EPR² | ENERGY PRODUCING RETAIL REALTY

DEG 2.0: Production at the point of Consumption

Providing a business and legal platform that accelerates the deployment of existing renewable energy technology on commercial real estate buildings

March 4, 2016

Accelerating Deployment of Renewables at the point of Consumption

Production at the point of consumption decreases T&D costs and provides competitive rates for renewable energy. Unfortunately, current financing models don't always address the concerns/needs of commercial real estate owners and tenants.

- Distributed generation at the point of consumption is the best way to provide customer value
- Current DG models don't always deliver
  - Site Lease – Not Consumed Onsite (doesn't address T&D costs)
  - PPA/Solar Lease – Not appropriate for the majority of commercial real estate. Interests of Owners and Tenants at odds (high penetration not likely)
- Use of a commercial real estate development model achieves production at the point of consumption and aligns the interests of Owners and Tenants
- CRE development model provides opportunity for high penetration of local renewable generation, inline with CCE initiatives

There is currently a platform that utilizes the precedent of CRE development and provides the opportunity for DG with consumption at the source.

Energy-Producing Retail: Industry Acceptance

Energy-Producing Retail (EPR) is an established, patent-pending business method that is currently deployed in Sonoma County, with assets coming online in Southern California.

Established Model (patent-pending)

- Bank approved
- As seen in the Press Democrat

Supported by industry heavyweights

- Mario Rosati of WSGR stated that the EPR model "has the potential to disrupt the commercial solar industry…"
- Approved by a major US-based renewable energy fund manager

Flexible for all types of CRE properties and leases

- Industrial, Office, Retail, Owner-User, etc.
- FSG, Gross, and NNN leases
- Ideal for multi-tenant properties

The Press Democrat

Santa Rosa building serves as launchpad for new commercial solar program

ROBERT DIGITALE
THE PRESS DEMOCRAT | August 17, 2015

A Los Angeles-based company has put a solar electrical system on a Sonoma County commercial building using a new approach that financially rewards property owners and requires no upfront costs of tenants.

Energy-Producing Retail Realty said its patent-pending business method has the potential "to disrupt the commercial solar industry." It provides benefits for all

EPR is a technology agnostic platform that allows for DG beyond just solar and is ideal for the build out of micro-grids.

EPR Development Basics

EPR development is similar to the traditional commercial real estate development model and transitions DG away from credit risk to an occupancy risk model (key differentiator).

Real Estate approach that includes a real property interest

- Eliminates long-term fixed cost of site lease payments
- Transitions DG from credit off-taker risk (PPA's/Solar Lease) to an **occupancy risk**
- Doesn't require property owner to provide financing or a guarantee (Personal/Company)
- Provides property owner with increased cash flow and zero investment or risk

Best bang for the buck

- Reduces or eliminates T&D charges
- Off-taker gets access to 100% renewable energy provided at a discount to the prevailing utility price
- Helps to stabilize the production costs of DG renewable energy

Ideal model for large scale capital deployment

- Real property interest and strong cash flow = exceptional collateral
- Mitigates risk of vacancy event

EPR development is a replicable model that can achieve high penetration of local, renewable energy generation.

Continuing the Success – CCE migration into asset ownership

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CCE utilization of EPR in the form of a Public-Private Partnership will accelerate the deployment of renewable, DG resources at the point of consumption.

CCE can utilize EPR development to achieve local DG initiatives and goals

- CCE handles metering, billing, and community engagement
- Private partner addresses development risks (identify, underwrite, structure, and coordinate site development)

Maximizing Site Potential

- Eliminates or reduces T&D costs for onsite off-taker
- Systems can be designed to take advantage of roof top, parking area, and undeveloped land, with excess capacity going back to the grid via CCE
- ITC's can be fully monetized providing the CCE additional value

In line with current CCE customer interaction

- Pay for use, no PPA or Solar Lease required
- Billing through CCE at competitive rates

Utilizing EPR in the form of a Public-Private Partnership offers a big opportunity given the amount of existing CRE within CCE territories.

