CastleGreen Finance

Executive Summary

- CastleGreen Finance is a private capital source focused on Commercial Property Assessed Clean Energy ("C-PACE") financing. CastleGreen leverages its extensive experience and expertise to provide clients with the financial tools to create and redevelop sustainable, energy efficient real estate while becoming economically efficient through a superior capital structure.
- CastleGreen Finance is led by professionals with a strong history in creating and managing nationwide commercial real estate lending platforms for institutional lenders as well as boutique platforms through several real estate cycles.
- C-PACE is a public-private partnership that enables cost effective financing for commercial real estate projects by allowing long-term fixed rate financing to be secured by a special voluntary real estate tax assessment.
- According to PACENation, cumulative growth in C-PACE investment is anticipated to increase to $10 billion by 2024.
- C-PACE appears to be resistant to the most recent, COVID economic shock. This has presented additional opportunity as many lenders have reduced their permitted leverage thresholds or lowered their aggregate commercial real estate exposure.
- Given the flexibility and relatively low risk of C-PACE financing in project capital structures, there are opportunities to utilize proceeds to create liquidity or as "rescue" capital.
- The cultural support for C-PACE is strong. The program promotes Environmental, Social and Governance ("ESG") initiatives by helping owners to make their properties more environmentally resilient and energy efficient. This saves electricity and water consumption, reduces carbon emissions and enhances economic development while also creating jobs.

C-PACE Explained

- C-PACE is a public-private partnership that was enacted to encourage investors to provide capital to increase commercial building energy efficiency and to improve the building systems and physical structure of commercial real estate properties.

- C-PACE may be used to finance building improvements that contribute to energy and water savings, as well as resiliency or "risk mitigation" such as seismic improvements or wind resistant improvements.

- Light to heavy renovation, gut rehab, adaptive reuse and ground up development projects may all utilize C-PACE as part of the capital stack.

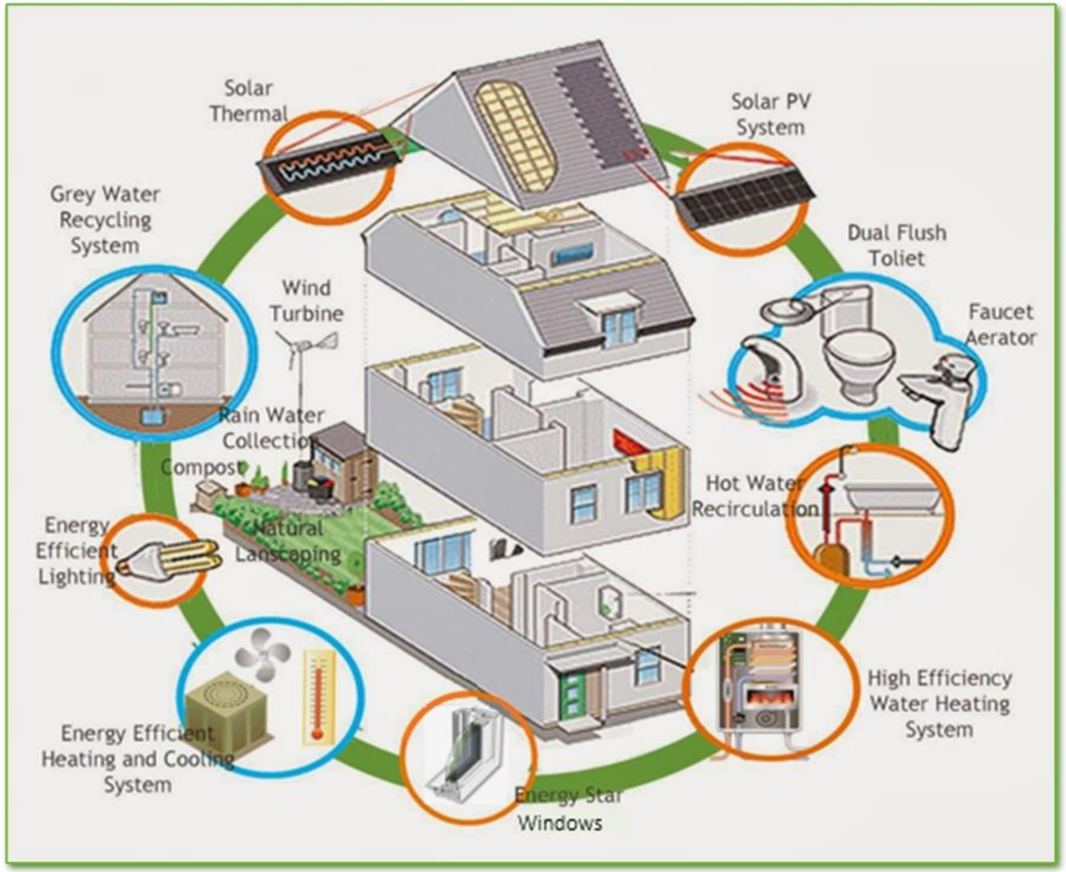
- The financing is similar to other long-term, self amortizing, fixed rate financing with terms of generally 10 to 30 years. Terms are restricted by the Estimated Useful Life "EUL" of the improvements for which they finance.

