Economic Innovation and Sustainability Committee
MEETING AGENDA
June 1, 2023
Upon Adjournment of CSCDA Meeting

League of California Cities
1400 K Street, 3rd Floor
Sacramento, CA 95814

Members of the public may also observe and offer comment at this meeting telephonically by dialing 669-900-9128, Meeting ID 259-798-2423, Passcode 129070.

A. OPENING AND PROCEDURAL ITEMS

1. Roll Call.

____ Brian Stiger, Member
____ Tim Snellings, Member
____ Brian Moura, Member

2. Consideration of the Minutes from the May 4, 2023 Meeting.

3. Public Comment.

B. ITEMS FOR CONSIDERATION AND ACTION

4. Consideration of proposal by Benefit Street Partners to be a CSCDA Open PACE commercial PACE Administrator.

5. Consideration of program administrator agreement extension for Petros PACE Finance.

C. STAFF ANNOUNCEMENTS, REPORTS ON ACTIVITIES OR REQUESTS

6. Staff Updates.

7. Adjourn.

NEXT MEETING: Thursday, June 15, 2023 upon adjournment of CSCDA Regular Meeting.

MINUTES

MEETING OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
ECONOMIC INNOVATION & SUSTAINABILITY COMMITEE

May 4, 2023

1. Roll Call.

   Committee members participating: Tim Snellings, Brian Moura and Brian Stiger.

   Others participating: Cathy Barna, Executive Director; James Hamill, Bridge Strategic Partners.

2. Consideration of the April 20, 2023

   The Committee unanimously approved the minutes.

3. Public Comment.

   There were no public comments.

4. Consideration of proposal by JP Morgan to be a CSCDA Open PACE commercial PACE Administrator.

   The Committee recommended approval of JP Morgan as a CSCDA Open PACE program administrator, and submitting to the CSCDA Commission.

5. Staff Updates.

   None.

The meeting was adjourned at 2:35 pm.

Submitted by: James Hamill, Managing Director

NEXT MEETING: Thursday, June 1, 2023 after the regular CSCDA meeting.

CSCDA
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

Agenda Item No. 4

Agenda Report

DATE: June 1, 2023

TO: Committee Members

FROM: James Hamill, Managing Director

PURPOSE: Consideration of proposal by Benefit Street Partners to be a CSCDA Open PACE commercial PACE Administrator.

EXECUTIVE SUMMARY:

CSCDA received a proposal from Benefit Street Partners (BSP) to act as a commercial PACE only Program Administrator under the CSCDA Open PACE program.

OVERVIEW:

BSP

BSP is a subsidiary of Franklin Templeton, and brings an integrated real estate lending portfolio and team to the C-PACE market.

- Objective is to integrate both senior loan and C-PACE financing into one offering.
- Group is led by Lain Gutierrez who is the former CEO of Clean Fund, a CSCDA Open PACE program administrator.
- Franklin Templeton is a significant investor in CSCDA's SCIP program, and understands the California credit marketplace.

BSP exceeds all of the CSCDA Program Administrator requirements as outlined below:

1. Minimum of $10MM in capital available for financing C-PACE loans. Availability of capital needs to be evidenced by a capital commitment letter or letter of intent;
2. Minimum transaction size $2MM;
3. C-PACE finance team established including bond counsel, assessment engineer and trustee;
4. Minimum 2 years of C-PACE or similar financing experience;
5. Ability to manage delinquency of assessments.

Attachment A – Powerpoint Overview of BSP

RECOMMENDED ACTION:

Recommend the approval to the CSCDA Commission of Benefit Street Partners as a new commercial Open PACE Program Administrator.

