

**INSIDE THIS ISSUE:**

Market Opportunity Update ..... 1  
 TGC Westmont Project ..... 2  
 Project Finance Update ..... 2  
 Tax Reform Update..... 3  
 ITC Extended—Update ..... 3  
 Tariffs—Regulatory Update..... 3  
 About True Green Capital..... 4

## True Green Capital Update

### Fund III Project Pipeline

\$2.4 billion of transactions under review

**Funds I & II** fully deployed into a 107 MW operational portfolio

### Fund III Investment Commitments

Projects totaling 286 MW. Of \$350 million, \$164 million deployed to date

### Fund III Operating Assets

Six operating cash flow producing projects totaling 53 MW

### Fund III Cash Distributions

During the ongoing investment period, the Fund has distributed \$13,223,044 of operating cash flows on ~\$130 million of called equity capital

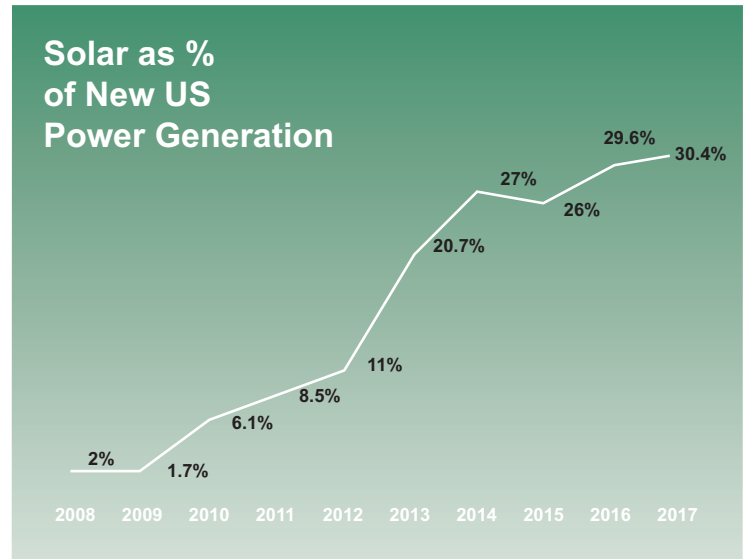
## Distributed Energy and the Solar Revolution

If we built the power grid today from scratch it would look nothing like what we currently have—which is based on technology similar to the 1882 built Edison Illuminating Company—New York City’s first power plant.

Traditional production and consumption of electric power is highly inefficient. In the U.S. traditional power generation results in a 68% loss converting fuel to energy with an additional 19% loss transmitting and distributing it. By the time that light is produced and equipment is run we have lost over 90% of the energy.

Our investment thesis is finding technologies and business models to reduce electric energy loss therein capturing economic benefits not available to traditional power generation sources.

Distributed power generation largely solves this inefficiency problem. This next level of innovation includes distributed solar, combined heat and power, batteries, fuel cells, smart



inverters and LEDs, among others. Necessary market dynamics include new technologies which largely exist, continued reduction in capital expenditures (since 1990 the price of solar panels has dropped 93% to approximately 40 cents per watt) and efficiency improvements. The distributed power generation industry continues to grow; the U.S. solar market as a percentage of new U.S. power

generation has grown 32% since 2008. It offers the opportunity for massive capital deployment driven by market fundamentals and institutional capital seeking investment into a rapidly growing and less correlated sector.

Institutional investors are increasingly allocating assets to clean energy to diversify their portfolios away from conventional energy.

## Distributed Commercial & Industrial Solar Addresses the Bottleneck in U.S. Electric Power

- **Fundamental Economics**—Declining entry costs, competitive solution, strong industry fundamentals
- **Competitive Dynamics**—Inefficient market, barriers to entry, abundance of opportunities, dearth of mid-market institutional capital
- **Fundamental Policy Drivers**—Job creation, energy independence and price predictability, system reliability and resilience considerations

## TGC Westmont Project—Case Study

### Solar Rooftop System in the Port of Los Angeles

*Westmont is the largest solar rooftop power plant in the world based on electricity production*

*Weighted average credit rating of TGC's operating portfolio is A*

*Existing portfolio of assets project debt-financed at L+150*

The Westmont System is a 17 MW dc commercial and industrial (“C&I”) solar rooftop operating system in the Port of Los Angeles, CA selling the power to Los Angeles Department of Water and Power under a 20-year fixed-price power purchase agreement. The system was built on flat rooftops of four massive distribution centers. Its construction was fully financed by 100% owner TGC. Based on electricity production, we are unaware of any larger C&I rooftop facility in the world.



