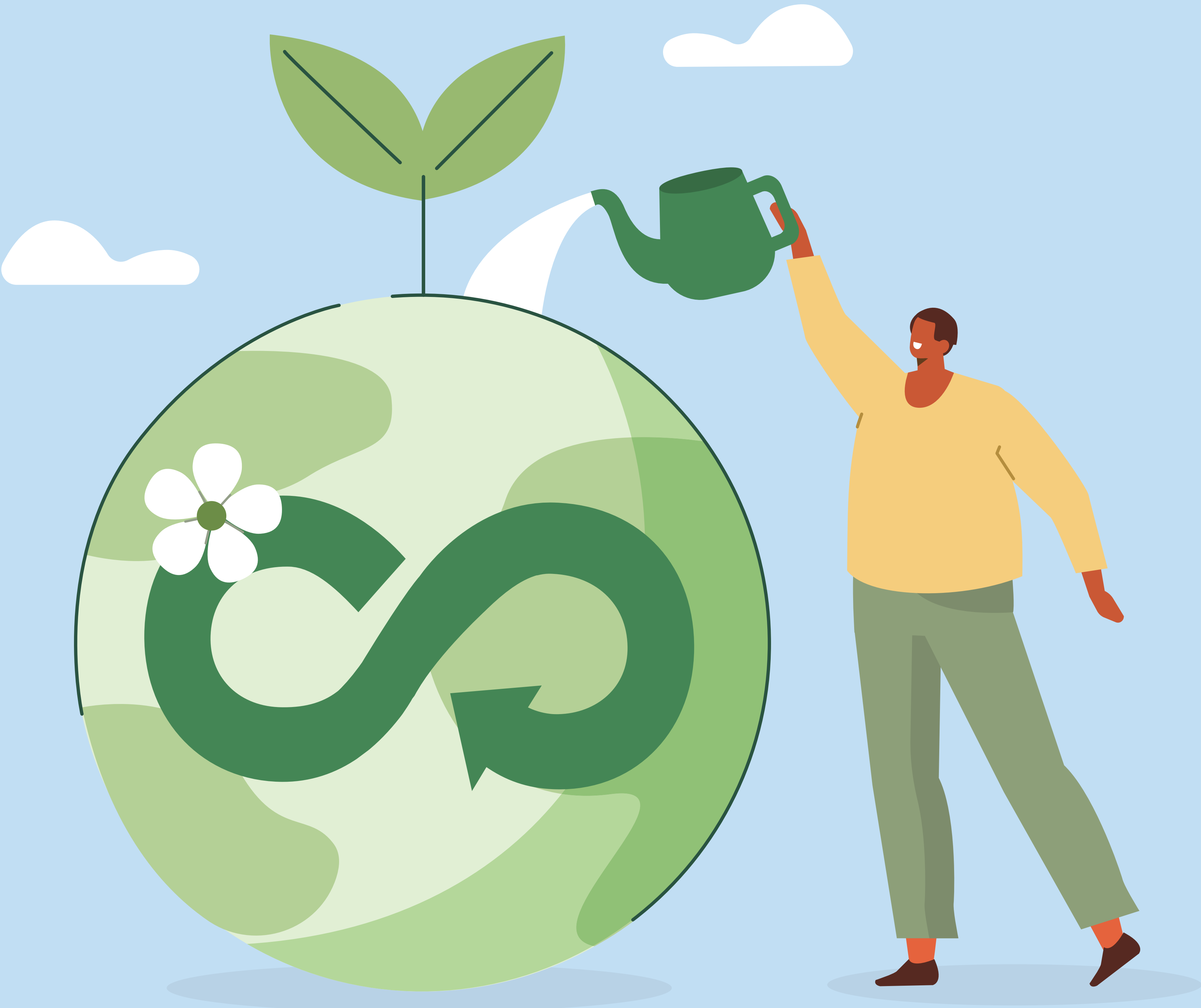
TABLE OF EXPERTS

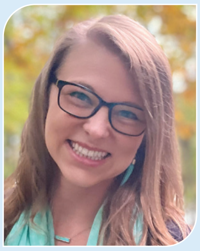
SUSTAINABILITY



The Minneapolis/St. Paul Business Journal held a panel discussion recently about sustainability.

