda. The members of the Deployment Committee supported this request.

a. Skyview Ventures – part 2

- Ms. Della Pesca stated that Bert Hunter covered much of the information in this part of the agenda earlier, but now the Green Bank is asking for an expansion for the Commercial Solar PPA Investment Program. She summarized current project ownership of commercial solar assets and stated the Green Bank has an opportunity to play a role in the market to makes loans that are secured by assets that are or were developed by 3rd parties. She explained it feels like the next step to build the Green Bank's commercial solar asset portfolio further. The urgency is that there is demand from the market from the Green Bank, especially given the timeline of the ZREC program ending.
- Matt Ranelli asked if this Resolution is to recommend the expansion to the fund. Bryan Garcia answered yes. Bert Hunter explained that the Deployment Committee would just be recommending the expansion of the fund. Matt Ranelli asked if the expansion covers the type of project just approved. Bert Hunter answered yes.
- Bert Hunter stated in regard to Matt Ranelli's issue on private capital, once the Green Bank funds the transactions and puts its debt against them, the projects can be securitized. So once the Green Bank has enough of these transactions together, it will have a suitable solar portfolio, against which Green Liberty Bonds can then be issued, or it could be used to go to one of Green Bank's relationship banks to lend against while the Green Bank remains secured. He clarified it's not crowding out banks but bringing in private capital when the conditions are right for private capital to underwrite at scale.

Resolution #3

WHEREAS, when the Green Bank Board of Directors (the "Board of Directors") passed resolutions at its July 18, 2019 meeting approving funding, in a total not-to-exceed the amount of $15 million in new money, subject to budget constraints, for the continued development of commercial-scale solar PV PPA projects, for development capital; construction financing; financing one or more 3rd-party ownership platforms, in the form of sponsor equity and/or debt;

and selling solar PPA projects developed by CEFIA Holdings LLC (“Holdings”) to third parties, the resolutions restricted projects to those developed by Holdings;

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 Deployment Committee recommends that the Board of Directors approves funding, in a total not-to-exceed amount of $30 million in new money (representing an increase of the previously approved not-to-exceed amount of $15 million), subject to budget constraints, for the continued development by the Green Bank, and financing of development by 3rd parties, of commercial-scale solar PV PPA projects, to be utilized for the following purposed 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.

Upon a motion made by Lonnie Reed and seconded by Bettina Bronisz, the Deployment Committee voted to approve Resolution 2. Matthew Ranelli abstained, none opposed. Motion approved.

b. C-PACE Transaction (Multiple Sites)

- Alysse Lembo-Buzzelli summarized the Goodwill project plan. Goodwill of Western and Northern Connecticut is nonprofit, and though nonprofits normally opt for PPAs, they were pitched a PPA contractor and opted for the straight financing option instead.
    - Matt Ranelli asked if they going to harvest the tax credits or just not use them. Alysse stated they plan to just not use the credits. The Green Bank also talked to them about an arrangement with Bank of America where the prepayment penalties under C-PACE financing from the Green Bank would be waived, so that is an option for them. Bert Hunter stated he also believes the financing with Bank

of America would result in a lower cost of capital for this transaction. The Green Bank is bringing in private capital because it was presented to Bank of America to test their ability to lend to nonprofits with tax-exempt financing. It turns out this transaction is a bit too small to be economic on a tax-exempt basis, but even on a taxable basis, Bank of America will be able to bring the cost of capital down compared to the cost of our program. To move the financing along, Green Bank is fronting the financing for the project first.

- Alysse continued to explain that Goodwill's biggest hold backs are because their ZRECs are coming up in July, and they didn't want to delay anything further since Bank of America's timeline was unclear. So now they have the C-PACE financing to get the projects underway.
- Alysse summarized the key metrics of each of the 6 projects per property location including System Size, Year 1 Production, Costs, Property Appraisals, and Energy Savings. As well as the metrics for the underwriting.
- Bert Hunter explained their net assets of the enterprise are somewhere between $40 million and $50 million with cash between approximately $12 million and $13 million. So, a substantial part of their assets are in cash. Bert Hunter further explained more about Goodwill's operating methods, expenses, and how they maintain such a successful not for profit business.
- Alysse summarized the underwriting and 20-year total cashflows. She clarified that in this case, because Goodwill is taking shorter terms, extended warranties were not included in the SIR Review process, so that's how the underwriting was done (based on 10-12 years).

