

**Boosting Energy
Performance on Building
Infrastructure *without*
Internal Capital Expenditure**



SCLenergy®

June 2013

SClenergy Overview

- Leading **Energy Efficiency Capital and Software** solutions
 - 11x winner of US EPA ENERGY STAR® Partner of the Year



- Only proven, scalable structure to provide Energy Efficiency-as-a-Service (EEaaS)

- Retrofit fund sponsored by Mitsui



- \$57mm invested capital to date from leading investors including DFJ, DFJ Growth, The Westly Group, Triangle Peak Partners and GE



How Does SClenergy create value?

Partners

Customers



Engineering / Retro-Commissioning (RCx) firm

- Differentiation / Margin
- Recurring Revenue



Engineering firm

- Audit and Design Fees



Mechanical/Electrical Contractors & Vendors

- Ability to sell an efficiency project
- Sale of equipment



"... reported average savings of 11.8% for ... buildings which had undergone conventional commissioning. The average savings noted for ... buildings that had undergone Continuous Commissioning was 23.8%."

Turner, et al of Texas A&M University
"Is Commissioning Once Enough?"

No first cost retrofit, energy savings ~30%, lower O&M, increased income production

MESA – Managed Energy Services Agreement

MESA is a capital efficiency solution for the privately owned real estate market

MESA leverages 3rd party capital to fund major infrastructure investments without increasing an owner's cost-basis

Existing \$50M Fund (Mitsui is Equity Partner) with Signed Term Sheet for follow-on \$500M vehicle with institutional bank

Barriers to Investing in Energy Efficiency

Energy efficiency upgrades generate significant energy cost savings...but are generally financially irrational for building owners

Leverage Constraints

- Loan covenants preclude additional debt

Split Incentive

- NNN Tenants benefit from reduced energy costs, NOT the owner

Project Risk

- Skepticism of creation/persistence of energy savings and performance guarantee

Capital Efficiency

- Income-generating investments produce higher return on capital

MESA Overcomes These Barriers

Leverage Constraints

MESA

- is NOT a debt and does NOT run afoul of loan covenants

Split Incentive

MESA

- is a services contract that is a GAAP-auditable operating expense

Project Risk

MESA

- assumes ALL performance risk
- is paid directly from energy savings, only if they are created
- is NOT paid upfront