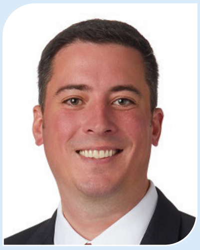
Panelists included Michael Thalhimer, director of business development at All Energy Solar; Mark Rogers, principal of energy credits and incentives at Eide Bailly; Lou Raiola, director of ESG, CSR and cause marketing at The Vomela Cos.; and Michael Linder, commercial banker at Highland Bank. Carla Inderrieden, sustainability coordinator at the Minnesota Pollution Control Agency, served as moderator.

PANELISTS



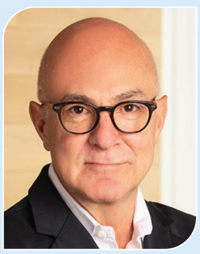
Carla Inderrieden | Moderator

Carla Inderrieden is the sustainability coordinator for the Minnesota Pollution Control Agency, where she works on operational sustainability, education and policy, and specializes in waste and recycling for all state agencies. She leads several sustainability-focused groups for the state, including the Minnesota Sustainable Sports and Events Coalition and the Minnesota Solid Waste and Procurement Work Group. She is on the steering committee for the Sustainability Practitioners Roundtable and sits on the board of Friends of Grey Cloud, and she helped found the Minnesota Reusables Coalition. She holds the ISSP-SA certification from the International Society of Sustainability Professionals and is a qualified administrator of the IDI Intercultural Development Inventory, which she uses in her work as an intercultural competency and equity coach. Inderrieden also mentors Minnesota GreenCorps members and volunteers with Friends of the Mississippi River and other conservation-minded organizations. In her free time, she loves to backpack, canoe, hike and get lost in the woods.



Michael Linder

With over a decade of banking and credit experience, Highland Bank's Commercial Banker Michael Linder channels his education to help business owners with comprehensive financial solutions. He knows that good communication is critical when it comes to financial matters and works diligently to listen for ways that he can assist. After obtaining his MBA in finance from the University of Minnesota's Carlson School of Management, Linder earned a lending role in the evolving niche of clean energy financing, including Property Assessed Clean Energy (PACE) programs. By blending his skills as a communicator with his technical acumen, Linder supports Highland Bank business clients with diverse and effective financial solutions, enabling them to focus their time and energy on running their business.



Lou Raiola

Lou Raiola brings more than 40 years of ESG experience to his role as director of ESG, CSR & cause marketing at The Vomela Companies, a full-service specialty graphics provider capable of producing a wide variety of promotional, store décor, event, fleet, OEM, commercial and transportation graphics. The company employs more than 1,300 people in 21 cities across the U.S. and Canada. Certified by the Sustainable Green Printing Partnership, Vomela operates from a LEED-compliant headquarters in St. Paul, Minnesota.

Mark Rogers

Mark Rogers has over 19 years of experience helping taxpayers identify and implement tax-saving strategies made available through building, acquiring, renovating and designing property. As a leader in the business credits and incentives arena, he oversees a national team of CPAs, professional engineers, energy modelers, LEED professionals, architects, HERS raters and construction specialists. The BCI group has professionals with wide industry experience performing research and development, employee retention credit, fixed asset planning, 179D energy deduction, cost segregation, 45L energy credit, 45Q CCS credit, tangible property regulations, and construction tax planning studies. When you work with Rogers, you can expect him to take the time to understand your cashflow goals; to dig deep into the makeup of your business, real estate and construction portfolio; and to thoughtfully analyze how business credits and incentives can be implemented to achieve your cashflow goals.

