



**Ecosystem
Investment
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ENVIRONMENTAL MARKETS 101: WETLAND, STREAM, AND SPECIES MITIGATION

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Market fundamentals

Federal regulations drive demand for wetland, stream, and species mitigation

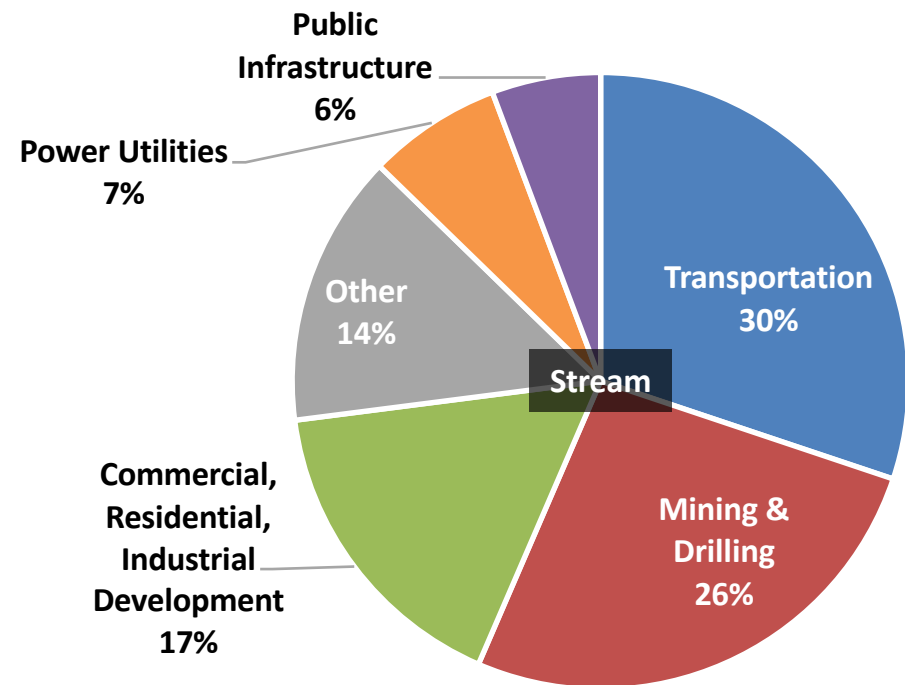
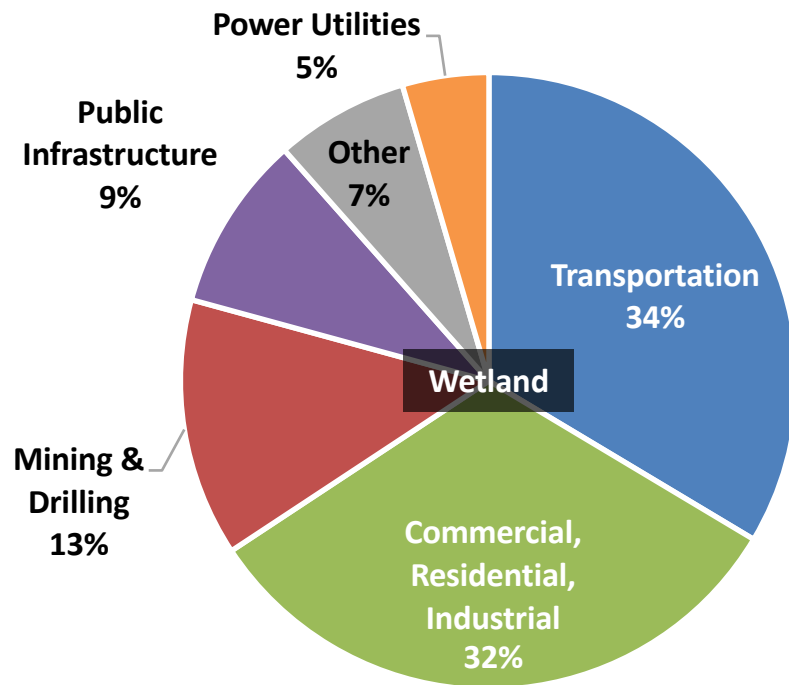
- Clean Water Act (Section 404) & Endangered Species Act (Sections 7 and 10)
- Permittees must avoid, minimize, and offset (mitigate) impacts to jurisdictional resources