## Project Finance Debt Competitive Landscape

*The same energy project themes from 2016 to 2017 continue into 2018*

*Base interest rates, while still historically low, continue to increase while spreads continue to contract*

*Continued abundant liquidity with no clear indication of a market slowdown*

### Energy Project Themes

Limited supply of deal flow coupled with strong demand from financing institutions has led to lending spreads that are equal to historical lows. Deal flow for new projects is decreasing, but overall deal volume is increasing, as reduction in new deals is more than offsetting activity from borrowers taking advantage of historically favorable terms to refinance. We see increasing lender interest in renewables as traditional capital-intensive sectors display muted activity due to unfavorable economics driven by low energy prices.

### Interest Rates and Credit Spreads

Although still historically low, base interest rates continue to increase, more on the front end than on the back end. Long term treasuries remain historically low, resulting in inexpensive hedging and debt maturity extension costs. While Libor has risen, credit spreads have fallen making project financing quite attractive from an equity return perspective.

From a risk management perspective, fixed rates coupled with the correlation of interest rates and energy prices mitigate a rising rate scenario.

### Expected Trends

While there is abundant liquidity, we see some irrationality in the market as fixed income investors are challenged to deploy capital. Continued volume is increasingly driven by refinancings and M&A. There is continued diversification away from conventional power to renewables given the lack of expected improvement in performance in the conventional power sector.

While still small, we are seeing increased interest and transaction volume in energy storage, along with increased willingness by some investors to take some “merchant” risk.

## Tax Reform—Tax Equity Update

Two key provisions of the Tax Cuts and Jobs Act impact the tax equity market for solar:

**Reduction of the corporate tax rate** from 35% to 21% reduces the value of losses by approximately 40%.

Losses comprise approximately 15% of the overall value of the tax equity investment. As a result, all else being equal, the

tax equity investment declines by approximately 6%. At a 21% tax rate the equity requirement for a solar project investment is increased by approximately 3%.

**Base Erosion Anti Abuse Tax (“BEAT”)** has been implemented to limit deductions by multi-national corporations.

Establishes a minimum tax rate against which only 80% of ITC

can be applied, potentially impacting many major tax equity investors.

### Robust Tax Equity Market

Record corporate profitability provides for a robust tax equity market.

Mainstream tax equity market participants remain active and alternative buyers of tax equity are attractive counterparties.

*The market for tax equity remains vibrant with many new entrants*

*Economic returns are favorable based on \$85 million of recent tax equity deals that TGC has executed for Fund III*

## Investment Tax Credit Extended

As of June 2018, the 30% Investment Tax Credit (“ITC”) has effectively been extended until the end of 2024 for well-capitalized developers via safe harboring 5% of the project cost in 2019.

For solar projects, the percentage is 30% if the project has started construction by the end of 2019. It dips to 26% for projects that do not start construction until 2020, and 22% for projects that do not start construction until 2021. If construction does not start until 2022 or later; or is not placed in service before 2024 (irrespective of when construction starts), the applied percentage is limited to 10%.

The new IRS guidance will allow the better capitalized sponsors, such as True Green Capital to stay at the 30% level.

*New IRS guidance will allow the better capitalized sponsors such as True Green Capital to stay at the 30% level for the Investment Tax Credit*

## Regulatory Update—TGC & Solar Tariffs

### Solar Tariffs

On January 25th, President Trump approved the imposition of safeguard tariffs on imported solar cells and modules. The tariff will be 30%, 25%, 20% and 15% for the next four years, respectively, while the first 2.5 GW of imported cells will be exempt from the tariff.

This implies panel prices to mid-40 c/Wp, an outcome for which we are well prepared.

We expect the following impact on U.S. C&I solar project investments:

### Operating Assets –Positive

As future cost of new entry, future power purchase agreement (“PPA”) and Solar Renewable Energy Credit (“SREC”) markets can be expected to increase supporting higher future cash flows, particularly in key states such as New Jersey and Massachusetts.

### Future Projects—Neutral/Positive

TGC has structured strategic relationships with solar panel manufacturers at prices that are the same or lower than are

available to other market participants who are subject to the new tariffs. We expect future PPAs and SRECs to increase and developer fees to decrease which would be a key advantage. Lack of access to panels is expected to become a gating item for certain project developers without discretionary capital.

