

MINUTES OF THE ONE HUNDRED TWENTY-FIFTH MEETING OF THE
AUDIT AND FINANCE COMMITTEE
HELD ON SEPTEMBER 21, 2015

Pursuant to a notice dated September 11, 2015, a copy of which is annexed hereto, the one hundred twenty-fifth (125th) meeting of the Audit and Finance Committee (“Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (“Authority”) was convened at 10:30 a.m. on Monday, September 21, 2015, in the Authority’s Albany Office at 17 Columbia Circle, Albany, New York, and in the Authority’s New York City Office located at 1359 Broadway, New York, New York.

The following members of the Committee were present:

Jay Koh, Chair

Sherburne Abbott

Richard Kauffman, Chair of the Authority

Jigar Shah

Also present were John B. Rhodes, President and CEO; Janet Joseph, Vice President for Technology and Strategic Planning; David Margalit, Chief Operating Officer; Jeffrey J. Pitkin, Treasurer; Noah C. Shaw, Esq., General Counsel; Sara LeCain, Esq., Senior Counsel and Secretary to the Audit and Finance Committee; Mark Mitchell, Director of Internal Audit; and various other staff of the Authority.

Mr. Koh called the meeting to order, and stated that the meeting notice and agenda were mailed to the members on September 11, 2015 and to the press on September 15, 2015. The first item on the agenda concerned the approval of the minutes of the one hundred twenty-fourth (124th) meeting of the Committee held on June 18, 2015.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the minutes of the one hundred twenty-fourth (124th) meeting of the Committee, held on June 18, 2015, were approved.

Mr. Koh indicated that the next item on the agenda concerned a resolution authorizing the issuance of the Residential Solar Loan Revenue Bonds Series 2015 (the “Bonds”). The Authority’s Treasurer, Jeffrey J. Pitkin, explained that the proposed issuance of bonds would be in an aggregate principal amount not to exceed \$50,000,000. The Bonds will be issued pursuant to a credit facility to finance loans issued through the Green Jobs – Green New York Program to finance the installation of residential photovoltaic systems.

In response to an inquiry from Mr. Koh, Mr. Pitkin explained that the Authority’s placement agent, Jeffries LLC (“Jeffries”), issued a request for financing proposals for a drawdown bond structure due to the relative small size of the Authority’s existing portfolio. A number of firms expressed interest, but the size of the portfolio and structure limited the response. Manufactures and Traders Trust Company’s (“M&T”) pricing was in line with current market conditions. Another proposal required additional credit enhancements that the Authority was not willing to provide. A third proposal was priced higher than current market conditions.

In response to an inquiry from Mr. Kauffman, Mr. Pitkin indicated that the Bonds would have a variable turbo payment structure and staff expects a nominal amount of loan prepayments. In addition, the Authority would have the ability to redeem the facility after 5 years.

In response to an inquiry from Mr. Koh, Mr. Pitkin stated that the Bonds will not be impacted by rising interest rates.

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

Resolution No. 410

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 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 at one or more times not later than September 30, 2016, in an aggregate principal amount not to exceed \$50,000,000 to be designated "Residential Solar Loan Revenue Bonds, Series 2015" (the "Bonds") and with such additional or different designations as may be set forth in the Credit Agreement (hereinafter defined) for the purpose of financing loans through the Green Jobs – Green New York Program for the installation of residential photovoltaic, or PV, systems ("Solar Loans"); and

WHEREAS, the Bonds are to be issued pursuant to a credit agreement (the "Credit Agreement"), between the Authority and Manufacturers and Traders Trust Company ("M&T") pursuant to which M&T will agree, subject to certain conditions set forth therein, to advance moneys to the Authority to finance Solar Loans, a copy of the draft form of which have been set before this meeting; and

WHEREAS, the Authority has entered into an agreement with Wisconsin Energy Conservation Corporation 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 Solar 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 Solar Loans heretofore originated and outstanding and to provide funding for new Solar Loans originated and to be originated thereafter; and