BENEFIT STREET
PARTNERS

BSP Real Estate Firm Overview

May 2023

FRANKLIN TEMPLETON®

Benefit Street Partners
Company Overview

Benefit Street Partners Company Overview:
Benefit Street Partners and Alcentra

BSP/Alcentra platform is one of the largest alternative credit managers globally, with a multi-strategy approach targeting attractive opportunities in the global credit markets

$78 BN
AUM[1]

407
EMPLOYEES[2]

173
INVESTMENT PROFESSIONALS[2]

7
OFFICES

Separate investment teams that leverage a large, shared research platform

Fully integrated distribution, finance, and operations

14 Years (BSP) / 20 Years (Alcentra) of Credit Investing

Note: Please see disclaimers at the end of this presentation for additional information.
1. AUM refers to the assets under management for all credit funds and separately managed accounts managed and administered by BSP or Alcentra. AUM amounts are approximations as of March 31, 2023 and are unaudited. Certain amounts are preliminary and remain subject to change. Please see note 6 at the end of this Presentation for additional information.
2. As of March 31, 2023.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ANY INVESTMENT INVOLVES SIGNIFICANT RISKS, INCLUDING LOSS OF THE ENTIRE INVESTMENT.

Benefit Street Partners Company Overview:
Benefit Street Partners

Benefit Street Partners ("BSP")* is a leading global alternative investment manager with a credit focus

$43 BN
ASSETS UNDER MANAGEMENT[1]

239
EMPLOYEES[2]

6
OFFICES

114
INVESTMENT PROFESSIONALS[2]

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022

2008
BSP founded

BSP launches private debt business

2012
BSP enters the CLO business

2013
BSP begins commercial real estate debt business

2014
BSP launches Long-Only High Yield strategy

2015
BSP hires Special Situations team and launches Special Situations Fund I

2016
BSP purchases management contract of non-traded public BDC and REIT

2017
BSP raises a senior secured private debt fund

2019
Franklin Templeton ("FT") acquires BSP

2020
BSP acquires Broadstone Real Estate

2022
FT / BSP completes acquisition of Alcentra[3]

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ANY INVESTMENT INVOLVES SIGNIFICANT RISKS, INCLUDING LOSS OF THE ENTIRE INVESTMENT.

Note: Please see the disclaimers at the end of this presentation for additional information.

* BSP's credit business began in 2008 with the launch of Providence Equity Capital Markets L.L.C. ("PECM"), BSP's former affiliate. PECM is the investment adviser for Fund I and II and as of 2011, BSP is the sub-adviser.

1. AUM refers to the assets under management for all credit funds and separately managed accounts managed and administered by BSP. AUM amounts are approximations as of March 31, 2023 and are unaudited. Certain amounts are preliminary and remain subject to change. Please see note 6 at the end of this presentation for additional information.
2. As of March 31, 2023.
3. On November 1, 2022 Franklin Resources, Inc., a global investment management organization operating as Franklin Templeton (BSP's parent company) acquired BNY Alcentra Group Holdings, Inc. ("Alcentra") from an affiliate of The Bank of New York Mellon Corporation Please see note 3 at the end of this Presentation for additional information.

Benefit Street Partners Real Estate Overview

BSP Real Estate Overview:
Platform Overview

BENEFIT STREET PARTNERS

BSP Real Estate (“BSP RE”) is a middle-market focused real estate team within BSP’s platform

$9.6 BN
ASSETS UNDER MANAGEMENT[1]

75
EMPLOYEES[2]

6
OFFICES

50
INVESTMENT PROFESSIONALS[2]

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ANY INVESTMENT INVOLVES SIGNIFICANT RISKS, INCLUDING LOSS OF THE ENTIRE INVESTMENT. Note: Please see disclaimer at the end of the presentation for additional information.

1. AUM refers to the assets under management for all credit funds and separately managed accounts managed and administered by BSP. AUM amounts are approximations as of March 31, 2023 and are unaudited. Certain amounts are preliminary and remain subject to change. Please see note 6 at the end of this presentation for additional information
2. As of March 31, 2023.

