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TRUE GREEN CAPITAL

True Green Capital Management LLC

Topics Covered:

Funds I & II C&I Portfolio Exit

True Green Capital Management LLC has exited its combined Fund I & II portfolios, comprising (a) ~79 MW of 28 commercial & industrial ("C&I") solar assets across the US Northeast and (b) one ~28 MW project in Idaho.

The C&I portfolio is similar in many ways to the Fund III portfolio, and we believe Fund III investors will benefit from the experience gained during its sale process.

Funds I & II Exit – Key Observations[1]

Buyer Cap Rates

- We estimate the buyer paid at an ~7% levered cap rate and believe this is a reasonable benchmark for the current market value of Fund III.

Market Size

- Extensive pool of prospective buyers for solar projects.

Bidder Universe

- Highest four bids were from a South Korean public electric utility, two US infra funds, and a PE-backed US portfolio company undergoing a de-SPAC, called Altus Power, Inc. ("Altus").
- Altus was the winning bidder.

Pricing

- Top four bids were within ~3% of each other.
- Outcome was within expected exit range, given the largely contracted nature of the solar assets, combined with the low cost of capital currently available to many organizations.

Organizational Process

- Since few C&I solar portfolios of scale have been purchased or sold, the transaction framework is not fully established in market practice.
- Many bidders evaluate projects from an asset (rather than corporate) perspective, requiring significant time and resources from both buyer and seller.
- In selecting counterparts to bring forward to final rounds, certainty of execution should not be underestimated.

[1] These observations relate primarily to the sale of the ~79 MW of 28 C&I solar assets. The remaining asset, a mini ground mount project in Idaho, was sold in a separate transaction to Standard Solar.

The TGC Perspective – Building Sustainable Solar

In a Keynote November 2020 Interview with Infrastructure Investor, TGC's Co-Founder and Managing Partner, Panos Ninios, made the case for how ESG functions as a central consideration when evaluating investments in the distributed solar space.

TGC sources investment opportunities that it believes exhibit attractive targeted returns and create positive environmental impact by generating clean power and fostering additional positive social benefits. Our "Sustainable Solar" approach considers these benefits as part of our overall value-add for consideration during the investment process. By building distributed solar power plants in locations where the power is consumed (rather than investing in large utility-scale solar projects that are built far away from cities and towns and subject to distribution and transmission costs), TGC brings social and economic value to the local communities.

Considerations include: the potential to provide cheaper discounted clean power to residents and businesses; the ability to create local construction jobs, as well as operations and maintenance jobs; and the potential to create local revenue streams such as site lease payments to land and building owners and tax revenue to towns and villages that are home to many disadvantaged communities. Notably, TGC has collaborated with the City of Los Angeles and local unions to implement a program to train and employ veterans to build our solar project portfolio in California, thus creating an opportunity to improve veteran participation in the high growth solar power generation industry.

By building Sustainable Solar, TGC's strategy remains to generate attractive targeted returns for our investors through deploying capital to build and operate projects in local communities while also providing social and economic benefits to those communities.

Recent Regulatory Developments

Over the last few years, regulatory support for solar in the U.S. has come primarily from state governments. However, with the Biden administration's focus on climate change as one of its key priorities, we expect to see increasing positive Federal Government regulatory support. Positive developments will be driven by the new administration's ambitious national goals to address climate change, including targeting carbon-free power by 2035 and a net zero economy by 2050, which will be aimed at increasing renewable power generation and replacing aging infrastructure. Notably, the U.S. has already rejoined the international Paris Climate Accord.

Significant recent regulatory and policy developments expected to impact TGC's investment activities and the U.S. solar market include:

Biden Administration's Climate Change Focus

The Biden administration has made climate change a key focus of its policy agenda. As part of its efforts to mitigate climate change, the Biden administration is seeking new mandates for solar and other sources of renewable energy. Additionally, in November 2021, Congress passed the historic Infrastructure Investment and Jobs Act (the Bipartisan Infrastructure Deal), which includes the largest investment in transmission infrastructure in U.S. history.