In Q3, panel markets worldwide continue to be oversupplied. U.S. panel prices, even with tariffs, remain very attractive for the construction of C&I solar projects—TGC’s current investment focus.

*The equity analyst community’s broad consensus is that the actual tariff announcement is constructive for the public solar manufacturing and downstream companies whose market prices already reflect a higher tariff level.*

## About True Green Capital Management

True Green Capital Management LLC (“TGC”) is a specialized energy infrastructure firm based in Westport, Connecticut. Having developed the capabilities of an operating solar company, TGC has invested into a distributed solar power generation portfolio across thirteen U.S. states including Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Delaware, South Carolina, Tennessee, Idaho, California, Maryland, and Colorado. The firm was founded in July 2011 and is led by a team of professionals with a proven track record and a demonstrated capacity to originate, finance, construct, and operate distributed power generation projects.

TGC believes the continued increase of power prices and decreasing entry costs of distributed power generation technology will continue to lead to compelling investment opportunities that provide a stable cash flow stream with little to no correlation to the broader markets.

TGC is currently focused on the approximately \$2 trillion distributed power generation market with an emphasis on the sub-utility scale solar power segment. Thanks to rapid advancements in technology, the cost of distributed power generation, including solar, is now on par with traditional electricity generation sources. In many U.S. states it represents one of the few sources of new power generation infrastructure that can be added to the power network quickly, reliably and cost efficiently.

### *For further information contact:*

**Patricia Ter Heun**  
*Partner, Marketing and Investor Relations*

Direct: 415-389-9401  
pterheun@sms-mv.com; or  
info@truegreencapital.com

#### Sources:

NREL: “Valuing the Resilience Provided by Solar and Battery Energy”, January 2018

<http://www.chadbourne.com/corporate-tax-reform-project-finance-august-2016>

<http://www.utilitydive.com/news/how-wind-and-solar-plan-to-thrive-during-the-trump-presidency/430313/>

<https://cleantechica.com/2016/11/09/cleantech-president>

<https://pv-magazine-usa.com/2016/11/08/floridas-amendment-1-fails-in-enormous-win-for-solar/>

#### Disclaimer:

The information contained herein is provided for informational purposes only, is not complete, and does not contain all material information about the content or projects discussed herein, including important disclosures and risk factors. This document is not intended to be, nor should it be construed or used as an offer to sell, or a solicitation of any offer to buy, interests or shares in any fund managed by True Green Capital Management LLC (“TGC”) or any fund comprised, in whole or part, of an investment in the projects described herein. No offer or solicitation may be made prior to the delivery of a definitive offering memorandum. The information contained herein does not take into account the particular investment objectives or financial circumstances of any specific person who may receive it.

The information contained herein may include, or be based in part on, projections, valuations, estimates and other financial data supplied by third parties, which TGC believes to be accurate but has not been verified by TGC. This information should not be relied upon for the purpose of investing in any fund managed by TGC or for any other purpose. No information is warranted by TGC or its affiliates or subsidiaries as to completeness or accuracy, express or implied, and is subject to change without notice.

This document contains forward-looking statements, including observations about markets and industry and regulatory trends as of the date of this document. Forward-looking statements may be identified by, among other things, the use of words such as “expects,” “anticipates,” “believes,” or “estimates,” or the negatives of these terms, and similar expressions. Forward-looking statements reflect TGC’s views as of such date with respect to possible future events. Actual results could differ materially from those in the forward-looking statements as a result of factors beyond TGC’s control. Investors are cautioned not to place undue reliance on such statements. TGC has no obligation to update any of the forward-looking statements in this document.

Past investment results should not be viewed as indicative of future performance of any fund managed by TGC. Investors should be aware that a total loss of principal may occur. There is no guarantee TGC will be successful in achieving its objectives or that the strategies set forth herein will be successful.

No part of this material may be (i) copied, photocopied or duplicated in any form, by any means, or (ii) redistributed without TGC’s prior written consent.

The regulation of renewable energy markets may change drastically in the future due to new legislation or other governmental regulation. The direction of such regulation is impossible to predict and could have an adverse impact on any fund managed by TGC.

**TRUE GREEN CAPITAL**

315 Post Road West • Westport, CT 06880