



PETROS PACE

A D M I N I S T R A T O R

Petros PACE Administrator

Florida Green Finance Authority (“FGFA”)

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1. OVERVIEW

The Petros C-PACE Program (the “**Program**”) is sponsored by the Florida Green Finance Authority (the “**Authority**”), an interlocal government partnership. The Authority administers a commercial property assessed clean energy (“**C-PACE**”) program to allow eligible owners of commercial property to obtain long-term financing for certain eligible improvements, to be repaid by the levying of a non-ad valorem tax assessment on their property. C-PACE is authorized under the Florida PACE Legislation, 163.08, Fla. Stat. (2018). In exchange for obtaining long-term financing under the Program, the property owner agrees to the levying of a non-ad valorem assessment on their property in sufficient amounts and durations to repay the financing, plus all fees, costs, and interest.

The Authority also operates a program to provide property assessed clean energy financing to residential homeowners, but that financing is not offered by the Program.

C-PACE programs have been used by hundreds of property owners in more than 15 states to obtain long-term financing for improvements to commercial property which reduce water or energy consumption, generate renewable energy, or provide resiliency improvements. C-PACE financing has several attributes which make it attractive to property owners, including:

- Longer duration (20+ years)
- Fixed rate financing throughout the term
- Competitive pricing compared to most alternatives
- No acceleration in an event of default
- Non-recourse to the property owner or developer
- Financing obligation automatically transfers to new owners upon sale of property
- Assessment costs may be potentially eligible for NNN lease passthroughs

The Program is administered by Petros PACE Administrator, LLC (the “**Administrator**”), with capital to finance individual projects coming from a related entity or affiliate of the Administrator.

The Program exists as a function of Florida’s PACE legislation and the rules established by the Authority. The Authority and/or the Administrator reserve the right to amend, supplement, or modify this Handbook at any time, and may suspend participation in the Program altogether. No change in the Program or Florida’s PACE legislation will affect a property owner’s obligations to pay assessments incurred under the Program prior to such changes.

This Handbook is published as of August 1, 2019, and is current as of that date. A list of revisions to this Handbook, including a summary of any changes, is included as Exhibit E.

2. ELIGIBILITY CRITERIA

Petros' C-PACE Program is designed to comply with all aspects of Florida's PACE legislation. As a result, this Section of the Program Handbook sets forth the eligibility criteria with respect to eligible properties and property owners, eligible improvements, eligible contractors, and eligible lenders.

2.1 Eligible Properties/Owners

In order to qualify for financing under the Program, a property and property owner must meet the eligibility criteria:

- The property must be located within the geographic boundaries of a local government who has opted into the Program (a list of current eligible jurisdictions is attached to this Handbook as Exhibit A.
- The property must be a commercial property, which is defined as (i) a property not designed for residential use; or (ii) designed for residential use, but containing five or more non-owner-occupied units
- The property owner must be the record owner of the property to be levied by the C-PACE assessment
- The property must not have been delinquent on any property taxes or other assessments levied on the subject property's tax bill in the preceding three years (or the length of ownership of the current owner, whichever is shorter)
- The property must not be subject to any notices of default or other evidence of property-based debt delinquency on the subject property in the preceding three years (or the length of ownership of the current owner, whichever is shorter)
- The property must not be subject to any involuntary liens, including (but not limited to) construction liens on the subject property
- The property must be current on all mortgage debt on the Property
- The transaction must be approved the property owner based on its legal entity/formation documents

Depending on the legal structure and proposed scope of improvements, condominium properties, co-op ownership groups, properties subject to long-term ground leases, and properties subject to homeowners associations may be eligible on a case-by-case basis.

The Administrator reserves the right to impose additional, more restrictive eligibility qualifications on certain properties or owners, in its sole and unlimited discretion.

2.2 Eligible Improvements

As permitted by Florida's PACE legislation, the Program allows qualifying property owners to finance certain improvements to their commercial property. Those improvements are generally broken down into three categories: energy conservation and efficiency, renewable energy, and wind resistance. A list of pre-approved eligible improvements is attached to this Handbook as Exhibit B. Measures which are not on the list of pre-approved eligible improvements, but are nonetheless verified in advance as eligible under the Florida PACE legislation, may be approved by the Program Administrator on a case-by-case basis.