Michael Thalhimer

Michael Thalhimer has served as director of business development at St. Paul-based All Energy Solar since 2016, where he oversees the company's commercial and industrial project work. With a focus in the Upper Midwest, but experience across more than 20 U.S. states and international territories, Thalhimer and his team have supported over 400 clients in developing and deploying customized renewable energy solutions. In this highly consultative role and field, Thalhimer enjoys working with businesses of all types and sizes to deliver clean energy projects, offering decades of energy savings and sustainability benefits. Since 2009, All Energy Solar has provided in-house, turnkey project support towards the design, installation and service of over 7,000 rooftop- and ground-mounted solar energy systems, battery energy storage systems, and electric vehicle charging stations for commercial, industrial, agricultural and residential clientele.

Carla Inderrieden: To begin with, we just want to start by thinking about what's new and happening in this space and sustainability. I want to start with Mark at Eide Bailly. How has recent legislation by Congress created a climate economy?

Mark Rogers: The government has passed unprecedented energy legislation these past two years ushering in the upcoming $1.2 trillion climate economy. It started with the [Infrastructure Investment and Jobs] Act, a bit with the [Creating Helpful Incentives to Produce Semiconductors and Science] CHIPS act. But things started to get real in the sustainability and renewable space with the Inflation Reduction Act, which is essentially a really big energy bill. There's about two dozen tax provisions within here and other grants, [and] a lot of them are uncapped, so it could be up to $1.2 trillion of incentives handed out in the next 10 years. If you initiate these renewable and sustainable efforts and participate in the Energy Incentive Program, you'll get rewarded. However, you must work with your accountant and design team to document, analyze and request these incentives. The Treasury will not automatically reward, you must be proactive in claiming.

Inderrieden: Michael Thalhimer, what is new in the world of renewable energy incentives?

Michael Thalhimer: New programs and incentives always seem to be in play for businesses looking to invest in renewable energy systems, but in recent months, the most transformative platform came from a series of clean energy provisions embedded within the 2022 Inflation Reduction Act. With the passing of the IRA, renewable project tax incentives have increased for those who can take advantage of those credits, where upwards of 60% of a project investment is quickly returned to the business' books. We're also seeing an increased focus on growing domestic manufacturing of renewable energy project materials. Over time this will lead to more American-made options for consumers and more domestic manufacturing jobs to support this growing industry. The IRA also now includes a "direct pay" feature, which is designed to provide access to an equivalent tax credit for nonprofit entities that were previously exempt from receiving those benefits. It's a big step in the right direction for more broad-scale access and adoption, and this does help improve project returns for those looking at these investments today.

Inderrieden: What macroeconomic trends have impacted these renewable energy markets over recent years, during and post-pandemic, and what's the outlook for the next several years?

Thalhimer: We have seen a couple of different waves of impact across our industry in recent years. Early in the pandemic, installation efforts were shuttered or significantly delayed due to shutdowns and limitations in working conditions. After many of us started to return to offices and to the field, supply-chain disruptions took hold just like so many others experienced. Despite these temporary headwinds impacting procurement and construction, demand hasn't slowed for renewable energy, and in 2022 and 2023, we are seeing installation efforts significantly ramp up again to meet or exceed pre-pandemic levels. Last year about 50% of all the new electrically generated capacity added in the U.S. came from solar, and that was the largest annual share growth we've seen. Current projections indicate the U.S. solar industry is going to multiply by five times over the next decade as access and adoption continue to increase.

Inderrieden: Do you see that growth primarily in residential properties or commercial and industrial? Is the business case improving?

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Thalhimer: We are seeing growth across all sectors, and that business case today is stronger than ever. The incentives are significant, and equipment efficiencies are at their highest point in our history. Renewable energy systems are designed to operate and deliver predictable returns for decades. And like so many other cost pressures we are faced with as consumers today, the cost for energy delivered to our businesses and homes by utility providers continues to surge. Where solutions exist to help ratepayers avoid the incredible year-over-year increases we have become accustomed to, that dramatically increases the value these renewables systems deliver for the long term, allowing our customers to redirect those savings into other areas of their business.

