

Monarch Social Bond Framework

July 2021



MONARCH
PRIVATE CAPITAL

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COMPANY OVERVIEW

Monarch Private Capital (“Monarch”), founded in 2005 and headquartered in Atlanta, Georgia, through its wholly-owned subsidiaries, including Monarch Tax Credits, serves as the manager of Environmental, Social and Governance (‘ESG’) focused funds, providing investors with ESG related investment opportunities in affordable housing as well as renewable energy and historic rehabilitations. Monarch is known for developing customized structuring solutions enabling its fund investors to participate in defining investment parameters to meet their unique ESG, financial, tax, and treasury objectives. Monarch invests with industry-leading affordable housing and historic preservation developers to fund the construction and management of these projects. Monarch, a Georgia limited liability company, provides the necessary capital for projects in markets throughout the United States.

MONARCH’S SUSTAINABILITY OBJECTIVES

Monarch assesses the environmental impact, social influence, and governance characteristics of each project and investment fund. Monarch currently integrates ESG benchmarks into all of our tax-advantaged offerings. Our goal is to formalize our own sustainability objectives and incorporate ESG into the core strategies at Monarch – including our day-to-day operations and communication. Monarch’s future sustainability objectives include:

1. Carbon Neutrality
 - Monarch will implement several initiatives that will help us reach carbon neutrality by the end of 2021
2. Home Development and Job Creation
 - Monarch will contribute to the creation of jobs and affordable homes
3. ESG Committee
 - Monarch has appointed an ESG committee to oversee the implementation of ESG initiatives into day-to-day practices, including the following:
 - i. Incorporation of ESG criteria into 100% of investment opportunities
 - ii. Provide verification of ESG impact of our Federal investment opportunities
 - iii. Regular communication, both internally and externally, regarding the benefits of ESG
 - iv. Increasing affiliation and active participation in environmental or ESG related organizations/associations by 25% in 2020
 - v. Encouragement and engagement of our investors, stakeholders, and vendors to pursue ESG and sustainability initiatives
4. Annual ESG Report
 - Monarch will evaluate our ESG goals and initiatives by producing an annual report

5. Employee/Employer Relationship

- Monarch is committed to the personal and professional growth of our employees – we will encourage our employees to advance their industry knowledge and skills through conferences, industry organizations, and training

6. Giving Back

- Sponsor and/or support charitable organizations, increase volunteerism or community engagement by 25% while encouraging employee participation

ESG AND IMPACT INVESTING

Monarch has implemented an ESG Investment Framework¹ across our main federal projects and funds, which ensures that Monarch funds have been screened against internationally recognized and sector-specific ESG criteria by an independent third party.

Since 2005, Monarch has managed ESG-related funds with investments in over 600 projects generating more than 100,000 jobs and enabling the development of 35,000 units of affordable housing.

SOCIAL BOND FRAMEWORK

Overview

As a part of our commitment to sustainability, Monarch created this Social Bond Framework (the “Framework”) to guide future issuance of social bonds (each a “Monarch Social Bond”) by Monarch and its subsidiaries.

Monarch’s Social Bond Framework is in accordance with the International Capital Markets Association (ICMA) Social Bond Principles (“SBPs”) 2021² and their four key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

1. Use of Proceeds

An amount equal to the net proceeds of each Monarch Social Bond will be used to finance and/or refinance new or existing projects from the Eligible Project category defined below (the “Eligible Social Projects”).

¹ Monarch Private Capital, ESG Investing: <https://www.monarchprivate.com/esg-investing/>

² International Capital Markets Association, “The Social Bond Principles (SBP) 2021”: <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

Eligible Social Projects are expected to be located throughout the United States. Monarch intends to fully allocate the proceeds of each Monarch Social Bond within 24 months of issuance.

Eligible Category per ICMA Social Bond Principles	Social Assets Eligibility Criteria
1. Affordable Housing	<p>Investments in new construction, rehabilitation, and/or adaptive reuse properties which have, or are expected to, qualify for federal and/or state³ Low Income Housing Tax Credits ('LIHTC'), including:</p> <ul style="list-style-type: none"> i. Senior communities ii. Multi-family and single-family homes <p>Target Population: US population underserved by local commercial housing market.</p> <p>For a development to qualify for federal LIHTCs, the housing project must be affordable for households earning at or below 60% of the average median income (AMI) as rated by the national government or a local government by a recognized housing affordability index</p>

2. Process for Project Evaluation and Selection

Monarch has established a Social Bond Committee (the "Committee"), which will be responsible for the ultimate evaluation and selection of projects that will qualify as Eligible Social Projects, as defined by this Framework. The Committee consists of senior members of Monarch's executive, investments, and asset management functions and will be chaired by Monarch's Chief Financial Officer.

To evaluate the eligibility of Social Projects, the Committee will:

- Review and ensure all investments follow the Social Assets Eligibility Criteria
- Ensure each Monarch Social Bond aligns with ICMA's Social Bond Principles 2021
- Oversee implementation to ensure Monarch Social Bond proceeds are used in accordance with the criteria defined in this Framework
- Oversee the establishment and implementation of systems needed to generate Allocation and Impact Reports, as defined in this Framework
- Monitor existing Eligible Social Projects to ensure they maintain the criteria defined in this Framework

³ Criteria for state LIHTCs will vary on a state-by-state basis. Monarch Private Capital, State Tax Credits: <https://www.monarchprivate.com/esg-investment-types/state-tax-credits/>

- Ensure that Eligible Social Projects also meet minimum environmental standards such as:
 - Energy-efficient standards required to qualify for by federal and/or state LIHTCs, including but not limited to standards set by one of the following green building rating systems: Enterprise Green Communities, any of the LEED rating systems, National Green Building Standard, or similar local rating requirements

3. Management of Proceeds

Monarch's Accounting Department will establish a Social Bond Register to record the allocation of the net proceeds of each Monarch Social Bond to Eligible Social Projects, as defined in this Framework.

Any portion of the net proceeds unallocated to Eligible Social Projects in the Social Bond Register will be invested in accordance with Monarch's cash investment policy.

4. Reporting

Allocation Reporting

Monarch will report on the allocation of the net proceeds of each Monarch Social Bond annually until full allocation. The report will be published on the company's website within one year of issuance. To the extent practicable, the reporting will include:

- A list of Eligible Social Projects funded, including location of the project
- Total amount of proceeds allocated
- The balance of unallocated proceeds
- Summary of outstanding Monarch Social Bond issuances, including issuance date, size, maturity date, currency and format

Impact Reporting

Monarch, where feasible, will report the social impacts of the Eligible Social Projects funded using key performance indicators (KPIs), such as:

- Jobs created, number of affordable units produced, local income generated, local tax revenue generated, number of green building certifications

EXTERNAL REVIEW

Monarch's Social Bond Framework will be reviewed by a recognized second party opinion provider. The opinion will be published on Monarch's website and/or the opinion provider's website prior to the issuance of the first Monarch Social Bond.

Upon full allocation, an independent party will verify that the net proceeds have been allocated to the Eligible Social Projects defined in this Framework and will be published on Monarch's website.