Mitigation is restoration of degraded wetlands, streams, endangered species habitat

- Measurable, verifiable units of ecological uplift
- Delivered through 2 mechanisms:
 - **3rd party outsourced compliance credits: mitigation banks and in lieu fee programs**
 - Liability transfer
 - Restoration serves many permittees
 - No temporal loss
 - **Permittee responsible (onsite or offsite)**
 - Liability stays with permittee
 - Can be turnkey delivered by a 3rd party (pay for success)
 - Restoration is specific to one permittee

Demand comes from diverse sectors

All wetland and stream impacts requiring Clean Water Act mitigation (2012-2018)



Market size is approx. \$4 bn annually

Annual mitigation market size^α

Clean Water Act (CWA)

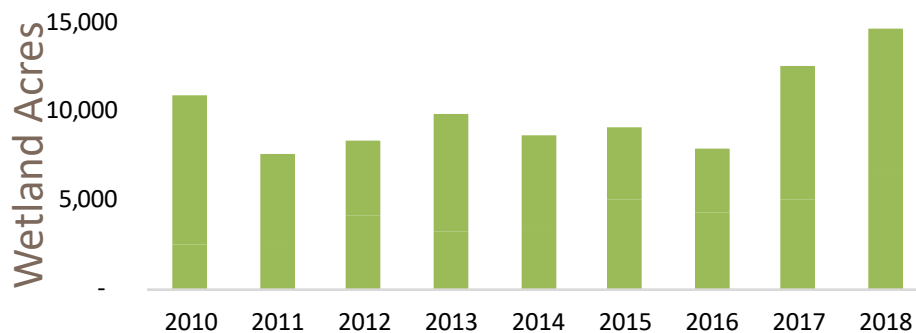
Wetland	\$3.2 bn
Stream	\$274 mm

Endangered Species \$354 mm

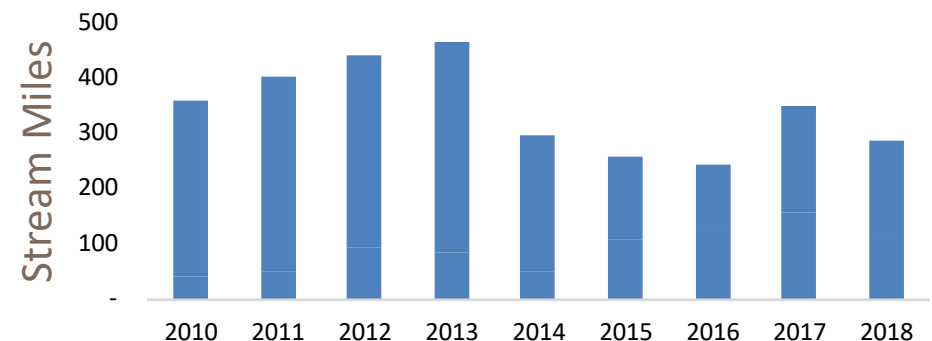
- Approx. 4,000 CWA permits require mitigation annually

