Enerdigm™ capital

ENERGY INDUSTRIES CORPORATION

June 2, 2015

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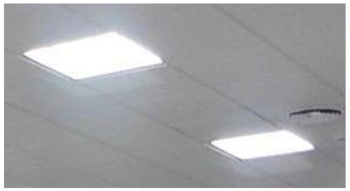
Company Overview





- ❑ Energy Industries Corporation (“EIC”):
  - Energy services company formed in 1994 in Hawaii, focused exclusively since inception on developing, installing and operating solar and energy efficiency projects in the small to mid-scale C&I space ($250k to $10M size projects).
  - More than 5,000 customers and 50 employees.
  - Secured more than $100 million in third party project finance, most in last 5-10 years.
  - Largest presence in Hawaii and California; lowest hanging fruit states.
- ❑ Enerdigm Capital Management, LLC (“Enerdigm”)
  - Finance subsidiary of EIC. Formed in 2013 as an internal financing solution for EIC.
  - Offers a “one-stop shop” to customers; full transparency; lower transaction costs.
  - Will also work with qualified and like-minded developer & EPC channel partners.
- ❑ Work primarily with Energy Savings Agreements (“ESAs”) in efficiency and Power Purchase Agreements (“PPAs”) in solar.
- ❑ “Skin in the game” business model in which EIC and Enerdigm principals retain an economic interest in the projects through the term of the contract.

Enerdigm Management

Darren T. Kimura, Managing Member & Founder

- 20 year career in the energy and venture capital industry
- Overseen acquisition of $2B in energy efficiency contracts, raised over $80M in venture capital/private equity and over $100M in project financing
- Served in corporate executive positions leading key strategic initiatives including an IPO, company acquisition, and numerous distribution and strategic agreements with Fortune 500 companies
- Holds 12 patents, led the acquisition of 76 patents/licenses, led teams of over 500.

EDUCATION ● Electrical Engineering, Portland State University. ● B.A., University of Hawaii

CERTIFICATIONS ● Certified Energy Manager ● Certified Demand Side Manager ● Certified Cogeneration Professional

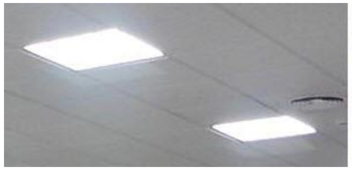
Juan Pablo Albán, CFA, Managing Member & Founder

- 15 year career in corporate & project finance and M&A, initially as attorney for global law firms and later in private equity
- Closed more than $2B of transactions, including a 50 MW solar project financing in Chile; a pre-IPO private placement of an $800M solar-focused "Yieldco"; and an IPO of a $100M SPAC that later took public a $450M Hispanic television media company
- Former Executive VP at Brener Group (family office w/ direct private equity strategy)
- Former attorney at Skadden Arps and Quinn Emmanuel

EDUCATION ● J.D., Harvard Law School ● B.A. Economics, Dartmouth College

CERTIFICATIONS ● Chartered Financial Analyst ● California bar

Energy Efficiency, Renewable Energy & Co-Selling





- Company’s historical experience: about 2/3 of projects are in energy efficiency (primarily lighting and HVAC); 1/3 PV solar.
- Sales effort promotes combination projects. Keep it as simple as possible.
- The pitch: money talks. “Save money and focus on your core business.”
- Solar can be a nice entry to talk efficiency because of its greater familiarity; money savings in efficiency tend to be much bigger in our experience.
- Economics suggest less dependence on subsidies for efficiency. But the market is still reliant on them in our opinion for customer and investor “meeting of the minds” on economic terms of the contract. It can depend on the local blend of electricity rates and rebate programs available.
- Historical and current examples: hospitals in Hawaii.

PPAs & ESAs as Project Finance Solutions

- Financing choices for customers in our experience:
    - Roughly 60% of customers self-finance EE and RE projects with either cash on hand or available current debt.
    - The other 40% seek financing alternatives such as new balance sheet loans; operating or capital leases.
    - Increasingly, PPAs and ESAs. Key is that customer does not own the equipment, but rather receives energy services from that equipment in exchange for monthly payments. ESAs also typically take away performance risk away from the customer.
    - We have not been involved in PACE beyond education, but understand its great momentum. More in residential than in C&I. Not a natural fit for our current investment partners, but we're exploring it.
- Fully private transaction; full services component of PPAs and ESAs resonate well with customers
- Consistent with "rental economy" trends today (Uber, Air B&B).

PPAs & ESAs (Cont'd)

- ❑ Tremendous PPA yield compression as the solar market has matured; we expect the same for ESAs.
- ❑ A financeable C&I customer typically will pay close attention to the implied cost of capital in these agreements. Some find them expensive.
- ❑ "Market" cost of capital is roughly comparable to mezzanine debt for a customer.
- ❑ Added bonuses of (1) full services solution that improves operating profit from t=0; and (2) off-balance services agreement. Strong positioning if/when lease accounting rules change.
- ❑ We believe higher cost is to a significant extent a matter of market inefficiency based on information asymmetries. E.g., little known technological advances, performance data, fragmented & private developer/contractor market.
- ❑ A lot of education still required, especially on the ESA side. We've faced a steep information curve on both customer and investors sides. Remain solidly convicted on it. Believe it could become the most common structure for EE upgrades that are not part of the capital budget of a company.

Comparison of ESA's & PPA's

Key Similarities

- Investor owns the equipment; can remove or disable it on payment default.
- Typically, no money down for customer.
- Services agreement. Off-balance sheet; FASB-proposed lease accounting rule changes will not change this.
- Customer makes service payments based on fixed formulas; highly predictable cash flows with more debt characteristics than equity for investors.
- Both forms of contracts and contract structures include significant and important clauses focused on downside protection and what stakeholder takes what risk (e.g., insurance coverage in the event of damage or casualty; proper maintenance; delivery of expected performance and protections for that performance; payment default & credit support)

Comparison of ESA's & PPA's





Key Differences

- ESAs are a less mature market
  - More investor and customer education required
- ESAs tend to be shorter term (7-10 years v 20-25 years)
  - Market maturity could be one reason
  - Maybe less predictable degradation (at least in HVAC) after a certain time
  - Implications for securitization exit alternatives
- 'Negawatts' vs. 'Megawatts' – the key difference
  - ESA: investor gets paid from a share of electricity savings.
  - PPA: investor gets paid from a fixed rate for electricity delivered and metered.
- For ESAs: energy auditing and M&V process credibility is of tremendous importance.
  - Being able to show experience and data in savings is a big edge in mitigating 'developer risk'
  - EIC's 20-year track record in the space resonates w/ C&I customers in a fragmented market.

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