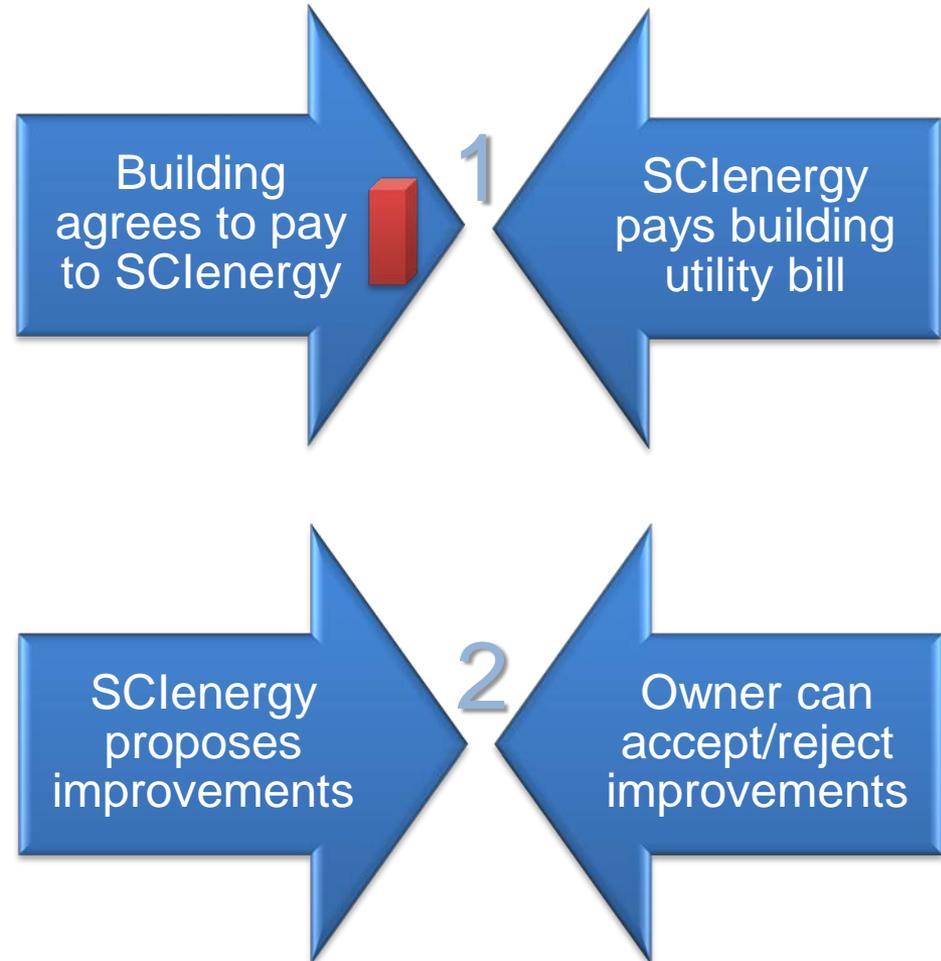
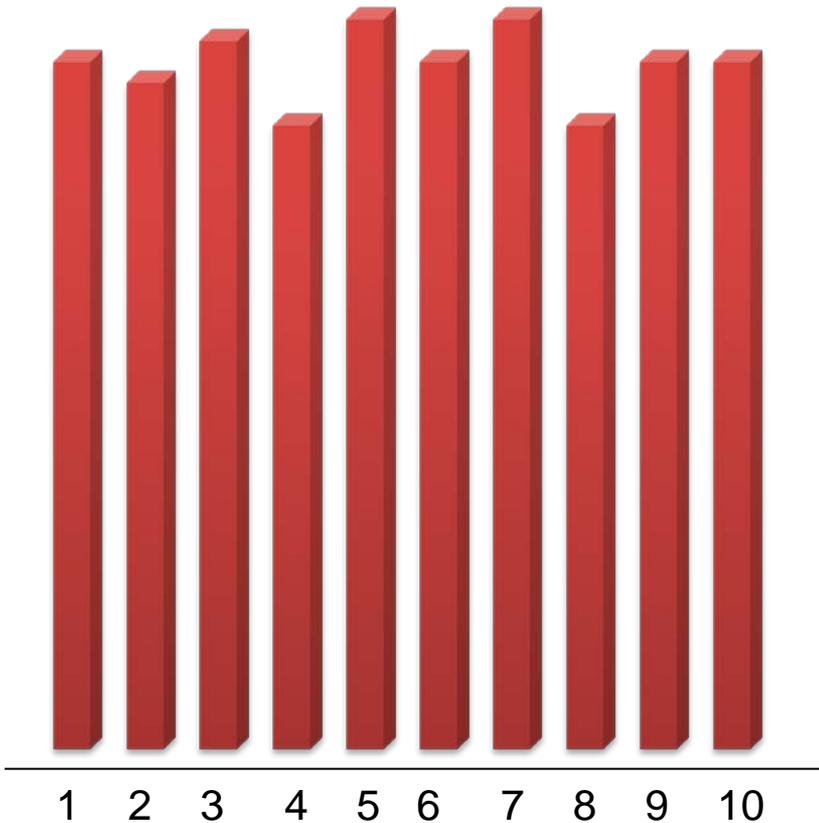
Capital Efficiency

MESA

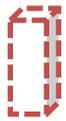
- provides 100% of capital for basis-increasing infrastructure projects

