

PACE Finance Overview

Significant Committed Capital

With strategic capital partners in place, we have billions of dollars of committed capital to fund PACE loans from \$500K to \$200M+.

Unmatched Experience

Our C-PACE capital provider is the country with executive level expertise in commercial lending, debt fund management, structured finance and long-term, direct relationships with institutional investors.

Nationwide Coverage

An approved capital provider in the majority of approved C-PACE markets and has closed transactions in twelve states plus Washington, D.C.

Execution Excellence

Recognized as the industry leader in C-PACE financing, our capital partner is the largest C-PACE capital provider by investment volume and committed capital base and financed the largest ever C-PACE loan.



Commercial PACE Financing

Overview

Commercial Property Assessed Clean Energy (C-PACE)

...is an alternative financing mechanism for energy efficiency, water conservation & renewable energy projects.

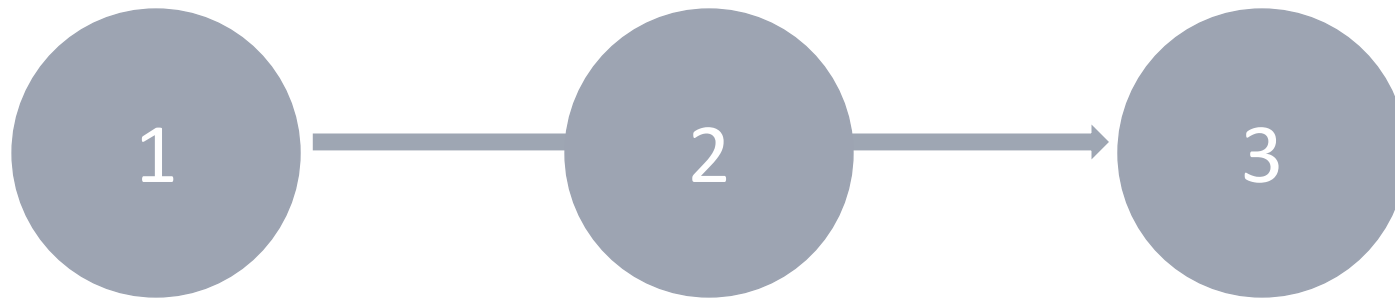
C-PACE makes it possible for owners of commercial, industrial, multifamily, and nonprofit properties to obtain low-cost, long-term financing which is paid back through an annual assessment on the organization's property tax bill.

The payback term may extend up to 30 years, which can save businesses money by ensuring that yearly utility bill savings from energy improvements are greater than annual C-PACE payments.

Commercial real estate developers can replace higher cost mezzanine debt and/or equity with C-PACE to lower WACC and significantly improve equity returns.

Commercial PACE Financing

Mechanics and Benefits



States pass legislation authorizing C-PACE financing, administrators are selected to regulate the C-PACE program, taxing authorities (counties, cities) may choose to opt into the program

Developers secure C-PACE financing from a private lender, alongside senior construction loan and equity

