

C-PACE Financing Provides Liquidity & Stability

C-PACE programs encourage and incentivize the integration of energy-saving and renewable infrastructure in the commercial construction environment through long-term low-cost financing. C-PACE is also a valuable tool for **recently improved or constructed properties** as well as **properties currently under construction** to **extract working capital, reduce senior loan payments** and **cover construction overruns**.

ADVANTAGES

- Proceeds of approximately 20% of stabilized property value
- Free-up capital for other sustainable development projects
- Ensure long-term stability of capital stack
- Increase ability to service existing debt

FINANCE TERMS

- Permanent fixed-rate funding at approximately 6%
- Delay first repayment up to 24 months
- Greater than 20-year amortization (based on useful life of improvements)
- Non-accelerating, non-recourse
- Fully funded at closing
- Pricing at market
- Flexible prepayment terms available

THE “LOOK-BACK”

- Funding covers PACE-eligible projects (includes both hard and soft costs) from completed construction or retrofit
- Typically 1-3 years since completion
- Availability/time dependent upon states

TIME PERIOD BY STATE/CITY

STATE/CITY	LIMIT	STATE	LIMIT	STATE	LIMIT
CA	3 yrs	MD	by deal	OH	by deal
CT	1 yr	MI	3 yrs	PA	since 8/18
Chicago	3 yrs	MO	3 yrs	RI	2 yrs
D.C.	by deal	MN	by deal	TX	none*
FL	3 yrs	NY	1 yr	WI	30 mths

*mid-stream construction only

The Issue –

Hotel Financing Faces Unprecedented Obstacles

Distress in the Hotel Industry

- Government travel bans, stay at home orders, and business shut down orders
- Unprecedented low occupancy and shuttered hotels caused by non-economic forces
- Underperformance through no fault of hotel operators or local market conditions
- Occupancy and revenue declines exceed those of the 9/11 attacks and the Financial Crisis

Impact to Operators and Lenders

- Hotel construction completions and PIP renovations delayed indefinitely
- Little to no income generated to support existing debt from construction and bridge lenders
- Construction delays can cause project cost increases at a time when liquidity is stressed

The Opportunity –

Use C-PACE to Refinance Eligible Improvements

The C-PACE Solution – Bridge Capital for the Hospitality Sector

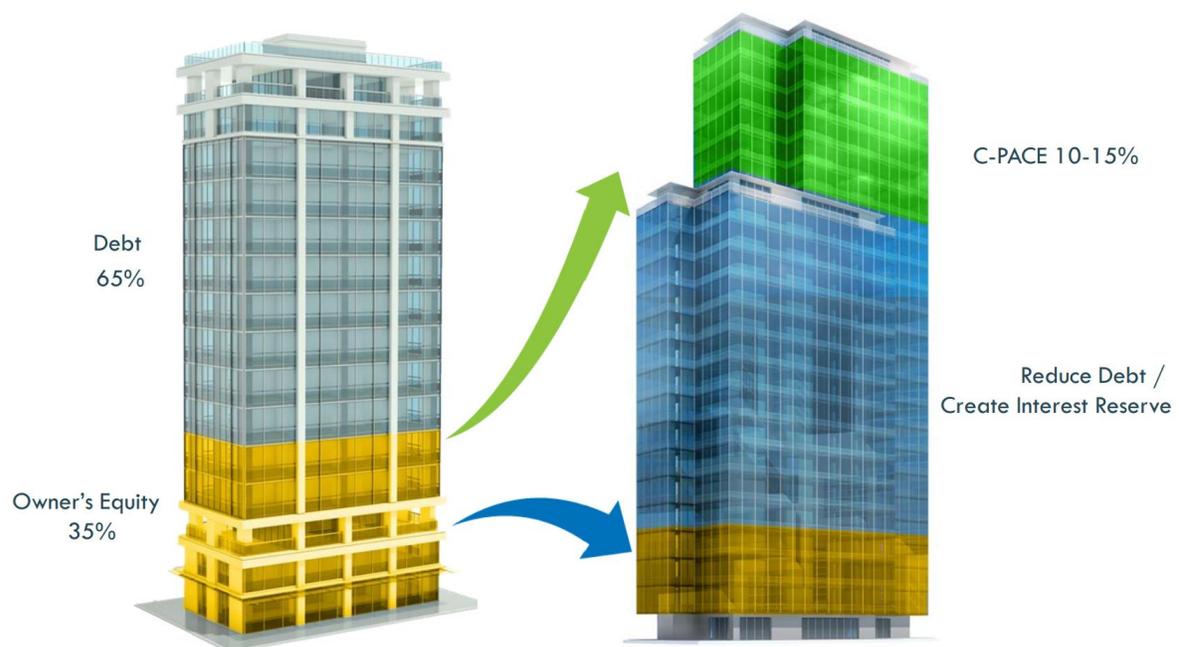
- C-PACE can provide capital through retroactive financing of construction or renovation costs for PACE eligible improvements.
- The typical refinancing lookback period ranges from 12-36 months depending on the applicable PACE program available in each jurisdiction.
- C-PACE proceeds may be used to pay down first mortgage or mezzanine debt to reduce the leverage level and debt exposure on lenders' balance sheets and create much needed liquidity back to those lenders.
- C-PACE financing can also be structured to create interest reserves which allow operators to carry not only the new C-PACE payments, but also carry the first mortgage debt through the current health crisis, while allowing first mortgage lenders to effectively control the available funds to ensure no leakage to equity. First Mortgage payments can be covered a year or more to allow the property time to re-stabilize after travel restrictions and stay-at-home orders have been lifted.