MESA—How It Works

 **Current energy usage**
reflects changes in
• weather • occupancy • rates



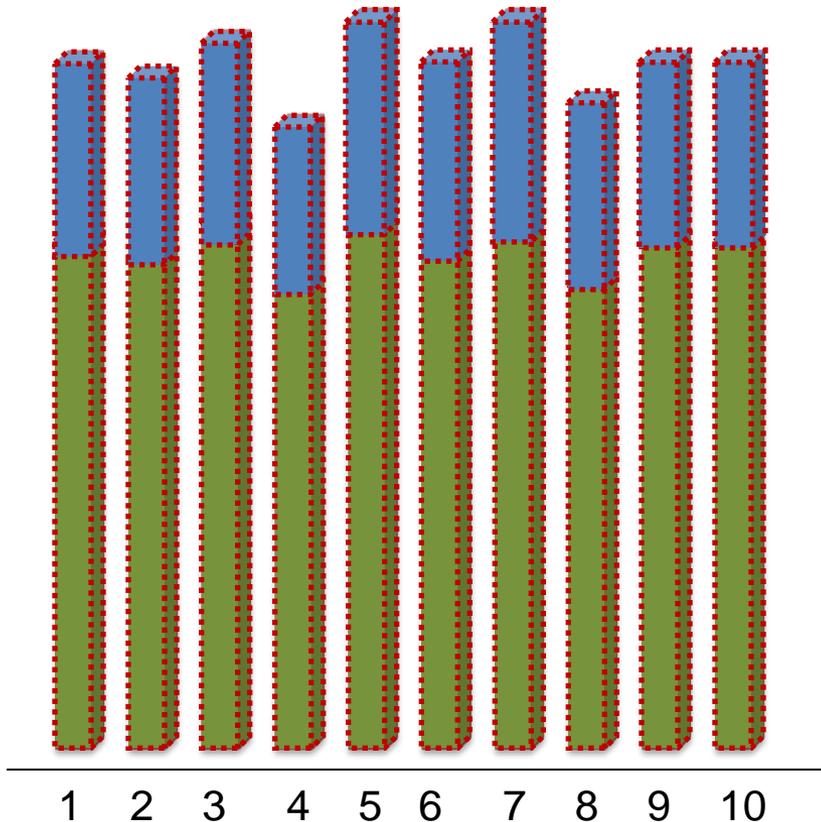
MESA – Savings Model



Current energy usage

reflects changes in

- weather
- occupancy
- rates



Current energy spend. Landlord and tenants do the financial equivalent of...**Nothing!**