Loan P&I is repaid via a special assessment on the property tax bill

Non-Recourse

Paid as Operating Expense

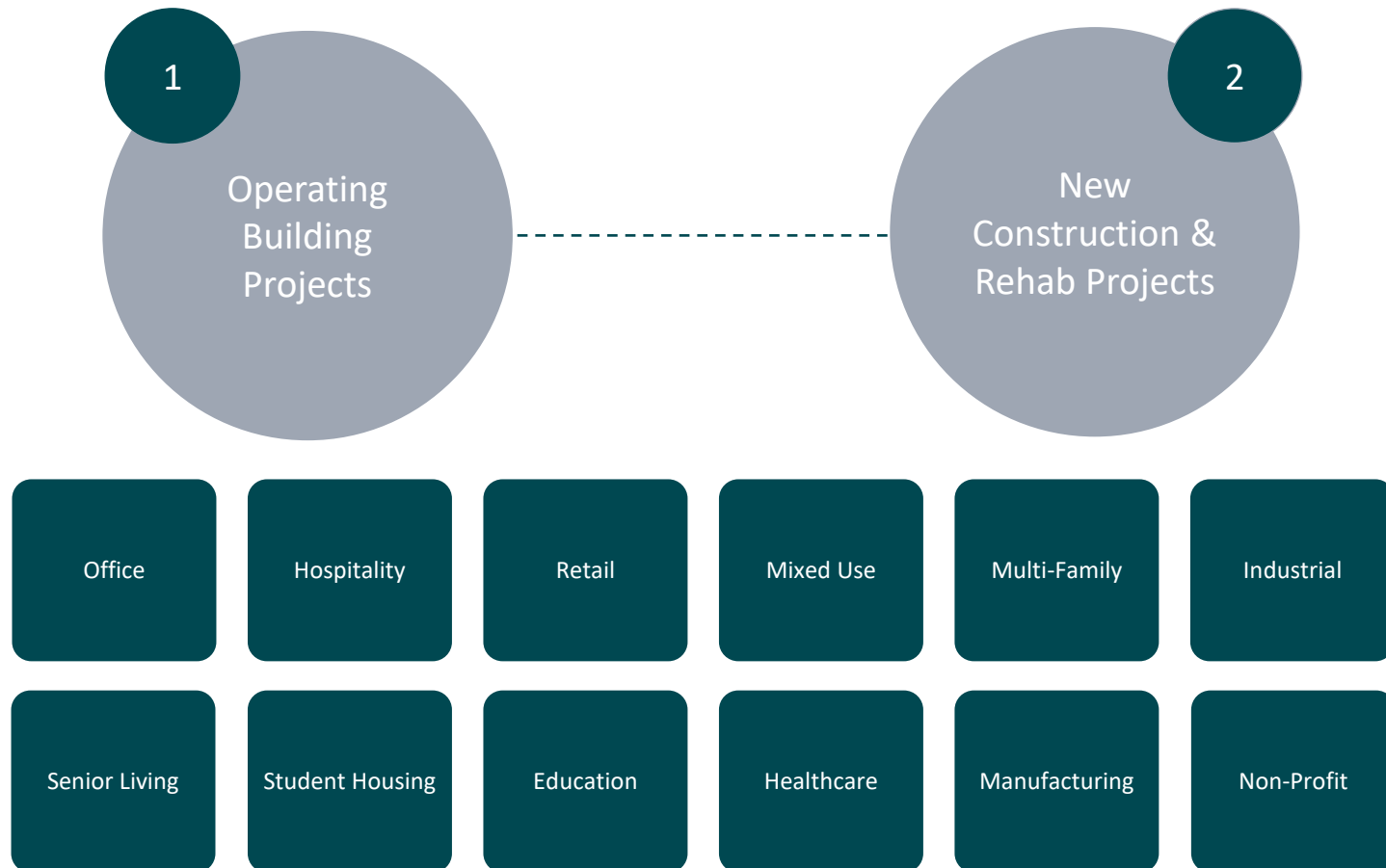
Costs May be Passed to Tenants/Guests

Transferrable Payment Obligation

Fixed Rate for up to 30 Years

Unique assessment structure provides numerous benefits to property owners and developers

C-PACE Beneficiaries



Eligible Improvements

Mechanicals

- Cogen Furnace
- Demand recirculation pump
- Duct Replacement
- Ducted Heat pump
- Evaporative Coolers
- Exhaust Fan
- Geothermal Heat Pump
- Heat Recover Ventilation System
- Boilers/Chillers Insulation
- Waste Heat Recovery
- High Efficiency A/C
- High Efficiency Furnace
- Radiant Barrier Installation
- Solar Space Heating
- Thermostat Installation
- Garage CO Controls (Ventilation)