In order to qualify under the Program, all proposed improvements must be affixed to a building or facility that is part of the subject property, and will constitute an improvement to the building or a facility or fixture attached to the building or facility. Subject to the exceptions noted in Section 2.2.3, the Program will finance new construction, deep retrofits, "gut rehabilitations", or minor/moderate renovations. Reimbursement for eligible improvements already completed (or partially completed) prior to the date that the property owner submits an application to participate in the Program will be considered on a case-by-case basis.

The Administrator reserves the right to impose additional qualifications on certain improvements. This may include additional technical information, operational or maintenance information, or information regarding the nature of the ownership or permanent affixation to the real property. The Administrator does not recommend or endorse any particular improvement, and participation in the Program does not constitute an endorsement, or provide any form of guaranty or warranty, with respect to eligible improvements.

2.2.1 Energy Conservation and Efficiency Improvements

Qualifying energy conservation and energy efficiency improvements are measures which reduce consumption through conservation or a more efficient use of electricity, natural gas, propane, or other forms of energy. Examples include (but are not limited to):

- Air sealing
- Installation of insulation
- Installation of energy-efficient heating, cooling, or ventilation systems
- Building modifications to increase the use of daylight
- Replacement of windows
- Installation of energy controls or energy recovery systems
- Installation of electric vehicle charging equipment
- Installation of efficient lighting equipment

2.2.2 Renewable Energy Improvements

Qualifying renewable energy improvements are measures in which electrical, mechanical, or thermal energy is produced from a method that uses hydrogen, solar energy, geothermal energy, bioenergy, and/or wind energy.

2.2.3 Wind Resistance Improvements

Wind resistance improvements are measures which include (but are not limited to):

- Improving the strength of the roof deck attachment
- Creating a secondary water barrier to prevent water intrusion
- Installing wind-resistant shingles
- Installing gable-end bracing
- Reinforcing roof-to-wall connections
- Installing storm shutters
- Installing opening protections

Note that, although the Program may be used to finance new construction involving energy conservation and efficiency improvements as well as renewable energy improvements, Florida's PACE law does not permit financing of wind resistance improvements as part of a new construction project. If a property owner would like to finance wind resistance improvements as part of new construction, they may apply for financing under the Program once a certificate of occupancy or similar evidence of substantial completion has been obtained.

2.3 Eligible Financing/Lender Consent

If the Property is secured by a mortgage or other form of recorded debt, at least thirty (30) days prior to entering into a financing agreement, the property owner must provide a notice of the property owner's intent to enter into a financing agreement, along with the maximum principal amount to be financed and the maximum annual assessment amount, to the holders or loan servicers of any existing mortgages.

Additionally, the Administrator reserves the right to require that any mortgage lender or servicer sign a written acknowledgement, consenting to the financing.

If the subject property is secured by a mortgage, and mortgage lender consent is not required by the Administrator, the total financing amount is limited to 20% of the just value of the subject property, as determined by the county property appraiser. If a waiver of Mortgage Lender Consent is obtained, and the property owner wishes to exceed this limit, the property owner must obtain an energy audit demonstrating that the annual energy savings from the qualified improvement equals or exceeds the annual repayment amount of the financing.

The Administrator reserves the right to evaluate and approve transactions based on underwriting or credit criteria, including:

- PACE lien-to-value ratio limits
- Mortgage loan-to-value ratio limits
- Combined secured debt-to-value ratio limits
- Secured tax-to-value ratio limits
- Debt service coverage ratio limits
- Minimum equity requirements
- Minimum or maximum transaction size
- Maximum duration of financing term or capitalized interest term
- Minimum interest rate or origination fee requirements
- Establishment of a debt service reserve fund or other credit enhancements

2.4 Eligible Contractors

The Program does not approve, endorse, or recommend any contractors. In order to be an eligible contractor under the Program, the contractor must submit evidence to the Program Administrator that the contractor possesses any and all licenses, certifications, and/or registrations necessary under relevant federal, state, or local law for the scope of improvements to be financed under the Program.

