

MINUTES OF THE ONE HUNDRED THIRTY-EIGHTH MEETING OF THE
AUDIT AND FINANCE COMMITTEE
HELD ON JANUARY 29, 2019

Pursuant to a notice and agenda dated January 22, 2019, a copy of which is annexed hereto, the one hundred thirty-eighth (138th) meeting of the Audit and Finance Committee (the “Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (the “Authority”) was convened at 11:00 a.m. on Tuesday, January 29, 2019, 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
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; Jeffrey J. Pitkin, Treasurer; Noah C. Shaw, General Counsel; Sara L. LeCain, Senior Counsel and Secretary to the Committee; Mary E. Peck, Director of Internal Audit 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 22, 2019.

Mr. Koh indicated that the first item on the agenda concerned the approval of the minutes of the one hundred thirty-seventh (137th) meeting of the Committee, held on September 18, 2018.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the minutes of the hundred thirty-seventh (137th) meeting of the Committee, held on September 18, 2018 were approved.

Mr. Koh indicated that the next item on the agenda was a resolution, approving amendments made to the Investment Guidelines, Operative Policy and Instructions. Jeffrey J. Pitkin, the Authority's Treasurer presented this item to the Committee.

Mr. Pitkin explained that the changes proposed to the Investment Guidelines would modify the criteria for permitted investments in Money Market Funds used for liquidity cash management purposes, to increase the maximum investment amount from 10% to 20% of the total investment portfolio, and to allow a balance in excess of 20% for not more than 15 consecutive days. In addition, it would add additional eligibility criteria to require such treasury Money Market Funds are rated in the highest rating category by more than one nationally recognized rating agency, and that they do not impose liquidity fees or have the ability to suspend redemptions.

Mr. Pitkin stated that the Authority currently uses a treasury money market fund for liquidity cash management to allow funds which are not invested in direct Federal Government Obligations to be invested. However, unpredictability in the timing and amount of daily receipts results in situations where the amount of funds on hand could exceed the current Investment Guidelines limitation that money market investment not exceed 10% of the total portfolio. This limit requires either holding excess funds in our corporate checking account or requires ad-hoc direct purchase of a Federal Government Obligation. Allowing treasury money market investments to exceed 20% of total investments for not more than 15 consecutive days would still provide comparable investment return and risk characteristics as if the funds were directly invested in Federal Government Obligations, but would provide for improved liquidity cash management and reduce the likelihood of selling Federal Government Obligation investments prior to their maturity date.

As a final note, Mr. Pitkin indicated that staff reviewed the change with the Authority's statutory fiscal agent and financial advisor. Both concluded that these changes would represent prudent investment strategies.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee members, the revisions to the Investment Guidelines, Operative Policy and Instructions were recommended for approval.

Resolution No. 446

RESOLVED, that the "Investment Guidelines, Operative Policy and Instructions (January 2019)," as presented at this January 29, 2019 meeting are hereby recommended for approval by the Board.

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 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 ("2019A Bonds") to support the financing and re-financing of residential energy efficiency and solar loans issued through the Green Jobs – Green New York Program ("GJGNY").

Mr. Pitkin explained that the structure of the 2019A Bonds is similar to the structure approved for the Residential Solar Financing Green Revenue Bonds, Series 2018A issued by the Authority in March 2018 ("2018A Bonds"). The 2019A 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 2019A Bonds will be secured by a pledge of residential solar loan and energy efficiency loan repayments, including those issued using the GJGNY Tier2 underwriting criteria, provided the loans have more than five years of successful repayment history. 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 2019A Bonds.

Additionally, Mr. Pitkin stated that the 2019A Bonds will be structured to meet the single-A rating category criteria by Kroll Bond Rating Agency. The 2019A Bonds will be underwritten by Ramirez & Co., Inc., who served as underwriters for the 2018A Bonds.

Mr. Pitkin indicated that the 2019A Bonds are anticipated to be labeled Green Bonds and will have a second party opinion attesting that the 2019A Bonds align with the Green Bond Principles as set by International Capital Market Association.

Mr. Pitkin explained that the 2019A 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.

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 was approved.

Resolution No. 447

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 IA1718-03 entitled Data Quality Audit. This outsourced assessment was conducted on a targeted set of four program areas within the Clean Energy Fund (“CEF”) and focused on key data elements and processing flows related to the preparation of the CEF Quarterly Performance Report filed with the New York State Public Service Commission. The audit reviewed data quality regarding design, implementation, and operational effectiveness.

Ms. Peck noted that the audit determined that the Authority exhibits a strong attitude toward data quality, and sample testing of program data using existing processes resulted in relatively minor differences. The differences noted in the report relate to differences in the energy metric outcomes of Authority funded projects, not any differences in payments made to program contract recipients.

Ms. Peck explained that while there were a high number of recommendations, many are the same recommendation for one or more of the four CEF program areas. Three of the four programs were found to have effective controls; the other had controls present, but there was inherent risk due to the manual nature of the controls. Suggestions included to further improve upon existing processes, and in some cases to implement more systematic processes that are less reliant on manual processes. The Authority’s staff developed a thoughtful response to the identified issues and are making changes where appropriate.

Next, Ms. Peck provided an update on the audits in progress, IA1819-03 *Ethics and Compliance Program* and IA1819-04 *Records Management*. In addition, Ms. Peck stated that she has been meeting with the Authority’s Chief Information Officer regarding the planned audit of the Authority’s compliance with Americans with Disability Act and New York State accessibility requirements. Given ongoing changes to the compliance criteria, they are continuing to discuss the timing of this audit. However, she has conducted a preliminary assessment and found no immediate risks.

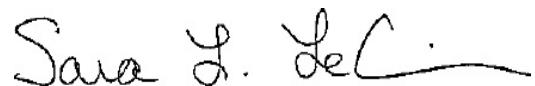
Lastly, Ms. Peck stated that at the September 2018 Committee meeting Mr. Kauffman asked for suggestions regarding the Authority’s internal audit process. Ms. Peck indicated that she

will be providing suggestions at the April 2019 Audit and Finance committee meeting, as part of the Annual Internal Audit Plan.

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,

A handwritten signature in black ink that reads "Sara L. LeCain".

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, 2020, in an aggregate principal amount not to exceed \$20,000,000 to be designated “Residential Solar and Energy Efficiency Financing Green Revenue Bonds, Series 2019A” (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 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 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, 2020. 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 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 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.