BSP Real Estate Overview:
Large In-Place Real Estate Team

BENEFIT STREET PARTNERS

86 dedicated real estate professionals

Real Estate Leadership Team:

Head of Real Estate
Michael Comparato

COO/CFO of Real Estate
Jerome Baglien

Strategies

Closed-end Commingled Debt Funds
BSP Real Estate Opportunistic Debt Fund I & II

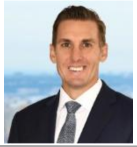
Publicly Traded Mortgage REIT
Franklin BSP Realty Trust (NYSE: FBRT)

Public, Non-Traded Equity Multifamily REIT
BSP Multifamily Trust

Global Value Add
Franklin Real Asset Advisors

Originations
Michael Comparato

17 professionals



Finance & Operations
Jerome Baglien

30 professionals

Asset Management
Tanya Mollova

11 professionals

Securitization
David Henschke

4 professionals

Underwriting
Matthew Jacobs

18 professionals

Equity
Brian Buffone

6 professionals

There can be no assurance that any particular individual will be involved in the management of any portfolio for any given time, if at all.
Note: Headcount data as of March 31, 2023.

BSP Real Estate Overview:
Four Key Investment Vehicles

Real estate group has four main vehicles to deploy investments

Franklin BSP Realty Trust (NYSE: FBRT)

- Publicly traded commercial mortgage REIT with ~$1.6 billion of equity and ~$5.8 billion of assets
- Focus on light touch, value add transitional opportunities in the U.S. middle market
  - Primarily invests in senior bridge debt with the capability to invest in junior debt and equity investments
  - Key focus on first mortgages collateralized by multifamily properties
- Offers a conduit business with a gain on sale model to enhance overall return on equity with limited credit exposure

Real Estate Opportunistic Debt Fund

- Specialty real estate strategy investing in middle-market high-target return transactions primarily in senior debt and junior debt
- Seeks superior risk-adjusted returns by pursuing a flexible mix of debt investments and a broad ability to invest across the entire real estate capital stack
- Launching the successor fund in 2023

BSP Multifamily Trust

- Equity multifamily REIT investing in high quality assets in the United States with a long-term hold perspective
- Focus on class A/B+ stabilized multifamily investments with a durable and predictable income stream

Franklin Real Asset Advisors

- Invests in private markets and is a global value add strategy
- Funds make investment across the Americas, Europe and Asia Pacific

BSP Real Estate Overview:
BSP Real Estate Highlights

BENEFIT STREET PARTNERS

Middle Market Focus

- Produce attractive, risk-adjusted returns by focusing on middle-market transactions, which generally offer higher yields with attractive LTVs

Direct Origination Capabilities and One Stop Shop

- One-stop-shop can accommodate all borrowers' needs and structure transactions throughout the capital stack
- Established relationships with brokers and borrowers sourcing repeat business
- Approximately, half of our loans have been closed with repeat borrowers

Institutional Infrastructure and Relationships

- Infrastructure supported by Franklin Templeton, a $1.4 trillion asset manager
- BSP is wholly owned by Franklin Templeton. BSP is a ~$77 billion alternative asset manager with ~400 employees[3]
- Key relationships with banks and major financial institutions

Note: Unless otherwise indicated, views expressed are those of BSP as of December 31, 2022 and are subject to change. Such statements have not been independently verified.

1. As of December 31, 2022. Aggregate gross and net levered IRR is on senior bridge, junior debt and other opportunistic investments. Only includes held for investment loans and excludes originate to sell conduit loans (~$5.5 billion of investments). There can be no guarantee that the Fund will achieve its investment objective and that BSP will be able to source investments consistent with the characteristics described above. The investments detailed above are a subset of the investments that BSP has made on behalf of its clients, and it should not be assumed that recommendations made in the future will be profitable. Please see note 2 at the end of this presentation for a description of how net returns are calculated. Please see notes 3-6 at the end of this presentation for more detail on the calculation of the gross returns presented. 41% of the deals are realized.
2. Deals reviewed in 2022 are through September 26, 2022. Represents all opportunities where BSP sent out an applications for.
3. AUM including Alcentra acquisition. Alcentra AUM is as of March 31, 2023. On November 1, 2022 Franklin Resources, Inc., a global investment management organization operating as Franklin Templeton (BSP's parent company) acquired BNY Alcentra Group Holdings, Inc. ("Alcentra") from an affiliate of The Bank of New York Mellon Corporation. AUM refers to the assets under management for all credit funds and separately managed accounts managed by BSP and Alcentra. AUM amounts are approximations as of December 31, 2022 and are unaudited. Certain amounts are preliminary and remain subject to change.