WHEREAS, the Authority will pledge principal and interest payments on, and prepayments of, Solar Loans as security for the Bonds pursuant to the terms of a trust indenture (the "Trust Indenture"), a copy of the draft form of which has been set before this meeting ; and

WHEREAS, Jeffries LLC, is acting as placement agent (the "Placement Agent"), in connection with the placement of the Bonds to Manufacturers and Traders Trust Company (the "Purchaser"); 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 the Credit Agreement and this resolution are hereby authorized. The Bonds shall be issued in one or more series in an aggregate principal amount not to exceed \$50,000,000 and shall bear interest at rates determined in accordance with the Credit Agreement. Eighty percent (80%) of the principal amount of the Bonds shall bear interest at a fixed rates of interest determined at the time of each advance under the Credit Agreement not to exceed seven per cent (7%) per annum and twenty percent (20%) of the principal amount of the Bonds shall bear interest at a variable rate of interest determined in accordance with the Credit Agreement not to exceed 11%. The Bonds shall mature no later than September 30, 2026. 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 Credit Agreement. The form of the Bonds and all other provisions with respect thereto shall be as set forth in the Credit Agreement or determined in the manner set forth therein. No Bonds shall be issued pursuant to this resolution after September 30, 2016.

Section 2. Subject to the limitations set forth in Section 1 hereof, the Chair, the Vice Chair, the President and CEO, the Vice Presidents, the Treasurer, or the Secretary of the Authority (collectively, 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 the Credit Agreement or other document setting forth such determination.

Section 3. The Authorized Representatives are each hereby authorized to execute, acknowledge, and deliver the Credit Agreement and the Trust Indenture, with such amendments, supplements, changes, insertions, and omissions to the forms presented to this meeting 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. 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 4. The Bonds shall be executed in the manner and upon the terms and conditions provided in the Credit Agreement. Manufacturers Traders and Trust Company is hereby designated Trustee for the Bonds. In the event that Manufacturers Traders and Trust Company shall resign as Trustee, or otherwise be unable to act as Trustee, the Authorized Representatives of the Authority are each authorized to designate a successor to act in such capacity.

Section 5. Jeffries LLC is hereby designated as the Placement Agent and the Authorized Representatives are each hereby authorized and directed to execute and deliver any such other agreements, documents, or certificates, to evidence such designation.

Section 6. The Authorized Representatives are each hereby authorized and directed to execute and deliver any such 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 Solar Loans and the Green Jobs – Green New York Program delivered to the Purchaser 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 5 of this resolution as they may determine necessary or proper for carrying out, giving effect to, and consummating the transactions contemplated by this resolution, the Credit Agreement or the Trust Indenture, delivered pursuant thereto.

Section 7. 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 Credit Agreement, the Trust Indenture and the Bonds, the liability of the Authority under the Bonds shall be enforceable only to the extent provided in the Credit Agreement and the Trust 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 Credit Agreement and the Trust Indenture.

Mr. Shah arrived at this time.

Mr. Koh stated that the next item on the agenda was the proposed Internal Audit Plan for fiscal year 2015-16 (the “Internal Audit Plan”). Mark Mitchell, Director of Internal Audit, explained that the Internal Audit Plan was developed using a risk-based methodology that incorporated an audit universe. In addition, the Internal Audit Plan development considered risks identified and discussed during conversations with Board Members, Officers and the Authority’s management; the Authority’s new initiatives and recent audit results. It proposes completing eight internal audits during fiscal year 2015-16.

In response to an inquiry from Mr. Koh, Mr. Mitchell indicated that there were no concerns using the same firm, KPMG, LLP (“KPMG”) that audits the Authority’s financial statements to assist with internal audit internal controls reviews as these would involve separate teams from KPMG.

In response to an inquiry from Mr. Kauffman, Mr. Mitchell explained that the audit universe provides management with an opportunity to consider its risk management approach and make adjustments accordingly. Mr. Pitkin added that Internal Audit serves two purposes: to review current procedures to ensure the Authority has adequate controls and to review specific situations where issues have been identified. Mr. Rhodes explained that when thinking about enterprise risk management, a wide net is cast and an audit universe allows the Authority to look at the areas with the higher risks that are amenable to being audited.