Volume of impacts requiring Clean Water Act mitigation^β

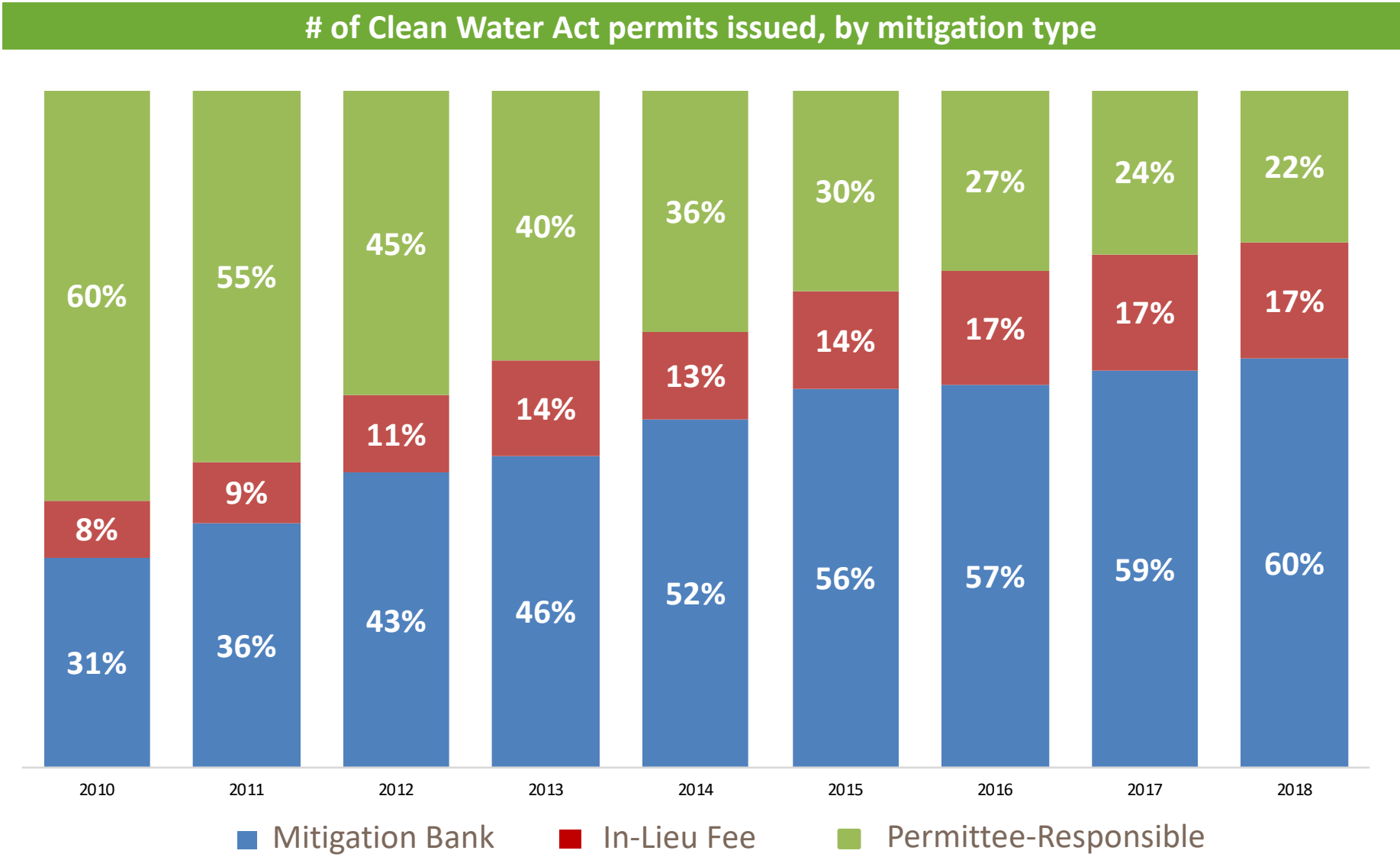
- Ave. ~10,000 acres of permitted wetland impacts require mitigation annually