BSP Real Estate Overview:
Middle Market Expertise

BENEFIT STREET PARTNERS

BSP has demonstrated strong deal-sourcing capabilities in the middle market space

Small Balance, < $25 Million

- Local, regional lenders
- Non-institutional platform
- Small pools of capital
- Fragmented space

Middle Market, $25-100 Million

6 – 10 core players, including:

Benefit Street Partners; Ladder Capital; Silverpeak Argentic; Prime Finance; Granite Point Mortgage Trust

Large Loans, $100 Million +/-

Ability to lend up to $200M+

Starwood Property Trust; Mesa West Capital; TPG Real Estate Finance; Blackstone Mortgage Trust; J.P.Morgan; KKR Real Estate Finance Trust; Deutsche Bank

Note: Views expressed are those of BSP as of the date of this Presentation and are subject to change. Such statements have not been independently verified. **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ANY INVESTMENT INVOLVES SIGNIFICANT RISKS, INCLUDING LOSS OF THE ENTIRE INVESTMENT.**

BSP Real Estate Overview:
CPACE Strategy

Path to launching CPACE as a new product:

Legal Entity

FBRT Green Capital, LLC (FGC), a new indirect wholly-owned subsidiary of FBRT (the REIT) will be the CPACE operating entity.

CPACE Programs

Currently registering FGC with active CPACE programs in jurisdictions where FBRT is operating.

Existing Workflows

Integrate CPACE into existing Origination, Underwriting and Asset Management workflows.

Existing staff will manage both senior loans and CPACE in the normal course.

Originations

CPACE will be originated organically from BSP's existing pipeline and relationships.

FGC will offer a joint CPACE + Senior product to the market.

Property Type Focus

Multifamily
Hospitality
Industrial
Retail

Closing Process

CPACE and senior loan closings will proceed on parallel paths.

Same target closing date for both products.