Property Owner Advantages –

Use C-PACE to Refinance Eligible Improvements

Advantages of C-PACE Financing

- Fixed rate, long term financing – provides predictability of borrowing costs without refinance risk
- Property-based, non-recourse with no financial covenants
- Ability to access financing for energy efficient improvements already completed to gain liquidity for carrying costs
- Use C-PACE proceeds to pay down more expensive construction first mortgage debt or lower recourse exposure
- Unique attribute for hotel properties – C-PACE cost may be offset by green taxes/fees charged to hotel guests



Why Lenders Consent to C-PACE

Collateral Protection

- Provides capital to borrowers for interest carry reserve – helps lenders avoid forcing forbearance or foreclosure of an otherwise strong asset
- Refinancing provisions are only available for new or recently completed projects – this ensures that projects have been recently underwritten, constructed, or updated – these properties will be the strongest properties when the industry recovers

Maintains/Improves Liquidity

- Avoid the need for protective advances while preserving lender return on capital
- Paydown existing first mortgage debt to return liquidity to lender's balance sheet
- Add reserves to bank balance sheet

Non-acceleration Provision

- C-PACE may not be accelerated in the event that sufficient cash flow is not available to pay the PACE assessment

Maintains Borrower Relationships

- Existing customers are better served as C-PACE assessments are significantly less expensive than other forms of traditional rescue capital provided by mezzanine lenders, preferred capital providers and other predatory financing sources
- 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

C-PACE Fee on Hotel Bill – Real World Example

Description

The best gifts can't be wrapped, and for a limited time give the gift of travel with this promotion at thousands of hotels worldwide. Reservation requires full pre-payment for the entire stay at the time of booking and is nonrefundable. Length of stay requirements vary by hotel and other restrictions may apply.

Maximum # of Persons per Room Allowed

4-person max.

Rate Rules

Advanced purchase required
Check-in time: 3:00 PM
Check-out time: 11:00 AM

Deposit Rules

A deposit for the entire stay is due at the time of booking.

Cancellation Policy

Canceling your reservation or failing to arrive will result in forfeiture of your deposit. Taxes may apply.

Taxes and Additional Charges

Additional Charges:

1.76 USD per night not included in rate effective 15 January, 2020 thru 16 January, 2020

5.9% per night not included in rate effective 15 January, 2020 thru 16 January, 2020

Taxes:

17.1% per night not included in rate effective 15 January, 2020 thru 16 January, 2020

Arena Fee – Pays for Arena and City facilities is \$1.76 per night. / Pace Assessment Fee is 5.9% per night

Rate Information per Night for 1 Room

Wed 15 Jan 2020 – Thu 16 Jan 2020	119.00 USD
Price for 1 room(s) and 1 night(s):	119.00 USD
Taxes:	20.35 USD
Additional Charges:	8.78 USD
Estimated Total Price:	148.13

For more information, visit our website at www.lendingsource.com



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