The Administrator reserves the right to review and screen contractors to ensure that all participating contractors are complying with the letter and spirit of this Handbook. The Administrator reserves the right to bar contractors from participating in the Program in the event that the Administrator finds that their participation in the Program would not be in the best interest of the participants (including if they have been excluded from participation in any other PACE program).

2.5 Eligible Lenders

The Program is an “open market” program, meaning that participation in the Program as a capital provider is generally permitted. Any requests for financing by a third-party capital provider should be submitted to the Program Administrator, who will review each such request on a case-by-case basis. Approval of the terms pursuant to which the Program Administrator will administer transactions funded by a third-party capital provider are within the Program Administrator’s sole discretion.

3. TRANSACTION PROCESS

3.1 Application

The process of obtaining financing under the Program starts when a prospective property owner fills out an application for financing. The current version of the application is attached to this Handbook as Exhibit C. This application may be modified, amended, or supplemented at any time by the Administrator.

3.2 Screening/Term Sheet

Once an application is submitted by a prospective property owner, representatives of the Administrator will work with the property owner and/or their representatives to collect a number of diligence items necessary to verify eligibility under this Handbook. Once all items have been received, reviewed, and approved by the Administrator, the Administrator will issue a term sheet, outlining the terms under which financing under the Program will be offered, as well as other conditions precedent to closing. The property owner may elect to sign the Term Sheet and proceed with underwriting, negotiate the items in the term sheet, or decline to participate in the Program.

3.3 Underwriting

Once a prospective property owner has signed the term sheet, the Administrator will complete any outstanding due diligence necessary to receive final approval for financing by the Administrator. During the underwriting process, the Administrator reserves the right to modify any deals' terms in order to address additional information and resolve additional issues that may be uncovered during the diligence process.

3.4 Documentation

Once the Administrator approves the financing (including the eligible improvements), legal counsel for the Administrator will draft the various legal documents which evidence the financing. The Administrator may retain external legal counsel as well. Counsel for the Administrator will work with the property owner (or, to the extent that the property owner is represented by counsel, their attorneys) to tailor the documents to fit the specific transaction.

3.5 Closing

Once final documents are prepared, the Administrator will arrange for the relevant documents to be recorded in the land records where the Property is located. Upon confirmation of recordation, the Administrator will wire funds into an account controlled by the Administrator.

3.6 Post-Closing/Disbursements

After paying all fees, costs of issuance, and capitalized interest (i.e. the interest that accumulates between the closing date and the date that the Administrator receives the first payment

of principal and interest), any remaining funds will be made available to the property owner. In order to request disbursements from the Administrator, the property owner must have incurred expenses directly related to the eligible improvements, and must submit documentation and evidence as required by the Administrator. Upon receipt of such documentation, the Administrator will wire funds to the property owner (or their contractor) within 2-3 business days. The Administrator may require an agreed-upon draw schedule, with specific milestones, as a condition of participating in the Program.

Once the installation of the qualified improvements are complete, the property owner must submit a completion certificate in a form to be provided by the Administrator.

3.7 Repayment

Repayment of the financing is subject to the various transaction documents. Billing and collection will either be handled by the local taxing authority, with the assessment showing as a line item on the ad valorem tax bill, or by a third-party billing entity. If a payment is not received by the date specified in the transaction documents, delinquent penalties and interest will accrue, and non-payment could result in the sale of the property for delinquent taxes.

If a property owner wishes to prepay the assessment, either in full or in part, they should notify the Administrator. A prepayment premium may also apply.

3.8 Notice to Subsequent Property Owners

As a condition of obtaining financing through the Program, the property owner must agree that, at the time they execute a contract for the sale and purchase of any property subject to an assessment levied under the Program, they will provide the following written disclosure statement to the prospective purchaser:

QUALIFYING IMPROVEMENTS FOR ENERGY EFFICIENCY, RENEWABLE ENERGY, OR WIND RESISTANCE. — The property being purchased is located within the jurisdiction of a local government that has placed an assessment on the property pursuant to s. 163.08, Florida Statutes. The assessment is for a qualifying improvement to the property relating to energy efficiency, renewable energy, or wind resistance, and is not based on the value of property. You are encouraged to contact the county property appraiser's office to learn more about this and other assessments that may be provided by law.