Upgraded Building operates more efficiently



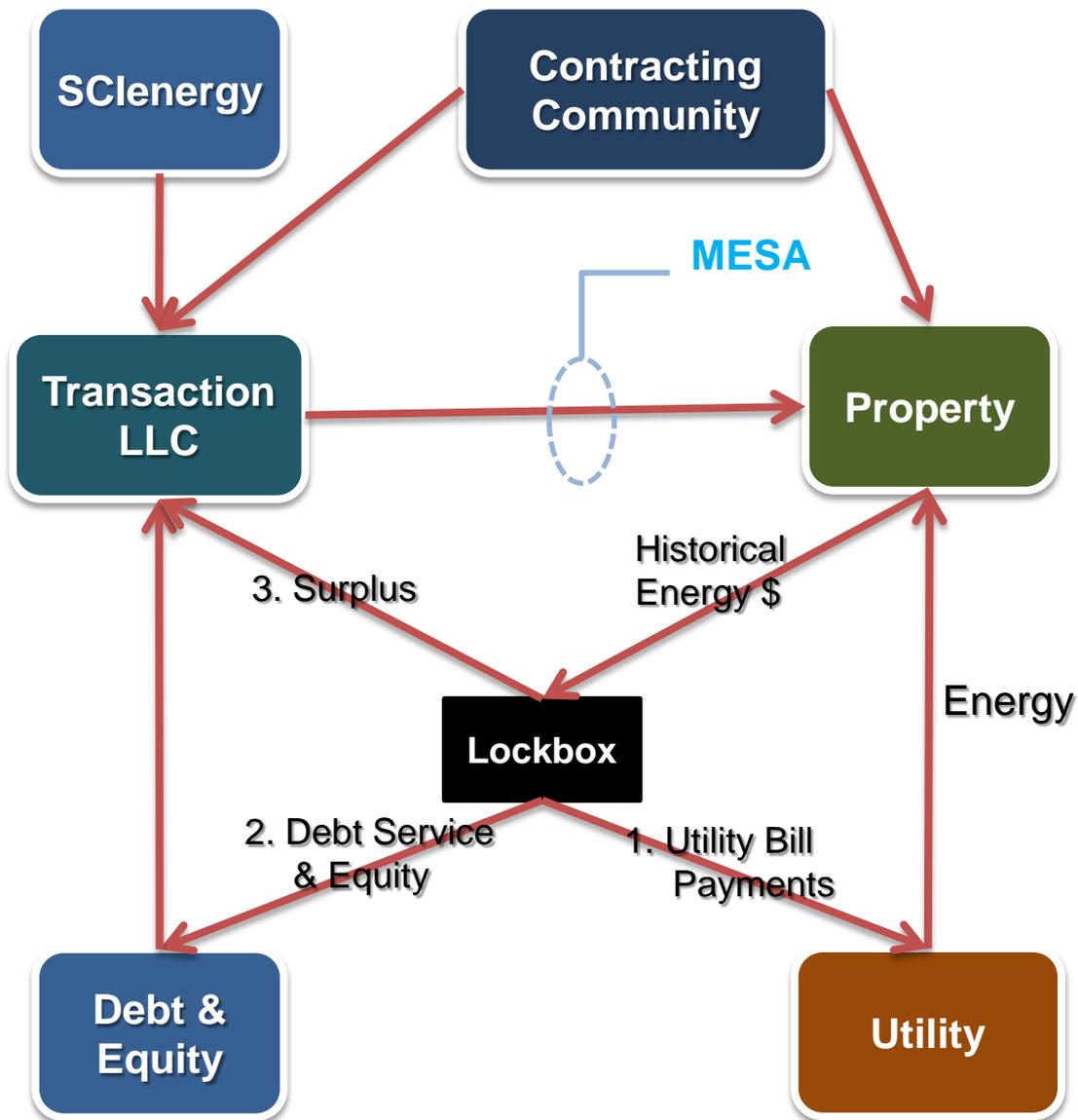
Monetized energy savings

SCI energy assumes 100% of risk in the production of 



Ensures savings persist year after year to lock in returns

MESA Structure



Accounting & Legal Review
by Signed Customers

Determined GAAP Valid
by Price Waterhouse Coopers

Passed Full Sarbanes-Oxley Review
by Price Waterhouse Coopers

Passed Scrutiny in Multiple
Tenant Audits

MESA Acts as Project Developer and Underwriter



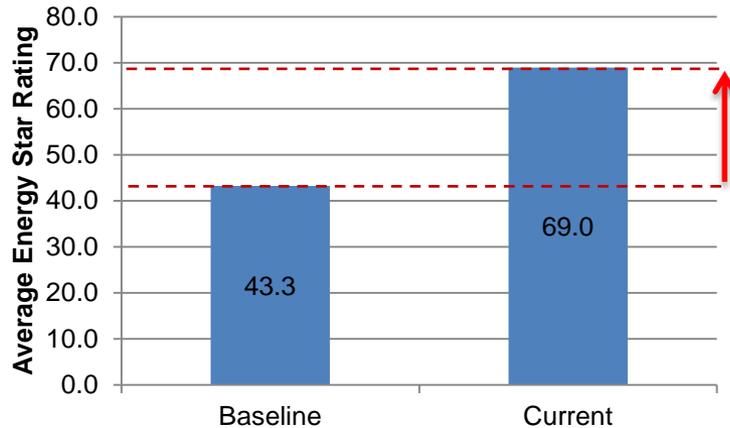
(product owned by client / bid to client's preferred contractors)

MESA Case Study – Corporate Office Properties Trust



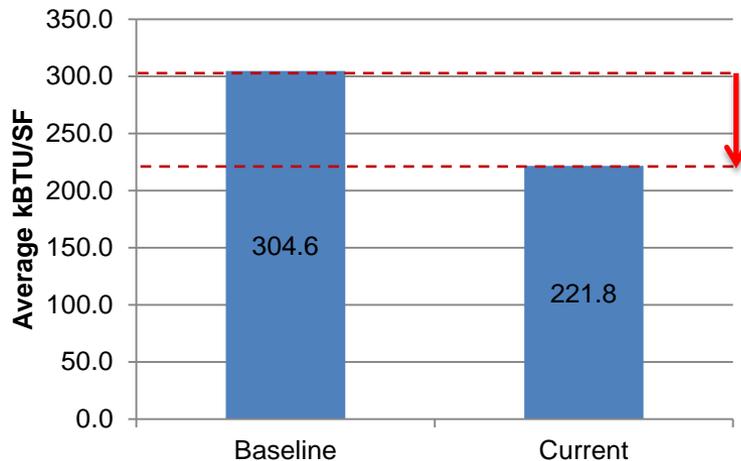
- Mid-Atlantic REIT (NYSE:OFC)
- 24 Properties ~ 3 MM square feet
- \$15 million in CapEx avoided through MESA
- Hot/Cold calls down 90%
- 25-30% reduction in energy
- 25% reduction in GHG
- Dividend increase of \$0.25 / share

COPT Building Performance: Pre-MESA vs. Post-MESA



Avg. Energy Star score improved by 16

- 11 buildings eligible for LEED
- Only 1 prior to MESA



Avg. energy intensity reduction = 25%

Consistent savings improvement YoY



*Excludes 2 buildings that changed building use/type (ex. converted office into laboratory)

“Solar-as-a-Service” Inflection Point for Solar Industry

Solar Growing Rapidly, Averaging 65%
Compound Annual Growth Rate for the Past 5 Years



We believe that the Energy Service Agreement structure [by SClenergy] offers significant near-term potential to scale quickly and meets the needs of both real estate owners and capital providers in the real estate sector. Deutsche Bank Climate Change Advisors 2012

Thank You

Woolsey McKernon
VP, Corporate Development
woolsey.mckernon@scienergy.com

Peter Do
Senior Energy Engineer
peter.do@scienergy.com