- Ave. ~350 miles of permitted stream impacts require mitigation annually

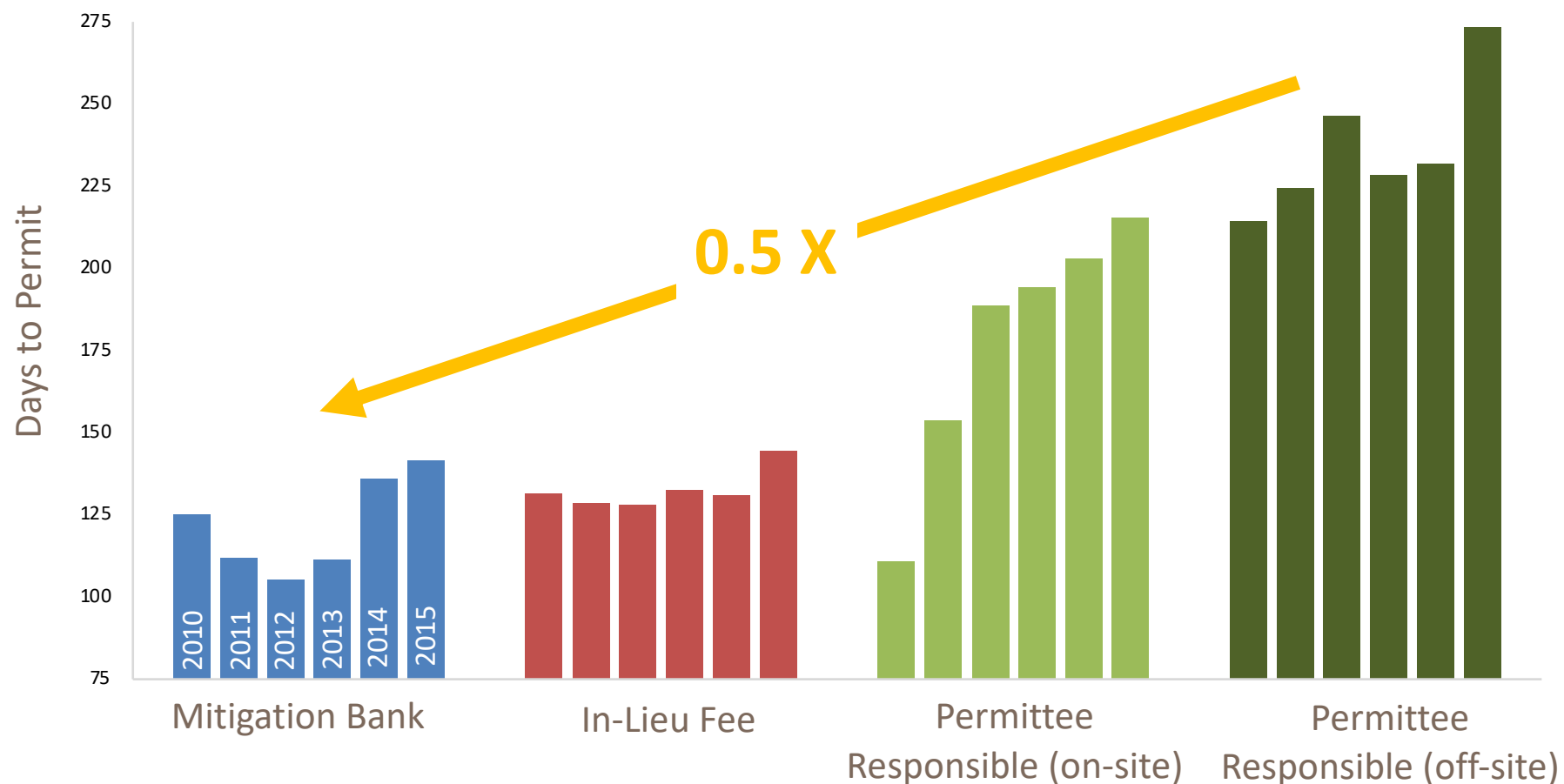


Bank market share is growing



Value proposition is faster time to permit

Days to permit, by mitigation method, Clean Water Act permits (2010-2015)

