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# Sustainable Asset Fund II, LP

## *H1 2018 Impact Report*

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# Key Capture Energy

(Q3 2018 Investment)



<b>SECTOR</b>	<b>SECURITY INVESTED</b>	<b>INVESTED AMOUNT</b>	<b>TOTAL VALUE</b>
Energy	Equity	N/A	N/A
<b>OPERATING PARTNER</b>	<b>EQUITY OWNERSHIP</b>	<b>REALIZED VALUE</b>	<b>GROSS MOIC</b>
Key Capture Energy	~90%	-	-
<b>LOCATION</b>	<b>INITIAL INVESTMENT</b>	<b>UNREALIZED VALUE</b>	<b>GROSS IRR</b>
New York, USA	July 2018	-	-

**Asset**

- A 20 MW lithium-ion energy storage asset in upstate New York, and a collection of in-development energy storage projects across the Northeast

**Investment Thesis**

- Falling lithium-ion prices have made battery storage an economically competitive power source in select markets across the United States
- Emerging regulatory regimes are creating market structures that compensate energy storage for its unique operational profile
- With the exceptions of California and PJM, these new markets are under-explored and present niche opportunities to earn outside returns in the short- to medium-term

**Impact Thesis**

- Energy storage helps balance the supply and demand of power on the grid, from the level of seconds (frequency regulation) to the level of days (load shifting)
- In doing so, energy storage displaces fossil fuel ‘peaker’ assets, supports the growth of renewable power sources and accelerates the emergence of a reliable, green electricity grid
- The NY asset will provide grid-stabilization service in the context of Indian Point Energy Center’s retirement (nuclear) and increasing solar and wind power in the Hudson Valley

**Impact Update**

- The NY asset is on-track to be operational during the winter months, when cold weather means the need for regulation services is at its peak

IMPACT CATEGORY	H1 2018 IMPACT	LIFE OF ASSET	DESCRIPTION
CO2e Reductions	—	—	—
Land Improved	—	—	—
Social Impact	—	—	—
Other	—	—	—

**Looking Forward**

- Key Capture Energy is developing projects across markets that address a variety of different market gaps caused by the proliferation of renewable power sources

# Guzman Energy Group

(Q3 2018 Investment)



<b>SECTOR</b>	<b>SECURITY INVESTED</b>	<b>INVESTED AMOUNT</b>	<b>TOTAL VALUE</b>
Energy	Equity	N/A	N/A
<b>OPERATING PARTNER</b>	<b>EQUITY OWNERSHIP</b>	<b>REALIZED VALUE</b>	<b>GROSS MOIC</b>
Guzman Energy Group	22%	-	-
<b>LOCATION</b>	<b>INITIAL INVESTMENT</b>	<b>UNREALIZED VALUE</b>	<b>GROSS IRR</b>
Miami, FL & Denver, CO	August 2018	-	-

**Asset** • Long-term, fixed-price wholesale power supply contracts with distribution utilities

**Investment Thesis**

- Distribution utilities in the western United States are stuck in long-term contracts paying above-market rates to power providers with legacy fossil fuel generation assets
- Solar and wind electricity provide cheaper electricity today, but distribution utilities do not have great ways to replace their old generation with these new asset-types
- Guzman finances contract exit fees for its customers and backfills their power demand with cheaper power that matches the customers' demand criteria

**Impact Thesis**

- Guzman replaces carbon-intensive fossil fuel generation sources with cheaper and cleaner power sourced from new local assets and spare market capacity
- In doing so, Guzman hastens the retirement of 'dirty' generation and 'greening' of the grid
- Additionally, Guzman makes power more affordable for businesses and households served by its customers, with a direct economic impact across largely rural areas of western U.S.

**Impact Update**

- Guzman is working with Kit Carson Electric Cooperative to supply 100% of their summer peak load with locally-owned solar. By year-end, they expect to be 26% of the way there

IMPACT CATEGORY	H1 2018 IMPACT	LIFE OF ASSET	DESCRIPTION
CO2e Reductions	—	—	—
Land Improved	—	—	—
Social Impact	—	—	—
Other	—	—	—

**Looking Forward**

- Guzman is working to transition an additional 3 million MWh / year of power demand from fossil fuel generation to renewable sources

## Endnotes

- 1 The financial data contained herein relating to the valuations and investment performance of the Fund its investments are unaudited estimates prepared by Vision Ridge (the “Adviser”) as of December 31, 2016. Except as otherwise explicitly noted, all performance information contained herein is on a “gross” basis before giving effect to taxes, management fees, the general partner’s carried interest and other expenses, the application of which would reduce such rates of return. While the Adviser’s valuations of unrealized investments are based on assumptions that the Adviser believes are reasonable under the circumstances, whether on a cost basis, comparable company analysis, M&A transaction multiple, financial multiple, public market basis or expected realization basis for pending or proposed transactions, all of which approximate fair value, the actual realized returns on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of the sale, all of which may differ from the assumptions on which the valuations used in the prior performance data contained herein are based. Accordingly, the actual realized returns on these unrealized investments may differ materially from the (assumed) returns indicated herein. There can be no assurance that unrealized investments will be realized at the valuations shown. Totals may not add due to rounding. Past performance is not indicative of future results. There can be no assurance that the Fund will achieve results comparable to those shown herein, will be able to avoid losses or will be able to achieve its investment objectives.
- 2 “**Realized Value**” represents the sum of all proceeds received from or related portfolio investments, including interest and principal payments, accrued and unpaid cash interest, closing and other transaction fees, prepayment penalties, and any cash dividends and any other cash proceeds of any equity investment or participation.
- 3 The gross annual compound internal rate of return (“**IRR**”) and gross multiple of invested capital (“**Cash Multiple or MOIC**”) as of June 30, 2017 are before giving effect to taxes, management fees, the general partner’s carried interest and other expenses, the application of which would reduce such rates of return. The gross Cash Multiple equals Total Value divided by Capital Invested. The Net IRR and Net MOIC/Cash Multiple are after giving effect to management fees, the general partner’s carried interest and other expenses. There can be no assurance that unrealized investments will be realized at the valuations shown.