- At closing, the stream of interest and amortization payments are converted into a voluntary, non ad valorum real estate tax or special assessment. This grants the payments priority status similar to real estate taxes collected by the municipality.

C-PACE Eligible Improvements

C-PACE may be utilized for a wide variety of building improvements for both renovations and new construction projects, many of which are already required by local building codes

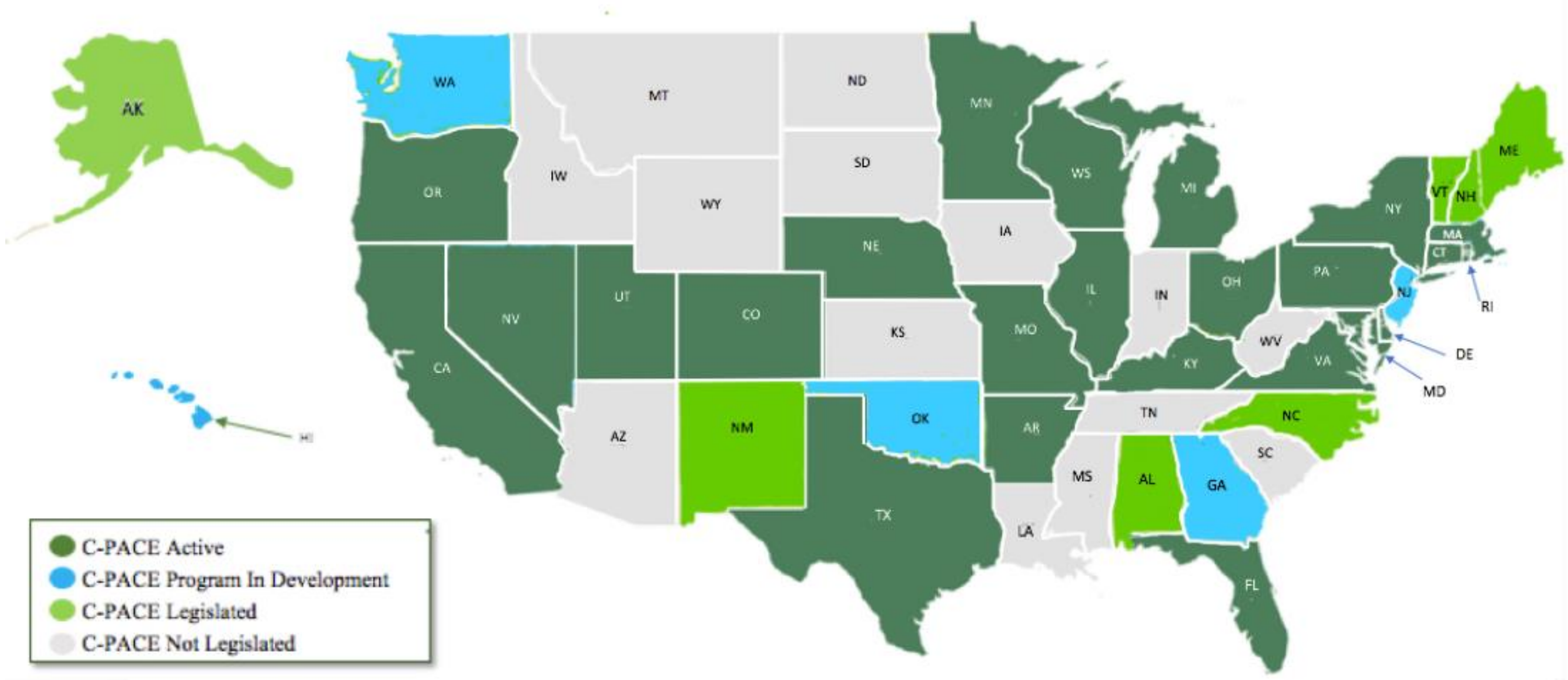
- **Renewable Energy Improvements**
  Solar systems, wind turbines, grey water recycling, charging stations, and energy storage systems
- **Resiliency**
  Wind mitigation[1], seismic strengthening[2]
- **Doors and Windows (Energy Efficiency or Wind Resistant[1])**
  High efficiency glass, insulating doors, impact-resistant doors and windows, applied window film
- **Roof (Energy Efficiency or Wind Resistant[1])**
  Wind resistant re-roof, solar reflective cool roof, fluid applied silicon coating systems, green roofs and roof gardens
- **HVAC (Energy Efficiency)**
  Heat pumps, water heaters, chillers, building automation, central air conditioners, furnace, “smart” thermostats
- **Lighting (Energy Efficiency)**
  Indoor and outdoor lighting fixtures, lighting controls
- **Water Conservation[3]**
  Low flow faucets, shower heads and toilets, irrigation controls, high efficiency sprinklers,
- **Building Envelope (Energy Efficiency)**
  Insulation, radiant barriers, air sealing, cool wall coating