In response to an inquiry from Mr. Koh, Mr. Pitkin explained that the Internal Audit Plan was developed with a lot of collaboration between Mr. Mitchell and the Officers. Mr. Rhodes stated that the collaboration has led to a view that processes which deal with awards and payments and Information Security need to be scrutinized regularly and diligently. These are the first to be part of the regular rotation of review by Internal Audit. Other areas may be added as risks are identified. Mr. Margalit added that review of risk is not left solely to Internal Audit. Instead, the Authority is working to develop trainings and redesign processes so that staff understand their roles and attempt to mitigate risk wherever possible. The job of risk management is not contained to a few people, but instead it is incorporated into everything the Authority is doing.

The Committee concurred with the development and content of the audit universe.

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

Resolution No. 411

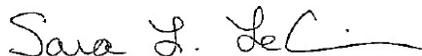
RESOLVED, that the Audit and Finance Committee approves the Internal Audit Plan for Fiscal Year 2015-16, as presented at this September 21, 2015 meeting, in the form submitted to the Committee.

Mr. Koh indicated that the next item on the agenda was a report from Mark Mitchell, the Authority's Director of Internal Audit, on his recent activities since the last Committee meeting. Mr. Koh then called on Mr. Mitchell to begin his report. Mr. Mitchell reported that Internal Audit has completed fieldwork on two audits, which will be presented at the next Committee meeting. However, Mr. Mitchell indicated that no significant issues have been identified. Lastly, Mr. Mitchell announced that a new auditor has been hired to replace an auditor who had left earlier in the year.

In response to an inquiry from Mr. Kauffman, Mr. Mitchell explained that the Authority's Human Resources conducts exit interviews with all employees prior to departure.

Mr. Koh stated that the last agenda item concerned other business. There being no further business, upon motion duly made and seconded, and by unanimous voice vote, the meeting was adjourned.

Respectfully submitted,



Sara L. LeCain
Secretary to the Committee



NYSERDA

ANDREW M. CUOMO
Governor

RICHARD L. KAUFFMAN
Chair

JOHN B. RHODES
President and CEO

NOTICE OF MEETING AND AGENDA

September 11, 2015

TO THE MEMBERS OF THE AUDIT AND FINANCE COMMITTEE:

PLEASE TAKE NOTICE that the one hundred twenty-fifth (125th) meeting of the AUDIT AND FINANCE COMMITTEE of the New York State Energy Research and Development Authority will be held in the Authority's Albany Office at 17 Columbia Circle, Albany, New York, and in the Authority's New York City Office located at 1359 Broadway, New York, New York, on Monday, September 21, 2015, commencing at 10:30 a.m., for the following purposes:

1. To consider the Minutes of the 124th meeting held on June 18, 2015.
2. To consider and act upon a resolution recommending approval of the issuance of the Residential Solar Loan Revenue Bonds, Series 2015.
3. To consider and act upon a resolution approving the Internal Audit Plan for fiscal year 2015-16.
4. To receive a report on the recent activities of the Director of Internal Audit.
5. To transact such other business as may properly come before the meeting.

Members of the public may attend the meeting at either of the above locations. Video conferencing will be used at both locations and the Authority will be posting a video of the meeting to the web within two business days of the meeting. The video will be posted at <http://www.nyserda.ny.gov/About/Board-Governance/Board-and-Committee-Meetings>.

Sara L. LeCain
Secretary to the Committee

New York State Energy Research and Development Authority

Albany
17 Columbia Circle, Albany, NY 12203-6399
(P) 1-866-NYSERDA | (F) 518-862-1091
nyserda.ny.gov | info@nyserda.ny.gov

Buffalo
726 Exchange Street
Suite 821
Buffalo, NY
14210-1484
(P) 716-842-1522
(F) 716-842-0156

New York City
1359 Broadway
19th Floor
New York, NY
10018-7842
(P) 212-971-5342
(F) 518-862-1091

**West Valley Site
Management Program**
9030-B Route 219
West Valley, NY
14171-9500
(P) 716-942-9960
(F) 716-942-9961