Massive Opportunity for CCE

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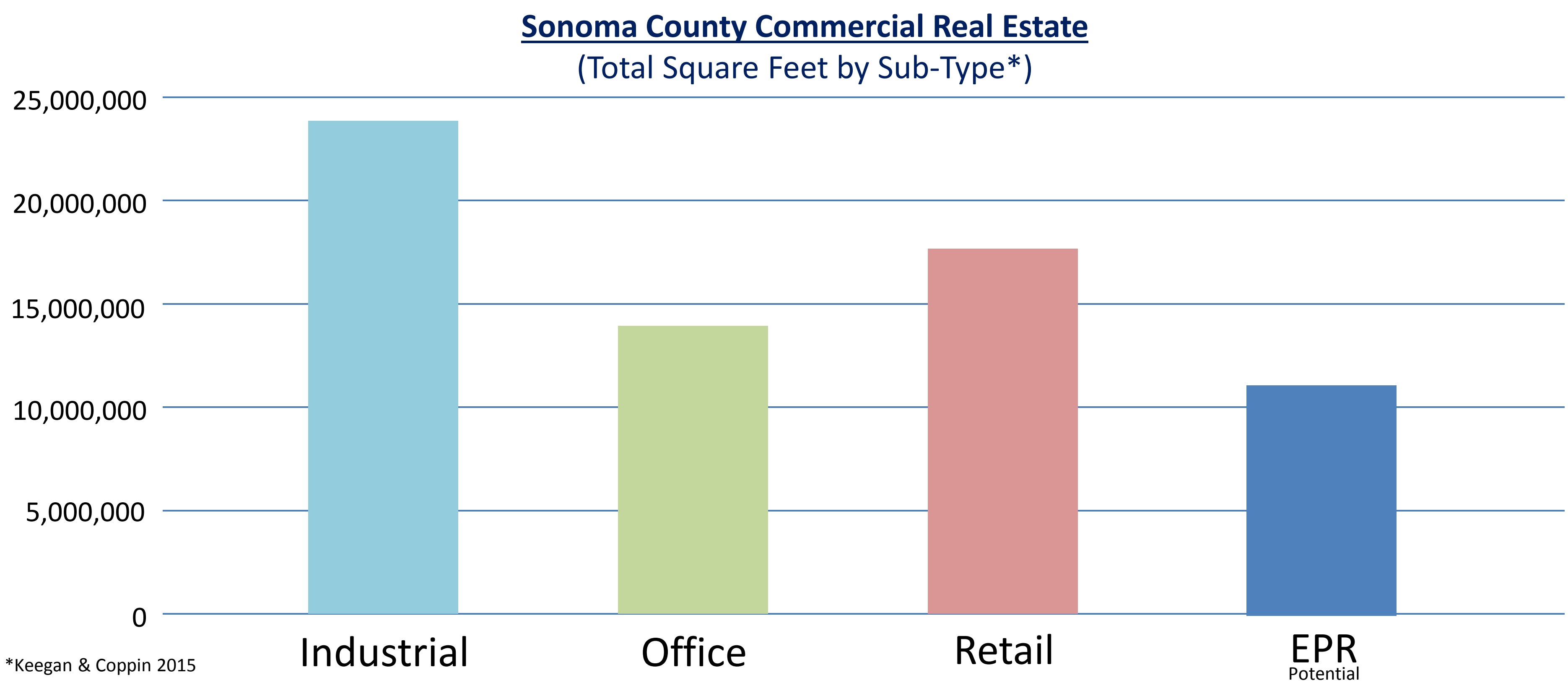
DG is a HUGE opportunity for CCE and provides a tool for local economic growth.

- Sonoma County is home to over 57 million rentable square feet of CRE, providing a minimum opportunity for **~114MW of capacity** and upwards of 500MW total
- Estimated investment opportunity of **$257,000,000** to **$1.285 Billion** without any changes to existing regulations ('shovel ready')



*Keegan & Coppin 2015

CCE use of an EPR development fund provides the right mix of return on investment, competitive rates, local renewable energy, and economic growth.

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