Notes: 1 Available only in Florida
2 Available only in California and Oregon
3 Not available in Florida and Minnesota

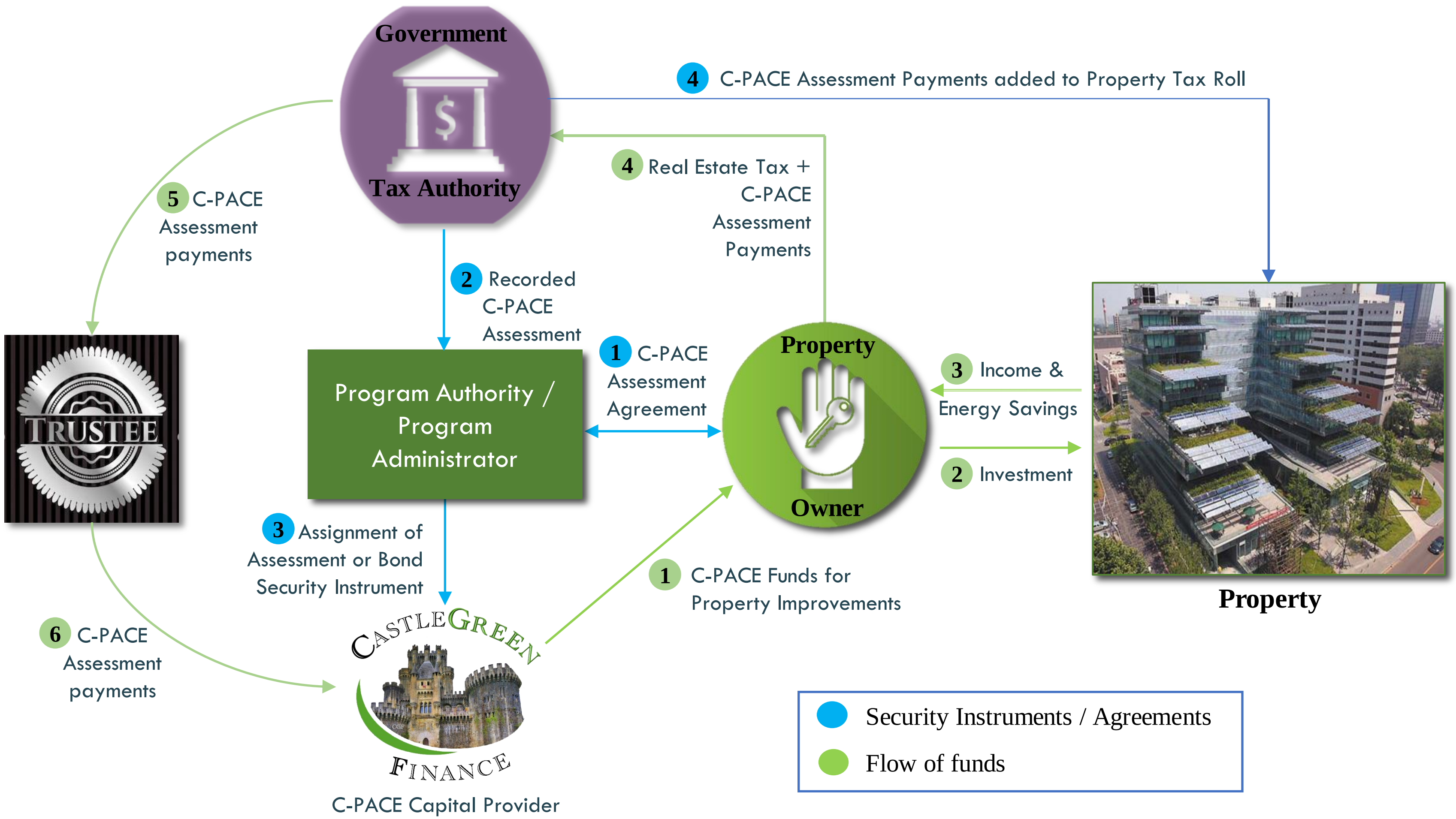
C-PACE Availability

PACE-enabling legislation has been passed in 37 states plus the District of Columbia. PACE programs are now active (launched and operating) in 22 states plus D.C.



Notes: *NJ & GA – Limited Availability*

C-PACE Financing Flow Chart



Security Instruments / Agreements

1. At Closing, the C-PACE Assessment agreement is signed and sent to the municipality by the Program Administrator
2. The Assessment Agreement is recorded in the records of the taxing authority with evidence of recording sent to the Program Administrator
3. Evidence of recording along with execution of an assignment of assessment or bond security instrument are sent to the Capital Provider
4. The C-PACE assessment payments are added to the Property tax roll

Flow of Funds

1. The C-PACE funds are funded to trust / escrow for the benefit of the Property Owner
2. The Property Owner invests the C-PACE funds into eligible property improvements
3. Upon completion, the Property generates energy savings in addition to existing rental income
4. Property owner utilizes property income to pay C-PACE payments along with regular Real Estate Taxes to the taxing authority
5. The taxing authority collects the C-PACE payments and sends them to the trustee
6. The trustee then sends the C-PACE payment to the Capital Provider or authorized servicer

Cultural Momentum Behind Sustainability

C-PACE benefits from a strong worldwide cultural trending toward increased energy efficiency, preservation of natural resources, reduced carbon emissions and general economic development