According to a SparkSpread Analysis[1], the Bipartisan Infrastructure Deal allocates more than $60 billion to the US Department of Energy to help drive private investment in the modernization of the US electric grid through resilience projects and transmission infrastructure improvements. TGC believes modernizing and improving the US electric grid will create more opportunities to add and source power from distributed renewable energy projects.

While President Biden's proposed Build Back Better Act (BBB) will not be signed into law, core portions of the legislation, including key renewable energy provisions, are supported by a majority of US senators. It is believed a scaled-back version of BBB, likely with a different name, will be revived this year. Some of those key provisions include the extension and expansion of renewable energy credits, tax credits for standalone energy storage projects, and a direct-pay alternative to tax credits, which would make tax credits refundable to entities without any tax liabilities (e.g., project companies owned by funds managed by TGC).

[1] SparkSpread News Analysis: Infrastructure Bill Boosts Private Capital for Decarbonization, November 2021

Trump-era solar tariff extension

On February 4, 2022, President Biden announced he would extend the Trump-era tariffs on imported solar equipment for another four years but reduce the scope of products impacted by the levies. The tariff rate quota for solar cells will now double to 5 GW, and bifacial panels will be excluded. The decision to extend the tariffs is viewed as a balancing act by the Biden administration to protect domestic jobs and spur domestic manufacturing while accelerating the transition toward clean energy.

TGC invested a significant portion of Fund III under the Trump-era tariffs and has continued to evaluate solar projects assuming tariffs would remain in place. Thus, while we believe new investments would have benefitted from an expiration of existing tariffs, this boost would have represented potential upside, rather than the status quo presenting any negative impact to our expected base returns. Additionally, we expect to see some upside in our portfolio from the exemption for bifacial panels for projects where such panels are used and potentially some downward pressure on overall panel prices due to the doubling of the tariff rate quota for solar cells.

Two-year extension of the Federal Investment Tax Credit (ITC) rate at 26%

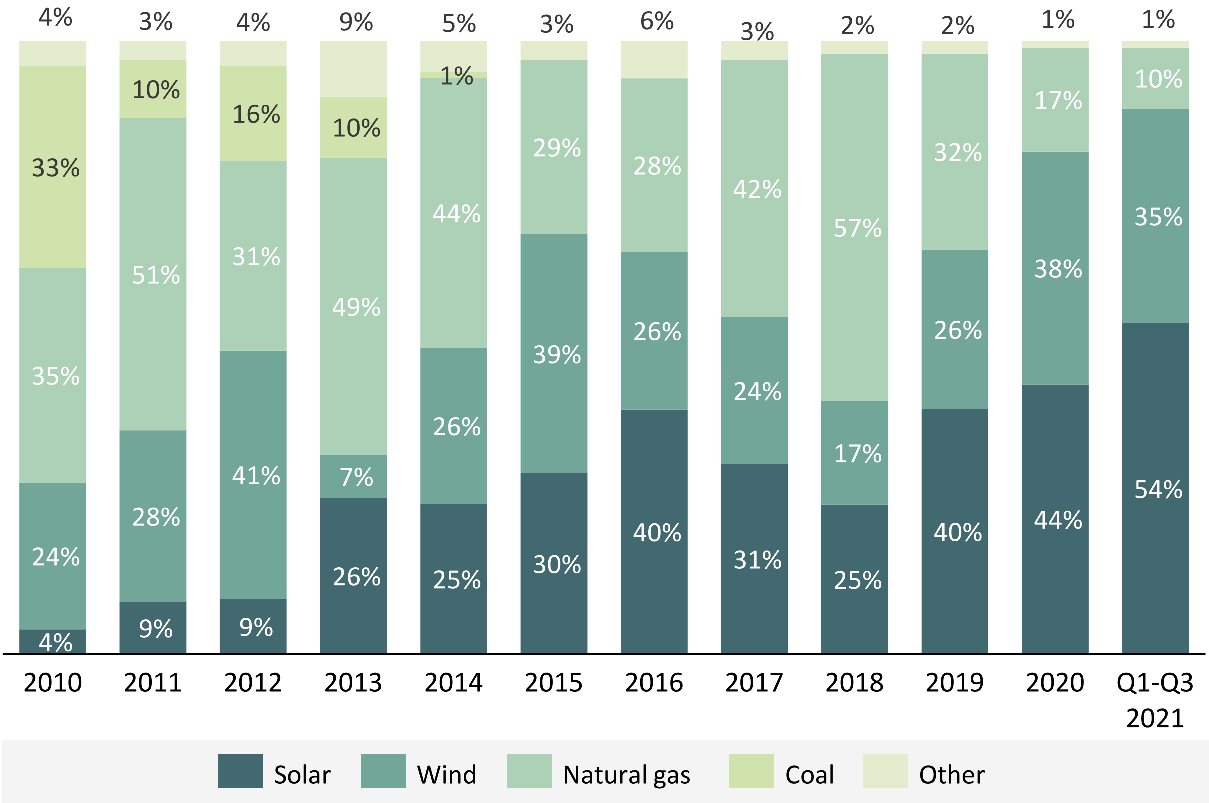
The current 26% ITC rate, which was scheduled to step down to 22% in 2021 and 10% thereafter, was extended for an additional two years through year-end 2022. We believe the extension improves economics for non-residential solar projects for the next few years. While we believe that we were able to successfully navigate the supply chain and construction disruptions induced by COVID during 2020, some industry participants experienced meaningful construction delays that pushed 2020 C&I projects into 2021 and 2022. As a result of these delays and the 26% ITC extension through year-end 2022, we observed a sharp uptick in C&I solar installations in 2021, and we expect the trend to continue in 2022.