Notes

1. Net returns are calculated on a pro forma basis based on a hypothetical $1.0 billion fund composed solely of senior bridge debt, junior debt or opportunistic investments, and in each case assuming operating expenses of 43 bps per annum, with an asset management fee of 50 bps, a 7% preferred return to LP investors, and a 20% carried interest (with a 60% GP catch up). Pro forma metrics are unaudited and subject to change. There can be no guarantee that the actual fees, taxes, transaction costs and other expenses will be consistent with these assumptions, and actual expenses could be higher and therefore, actual net returns could be lower. The calculations for the net returns do not represent a specific investment fund and therefore the calculation of the net return is provided for illustrative purposes only.
2. Gross IRR is as of 12/31/2022 and does not reflect management fees, carried interest, taxes, transaction costs, or other expenses in connection with the disposition of unrealized investments and other expenses to be borne by investors, which reduce returns and in the aggregate are expected to be substantial. Values of investments utilized in calculating this IRR may be materially different post-12/31/2022 given the current market environment.
3. Gross unlevered IRR for senior bridge debt is calculated as interest and fees received over the life of the investments (at cost). For unrealized positions, gross IRR assumes that the position is held to and paid back at current stated maturity. For levered returns, we have assumed leverage and cost of debt will be equal to our historical FBRT actual leverage (reported quarterly). Historical REIT leverage and cost of debt was applied to cash flows of each investment to calculate the levered return as if the investment was made in our FBRT. For unrealized positions, we have assumed leverage and cost of debt is equal to the average REIT leverage and cost of debt over the past twelve months and applied that leverage and cost of debt to future years, up to current stated maturity. Actual leverage on each of the investments listed may be higher or lower than assumed herein. There can be no guarantee that BSP will realize an actual return on such positions and the actual realized return may be materially different than the value assumed here.
4. Junior debt IRR is calculated on $205 million junior debt held on balance sheet investments and does not include $140 million junior debt sold at close. Junior debt includes mezzanine and B-note positions. Gross unlevered IRR for mezzanine loans is calculated as interest and fees received over the life of the investments (at cost). For unrealized positions, gross IRR assumes that the position is held to and paid back with no default at current stated maturity. There can be no guarantee that BSP will realize an actual return on such positions and the actual realized return may be materially different than the value assumed here. Gross unlevered IRR for B-note investments is calculated as the net interest and fees received on the portion of the investment we have retained.
5. IRRs for Other Opportunistic Investments is calculated as the weighted average of (1) for realized investments, the actual cash flows received over the life of the investment (at cost) and (2) for unrealized investments, the current annual cash on cash yield of the investment. Target cash on cash yields are calculated by dividing the assumed projected net operating income less interest expense by equity invested.
6. Assets under management ("AUM") refers to the assets under management for all credit funds, as well as separately managed accounts managed and administered by BSP. AUM amounts are as of March 31, 2023. AUM is unaudited, preliminary and subject to change. "Private Debt" AUM reflects the AUM of the funds and accounts reflected in the private debt strategy track record which includes all funds and accounts in the "Flagship Private Debt Strategy" and "Senior Private Debt Strategy" as well as other funds and accounts investing in a sub-set of the Flagship Private Debt Strategy and/or Senior Private Debt Strategy (see note 1 for more information regarding the Flagship Private Debt Strategy and note 2 for more information regarding the Senior Private Debt Strategy). For private debt funds and other drawdown funds and separately managed accounts, AUM generally represents the sum of the total investments at fair value provided that all Level 3 assets are valued as of March 31, 2023 by a third-party valuation firm and all Level 2 assets are valued at the closing price on March 31, 2023, plus available capital (undrawn commitments plus distributions subject to recall). For hedge funds and other non-drawdown funds and separately managed accounts, AUM represents the NAV (net asset value) of each fund or separately managed account, plus the subsequent month's subscriptions.

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Hypothetical returns, cash income and portfolio characteristics (including hypothetical or model performance of a proposed investment) are provided for illustrative purposes only, are highly speculative and do not reflect guaranteed returns, cash income or portfolio characteristics. No representation is being made that any investor will or is likely to achieve the illustrative return or cash income shown or that BSP will achieve the characteristics indicated. Cash income and performance may be higher or lower than the hypothetical and portfolio characteristics may be significantly different from those shown. Any estimate or projection has inherent limitations, including that actual market or economic factors, the ability to source suitable investments, or future assumptions of BSP may differ materially from those currently anticipated by BSP. Any investment entails a risk of loss, including loss of the entire principal amount invested. Prospective investors should make their own investigations and evaluations of the information contained herein.

The information contained herein is being provided to you at your request for informational purposes only and is not, and may not be relied on in any manner as, legal, tax or investment advice or as an offer to sell or a solicitation of an offer to buy an interest in any fund, investment product or vehicle (each, a "Fund") managed by Benefit Street. An offering of interests in a Fund will only be made pursuant to such Fund's offering documents or prospectus, as applicable (the "Offering Documents"), and will be subject to the terms and conditions in the Offering Documents, including the qualifications necessary to become an investor. The information contained herein will be superseded by, and is qualified in its entirety by reference to, the Offering Documents, which will contain information about the investment objective, terms and conditions of any investment in a Fund and will also contain tax information and risk disclosures that are important to any investment decision regarding such Fund. Before deciding to invest in a Fund, prospective investors should pay particular attention to the risk factors contained in the Offering Documents. Investors should have the financial ability and willingness to accept the risk characteristics of a Fund's investments. There can be no assurance that a Fund will be able to implement its investment strategy and achieve its investment objectives. Each prospective investor should consult its own attorney, business advisor and tax advisor as to legal, business, tax and related matters concerning the information contained herein and any information received in relation to such offering.

