

## Net Zero Investment (NZI) Program Description

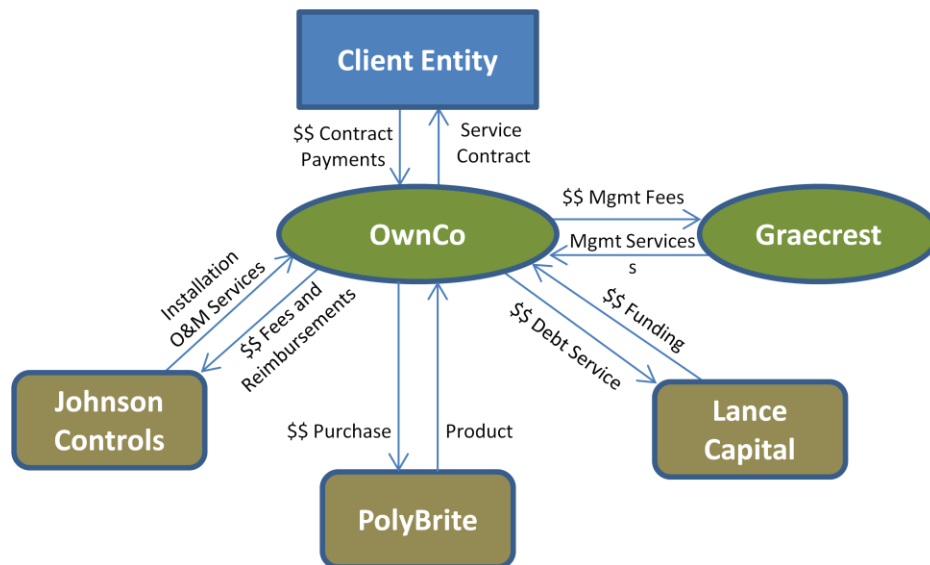
The NZI Program is designed as a long term service contract whereby energy efficiency and life safety assets and services are provided to an end-user, private or public. Usually this program is deployed for energy and equipment upgrades or where current assets are being replaced due to end of life. A variety of energy conservation and indoor air quality measures can be included. The efficiency and long useful life of the upgrades are normally greater than the service contract cost thereby allowing for the savings to pay for the program... hence the term “Net Zero Investment” as no additional capital investment is required and all energy and operations savings are for the benefit of the end-user.

### The NZI Program stands apart in the marketplace:

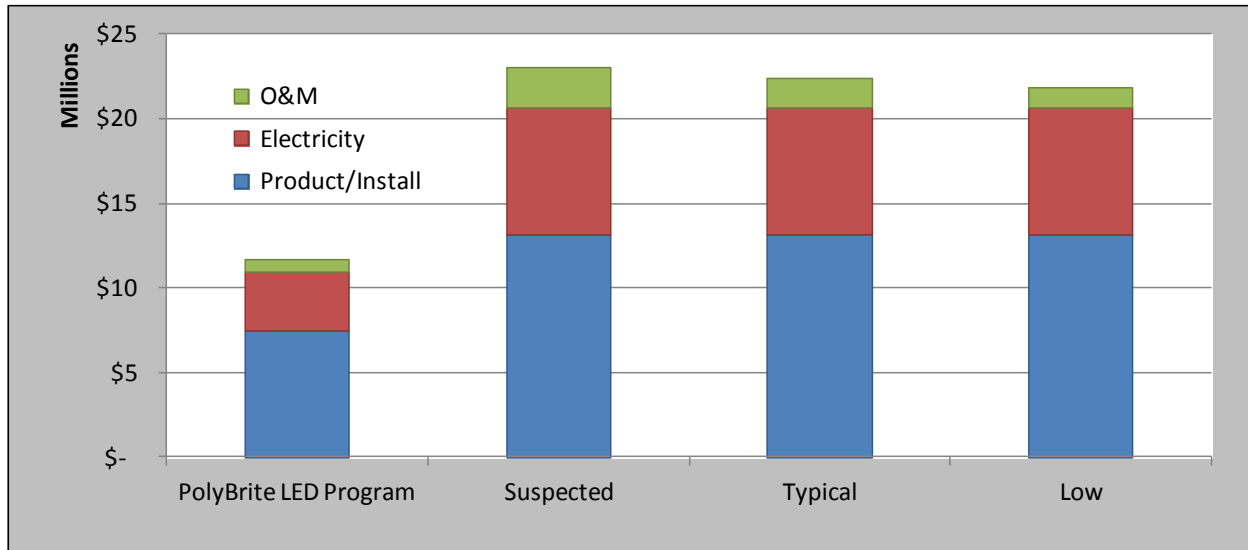
- **No Up-Front Investment** – No capital investment is required - 100% of the significant upfront product and installation costs (and associated funding) provided for in the NZI program.
- **Off Balance Sheet Service Contract** – The NZI program outsources the project’s improvements, both equipment and labor, via a long-term (typically 20-25 year) service contract. Other than the service contract payments, no incremental product/installation costs (and associated debt) will reside on the client entity’s balance sheet or flow through to a income statement.
- **Economic Benefits Delivered Immediately** – Instead of the delayed recognition of the economic benefits typical in a self-funded investment program with a multi-year payback term (irrespective of ROI), the service contract payments in the NZI program are structured/sized to shift forward in time (typically within three months of signing the contract) the economic benefits (cost savings). All energy and O&M savings, typically 30-50% of base-line costs, are delivered to the end-user and pay for the program.
- **Immediate, Not Phased, Implementation** – The NZI program can incorporate the entire real estate footprint, avoiding the less efficient phased approach that is common amongst other end-users. Rapid program implementation delivers savings to the end-user more quickly.
- **Design Flexibility to “Shape” Service Contract Payments Over Time** – Depending on client entity’s requirements/objectives, the NZI program can incorporate any/all of the following elements:
  - Monetization at service contract inception of up to 50% of the NPV of projected operational and energy savings over the service contract term;
  - Low (or zero) service contract payments for up to 24 months representing a significant shift forward in savings for the first two years; and/or
  - Equal-sized service contract payments over the service contract term or lower payments in early years stepping up over time (i.e. to match expected inflation); among other benefits, providing a smoothing of the costs and savings over the service contract term.
- **Performance Guaranteed by Johnson Controls and Long-Term Manufacturer Warranties** – Johnson Controls is the largest facility manager in the world with nearly 2 Billion square feet under management. Lance Capital, unlike many lenders, delivers all project funds at closing. Our manufacturing partners are all required to meet the high standards laid out by Johnson Controls.