Inderrieden: Mark, [do] you have some thoughts on nonprofits not being eligible in the past for those energy incentives, and how that might impact things going forward?

Rogers: For the first time in legislative history, energy incentives can be monetized by tax-exempt organizations. Health care, tribes, governments and other nonprofits, along with the architects, engineers and contractors that design buildings for them, are all big winners in 2023 and beyond. That is probably the biggest shift for the credits and incentives world that I've been a part of in my 20 years. I have been on at least two calls a day, just educating our clients in the exempt-org space. So how do you monetize it if you are an exempt org? The answer is direct pay, which is essentially a briefcase of cash. A church out of the Diocese of Fargo [was] putting in natural gas HVAC, a $4 million project. After hearing about this clean energy investment tax credit, after a couple of conversations and modeling it out, we found potentially 40% credit, a $1.2 million briefcase of cash. They're now doing a complete 180. No more natural gas, other than a backup, they're going to 100% geothermal. This law is either going to reward behavior that you're already doing, [or] it's going to change some behaviors.

Inderrieden: What makes these energy incentives so powerful?

Rogers: In the legislation, we have 10 years of certainty. That's a big deal. In the for-profit space, some of these incentives might be around for a year or two, some of them might have kicked in retroactively, so companies couldn't plan for it in their tax strategy. Now you can. Now you can make a shift to geothermal knowing that you're going to get it back. You can start making decisions based off incentives. The other one is 10 years of materiality. There's a building energy deduction at $1.80 per square foot, and [the IRA] bumped it up to $5 per square foot. On the residential side, there was an energy credit for mechanical and installation that expired. Now we have it at $2,500, maybe up to $5,000 per residential home, or multifamily home, or townhome, or senior living. We know that's going to be around for 10 years, so residential homebuilders and multifamily developers can plan for this. In many cases, the incentives will pay for those upgrades. Not to mention, it's the energy efficient thing to do.

Thalhimer: And with that extended duration we see outlined within the IRA, this programming and structure greatly benefits businesses looking to develop more complex plans and evolve those plans over time. A decision to proceed with a renewable energy project like solar or energy storage does not have to be a one-and-done proposition. With such a nice stretch of runway ahead of us to benefit from these programs, it really helps organizations not just plan a project, but develop a long-term sustainability strategy which may incorporate many objectives and priorities for the business to address over a number of years.

Inderrieden: Michael, how is Highland Bank promoting and approaching programs?

Michael Linder: Educating our clients is a huge part of making sure that they're aware of the programs that are available to reduce their energy use. Tax codes and incentives are always changing, and sometimes as was mentioned, it's hard to understand how these tax incentives can be used to modernize and upgrade building energy systems. At the end of the day, it still costs money to make these improvements and install renewable energy. There are a lot of different financing options available and PACE is one that has emerged specifically to assist with energy efficiency and renewable energy improvements. It provides 100% financing, so there's little to no up-front costs. PACE financing can have terms up to 20 years, and it's a fixed rate for the life of the loan, so you know exactly what your cash flow is going to be over that period. All of it can be financed up front, and on top of that, you will receive your tax credits and depreciation before your first payment is due on the loan the following year. And the best part is those tax credits do not have to be used to repay the loan. You can reinvest that money back into your business. It's a great way to get business owners to think long term about rising energy costs and resiliency, while providing a simple and cost-effective solution.

Inderrieden: That's fantastic. I wasn't aware of that program. What is the PACE program?

Linder: PACE stands for property-assessed clean energy. It's a financing tool to implement renewable energy or efficiency improvements to your property to reduce your energy expenses. It's simply a loan that is repaid through a special assessment on your county property taxes — similar to your city completing a road improvement and then placing a special assessment onto your property, you would repay that over a certain period of time. This is a voluntary special assessment and instead of paying the bank directly, you will see a line item for the loan on your property tax statement. Many commercial building owners have tenants who are paying property taxes, as well as their energy costs through triple-net leases. This allows the owner to pass on both the PACE loan and the energy savings to the end user, which is ultimately a net benefit. So not only can you finance these projects 100% with PACE financing, when you place a special assessment, the tenants in your building can pay the assessment back directly, along with the reduced energy costs. This makes the building more appealing to users and sustainable in the long term.