<u>Resolution #4</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 six construction and term loans as more particularly described in the memorandum submitted to the Board of Directors dated June 25, 2019 (the "Memo") totaling $2,274,197 (each being a "Loan" and collectively, the "Loans") under the C-PACE program to Goodwill of Western and Northern Connecticut, Inc., the building owner of the six Goodwill properties located in New Milford, Brookfield, Bridgeport, Monroe, Oxford, and Hartford, CT, 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 (each being a "Feasibility Study Loan") from a portion of each 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 such Loan and be repaid to the Green Bank upon the execution of such 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 Loans and, if applicable, any Feasibility Study Loans in a combined amount not to be greater than one hundred ten percent of the combined Loans amount with terms and conditions consistent with the Memo, 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 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 Bettina Bronisz and seconded by Matt Ranelli, Deployment Committee voted to approve Resolution 4. None opposed or abstained. Motion approved unanimously.

5. Adjourn

Upon a motion made by Lonnie Reed, the Deployment Committee Meeting adjourned at 3:12 pm.

Respectfully submitted,

____

Bryan Garcia, acting Chairperson

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

CONNECTICUT GREEN BANK

Memo

To: Audit, Compliance and Governance Committee and Deployment Committee

From: Brian Farnen (General Counsel and CLO), Bryan Garcia (President and CEO), Jane Murphy (Vice President of Finance and Administration), and Eric Shrago (Managing Director of Operations)

CC: Mackey Dykes (Vice President of Financing Programs), Selya Price (Director of Incentive Programs), and Bert Hunter (Executive Vice President and CIO)

Date: May 12, 2020 (ACG Committee), May 20, 2020 (Deployment Committee)

Re: Proposed Loan Loss Decision Framework and Process for Subsidiaries of the Connecticut Green Bank – Assets on the Green Bank's Subsidiary Balance Sheets

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Summary

Since its inception on July 1, 2011, the Connecticut Green Bank (Green Bank), through its subsidiaries, has invested in $64.6 million of assets. These assets reside on the balance sheet of the Green Bank's subsidiaries.

The following is a breakdown of the assets on the Green Bank's blended[1] or discrete[2] subsidiary balance sheets as of the end of FY 2019 (i.e., June 30, 2019):

- **CEFIA Holdings LLC** (Blended) – LLC established to acquire and develop a portfolio of commercial and residential solar facilities to enable investment in solar photovoltaic equipment for the benefit of Connecticut homeowners, businesses, nonprofits, and municipalities (i.e., the end-users). CEFIA Holdings acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation of the solar assets and arrange for leasing of the solar assets (or sale of energy under power purchase agreements). There are $13.4 million in assets, including $5.0 million in unrestricted cash, $1.7 million in other receivables, $6.6 million due from component units, and other resources. CEFIA Holdings has a net position of $9.8 million.

- **CT Solar Loan I LLC** (Blended) – LLC owned by CEFIA Holdings LLC established to make loans to residential property owners for the purpose of purchasing and installing

[1] Recording their amounts as part of the Primary Government.
[2] Showing their amounts separately in the reporting entity's financial statements.

solar photovoltaic equipment. There are $3.1 million in assets, including $0.4 million in unrestricted cash, $0.3 million in restricted cash, $2.2 million in program loans, and other resources. CT Solar Loan I LLC has a net position of $0.2 million.

- **CEFIA Solar Services** (Discrete) – corporation 100% owned by CEFIA Holdings LLC, that was established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic and the sale of energy under power purchase agreements as managing member of CT Solar Lease 2 LLC and CT Solar Lease 3 LLC. CEFIA Solar Services LLC is responsible for performing all management and operational functions pursuant to an Operating Agreement with CT Solar Lease 2 LLC and CT Solar Lease 3 LLC.

- **CT Solar Lease 2 LLC** (Discrete) – LLC established to acquire titles to the residential and commercial solar projects from CEFIA Holdings LLC, the developer, using capital from its members along with non-recourse funding from participating banks.

- **CT Solar Lease 3 LLC** (Discrete) – LLC established to acquire titles to commercial solar projects from CEFIA Holdings LLC, the developer, using capital from its members.