This information contained herein is being provided on the express basis that it and any related communications (whether written or oral) will not cause BSP to become an investment advice fiduciary under the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the U.S. Internal Revenue Code of 1986, as amended, with respect to any retirement plan or individual retirement account investor, as the recipients are fully aware that BSP (i) is not undertaking to provide impartial investment advice, make a recommendation regarding the acquisition, holding or disposal of an investment, act as an impartial adviser, or give advice in a fiduciary capacity, and (ii) has a financial interest in the offering and sale of one or more products and services, which may depend on a number of factors relating to BSP's internal business objectives, and which has been disclosed to the recipient. Nothing set forth herein or any information conveyed (in writing or orally) in connection with the materials presented herein is intended to constitute a recommendation that any person take or refrain from taking any course of action within the meaning of U.S. Department of Labor Regulation §2510.3-21(b)(1), including without limitation buying, selling or continuing to hold any security. No information contained herein should be regarded as a suggestion to engage in or refrain from any investment-related course of action as BSP is not undertaking to provide investment advice, act as an adviser to any plan or entity subject to ERISA, individual retirement account or individual retirement annuity, or give advice in a fiduciary capacity with respect to the materials presented herein. You are advised to contact your own financial advisor or other fiduciary unrelated to BSP about whether any given course of action may be appropriate for your circumstances. The information provided herein is intended to be used solely by the recipient in considering the products or services described herein and may not be used for any other reason, personal or otherwise. The Fund has not filed, nor will it file, a prospectus or similar document with any securities regulatory authority. No securities regulatory authority has evaluated the value of an investment in the Fund, made any recommendations as to a purchase of securities of the Fund, or evaluated the adequacy or accuracy of this document.

Certain information contained herein (including financial information) has been obtained from published and non-published sources. Such information has not been independently verified by BSP and BSP assumes no responsibility for the accuracy of such information. Except where otherwise indicated herein, the information provided herein is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof. The investment strategy and investment restrictions of current and future Funds may differ materially from those employed in prior funds and economic conditions may differ materially from the conditions under which those Funds were invested. In addition, individual performance may vary depending on the structure of a particular investor's investment. Certain statements reflect estimates, opinions or predictions based on BSP's models, and there is no guarantee that these opinions or predictions will be ultimately realized. Industry breakdowns presented herein are as classified by BSP.

Disclaimer

Certain information contained herein constitutes forward-looking statements within the meaning of the "safe harbor" provisions of Private Securitizes Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of terms such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target" or "believe" (or the negatives thereof) or other variations thereof. Due to various risks and uncertainties, actual events or results or actual performance of a Fund may differ materially from those reflected or contemplated in such forward-looking statements. As a result, investors should not place undue reliance on such forward-looking statements in making their investment decisions. BSP undertakes no commitment to update or revise the forward-looking statements. No governmental authority has passed on the merits of the offering of interests in a Fund or the adequacy of the information contained herein. Any representation to the contrary is unlawful.

Except as otherwise expressly required by applicable law, no representation, warranty or undertaking (express or implied) is made and no responsibilities or liabilities of any kind or nature whatsoever are accepted by any person as to the accuracy or completeness of the information contained in these materials or any other information provided herein.

Calculation of Performance Information and Estimates

All return calculations are unaudited and are annualized. In these materials, unless otherwise provided herein, all returns are gross returns and do not reflect deduction of any fees and expenses, which are not yet determined. The returns would be lower if shown net of fees and expenses. "Returns" shown are an internal rate of return which is a measure of the discounted cash flows (inflows and outflows) of the investment vehicle or product shown since inception.