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Inderrieden: Wow, that's amazing. Is this program primarily for large organizations, companies, small companies, nonprofits, residents, individuals?

Linder: PACE works for commercial, agricultural and nonprofit properties. Commercial office and multitenant buildings are where we are seeing a lot of growth in financing for new construction and retrofits. Farms that want to invest in renewable energy are also a great fit — grain processing and animal operations are very energy intensive. We also see a lot of demand for churches and other religious institutions. Even though churches don't pay taxes, it's possible to place a special assessment on the property. And since they were not previously able to take advantage of the investment tax credit, PACE financing helps these projects that might otherwise not cashflow.

Thalhimer: This program has been greatly successful here in Minnesota for years, and we're just getting started in terms of projects moving to finance through PACE. Like most renewable energy contractors, All Energy Solar is not a bank, so it's important for us to matchmake certain projects to the right funding solution, particularly when customers don't bring their own financing to a project. PACE provides commercial property owners with a long list of unique benefits not possible with a traditional loan, and offers access to many different potential customers, large and small. In recent years, we have also seen the PACE program in Minnesota revised at the state legislative level to allow for funding projects for new construction, opening up even more opportunity for new development where efficiencies like renewables are more and more common.

Inderrieden: Well, sounds like an amazing opportunity. Anything to add, Michael?

Linder: I'm glad that Michael brought up energy efficiency and new construction. That is where we're seeing a lot of the growth. It has definitely proven how powerful PACE financing can be in large scale development projects.

Inderrieden: Lou, what is driving private companies like Vomela to start doing sustainability and ESG reporting and making those kinds of commitments?

Lou Raiola: ESG is emerging as a strategic imperative for privately held companies. Of course, ESG is not new, but we're starting to hit a tipping point around the acceptance and adoption of the agreements corporate CEOs have signed, effectively stating that the purpose of a company is transforming from value to shareholders — that is, profit — to value to stakeholders. Public companies have been adopting and accelerating their reporting of their ESG activity. It's not required here in the U.S., [but] it is in Europe. There's pressure now that, coming soon, there will likely be a formal ruling from the SEC around climate disclosures. There's also a number of other state-level activities, and employees [are] another driving force — especially our younger millennial and Gen Z workforce demographics who are really looking at change and what companies stand for. And that's a pressure point. Moreover, we also can't rule out investors and financial markets. Trillions and trillions of dollars are going into ESG.

Over 90% of the S&P 500 voluntarily report their ESG. And on average, over 90% of the impact comes from their supply chains. When you have over 90% of your carbon footprint coming from your supply chain, the only way you're going to meet your goal is to transform how you procure and how you work with your suppliers. I've coined a term, the ESG ripple effect, which refers to the way ESG adoption is rippling down through publicly held organizations into their supply chains, which mainly comprise privately held organizations. Now, it's become table stakes to be able to conduct business with customers that are public reporting. For private companies, it's important to understand where you fit within that alignment with your publicly held customer.

For supply chain partners, the bell is ringing. And it's a strategic imperative for privately held companies to start to understand what this ESG ripple effect means for them.

Thalhimer: Yes, and we're seeing that this is now something individual companies and even industries at-large are starting to keep an eye on, and in some cases, hold their partners, vendors and suppliers accountable for, as well.

Raiola: In fact, McKinsey came out with a report that in 2018, ESG investment was $5 billion in all of 2018. In just the first half of 2020, $2.5 trillion was invested into ESG. We have to understand that in a global business economy and a global world, the ESG movement is already happening. So while it can be easy to discount the noise, adoption is happening quickly.

Inderrieden: If they're not doing this already, as a private company, if they're not there yet, what should they be doing?