- **CGB Meriden Hydro LLC** (Blended) – LLC established to purchase a 193-kW hydroelectric facility located in Meriden, CT from the facility's developer (i.e., Hannover Pond Hydro LLC), through a sale and leaseback agreement. Clean Renewable Energy Bonds were used to finance a portion of the total purchase price. There are $4.4 million in assets. CGB Meriden Hydro LLC has a negative net position of $0.5 million.

- **CGB KFC LLC** (Blended) – LLC established to hold the loan liability resulting from draws made on a $3.0 million loan facility provided by the Kresge Foundation in support of a battery storage program in support of resiliency in coastal communities. There are $1.0 million in assets. CGB KFC LLC has a nearly zero net position. As of January 2020, CGB transferred the $1.0 million outstanding loan and the remaining facility to inclusive Prosperity Capital.

- **SHREC ABS 1 LLC** (Blended) – LLC established to issue $38.6 million of bonds (i.e., securitized collateral notes from the sale of Class A and Class B notes) with revenues coming from the sale of Solar Home Renewable Energy Credits (SHRECs) in support of approximately 14,000 solar PV systems receiving incentives though the Residential Solar Investment Program (RSIP). There are $36.3 million in assets. SHREC ABS 1 LLC has a negative net position of $2.2 million.

- **CT Solar Lease 1 LLC** (Blended) – LLC established to hold collateral that supports a $5.0 million guaranty on a Line of Credit with Amalgamated Bank. The Green Bank assigned its solar lease promissory note portfolio to CT Solar Lease 1 LLC. There are $6.4 million in assets. CT Solar Lease 1 LLC has a nearly zero net position.

The Green Bank owns nine (9) subsidiaries – six blended and three discrete component units.

For a breakdown of assets under management on the balance sheet of the Green Bank's subsidiaries, see Table 1 below

Table 1. Breakdown of Assets Under Management on the Connecticut Green Bank's Subsidiary Balance Sheets

Assets	Current and Non-Current Assets	Net Position
CEFIA Holdings LLC	$13,358,031	$9,770,267
CT Solar Loan I LLC	$3,130,594	$246,890
CEFIA Solar Services	-	-
CT Solar Lease 2 LLC	-	-
CT Solar Lease 3 LLC	-	-
CGB Meriden Hydro LLC	$4,393,115	($472,925)
CGB KFC LLC	$989,315	($10,685)
SHREC ABS 1 LLC	$36,303,045	($2,211,186)
CT Solar Lease 1 LLC	$6,381,654	$6,879
Total	**$64,555,754**	**$7,329,240**

As the Green Bank continues to invest its resources with the expectation of getting its principal and interest back over time, there will inevitably be instances when restructuring transactions and/or loan losses will occur.

Governance pertaining to Subsidiaries

The bylaws of the Green Bank provide guidance in terms of managing transactions, and their potential restructuring or write-off. Specifically, the Deployment Committee of the Board of Directors, as outlined in Section 5.3.3 is responsible for:

- "(ii) with respect to loans, loan guarantees, loan loss reserves, credit enhancements… between three hundred thousand dollars ($300,000) and two million five hundred thousand dollars ($2,500,000), evaluation and approval of such requests on behalf of the Board so long as such approval is within the Green Bank's approved Operations and Program Budget,"

- "(iv) oversight of policies and practices relating to the evaluation and recommendation of initial investments, follow-on investments, *investment modifications and restructurings*, and the sale or other disposition of investments by the Authority's professional investment staff,"

- "(v) oversight of policies and practices relating to investment management by the Authority's professional investment staff, including implementation of investment exit strategies,"

- (vi) except to the extent of any investment powers expressly reserved to the Board itself in any resolution of the Board, to approve on behalf of the Board investments, follow-on investments, investment modifications and restructurings, and the sale or other disposition of investments," and

- (viii) the exercise of such authority as may from time to time be delegated by the Board to the Deployment Committee within its areas of cognizance.[3]

The bylaws of the Green Bank serve as the foundation to establishing a loan loss decision framework and subsequent process, not only for the organization, but also its subsidiaries. Such a framework and process should be reviewed, revised (as appropriate) by the Deployment Committee, reviewed and recommended for approval by the ACG Committee, and approved by the Board of Directors of the Green Bank.