Lighting/Electrical



Roofing/Insulation



Plumbing



Envelope



Elevators



Cogeneration



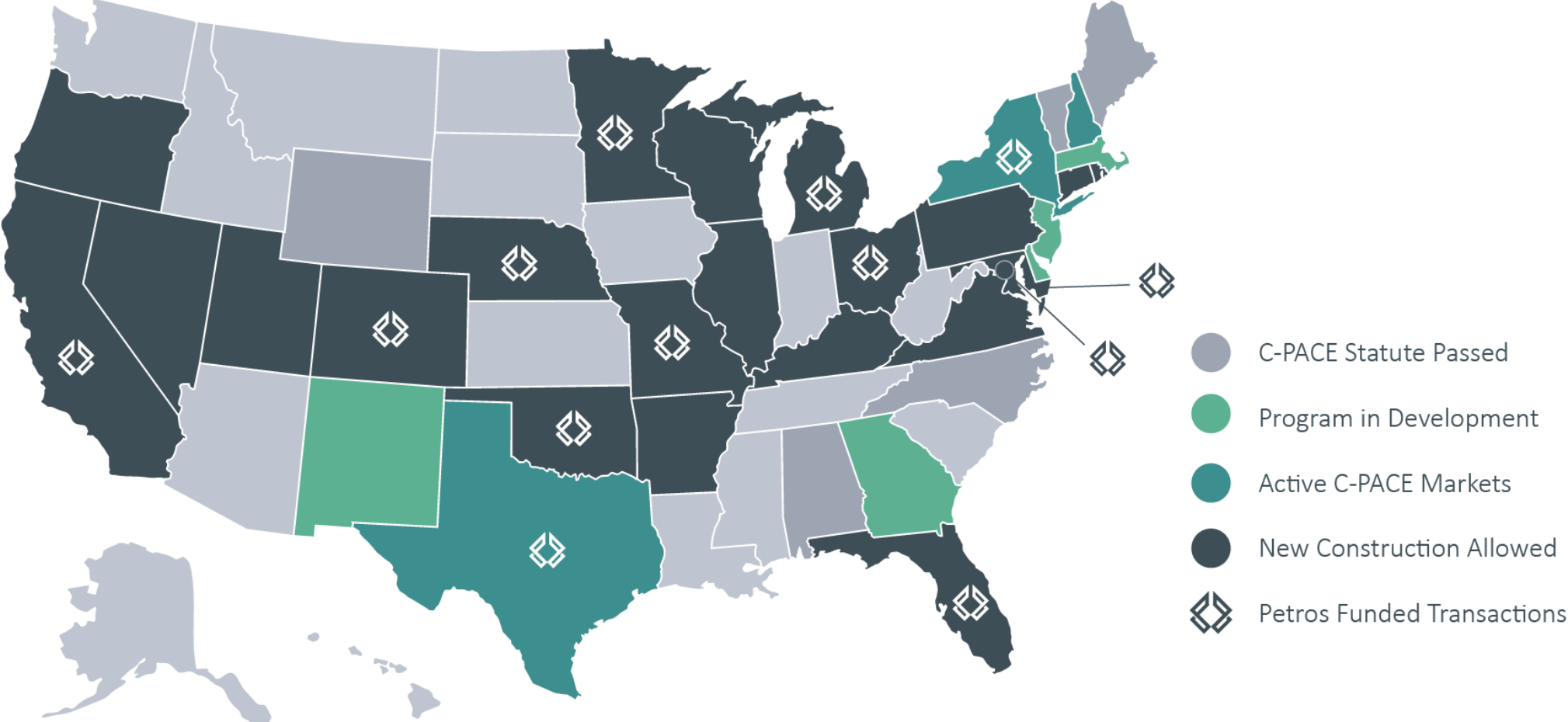
Solar



Seismic

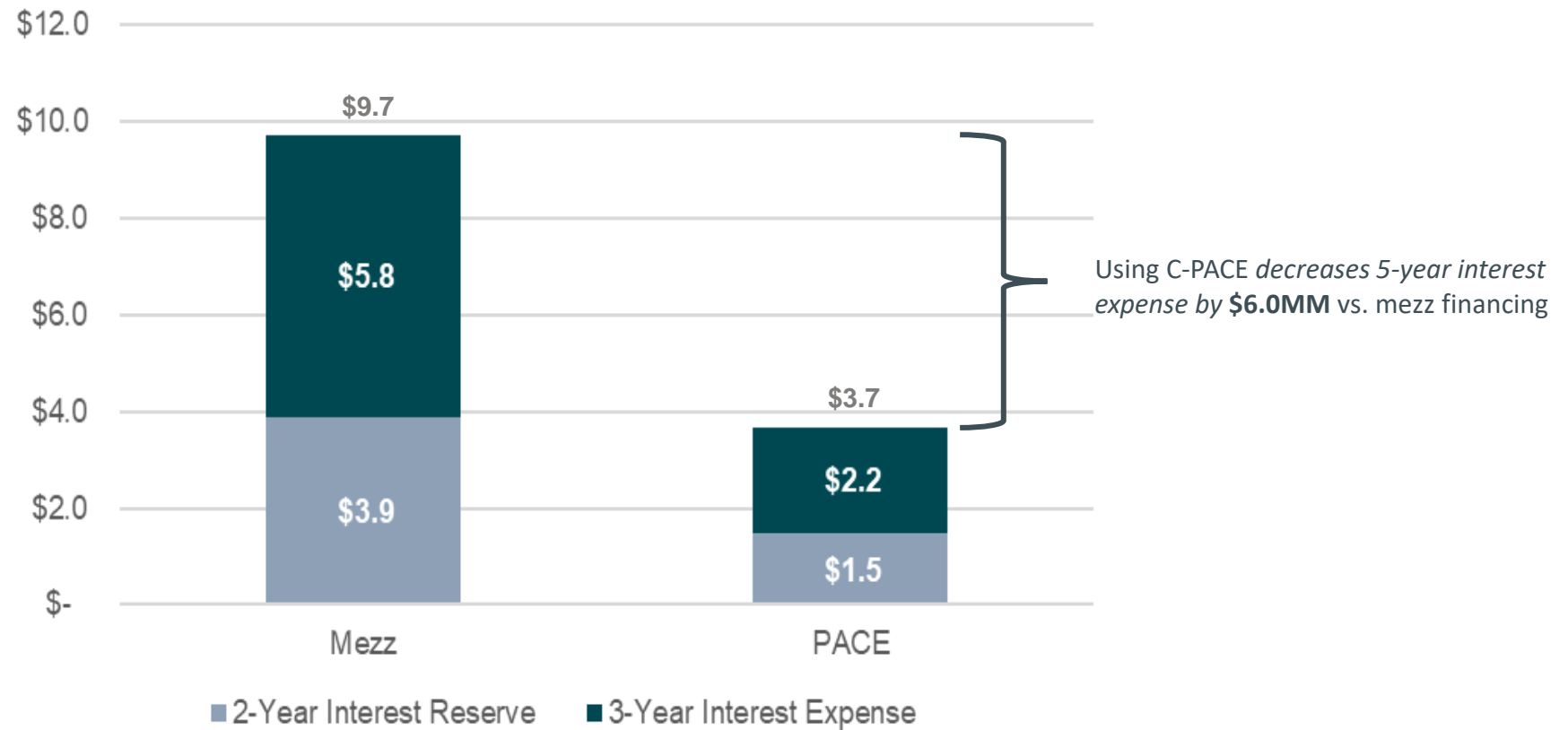


C-PACE Footprint



Financial Benefit of Commercial PACE

Commercial PACE vs. Mezzanine Debt



Assumptions:

1. \$10M base Mezz/PACE loan + 2-year interest reserve
2. Mezz is assumed to be a 14.0% interest rate
3. PACE is assumed to be a 6.5% interest rate

Financial Benefit of Commercial PACE

Commercial PACE vs. Mezzanine Debt

	COST OF CAPITAL	EQUITY	MEZZ	C-PACE
SENIOR DEBT ¹	4.5%	\$30.0	\$30.0	\$30.0
MEZZ ²	14.00%	–	\$12.7	–
C-PACE ²	7.00%	–	–	\$11.2
EQUITY	18.00%	\$20.0	\$10	\$10.0
TOTAL SOURCES	–	\$50.0	\$52.7	\$51.2
WACC	–	9.90%	9.35%	7.68%
IRR	–	18.60%	23.20%	27.80%
MULTIPLE	–	2.20x	2.60X	3.05X

1. 60% LTC, includes senior interest reserve
 2. \$10M Base loan + 18 month prepaid interest reserve

Financial Benefit of Commercial PACE

Commercial PACE vs. Mezzanine Debt

FINANCIAL BENEFITS OF C-PACE