All publicly traded investments are valued at the applicable closing price as of December 31, 2022, unless otherwise noted, and all other unrealized investments are valued at fair value as determined in good faith by the applicable general partner as of the last quarter end, unless otherwise noted, in accordance with Financial Accounting Standard Codification 820 and Benefit Street's valuation process and procedures. There can be no assurance that unrealized investments will ultimately be realized for their last quarter end values. Expenses are assumed to occur at the midpoint of each quarter.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS. INVESTMENT IN A FUND INVOLVES SIGNIFICANT RISKS, INCLUDING LOSS OF THE ENTIRE INVESTMENT.

This presentation does not provide disclosure of all information required for an investor to make an informed investment decision. The information provided herein is not intended to be a complete summary of all available data and includes opinions of Benefit Street, which are subject to change without notice. The delivery of this presentation shall not create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that circumstances affecting the Fund have not since changed, and Benefit Street does not intend to update or correct any information included in this presentation.

Risk Disclosure

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Credit Risk. The Fund's investments will generally be subject to credit risk. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument, in which case the Fund may lose some or all of its investment in that instrument, subject the Fund to loss.

Illiquidity. The lack of an established, liquid secondary market for a large portion of the Fund's investments may have an adverse effect on the market value of the Fund's investments and on the Fund's ability to dispose of them.

Credit Market Risks. Conditions in the credit markets may have a significant impact on the business of the Fund. The credit markets in the U.S. have experienced a variety of difficulties and changed economic conditions in recent years that have adversely affected the performance and market value of many securities and financial instruments. There can be no assurance that the Fund will not suffer material adverse effects from broad and rapid changes in market conditions in the future. Among other things, the level of investment opportunities may decline from BSP's current expectations.

General Economic and Market Risk. The value of the Fund's investments could be affected by factors affecting the economy and securities markets generally, such as real or perceived adverse economic conditions, supply and demand for particular instruments, changes in the general outlook for certain markets or corporate earnings, interest rates, announcements of political information or adverse investor sentiment generally. The market values of the Fund's investments may decline for a number of reasons, including increases in defaults resulting from changes in overall economic conditions and widening of credit spreads. Unfavorable market conditions may also increase funding costs, limit access to the capital markets or result in credit terms changing or credit becoming unavailable. These events could have an adverse effect on the Fund's investments and the Fund's overall performance.

Inflation Risk. Inflation is a sustained rise in overall price levels. Inflation risk is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money (i.e., as inflation increases, the values of the Fund's assets can decline). Inflation poses a "stealth" threat to investors because it reduces savings and investment returns.

Tax Risk. An investment in the Fund involves complex tax considerations that will differ for each investor. Prospective investors are urged to consult their own tax advisors regarding tax considerations relating to an investment in a Fund, as well as state, local and non-U.S. tax consequences.

Originated Investments. Loan origination involves a number of particular risks that may not exist in the case of secondary debt purchases, including that when originating loans. Loan origination may involve additional regulatory risks and expenses, given the requirement to hold a license for certain types of lending in some jurisdictions, which may be applicable to the Fund(s).

Investment Focus. The Fund will generally focus on debt investments in U.S.-based middle market companies. There is no guarantee that any such investments will ultimately be realized as anticipated by the Investment Adviser, or at the value or on the time frame in which the Investment Adviser anticipates.

CSCDA
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

Agenda Item No. 5

Agenda Report

DATE: June 1, 2023

TO: Committee Members

FROM: James Hamill, Managing Director

PURPOSE: Consideration of five-year program administration agreement extension for Petros PACE Finance

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EXECUTIVE SUMMARY:

Petros PACE entered into an Open PACE Program Administration Agreement with CSCDA for commercial PACE in 2020. The initial term was five-years and is expiring at the end of June, 2023. Staff recommends extending the contract another five years. CSCDA's General Counsel has drafted an extension that may be considered by the CSCDA Commission.

Both Petros PACE continues to be the second most active program administrator in CSCDA's commercial PACE program. Petros has completed ten transactions with CSCDA.

RECOMMENDED ACTION:

Recommend to bringing a five-year Open PACE Program Administration Agreement extension for Petros PACE to the CSCDA Commission for approval.