Accounting for Subsidiaries

On an annual basis the accounting team prepares a detailed analysis of portfolio loans by program. This analysis includes a historical analysis of prior year loan write-offs, if any, by program, repayment delinquencies and inquiries of program and finance staff as to current developments with borrowers that could affect future repayments.[4] Based upon these inquires the accounting team assigns a loan loss reserve percentage to the balance of loans for each program to arrive at a total loan loss reserve for the loan portfolio. Currently these percentages range from 5-20% based on the project, product, or program.

The annual loan loss reserve calculation is reviewed for reasonableness by the Green Bank's audit firm as part of the annual audit process.

> It should be noted, that prior to the date of this memo, on April 24, 2020, as a result of the COVID-19 pandemic impact on the organization, the Board of Directors of the Green Bank approved of changes to the Loan Loss Decision Framework, including (1) staff ability to restructure transactions for specific types of assets, and (2) an increase in the Provision for Loan Losses of $4.1 million.

Here are a few examples for how loan losses are reserved for specific products and programs on the balance sheet of the Green Bank through its subsidiaries:

- **SBEA** – through an on-bill loan program administered by Eversource Energy, capital provided by Amalgamated Bank (i.e., 80-90% of the capital structure) and the Green Bank (i.e., 10-20% of the capital structure), small businesses are provided 0% interest rate loans (i.e., interest rate bought down to zero to the customer). Through FY 2019,

[3] The Board of Directors may also delegate certain responsibilities to the President and the other officers of the Green Bank as they believe are desirable to permit the timely performance of the functions of the Green Bank and to carry out the policies of the Board – See Green Bank Bylaws Sections 2.5 (Delegation of Powers) and 3.2 (President). For example, on October 20, 2017, per the memo dated October 13, 2017, the Board of Directors delegated the power for officers to approve transactions up to $500,000 in value as long as they are consistent with the Comprehensive Plan and Budget.

[4] It should also be noted that the Comprehensive Annual Financial Review (CAFR) also includes a "high level" breakdown of delinquencies and defaults by financing product or program.

there were 4,339 loans totaling $43.2 million (i.e., of which $4.5 million is from the Green Bank), with an average loan size of about $10,000 with up to 4-year terms.

These loans are protected from losses by the Conservation and Load Management Plan.

- **Solar Loan** – through a residential solar loan product in partnership with Sungage Financial, the Green Bank provided low-cost and long-term debt to financial residential rooftop solar PV. Of the $6.0 million in assets supported through this product on nearly 300 homes, $3.6 million have been sold to various third parties (i.e., Mosaic and The Reinvestment Fund).

  These loans have no loan loss reserve.

- **Solar PPA** – through a power purchase agreement (PPA), the Green Bank provides debt into the capital structures for commercial-scale solar PV projects (e.g., municipal, schools, nonprofits, etc.). The PPA price for these projects is typically 20-30% less than the retail rate of electricity paid by the end-use customers. Through FY 2019, there were 123 projects totaling $102.6 million (i.e., of which $28.0 million is from the Green Bank), with an average investment of $835,000 for 20-year PPAs.

  These PPAs have no loan loss reserve.

As of June 30, 2019 the Green Bank had not written off any portfolio assets to date on the balance sheet of its subsidiaries.[5]

Loan Loss Decision Framework for Subsidiaries

In order to develop processes for determining how losses will be determined with regards to transactions on the Green Bank balance sheet for its subsidiaries, there are two (2) key components – value of the modification and the type of loss anticipated that help formulate the process.

In assessing the threshold of the value of the modification, the Green Bank staff identified the following options:

- **Principal Outstanding** – the type of loss anticipated should apply to only the amount of the principal outstanding of the transaction;

- **Original Principal Value** – the type of loss anticipated should apply to the original principal value of the transaction; or

- **Value of the Modification** – the type of loss anticipated should apply only to the proposed value of the modification of the transaction.

[5] In December 2019 four solar lease notes in CT Solar Lease 1 were written off for a total of $61k.

To be consistent with the Loan Loss Decision Framework, the Green Bank staff recommends that the value of the modification to assets under its subsidiaries should apply to the principal outstanding of the transaction as opposed to the (i) value of the original principal, or (ii) value of the modification.

The Green Bank staff has identified three different types of losses anticipated, including:

- **<u>Provisional Loss Reserve</u>** – as determined by the Budget and Operations Committee through the annual budget and targets process and reported in the annual audited financial statements;

- **<u>Restructuring</u>** – a unique action or decision to modify the principal, interest, term, and/or other relevant component of a transaction; and/or

- **<u>Write-Off</u>** – a policy or procedural determination that an asset is impaired as a result of it being delinquent and subsequently in default where it is deemed that it is unlikely for a material recovery of the principal.

