

MINUTES OF THE ONE HUNDRED FORTY-SECOND MEETING OF THE
AUDIT AND FINANCE COMMITTEE
HELD ON JANUARY 28, 2020

Pursuant to a notice and agenda dated January 21, 2020, a copy of which is annexed hereto, the one hundred forty-second (142nd) meeting of the Audit and Finance Committee (the “Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the “Authority”) was convened at 10:30 a.m. on Tuesday, January 28, 2020, at the office of the New York State Dormitory Authority (“DASNY”), One Penn Plaza, 52nd Floor, New York, New York, and in the Authority’s Albany Office at 17 Columbia Circle, Albany, New York. The two locations were connected by videoconference.

The following members of the Committee were present:

Jay Koh, *Chair of the Committee*
Sherburne Abbott
Kate Fish
Richard Kauffman, *Chair of the Authority*

Also present were Alicia Barton, President and CEO; Janet Joseph, Senior Vice President for Strategy and Market Development; John Williams, Vice President for Policy and Regulatory Affairs; Jeffrey J. Pitkin, Treasurer; Peter J. Costello, General Counsel; Sara L. LeCain, Senior Counsel and Secretary to the Committee; Mary E. Peck, Director of Internal Audit; Timothy Chace, Information Security Officer; David Adkins, Chief Information Officer; Glen Kaatz, Director of Information Technology; Samuel Litton, Hawkins Delafield & Wood, LLP; Jeff Smith, Omnicap; Alfred Quintero and Brad Friedman, Ramirez & Co., Inc.; and various other staff of the Authority.

Mr. Koh called the meeting to order and noted the presence of a quorum. The meeting notice and agenda were forwarded to the Committee members and the press on January 21, 2020.

Mr. Koh indicated that the first item on the agenda concerned the approval of the minutes of the one hundred forty-first (141st) meeting of the Committee, held on October 8, 2019.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the minutes of the hundred forty-first (141st) meeting of the Committee, held on October 8, 2019 were approved.

Mr. Koh indicated that the next item on the agenda was the authorization of the issuance of a series of bonds by the Authority to finance the Green Jobs-Green New York (“GJGNY”) Program. This item was presented by Mr. Pitkin.

Mr. Pitkin stated that approval was being sought to issue bonds in an amount not to exceed \$20,000,000 (“2020A Bonds”) to support the financing and re-financing of residential energy efficiency and solar loans issued through the GJGNY.

Mr. Pitkin explained that the structure of the 2020A Bonds is similar to the structure approved for the Residential Solar and Energy Efficiency Financing Revenue Bonds, Series 2019A issued by the Authority in March 2019 (“2019A Bonds”). The 2020A Bonds will be issued as fixed-rate, taxable bonds at a weighted average interest rate not to exceed 7%. The final maturity will be no greater than twenty years following the date of issuance of the Bonds, but will include “turbo” redemption provision which will shorten the maturity of the bonds based on available revenues from loan repayments.

Mr. Pitkin indicated that the 2020A Bonds will be secured by a pledge of residential solar loan and energy efficiency loan repayments. Pledged loan repayments, including anticipated levels of loan prepayments and defaults, will be structured to provide excess revenues relative to scheduled principal and interest payments on the 2020A Bonds.

Additionally, Mr. Pitkin stated that the 2020A Bonds will be structured to meet the single-A rating category criteria by Kroll Bond Rating Agency. The 2020A Bonds will be underwritten by Ramirez & Co., Inc., who served as underwriters for the 2019A Bonds.

Mr. Pitkin explained that the 2020A Bonds will require the approval of the Public Authorities Control Board, and certain aspects of the transaction will require approval by the Office of the State Comptroller and the New York State Department of Taxation and Finance.

In response to an inquiry, from Mr. Kauffman, Mr. Pitkin indicated that the issuing the 2020A Bonds as “Green Bonds” has little to no effect on the 2020A Bonds interest rate. Mr. Quintero concurred.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, a resolution recommending approval of the issuance of bonds to finance the GJGNY Program was approved.

Resolution

RESOLVED, that the Audit and Finance Committee recommends that the Board approve a resolution in substantially the same form as attached hereto as Exhibit A.

Mr. Koh indicated that the next item on the agenda was a report from the Authority’s Director of Internal Audit, Mary Peck, on her recent activities.