- The Center for Clean Air Policy states that buildings account for roughly one-third of global greenhouse gas emissions and consume 40% of the world's energy.
- According to the World Economic Forum, green-certified buildings generally have positive sale and rental premiums compared to non-green buildings, as well as operating costs up to 14% lower and 9% higher occupancy rates.
- According to a 2018 Bloomberg Report, the total value of assets managed under the umbrella of "values-based, socially responsible, and impact investing" had reached $23 trillion by 2016 — four times the investments in 2012.
- Recent studies by Nielsen - Deloitte indicate that millennials are willing to pay more for products and services seen as sustainable or coming from socially and environmentally responsible companies.
- Deloitte surveys indicate that 95% of business travelers believe the hotel industry should be undertaking "green" initiatives.
- A Trepp study of CMBS properties indicated significantly lower default rates among buildings with higher energy efficiency.
- The "Hotel Carbon Measurement Initiative" was formed in 2011 by the World Travel and Tourism Council in cooperation with KPMG and 23 global hotel organizations which established a streamlined methodology, for measuring the carbon footprint of individual hotel locations. Over 24,000 hotels globally have now adopted this methodology.
- Following the example set by the state of California, a number of cities including Washington, DC, New York and Boston have developed ambitious Climate Action Plans that include 2050 net zero goals.