Each of these types of losses should be handled in a specific manner depending upon the value of the principal outstanding amount of the transaction, as well as whether or not the transaction was restructured as a result of the COVID-19 pandemic – see Table 2.

Table 2. Loan Loss Decision Framework based on Principal Amount Outstanding vs. Type of Loss Anticipated

Type of Loss Anticipated	**Amount of Principal Outstanding**		
	<$100,000	**$100,000 – $1,000,000**	**>$1,000,000**
Provisional Loss Reserve	Staff (with review and reporting from the Auditor)		
Restructuring	Staff	Deployment	Board of Directors
Restructuring – COVID-19	Staff	(1) Staff for certain program transactions (see (b) below) (2) Board of Directors for all other transactions	Restructuring COVID-19
Write-Off	Staff	ACG	Board of Directors

The proposed amount of principal outstanding value for Staff approval of provisional, restructuring, and write-offs is intended to be overly conservative with respect to Staff authority, while appropriately reporting out any unusual activity or trends to the Deployment Committee and Board of Directors.

In between report outs, staff will only be able to review and approve in aggregate up to $500,000 of adjustments to its subsidiaries. In other words, the Loan Loss Decision Framework and Process allows staff to review and approve of transaction modifications “Up to $100,000 and No More in Aggregate than $500,000” between report outs to the Deployment Committee. Given that the Deployment Committee approves of transactions greater than $500,000 and less than $1,000,000, and the Audit, Compliance, and Governance Committee oversees the accounting and auditing of assets on the financial statements of the Green Bank, transactions requiring a write-off would be through the ACG Committee after legal remedies have been pursued by staff on the impaired asset in question.

It should be noted, that as a result of the COVID-19 pandemic, that transactions within subsidiaries requiring restructuring, follow this process:

a) Notwithstanding the proposed $1,000,000 staff approval limit above (see Table 3), given the strength and security of the asset class, staff approvals specific to the following programs can be for any amount of principal outstanding:

- C-PACE
- C-PACE with Green Bank PPA
- Green Bank Solar PPA projects for municipality, housing authority or school district

b) All COVID-19 staff restructurings are limited to a maximum of 6-month deferrals except in rare cases of certain towns where C-PACE assessments are collected annually – the accommodation in such cases would be for one year.

This is the Staff proposed loan loss decision framework for the Green Bank's subsidiaries for consideration by the Deployment Committee, Audit Compliance and Governance Committee, and the Board of Directors.

Example Transaction Application to the Loan Loss Decision Framework to Subsidiaries

To apply the Loan Loss Decision Framework to its subsidiaries, here are a few example transactions.

Example Transaction #1 – CT Solar Loan

The first example transaction is a residential loan through the CT Solar Loan Program that is in default – see Table 3.

Table 3. CT Solar Loan – Write-Off

Program	CT Solar Loan
Original Principal	$30,000
Outstanding Principal	$22,500
Type of Loss Anticipated	Write-Off
Approving Authority	Staff

Since the amount of the principal outstanding is less than $100,000, then the Staff would be approving this type of loss. In this situation, with regards to the CT Solar Loan, as long as all legal remedies have been pursued to collect the loan, then the Staff can write-off the outstanding principal amount of the transaction by paying off the loss through the use of restricted cash in the loan loss reserve account set aside for the CT Solar Loan.

Example Transaction #2 – Solar PPA Project during COVID-19 Secured by C-PACE

The second example transaction is a Solar PPA (i.e., secured by C-PACE), that requires restructuring as a result of the COVID-19 pandemic – see Table 4.

Table 4. Solar PPA – Restructure

Program	Solar PPA
Original Principal	$1,250,000
Outstanding Principal	$1,100,000
Type of Loss Anticipated	Restructuring – COVID-19
Approving Authority	Staff

Since this transaction has been adversely impacted by the COVID-19 pandemic, and the PPA is secured by C-PACE, then this transaction would be reviewed and approved by the Staff (i.e., instead of the Board of Directors) and reported out to the Board of Directors.

Had this transaction restructuring not been secured by C-PACE, then the review and approval of the Board of Directors would have been required.