OCC Rule Opening Tax Equity Investments to National Banks

The new rule from the Office of the Comptroller of the Currency (OCC), which became effective on April 1, 2021, codifies OCC interpretations to permit national banks and federal savings associations to engage in certain tax-equity finance transactions. According to the new rule, national banks may invest in “tax-equity financings” provided that such transactions are the “functional equivalent” of loans, thus eliminating an investment constraint for smaller, largely sale leaseback-focused banks. TGC expects the rule will result in more, and potentially lower cost, tax financing for tax equity transactions in 2022.

In the Middle of a Global Pandemic, U.S. Solar Posts Record Breaking Year

The U.S. solar industry continued to show strength and resiliency in 2021 with Q1-Q3 having the largest installation figures on record as of Q4 2021. According to the Quarterly SEIA Solar Market Insight Reports, solar accounted for 54% of all newly installed electricity-generating capacity added in in the first three quarters of 2021 and continues to represent the largest share of all new electricity-generating capacity among all generation technologies.



Source: Wood Mackenzie, SEIA, Federal Energy Regulatory Commission

Now representing a total installed capacity of ~114 GWdc, projections continue to show a rapid rate of solar deployment in the coming years. Wood Mackenzie, in its 2020 Year in Review Report, also released a 10-year outlook that estimates a cumulative 324 GWdc of solar capacity added over the next decade, which is nearly triple of all solar capacity that has been installed through Q3 2021. The forecast reflects industry growth trends expected to be driven by increased demand to decarbonize by corporations, states, utilities and distributed solar customers, as well as the two-year extension of the ITC rate at 26%.

Notably, renewable energy sources, particularly solar, showed strong resiliency in the face of pandemic-induced demand shocks. An analysis by the EIA showed shares of solar and other renewables in electricity generation increased despite falling energy demand. This trend was driven by renewables' lower variable costs (unlike conventional fuels, renewables have a marginal cost of zero), priority dispatch rules (as a result of lower variable costs vis-à-vis conventional fuels), and long-term contracts through support policies such as Feed-In-Tariffs as well as Corporate Power Purchase Agreements (PPAs). In essence, the pandemic demand shock offers a glimpse of the future of electricity markets with a higher share of renewables.

About True Green Capital Management LLC

True Green Capital Management LLC ("TGC") is a specialized renewable energy infrastructure private equity firm based in Westport, Connecticut. Having developed the capabilities of an operating renewable energy focused company, TGC has invested into a distributed solar power generation portfolio across fourteen U.S. states including Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Delaware, South Carolina, Tennessee, Idaho, California, Maryland, Colorado, and Illinois delivering clean, renewable energy. 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 renewable 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 which provide a stable cash flow stream with little to no correlation to the broader markets.

TGC is currently focused on the approximately $1+ 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 and 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.

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