4. FEE STRUCTURE

The current fees for participation in the Program are attached to this Handbook as Exhibit D. These fees (except for fees payable to the Authority) may be reduced, increased, waived, or modified at any time, and for any transaction, at the sole discretion of the Administrator.

Modification of any fees payable to the Authority require approval by the Board of Directors of the Administrator.

5. HANDBOOK DOES NOT REPRESENT LEGAL ADVICE

The Administrator does not provide legal, financial, taxation, or accounting advice to any prospective property owner. No statements or representations, either in this Handbook or made as part of the transaction process, should be construed as such advice. Property owners are strongly encouraged to seek the advice of competent professionals as part of participating in the Program.

6. CONTACT INFORMATION

If you have any questions about the Program, this Handbook, or the Administrator, please contact the Administrator:

Petros PACE Administrator, LLC
300 W. 6th Street, Suite 1540
Austin, Texas 78701

7. EXHIBIT A – LIST OF ELIGIBLE LOCAL GOVERNMENTS

A list of eligible local governments is available from the Authority's website.

8. EXHIBIT B – LIST OF PRE-APPROVED ELIGIBLE IMPROVEMENTS

A list of pre-approved eligible improvements is available from either the Administrator or on the Authority's website.

9. EXHIBIT C – FORM OF FINANCING APPLICATION

[To be attached]

10. EXHIBIT D – LIST OF CURRENT ADMINISTRATIVE FEES

Fees at Transaction Close		
Services	Provider	Fee
<p style="text-align: center;">Program Administration</p> <p style="text-align: center;">Asset Servicing</p> <p style="text-align: center;">Recordation</p>	<p>Administrator</p>	<p><u>Base Program Fees:</u> 1.30% - Below \$500,000 1.20% - \$500,000 to \$999,999.99 1.00% - \$1,000,000 or greater</p>
		<p><u>Asset Servicing (based maturity of asset):</u> 0.3% for 5-year maturity 0.5% for 10-year maturity 0.7% for 15-year maturity 0.8% for 20-year maturity 0.8% for 25-year maturity 1.0% for 30-year maturity</p>
		<p><u>Recordation Fees:</u> Between \$120-\$150 per parcel</p>
		<p>Petros PACE Administrator may charge additional fees for transaction related support & services, including but not limited to:</p> <ul style="list-style-type: none"> • Document customization • Underwriting support • Lender consent • Title reports • Secretary of State Certificates
		<p>Fees will be confirmed prior to providing such services.</p>
<p style="text-align: center;">Bond Counsel and Legal Opinion</p>	<p style="text-align: center;">Lewis, Longman & Walker</p>	<p><u>Standard Project Fees:</u></p> <ul style="list-style-type: none"> • 3.50% on first \$100,000 of project amount financed, plus • 0.55% on project amount \$100,000.01 to \$1,000,000, plus

		<ul style="list-style-type: none"> • 0.25% on amount \$1,000,000.01 to \$3,000,000, plus • 0.20% on project amount above \$3,000,000
		Customization fees may apply for services beyond the Standard Project Fees such as involving counsel in property owner negotiations, revisions to Program Documents, or drafting/reviewing documents outside the standard closing transcript.
Authority Administration	Authority	0.375% - Below \$500,000 0.25% - \$500,000 to \$999,999.99 0.19% - \$1,000,000 or greater
Trustee	Wilmington Trust	\$1,500 (assumes a single bond with a single indenture)
Document Stamp Tax	Florida Department of Revenue	0.35% of face amount of bond issuance
Annual Fees		
Services	Provider	Fee
Trustee	Wilmington Trust	\$2,000 (assumes a single bond with a single indenture)
Tax Roll Administration	Authority	\$15 per parcel
County Collection Fee	Local County Government	Varies by County Most counties are expected to charge 1% of the amount to be collected; counties may charge up to 4%, per statute.

11. EXHIBIT E – LIST OF HANDBOOK REVISIONS

- 1.0.0 – Initial Handbook (06/17/19)
- 1.1.0 – Revisions to reflect Authority’s comments/edits (06/27/19)
- 1.2.0 – Revisions to reflect Authority’s comments/edits (7/25/19)