FEATURES AND BENEFITS	MEZZ	C-PACE
TYPICAL FINANCING TERM	3 - 5 years	15 - 30 years
TYPICAL INTEREST RATE	10% - 15%	6% - 7%
PAYMENT SCHEDULE	Monthly	Annual or Semi-Annual
BALLOON PAYMENT, AMORTIZATION	Yes, interest-only	No, fully amortizing
SECURITY INTEREST	Pledge of Borrower Equity	Asset only, no UCC filing
TRANSFERABILITY OF OBLIGATION	No	Yes
PASS THROUGH TO NNN TENANTS	No	Yes
DELAY FIRST PAYMENT (CAPITALIZED INTEREST)	No	Yes, up to 2 years' interest for larger projects
OFF-BALANCE SHEET FINANCING	No	Possibly*
ACCELERATION OF PRINCIPAL BALANCE	Yes, upon default or foreclosure	No
FINANCIAL/OPERATING COVENANTS	Yes	No
OUT OF POCKET EQUITY REQUIRED	Sometimes	No
PERSONAL GUARANTEE	Sometimes	No**

*Client's accounting resources to review and finalize accounting treatment

**Non-recourse after construction

Structure of C-PACE Loans

Fixed-Rate, Long-Term

Fixed interest rate is priced over Treasuries and loan term is equal to the weighted average useful life C-PACE eligible improvements