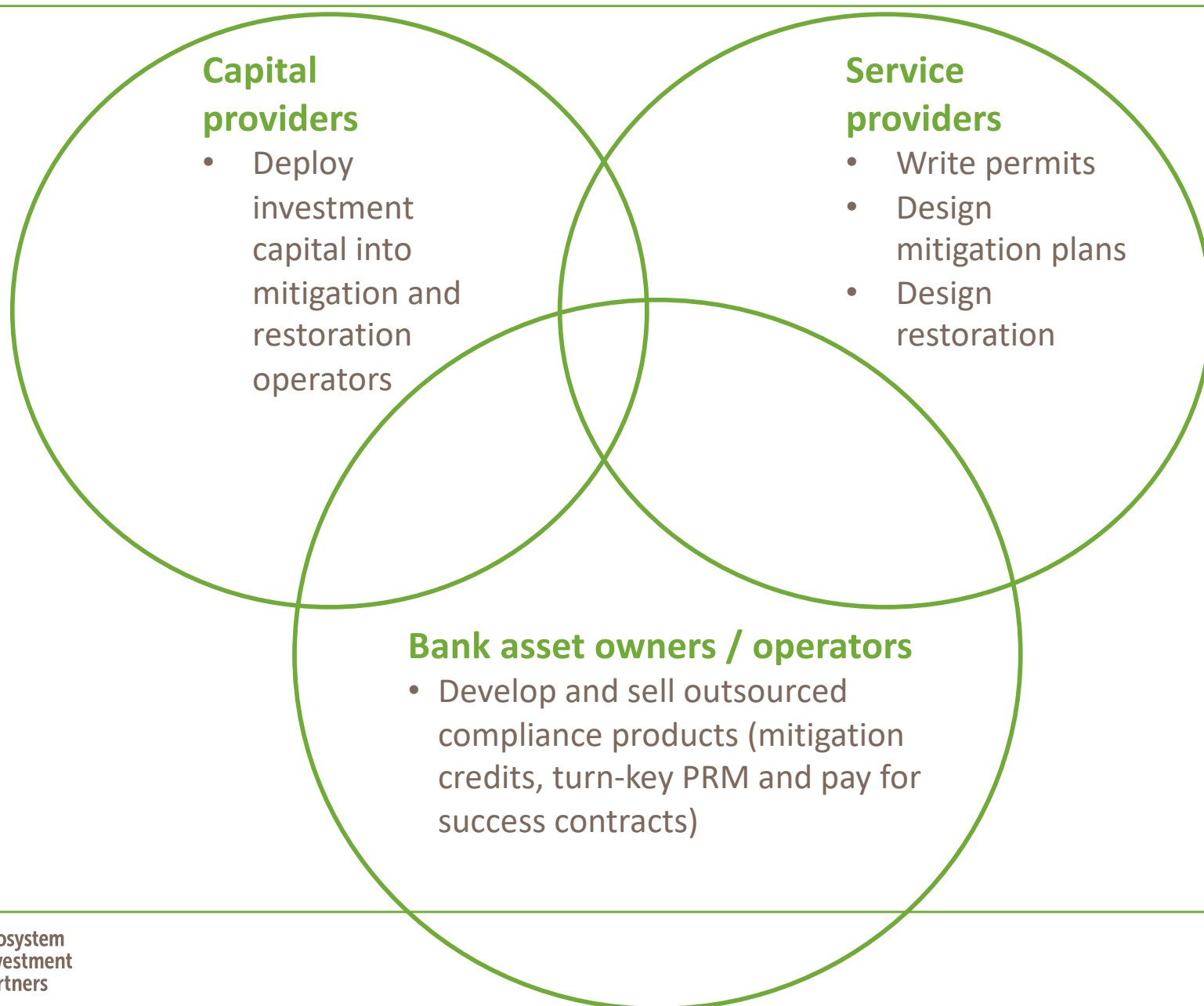


The market is diffuse

Bank sponsors and units transacted per RIBITS database (all time; excludes ILF)

	# of banks	# of sponsors	Units transacted	# of sponsors in the top quartile of units transacted	# of sponsors in the bottom quartile of units transacted
Wetland	1,155	595	184,820 acres	5	512
Stream	358	195	560 miles	5	155
Species	128	75	41,158 acres	3	59

Diverse players & capital structures



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