Raiola: I think first and foremost, private companies need to recognize that it's a risk to stand idle. At Vomela, we understood four years ago that a change was happening in the dynamic of our clients. So as the [ESG] transformation was happening, we realized that we were part of it, that we were in that value chain. It's important for any organization to do an honest self-assessment of what industry are they in and who ultimately are their end users. If they do have, somewhere upstream, public reporting entities, this ripple effect is going to impact them. And [even] if they don't, they have to understand their employees, and the future workforce and what it means to those demographics. The era of business is changing.

The other thing I'd add is many organizations in the supply chain are commodities or commodity-based solutions. In this environment of ESG strategies, a commodity-based organization can actually become a value-based solution. At Vomela, we're in a commodity business of printing, but by adopting these changes and walking the walk, we go from a commodity to a value-based solution. Many people may be familiar with the term "greenwashing," where somebody makes a declaration like, "We're going

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to be carbon neutral," or "We're going to be net zero." Okay, well, how are you going to do that if over 90% of your impact comes from your suppliers? It needs to be treated as a strategy. ESG is a complex, ever-changing journey — there is no quick fix. It's important to look at this as a strategic investment and build a strategic imperative around it, which will give you both internal and external buy-in from your stakeholders.

Inderrieden: With the last few minutes, I want to ask each of you: What sustainability initiatives are you most excited about for 2023 and beyond?

Thalhimer: There are a lot of new programs and incentives hitting the market, and some are close to home. Here in Minnesota, our focus on sustainability — and clean energy in specific — continues to transform. You may have seen recently that Gov. Tim Walz signed a 100% clean energy bill in February. To get to 100% carbon-free electricity in Minnesota by 2040, we can all expect an extended period of rapid expansion for renewables across the board. We will see programs designed to encourage more projects for school systems, small businesses, rural producers and lower-income communities, which historically have been underserved in this space. Utility scale programs and community solar also continue to evolve and are a big part of the short- and medium-term plans. Also, as recently as this March, we have seen a proposal for a supplemental Minnesota renewable energy tax credit raised in the Legislature, and that is to be independent of the tax incentives tied to the IRA. All of this focus and programming will help us gain more traction to achieve the state-level targets and help clean up our energy use at businesses and homes across Minnesota. I am encouraged to see our representatives stepping up to the task. We will need their collective support if we're going to meet the challenge.

Rogers: In the short term, the Energy Incentive Program is going to reward and change behaviors with investment in renewable and energy efficient property. This energy property will come in the form of solar, wind, geothermal, dynamic glass, biomass, energy storage, microgrid controllers, and combined heat and power properties. In the long term, what I'm excited about is decarbonization. That falls under another code section, 45Q, of the Inflation Reduction Act. We're starting to have conversations with companies that are taking serious steps to capture their greenhouse gas emissions, pipe it, and put it 1,000 feet into a geological formation. I'm hoping that's going to be the start of something exponential.

Linder: What I'm most excited about is that from a profitability perspective, it makes sense more now than ever for businesses to invest in sustainability. The incentives with the IRA and other tax credits are going to push adoption of solar and energy efficiency even farther. It's great to see this public investment from federal and state governments, but also to have tools like PACE, where private dollars are being invested, really provides a comprehensive solution to these issues. Lastly, the shift from the shareholder to stakeholder mentality has really shown that there are benefits on both sides. For a lot of businesses, that's making sense; customers are demanding that businesses operate sustainably and ethically, and it's good for a business' bottom line. That's a great motivation and a great trajectory to see.

Raiola: What excites me is the ripple effect [as] a spark to further collaboration. Climate change is impacting our world so much faster, and we need to act faster as citizens and as organizations. What excites me is collaboration. At Vomela, we're collaborating with our suppliers so that we're actually taking that ripple effect one more tier down into our own supply chain, and talking to our raw materials suppliers, our manufacturers and our business partners about what we can co-create and collaborate on that we can then bring back to the entire value chain. That's how we're going to multiply change. Importantly, this isn't at the risk of business, but rather the contrary — it can help drive businesses forward.