Example Transaction #3 – Hydroelectric PPA during COVID-19

The third example transaction is the issuance of a Clean Renewable Energy Bond (CREB) to finance a 193-kW hydroelectric facility. In this example, the purchaser of the power is unable to pay its PPA due to the impact of COVID-19 – see Table 5.

Table 5. Hydroelectric Facility PPA with Bond Financing – Restructuring

Program	Project Finance – Bond
Original Principal	$3,000,000
Outstanding Principal	$2,798,331
Type of Loss Anticipated	Restructuring – COVID-19
Approving Authority	Board

Despite the town being adversely impacted by COVID-19, since the principal outstanding on the bond is greater than $1,000,000, any restructuring of the transaction would require the review and approval of the Board of Directors. And since the bond uses the Special Capital Reserve Fund (SCRF) of the State of Connecticut, additional steps will be required to support self-sufficiency if the PPA payment is forgiven due to COVID-19.

Example Transaction #4 – State of Connecticut PPA

The fourth example transaction is the issuance of a CREB to finance a portfolio of solar PV projects on state facilities. In this example, the purchaser of the power is unable to pay its PPA – see Table 6.

Table 6. Solar PV Facilities PPA with Bond Financing – Restructuring

Program	Project Finance – Bond
Original Principal	$9,350,000
Outstanding Principal	$9,101,729
Type of Loss Anticipated	Restructuring
Approving Authority	Board of Directors

Since the principal outstanding on the bond is greater than $1,000,000, any restructuring of the transaction would require the review and approval of the Board of Directors. And since the bond uses the Special Capital Reserve Fund (SCRF) of the State of Connecticut, additional steps will be required to support self-sufficiency if the PPA payment is forgiven.

Process for Applying Loan Loss Decision Framework to Subsidiaries

The following is a breakdown of the proposed processes for using the Loan Loss Decision Framework for the Green Bank's subsidiaries:

Process #1 – Provisional Loss Reserve

On an annual basis the accounting team prepares a detailed analysis of portfolio loans by program. This analysis includes a historical analysis of prior year loan write-offs, if any, by program, repayment delinquencies and inquiries of program and finance staff as to current developments with borrowers that could affect future repayments. Based upon these inquires the accounting team assigns a loan loss reserve percentage to the balance of loans for each program to arrive at a total loan loss reserve for the loan portfolio. Currently these percentages range from 0-20% based on the project, product, or program.

The annual loan loss reserve calculation is reviewed for reasonableness by the Green Bank's audit firm as part of the annual audit process.

On a quarterly basis, with the assistance of Program and Finance Staff, the Accounting Team would make appropriate interim adjustments to the provisional loss reserve.

Process #2 – Restructuring Transactions

A transaction undergoing a restructuring would undergo the following process:

1. **Restructuring Calculation** – staff requesting a change in a previously approved transaction, must calculate the following:

    a. **Original Investment** – show the cash flow of expected principal and interest payments over the term of the transaction, including the calculation of the net present value of the transaction;

    b. **Proposed Restructured Investment** – show the cash flow of expected principal and interest payments over the term of the transaction, including the calculation of the net present value of the transaction; and

    c. **Comparison** – compare the original to the restructured investment to document any changes in cash flow and net present value.

2. **Documentation** – staff requesting a change must document in a memo the reason for the proposed modification including whether COVID-19 adversely impacted the borrower, a description of the project, the calculation showing the original and restructured investment and their comparisons, and preventative measures for avoiding such issues in the future (i.e., for COVID-19 related restructurings, rather than a description of preventative measures for avoiding such issues in the future, the staff

includes a signed letter from the borrower requesting the restructuring due to COVID-19);.

3. **Review and Approval** – the documentation must be reviewed and approved by the appropriate authority, including:

    a. **Staff** – for principal balances less than $100,000 (unless a COVID-19 related transaction, then up to $1,000,000 for specific types of transactions), senior staff would review and approve and documented through the ARS process;

    b. **Deployment Committee** – for principal balances greater or equal to $100,000 and less than $1,000,000, Deployment Committee would review and approve the transaction; or

    c. **Board of Directors** – for principal balances greater than $1,000,000, the Board of Directors would review and approve the transaction.

4. **Reporting** – if a transaction receives the approval from the appropriate authority to be restructured, then the details should be reported in a quarterly memo and made available on an ongoing basis to the Deployment Committee and/or the Board of Directors. If the restructured transaction was related to COVID-19, then staff would specifically breakout the transactions in the quarterly memo that were restructured as a result of COVID-19 for reporting and tracking purposes.