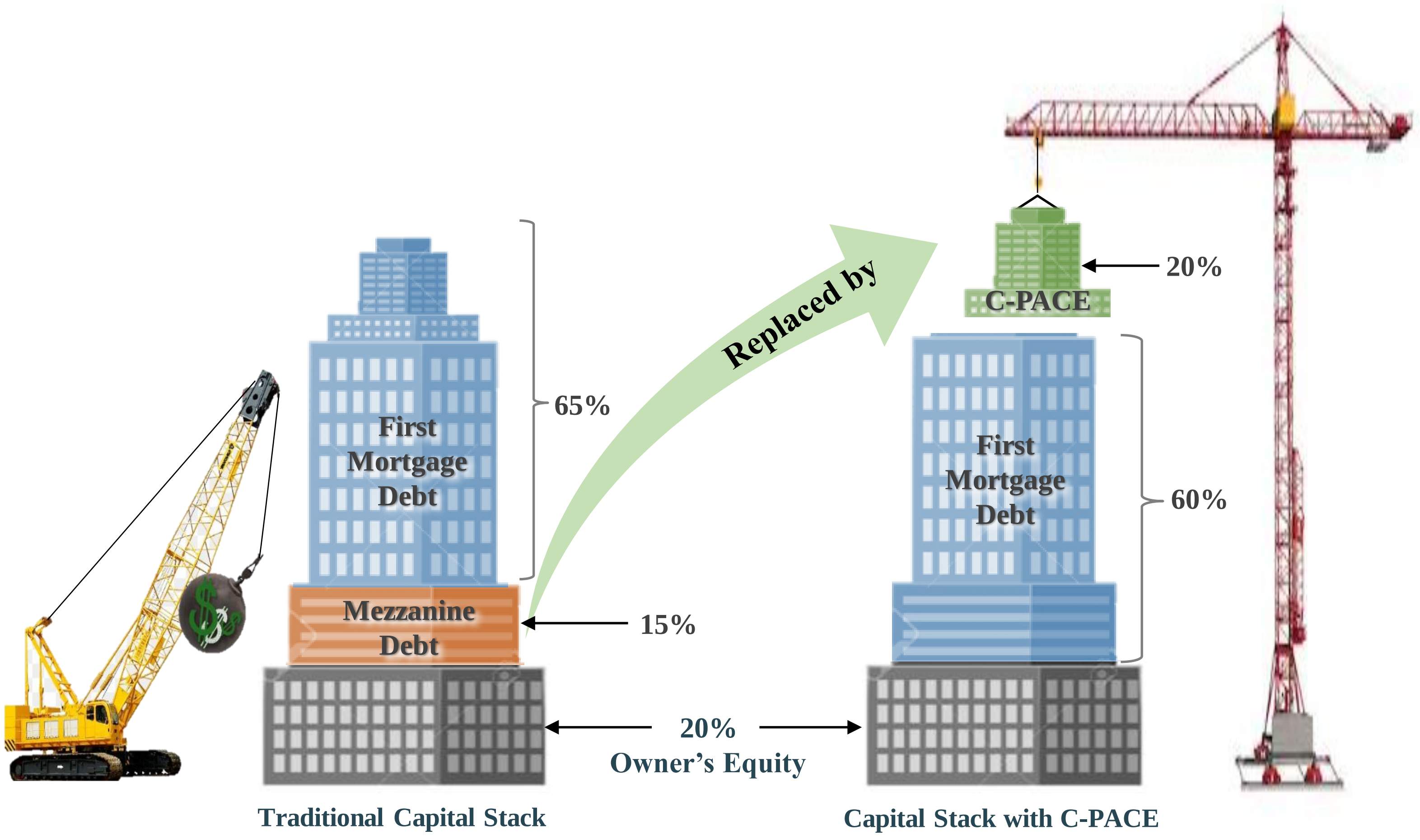
C-PACE Property Owner Advantages

There are several advantages provided by the C-PACE public / private partnership which are superior options to more traditional real estate financing instruments

