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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, Tortoise provides a timely update on trending topics in the market.

Welcome. Thank you for joining us. I'm Tiny McLaughlin, Vice President of Social Infrastructure at Tortoise, and welcome to today's Tortoise Social Infrastructure Platform Podcast: What is a charter school and why Tortoise believes they offer a great opportunity for investors.

The Tortoise social infrastructure platform provides capital for social infrastructure projects where there's currently capital dislocation. Education is a core area of focus for the social infrastructure platform. With the education sector, Tortoise believes that charter schools offer outstanding tax-exempt and taxable investment opportunities for those who are able to develop a deep understanding of an individual school's governance, academic execution and financial performance as well as the political environment in which the school operates.

So what is a charter school? Charter schools are public schools that operate under the control of a not-for-profit board rather than a school district. They exist to provide an alternative when district public schools are either failing or parents don't feel they're providing their children with adequate education opportunities. All charter schools operate under a contract (or charter) with an "authorizer," typically the state, a school district or university – that holds them accountable to the high standards outlined in their "charter." Charters create their own school model, for example: College Prep, STEM or the Arts, and offer a curriculum of their choosing. They have the freedom to hire and fire the staff and teachers they feel are best needed to meet the needs of their students. And it's common to see charter schools led by former teachers who wanted to take the lessons they learned in the classroom and apply those lessons to an entire school.

Currently, there are more than 7,000 charter schools serving approximately 3.2 million students across 45 states, and the District of Columbia. Charter schools are tuition-free and are required to admit all students, first come/first serve via public lottery. For this, they receive public funding on a per-pupil basis, but are typically responsible for finding and financing their own school facilities. It's in this area – facilities - that Tortoise sees both capital dislocation and opportunity.

Leasing is the most common form of facilities finance utilized by charter schools. The availability of appropriate real estate, the quality of local landlords and the need for extensive tenet improvements makes leasing extremely difficult in many areas where charter schools are found. Use of a district school facilities or alternatively colocation with an under-enrolled district school is common in some cities but, most often, either demand far exceeds available space or local districts are uncooperative. In areas experiencing significant population growth, new construction may be the only way to access a facility. In these and many other situations, charters find that owning their own school facilities may be their best or the only option. For a variety of reasons, banks and traditional lenders are not well equipped to serve the borrowing needs of charter schools and have not provided meaningful debt capital for facility finance. As a result, public offerings of 30- to 35-year tax-exempt bonds have become the primary vehicle utilized by charter schools to meet their long-term facility needs. New issuance of tax-exempt, public charter school bonds was more than \$2 billion per year in 2016, 2017 and 2018. However, since the very first charter school bond was issued in 1998, fewer than 10% of all charter schools have ever been able to access the public bond market. Moreover, based on our own experience with charter schools, authorizers, developers and financial advisors, we believe the demand for facility finance from charter schools is 2 – 3 times greater than that currently provided in the public finance market- with significantly less available capital to support it.

Tortoise is one of a handful of registered investment advisors actively originating facility financings for charter schools who are unable to or who've chosen not to access the public bond market. While we provide capital for charter school facilities, we view these as investments in a stream of government cash flows as provided by federal state and local governments above and beyond the real estate transaction. We view each charter school as unique, with investment characteristics that are largely non-cyclical and largely uncorrelated with the market for publicly traded equity and bond markets. For these

reasons, Tortoise has chosen to make charter schools a significant area of focus for our social infrastructure platform and sees tremendous potential for exceptional risk-adjusted returns to those investing in our Social Infrastructure Platform.

Thank you very much for joining us. Have a great day.

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com.

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