- Loan terms are typically 20-25 years (up to 30 years is possible)
- Interest-only during construction phase, then fully amortized over loan term

No Covenants, Non-Recourse

There are no ongoing financial or operating covenants and loan is nonrecourse after construction

- C-PACE funds concurrent with senior construction loan
- Consent required from all lien holders

Hard and Soft Costs

Loan amount covers hard and soft costs for improvements

- Max 25% LTV based on stabilized appraised value (PACE only)
- Max 95% LTV based on stabilized appraised value (total debt w/PACE)
- Max 85% LTC (total debt w/PACE)

Commercial PACE Underwriting

Why Mortgage Lenders Consent to PACE

Non-Accelerating

C-PACE lien amount is limited to the amount of any unpaid tax assessment, not the full principal balance of the C-PACE loan; annual assessment typically = 3% of stabilized value

- C-PACE loans cannot accelerate under any circumstance
- Only C-PACE payment in arrears are subject to tax authority collection process

Maintained Lender Rights

C-PACE has no impact to mortgage lender's rights, remedies, ability to foreclosure, cure, etc.

- C-PACE lender does not have a right to vote on a plan of reorganization in borrower bankruptcy
- Petros requires mortgage lender consent

Increased Collateral Value

C-PACE improves the ability of borrower to service debt and generate free cash flow on the asset

- Reduced operational costs increase NOI
- Modern, efficient building boosts property value

Delivers Certainty of Close

- Our source is the largest C-PACE capital provider by investment volume and committed capital base
- Has billions of committed capital, more than any other C-PACE lender in the country, for new construction, gut rehab, and retrofit projects
- Can fund individual C-PACE projects from \$500,000 to \$200 million+
- Can transact anywhere in the country where there is an eligible C-PACE program
- Has the most experience in the C-PACE market, having funded projects in 12 states plus Washington, D.C.

Petros Portfolio Client Case Study

Simon Properties



The world's largest owner of real estate has been a huge proponent of C-PACE

- Secured C-PACE funding for 15 malls in Texas, California, Florida and Maryland
- C-PACE eligible renovations typically entail combination of lighting, HVAC, low flow water fixtures, irrigation and building control systems

Petros Portfolio Client Case Study

Columbus Hotel

Continental Hospitality Group and Concord Hospitality Enterprises utilized C-PACE to fund energy efficient new construction of Marriott Hotel & Residence Inn in Columbus near the Ohio State University campus.



- **PACE Funding:** \$16.3 Million
- **Property Type:** 354-room dual branded Marriott Hotel & Residence Inn
- **Scope of Work Funded by C-PACE:** Comprehensive building envelope upgrade, lighting improvements and other efficiency measures



"C-PACE financing was a perfect fit in the capital stack of the project."

-Tony Mathena, VP of Finance and Development at Continental Hospitality Group

Portfolio Client Case Study

LARGEST C-PACE FUNDING IN 2018

In December 2018, Shamrock Development, Inc. secured \$24.9M of C-PACE funding for their \$205M Capitol District mixed-use development in downtown Omaha, NE

- **PACE Funding:** \$24.9 Million
- **Property Types:** 333-room Marriott hotel, 223-unit apartment building and 90,000 SF of retail
- **Capital Stack:** Multiple senior lenders, EB-5 mezzanine tranche and Tax Increment Financing (TIF)



"The PACE financing solution will provide long-term stability for our capital stack, and it pays us back for a significant investment in energy efficiency throughout the Capitol District."

-Mike Moylan, President of Shamrock Development

Portfolio Client Case Studies

CURIO COLLECTION BY HILTON™



Property owner, AAD Capital Partners, and project developer, ViaNova Development, utilized C-PACE to make upgrades to a 106-year-old building in downtown Omaha, turning the historic structure into a 90-room Hilton Curio Hotel

- Total C-PACE Funding: \$3.96M
- Term Savings: \$4.45M (15 yrs.)
- Savings to Investment: 112%
- Eligible renovations included new lighting, roof, windows, HVAC, elevators, low-flow plumbing and building automation system

MADISON EQUITIES



Madison secured C-PACE funding for the First National Bank Building, US Bank Center and 375 Jackson in the heart of downtown St. Paul, Minnesota

- Total C-PACE Funding: \$10.2M
- Term Savings: \$27.6M (20 yrs.)
- Savings to Investment: 158%
- Improvements funded included LED lighting, building controls and HVAC upgrades

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Thank you!