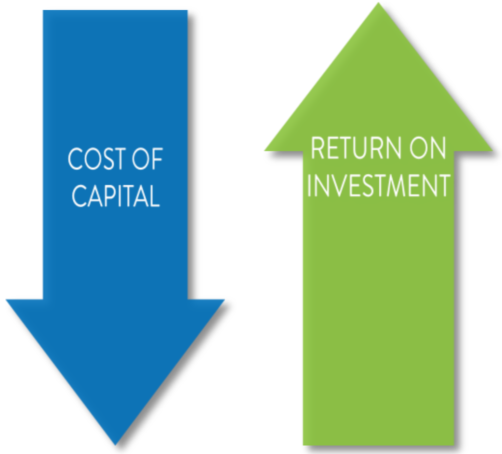
- Long term, fixed rate financing that provides predictability of borrowing by reducing carrying costs, in addition to flexible prepayment options, thereby easing the refinance burden
- Property-based, non-recourse with no financial covenants
- C-PACE is processed as a real estate tax and as such, is treated as a property expense, not a contingent liability against the owner's balance sheet
- Many jurisdictions have "lookback" features of one to three years providing the ability to access liquidity for energy efficient improvements already completed with refinancing the entire capital stack
- Low-cost alternative to expensive construction first mortgage debt or mezzanine debt
- C-PACE cost may be partially offset by recovery through tenant tax reimbursements on most commercial properties or green room taxes/fees on hotels
- No due on sale and freely transferable to real estate buyer

Building a Better Real Estate Capital Stack

The new capital stack utilizing a C-PACE assessment can replace expensive mezzanine debt or preferred equity with far more cost-effective and long term, fixed rate C-PACE financing



C-PACE is often used to close the equity gap on new construction and redevelopment transactions. Financing costs which generally range from 5.5% to 6% fixed provide significant capital cost savings over traditional mezzanine debt or preferred equity costs ranging from 9% to 15%.



C-PACE in Financial Markets

C-PACE has gained acceptance and support from some of the largest names in the real estate and finance industry including banks, REIT's, insurance companies, agency lenders, fund-based lenders and rating agencies

Lender consent is required in certain jurisdictions and by most C-PACE finance companies

- To date over 200 national and regional financial institutions have provided lender consent
- Projected savings from the energy improvement measures typically exceed the total investment (inclusive of financing costs) and result in increased collateral values to mortgage lenders
- PACE assessments are not accelerated upon default – limits protective advances
- PACE Assessments have no due on sale clause and are freely transferable with the property
- PACE Assessments are completely non-recourse
- PACE Assessments may have flexible prepayment terms
- Long term fixed rate instrument is a hedge against interest rate fluctuations and refinance risk