Process #3 – Write-Off Transactions

A transaction undergoing a write-off would undergo the following process:

1. **Write-Off Calculation** – staff requesting a write-off in a previously approved transaction, must calculate the following:

    a. **Project Finance** – the amount of outstanding principal and lost interest revenue from the original transaction.

2. **Documentation** – staff requesting a write-off must document the reason for the write-off including a description of the project, the calculation showing the value of the write-off, and preventative measures for avoiding such issues in the future.

3. **Review and Approval** – the documentation must be reviewed and approved by the appropriate authority, including:

    a. **Staff** – for principal balances less than $100,000, senior staff would review and approve and documented through the ARS process;

    b. **Audit, Compliance and Governance Committee** – for principal balances greater or equal to $100,000 and less than $1,000,000, ACG Committee would review and approve the transaction; or

    c. **Board of Directors** – for principal balances greater than $1,000,000, the Board of Directors would review and approve the transaction.

4. **Reporting** – if a transaction receives the approval from the appropriate authority to be written off, then the details should be reported in a quarterly memo and made available on an ongoing basis to the Deployment Committee and/or the Board of Directors.

Process for Reporting

Above and beyond applying the loan loss decision framework and process to various transactions of the Green Bank's subsidiaries, there is a need to frequently report out to the Deployment Committee and/or the Board of Directors. The following reporting on loan losses should begin in FY 2021:

- **Monthly Financial Statements** – within the monthly financial statements provided to the Board of Directors, there should be a separate section that provides an overview of the provisional loan loss reserves noted for the fiscal year, along with any transactions that have been restructured or written-off through this loan loss decision framework and process; and

- **Quarterly Reports** – provided to the Deployment Committee on a quarterly basis, this memo should provide further detail on loss transactions by program or product to assess trends, including:

  - Number of transactions lost;
  - Amount of loss;
  - Frequent of losses;
  - Percentage of losses; and
  - Thresholds of losses reached consistent with the provisional loss reserve.

Reporting is an essential aspect of the loan loss decision framework and process.

Summary

As the Green Bank continues to invest its resources with the expectation of getting its principal and interest back over time, there will inevitably be instances when restructuring transactions and/or loan losses will occur. The Bylaws of the Green Bank offer guidance, specifically through its Deployment Committee, in terms of managing transactions, and their potential restructuring or write-off. The Loan Loss Decision Framework, in combination with the proposed Process for applying the framework, will serve as the road map for managing assets that are being restructured or written-off on the Green Bank balance sheet for its subsidiaries.

Resolution

WHEREAS, on October 20, 2017, the Green Bank Board of Directors approved of a recommendation brought forth by both the ACG Committee and Deployment Committee to approve the authorization to amend the Staff Approval Policy to increase program funding requests for Projects Under $300,000 to $500,000 with an aggregate amount limit of $1,000,000 from the date of the last Deployment Committee meeting; and

WHEREAS, based on a recommendation brought forth by the Deployment and ACG Committees, the Board approved and authorized the Green Bank staff to implement the Loan

Loss Decision Framework and Process for managing assets requiring restructuring or write-off from the Green Bank's balance sheet and consistent with the memorandum to the Board dated June 13, 2018 ("Loan Loss Decision Framework and Process ") and for a similar framework to be developed at a future date for the Green Bank's special purpose vehicles (i.e., subsidiaries); and

WHEREAS, in response to the COVID-19 pandemic, the staff of the Green Bank proposed a modification to the Loan Loss Decision Framework and Process with regards to restructuring transactions, as well as the Green Bank's provision for loan losses, in order to help families and businesses manage through this public health crisis, which the Board approved on April 24, 2020.

WHEREAS, on May 19, 2020, the Audit, Compliance and Governance Committee recommended that the Board of Directors approve of the Staff proposed Loan Loss Decision Framework and Process for Subsidiaries for managing assets requiring restructuring or write-off from the Green Bank's balance sheet and consistent with the memorandum presented to the Deployment Committee dated May 20, 2020.

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommends that the Board of Directors approve of the Staff proposed Loan Loss Decision Framework and Process for Subsidiaries for managing assets requiring restructuring or write-off from the Green Bank's balance sheet and consistent with the memorandum dated May 20, 2020.

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