Ms. Peck began her report by summarizing audit IA1920-03: *Travel and Expenditures*. The audit assessed compliance with related travel and procurement policies and management of the Authority’s corporate credit cards. Overall, Internal Audit found that credit card charges were for proper Authority expenses and that the cards were generally used in accordance with policies and procedures. The Authority has effective controls in place for card acquisition, authorization, and reconciliation; and in general, expenses paid for by credit card complied with the Authority’s policies and directives.

Ms. Peck noted that the audit included some opportunities to strengthen internal controls and compliance, and the Authority already implemented several recommended policy changes.

Next, Ms. Peck indicated that Internal Audit has started two audits: IA1920-04: *Integrity of Solicitations* and IA1920-03: *Business Continuity and Disaster Recovery*.

Last, Ms. Peck presented the Internal Audit Rotation Plan. She explained that in coordination with internal audit standards and the Authority's Internal Control Manual, Internal Audit maintains a list of assessable units and key business processes to be considered during its annual audit planning process.

Ms. Peck stated that the Memo provided to the Committee detailed several business processes with higher inherent risks or where internal controls not functioning as designed could have detrimental financial or reputational impacts. As a result, these processes will be audited on a shorter cycle time. Other processes may be scheduled for audit on a discretionary basis or at the request of management or the Committee.

Ms. Peck indicated that this planning tool does not require the Committee's formal approval, but is provided for the Committee's review and input. This information will be used in the development of the risk-based Internal Audit Plan for Fiscal Year 2020-2021, which will be presented at the April 2020 Committee Meeting. Ms. Peck shared the draft Internal Audit Rotation Plan with the Authority's Independent Auditors, KPMG LLP, and will incorporate any of their comments.

In response to an inquiry from Mr. Kauffman, Ms. Peck indicated that there were some minor credit card charges that should have followed more stringent procedures. However, the purchases were appropriately made. Ms. Peck stated that she had no significant concerns with respect to the Authority's credit card processes.

In response to an inquiry from Mr. Koh, Ms. Peck indicated that the Internal Audit Rotation Plan is reviewed every three years. However, Ms. Peck noted that it will be reviewed as part of the development of the Annual Internal Audit Plan and updated if necessary.

In response to an inquiry from Mr. Koh, Ms. Peck confirmed that the Independent Auditors also review Internal Audit as part of its annual review of the Authority's financial statements.

Mr. Koh indicated that the next item on the agenda was a resolution to convene in executive session pursuant to Section 105(a) of the Public Officers Law to discuss the Authority's Information Technology and Cyber Security internal controls.

Whereafter, upon motion duly made and seconded, and by voice vote of the Members present, the following resolution was adopted.

Resolution

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Members of the Audit and Finance Committee of the New York State Energy Research and Development Authority shall convene in executive session on January 28, 2020 to discuss a review of the Authority's Information Technology and Cyber Security internal controls.

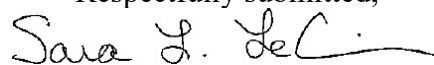
Mr. Koh asked everyone but the Committee Members, the Officers, the Committee Secretary, the Information Security Officer, the Chief Information Officer, the Director of Information Technology, and the Director of Internal Audit to leave the room during the Executive Session.

Following the Executive Session, Mr. Koh reconvened the meeting in open session. He stated that no formal action was taken during the Executive Session.

Mr. Koh indicated that the last item on the agenda was other business.

Thereafter, there being no other business, upon motion duly made and seconded, and by unanimous voice vote of the members, the meeting was adjourned.

Respectfully submitted,



Sara L. LeCain

Secretary to the Committee

Exhibit A

WHEREAS, pursuant to special act of the Legislature of the State of New York (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the “Act”), the New York State Energy Research and Development Authority (the “Authority”) has been established as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, pursuant to the Act, the Authority is authorized to issue bonds and notes to provide sufficient moneys for achieving the Authority’s corporate purposes, including the establishment of reserves to secure the bonds and notes and the payment of interest on bonds and notes; and

WHEREAS, pursuant to the Act, the Authority is also empowered to extend credit and make loans from bond proceeds to any person for the construction, acquisition, installation of, or for the reimbursement to any person for costs in connection with, any special energy project, including, but not limited to, any land, works, system, building, or other improvement, and all real and personal properties of any nature or any interest in any of them which are suitable for or related to the furnishing, generation, production, transmission, or distribution of energy or energy resources; and