**How does the NZI program work – Example for a LED Lighting Retrofit**

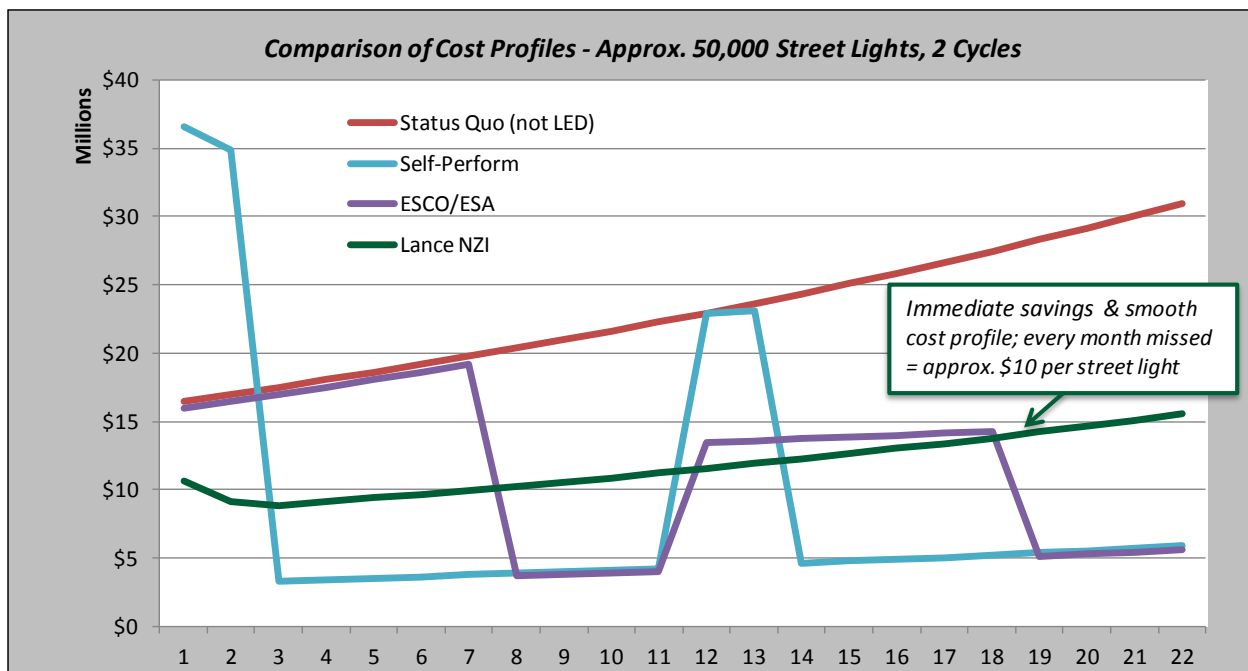
- NZI Program Partners: Johnson Controls, PolyBrite International, Graecrest Energy Solutions, and Lance Capital
- Graecrest Energy Solutions LLC (“Graecrest”) will form an affiliated limited liability company (OwnCo) for the sole purpose of purchasing, installing, owning and maintaining the assets and improvements (for example, street lighting) sufficient to complete the project scope.
- OwnCo and the client entity will enter into a long-term service contract whereby OwnCo will be responsible to fulfill the above, and the client entity will be obligated to make monthly payments according to an agreed schedule. The client entity’s obligation to pay will be absolute, except for limited rights of offset or abatement with respect to performance-related contractual elements (e.g. O&M services, program management).
- OwnCo will accomplish its responsibilities primarily through agreements with:
  - Johnson Controls, Inc. for installation, maintenance / repair, and replacement;
  - PolyBrite for acquisition of the lighting products;
  - Graecrest for development, program management, and administrative services; and
  - Under the auspices of OwnCo’s management agreement with Graecrest, Lance Capital LLC will provide 100% of the funds required for program implementation to OwnCo upon the simultaneous closing of the several contracts and agreements described above.
- The proposed project and improvements will therefore be completed with “net zero investment” (i.e. no capital expenditure) by the client entity. The structure is graphically shown below.