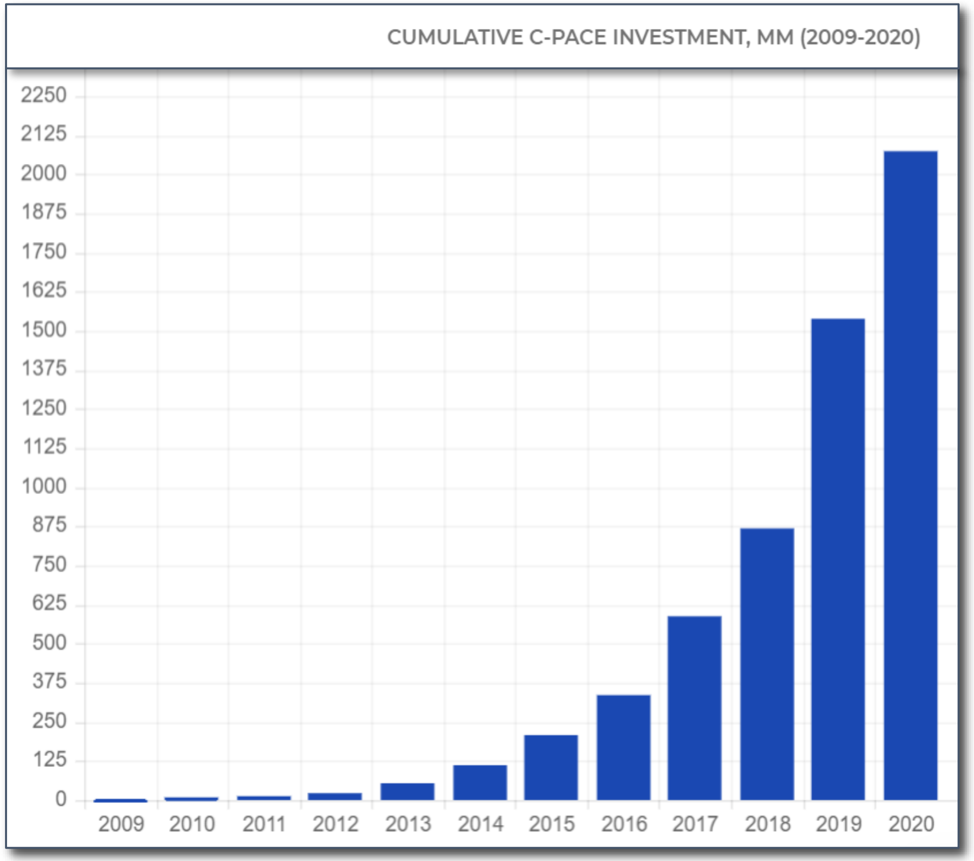
C-PACE Lender Consent

First Mortgage Lenders have become more familiar with C-PACE and many now view it as a valuable part of the real estate capital structure

- **Collateral Enhancement**
  - ✓ Provides capital to borrowers to improve the energy efficiency and sustainability of their properties, reducing utility and maintenance costs.
  - ✓ The lower cost of C-PACE, as compared to comparable mezzanine debt, reduces the interest carry costs thereby reducing refinancing risk
  - ✓ First mortgage lenders may take escrows for C-PACE payments in the same manner as regular real estate taxes
- **Loan Position Improvement**
  - ✓ C-PACE is not debt and lenders still have a fee interest, first mortgage in the collateral
  - ✓ Credit worthy bank lenders may be permitted to reserve the C-PACE proceeds and add deposits to its bank balance sheet
  - ✓ C-PACE has no due on sale clause, is freely transferable and may be structured with flexible prepayment reducing the refinance burden
- **Enhance client relationships**
  - ✓ Existing customers are better served as C-PACE assessments are significantly less expensive than other forms of traditional equity gap capital provided by mezzanine lenders and preferred capital providers
  - ✓ Mortgage lenders can enhance client relationships and ultimately attract customers in a competitive lending market.
  - ✓ Promoting energy efficiency and reducing carbon emissions is a beneficial by-product of C-PACE financing and a matter of public policy that has attracted the cooperation of many lenders
- **Non-acceleration provision**
  - ✓ C-PACE may not be accelerated in the event that sufficient cash flow is unavailable to pay the PACE assessment.
  - ✓ C-PACE does not restrict first mortgage lender foreclosure. First mortgage lenders may exercise their typical remedies without third party influence

C-PACE Market To Date

Through YE 2020 approximately 2,560 C-PACE transactions have closed with a cumulative total exceeding $2.0 Billion, of which over 70% has closed in the last 3 years



Source: PACENation

	State	Investment ($, MM)
1	CA	$625
2	OH	$376
3	CT	$173
4	TX	$112
5	MN	$95
6	MO	$78
7	CO	$70
8	UT	$64
9	RI	$64
10	MI	$50
11	WI	$45
12	FL	$43
13	DC	$41

Note: Statistics do not include contributions from all PACE providers

2020 C-PACE Significant Events

- ✓ Surpassed $2 Billion in C-PACE Investments
- ✓ President Biden included C-PACE Alliance as part of its climate expert transition team
- ✓ Launched Massachusetts C-PACE Program
- ✓ Launched Pennsylvania C-PACE Program
- ✓ Expanded NYS PACE Program through EIC to include ground up construction
- ✓ State of Washington passed enabling PACE legislation

Evidence of C-PACE Market Growth

The C-PACE market is hitting a clear inflection point driven by market recognition among property owners and lenders

- Growing acceptance of C-PACE among first mortgage lenders with over 200 Lenders consenting to PACE to date
- Program launches for money center cities including Chicago and Philadelphia
- New York State revised its cost and legal structure in 2019 allowing the first transaction to close in the state in the 4th quarter 2019. In addition, New York State amended the state PACE statute to include ground up construction, which was signed into law during the third quarter 2020
- New York City passed the Climate Mobilization Act mandating over 50,000 commercial properties in the city to begin reducing CO^2 emissions by 2024. C-PACE in NYC is expected to be launched during the first quarter 2021
- Governor of Massachusetts signed into law technical corrections to the state program which launched during the fourth quarter 2020
- State of Washington passed PACE-enabling legislation in early 2020

Scott Crimmins
Executive Director
Email: scott.crimmins@castlegreenfinance.com
www.castlegreenfinance.com
Mobile: 843-327-7407