WHEREAS, pursuant to special act of the Legislature of the State of New York (Title 9-A of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the “Green Jobs – Green New York Program”), the Authority has been authorized to use innovative financing mechanisms to finance energy efficiency improvements and technologies eligible for net metering through energy cost savings; and

WHEREAS, the Authority will issue bonds in one or more series not later than January 29, 2021, in an aggregate principal amount not to exceed \$20,000,000 to be designated “Residential Solar and Energy Efficiency Financing Green Revenue Bonds, Series 2020A” (the “Bonds”) and with such additional or different designations as may be set forth in the Indenture (hereinafter defined) for the purpose of financing loans through the Green Jobs – Green New York Program for the installation of residential energy efficiency measures or photovoltaic (“PV”) systems (collectively “Loans”); and

WHEREAS, the Bonds are to be issued pursuant to an Indenture of Trust (the “Indenture”), between the Authority and The Bank of New York Mellon, as trustee (the “Trustee”), pursuant to which the Authority will pledge principal and interest payments on, and prepayments of, Loans as security for the Bonds and

WHEREAS, the Authority has entered into an agreement with Slipstream Group Incorporated d/b/a Energy Finance Solutions, a not-for-profit corporation, to serve as a loan originator under the Green Jobs – Green New York Program; and

WHEREAS, the Authority has entered into an agreement with Concord Servicing Corporation who will act as the loan servicer and will be the custodian of the original promissory notes for the Loans issued under the Green Jobs – Green New York Program; and

WHEREAS, the proceeds of the Bonds will be used to reimburse the Green Jobs-Green New York Program revolving loan fund for Loans heretofore originated and outstanding and to provide funding for new Loans originated and to be originated thereafter; and

WHEREAS, Ramirez & Co., Inc., acting as underwriter (the "Underwriter"), pursuant to the terms of a Bond Purchase Agreement among the Authority and the Underwriter (the "Purchase Contract"), propose to purchase the Bonds from the Authority and offer the Bonds to the public pursuant to the terms of such Purchase Contract; and

WHEREAS, it is expected that the Bonds will be offered by the Underwriter pursuant to a Preliminary Official Statement, as may be approved by an Authorized Representative (hereinafter referred to) of the Authority and an Official Statement to be approved by an Authorized Representative; and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY AS FOLLOWS:

Section 1. The offering, issuance, sale, and delivery of the Bonds upon the terms and conditions and for the purposes described in this resolution are hereby authorized. The Bonds shall be issued in one or more series in an aggregate principal amount not to exceed \$20,000,000 and shall bear interest at rates determined by the Chair, the Vice Chair, the President and CEO, the Chief Operating Officer, the Vice Presidents, the Treasurer, or the Secretary of the Authority (collectively, the "Authorized Representatives"). The Bonds shall bear interest at a weighted average fixed rate of interest not to exceed 7%. The Bonds shall mature no later than twenty years after the date of issuance. The Bonds shall be dated, have the final maturity, have the designation or designations, be subject to redemption, be payable as to principal, premium, if any, and interest, and have such other provisions all as set forth in the Indenture. The form of the Bonds and all other provisions with respect thereto shall be as set forth in the Indenture or determined in the manner set forth therein. No Bonds shall be issued pursuant to this resolution after January 29, 2021. Any bonds issued under this Resolution must have upon issuance a rating of A or higher, as assigned by a nationally recognized statistical rating organization.

Section 2. Subject to the limitations set forth in Section 1 hereof, the Authorized Representatives are each hereby authorized to determine on behalf of the Authority with respect to the Bonds: the aggregate principal amount, the interest rates the Bonds shall bear and the particular redemption and purchase provisions of the Bonds. Any such determination shall be conclusively evidenced by the execution and delivery by an Authorized Representative of an indenture or other document setting forth such determination.

Section 3. The Authorized Representatives are each hereby authorized to execute, acknowledge, and deliver the Indenture as such Authorized Representative shall

approve. Execution of such documents by an Authorized Representative shall be conclusive evidence of any approval required by this Section. The Authorized Representatives are also authorized to secure a second party opinion that the Bonds meet the Green Bond Principals as set by International Capital Market Association and to execute any agreement required in order to secure such opinion. The Authorized Representatives are each further authorized to obtain bond insurance or other credit enhancement for the Bonds to the extent that such Authorized Representative determines that such credit enhancement would facilitate the sale of the bonds on a cost effective basis or lower the debt service on the Bonds and to enter into agreements with the providers of such credit enhancement.