**Average Annual Costs Example - LED Street Lighting conversion**



**Year-over-Year LED Street Lighting Example**



## NZI Program Team

**Johnson Controls, Inc.** is a Fortune 100 industrial manufacturing and engineering company with global sales of over \$40 billion and 162,000 employees. The company's Building Efficiency business delivers products, services and solutions that increase energy efficiency and lower operating costs in buildings for more than one million customers.

Operating from 500 branch offices in more than 150 countries, they are a leading provider of equipment, controls and services for heating, ventilating, air-conditioning, refrigeration and security systems, having been involved in more than 500 renewable energy projects including solar, wind and geothermal technologies. Their solutions have reduced carbon dioxide emissions by 15 million metric tons and generated savings of \$7.5 billion since 2000.

**PolyBrite International, Inc.** is a leading manufacturer and supplier of advanced LED lighting systems for all applications, including the Borealis line of streetlights and building lighting. The company has developed a revolutionary proprietary polymer light transmitting technology, PolyBrite™, a unique polymer/LED combination that conducts, scatters and radiates a light source through the polymer lens material. PolyBrite can be extruded into a variety of clear, light scattering shapes, as well as certain molded applications. The technology can be used in numerous applications including general and decorative lighting for indoor and outdoor use, soft and smooth LED lighting effects, signage, and larger applications such as street lighting, for energy-efficient lighting.

PolyBrite engineers and manufactures solid-state lighting products, creating lamps and lighting systems under its Borealis Lighting brand, lighted/safety pet products under PolyBrite Lighted Pet Products brand and industrial/commercial safety products under PolyBrite Lighted Safety Products brand.

**Graecrest Energy Solutions LLC** is a Delaware limited liability company founded for the purpose of developing, installing, owning, servicing, and maintaining energy-related assets to provide cost-effective, efficient, and/or renewable energy sources for large institutional consumers of power such as medical centers, colleges and universities, state and municipal governments, and large manufacturing complexes. In so doing the company will develop an emerging niche by intermediating between these consumers and providers of equipment, systems, and outputs, allowing the consumers to realize energy savings immediately while eliminating lengthy payback periods and conserving capital to more productive use.

**Lance Capital LLC** is a specialty corporate and governmental real estate finance and investment company that provides cost-effective capital for tenant improvement funding, sustainability and ECM/EE programs, and other asset-based financing solutions for tenants, landlords / developers, and their lenders. Lance acts as a lender and/or investor in the context of leasing, build-to-suits, and sale-leasebacks and other property acquisitions, as well as provides other credit tenant and net lease financing products and services.

The Lance team consists of seasoned professionals with extensive expertise in numerous disciplines, including institutional real estate asset management, acquisitions, debt and equity capital markets, corporate real estate finance, and lease tax / accounting optimization. On an aggregate basis, the principals of Lance have completed over \$20 billion of corporate and governmental real estate financing and other transactions to date.