Section 4. The Authority authorizes each Authorized Representative to enter into the Purchase Contract. The Authorized Representatives of the Authority are each hereby authorized to determine the purchase price of the Bonds and are further authorized to execute, acknowledge, and deliver the Purchase Contract as may be approved by any such Authorized Representative. The execution of a Purchase Contract by any Authorized Representative shall be conclusive evidence of any determination or approval required or authorized by this Section. The purchase price to the Underwriters of the Bonds shall not be less than 97% of the principal thereof. In no event shall the compensation paid to the Underwriter in connection with the initial offering of the Bonds exceed 1% of the principal amount thereof whether such compensation is paid directly by the Authority or in the form of discount to the Underwriters. As an alternative to the execution of the Purchase Contract, the Authorized Representatives are authorized to execute a private placement agreement with a third party purchaser, with Ramirez & Co., Inc. acting as placement agent, should such a method of sale for the Bonds be determined by the Authorized Representatives to be a superior method of selling the Bonds.

Section 5. The Authority authorizes the Authorized Representatives to approve the Preliminary Official Statement and the Authority approves the use in accordance with the applicable legal requirements of one or more Preliminary Official Statements and Official Statements in connection with the offering and sale of the Bonds by the Underwriter, as may be approved by an Authorized Representative. Any Authorized Representative of the Authority is hereby authorized and directed to execute the final Official Statements in the name and on behalf of the Authority, and thereupon cause such final Official Statements to be delivered to the Underwriters. Any such approval shall be conclusively evidenced by such Authorized Representative's execution and delivery thereof. The Authorized Representatives are hereby authorized to provide any appropriate disclosure as part of the Preliminary Official Statements and Official Statements, including but not limited to the use of the Authority's financial statements. The foregoing approvals shall not be deemed to constitute an acknowledgment by the Authority of any responsibility for information contained therein which has been furnished by the Underwriters, The Depository Trust Company, or any other party. In the event that the Authorized Representatives determine that a sale of the Bonds through a private placement is a superior method of sale, the Authorized Representatives are hereby authorized to use a placement memorandum to facilitate such a sale, in accordance with the disclosure requirements outlined in this section for preliminary official statements and official statements.

Section 6. Wisconsin Energy Conservation Corporation d/b/a Energy Finance Solutions has been authorized to serve as loan originator for the pledged loans. Concord Servicing

Corporation has been authorized to serve as loan servicer for the pledged loans and First Associates Loan Servicing, LLC is hereby authorized to serve as backup servicer. The Authorized Representative are hereby authorized to enter into any other agreements, documents, or amendments to existing agreements relating to the origination and servicing of the loans as necessary. The Authorized Representatives are hereby authorized to approve the appointment of a successor loan originator, loan servicer and backup loan servicer for the pledged loans as necessary.

Section 7. The Authorized Representatives are each hereby authorized to execute, acknowledge, and deliver any other agreements, documents, or certificates, including certificates confirming on behalf of the Authority the accuracy and completeness of information relating to the Bonds, the Authority, the Loans and the Green Jobs – Green New York Program, and to do and cause to be done any such other acts and things and to make such other changes, omissions, insertions, revisions, or amendments to the documents referred to in Sections 1 through 6 of this resolution as they may determine necessary or proper for carrying out, giving effect to, and consummating the transactions contemplated by this resolution. Execution of such documents by an Authorized Representative shall be conclusive evidence of any approval required by this Section. Any Authorized Representative, the Assistant Treasurer, and the Acting Secretary of the Authority are each hereby authorized to affix the seal of the Authority on such documents and attest the same.

Section 8. The Bonds shall not be general obligations of the Authority, and shall not constitute an indebtedness of or a charge against the general credit of the Authority. The Bonds will not constitute a debt of the State of New York and the State of New York will not be liable thereon. No owner of the Bonds will have any right to demand payment of the principal of and interest on the Bonds out of any funds to be raised by taxation. As shall be more particularly set forth in the Indenture and the Bonds, the liability of the Authority under the Bonds shall be enforceable only to the extent provided in the Indenture, and the Bonds shall be payable solely from the revenues and other funds pledged and available for the payment of the Bonds under the terms of the Indenture.