

TAX CREDIT SPECIALISTS

Since 1983

FOR INSTITUTIONAL INVESTOR USE ONLY.

TAX CREDITS: SUSTAINABLE INVESTMENTS THAT IMPACT THE BOTTOM LINE CONFIDENTIAL

## WHY INVEST IN TAX CREDITS?

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Double-digit ROI, High IRR

Includes priority cash distributions

\$-for-\$ decrease in reported liability; lower effective rate

Rapid payback – can apply to quarterly tax estimates



Job Creation

Community Development (access to resources)

Long-term increase in local tax base and business activity

Improvement of blighted sites



Carbon offsets can be included in public corporate responsibility reporting

Financing of clean energy & new infrastructure

Remediation of polluted areas

Tax credits generate attractive post-tax returns using capital that otherwise earns no return

## TAX CREDIT PROGRAMS HAVE UNIQUE, COMPELLING FINANCIAL INCENTIVES

### Foss Delivers investments that align with corporate priorities:

- Targeting 'impact' with optimal risk mitigation
- Balancing return, timing and liquidity
- Planning for GAAP and effective tax rate implications

### RENEWABLES

1-Year tax credit for investing in new solar plants

Post IRA, tax credits can be transferred – options without LP investment, if desired

Offsets ~70-90% of emissions from coal and natural gas

### HISTORIC PRESERVATION

5-Year tax credit for investing in reuse of historic buildings

Long-term social and economic benefits for communities

State credits available in many states at investor's option

### CARBON CAPTURE

**12-Year tax credit** for underground CO2 sequestration

Monetize the benefits of **decarbonizing the economy** 

Carbon offsets available to investors if desired

## RENEWABLES: GAINING PROMINENCE WITH SOPHISTICATED COMPANIES

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Corporations invest to generate tax benefits, and some choose to layer on 'RECs' – reportable carbon offset certificates – to enhance and promote public Sustainability initiatives



# TAX EQUITY IS FAVORABLE TO **INTERNAL STAKEHOLDERS**

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## Comprises a substantial portion of the solar project's capital stack



Meets "additionality" test favored by some corporate boards for supporting new initiatives

carbon offsets compared to PPA's, with additional financial returns to the investor Comparing Tax Equity to HIGH 🔺 • Power Purchase PPAs, Tax Equity has: Agreements (PPA)\* Physical PPAs • Has lower project and Virtual PPAs performance risk COMPLEXITY Green Tariffs \* • Can provide negotiating Direct Access\* • Minimizes capital risk **On-site Renewables** 0 • Has some complexity, **Tax Equity Investing** 0 but it is primarily accounting-related Retail Purchasing\* 0 • Energy Efficiency LOW • Open Market REC Purchases

Provides a de-risked approach to procurement of

*\*limited by geography* 

- leverage for REC buyers

# TAX CREDITS HAVE IMPACT ACROSS MULTIPLE AREAS IN A CORPORATION

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Large companies sometimes need cross-departmental teams to get up the learning curve on tax credit investments...

Tax departments typically lead with planning and capacity to utilize credits and depreciation.



Participants in approving investment programs often include Treasury and Finance, Accounting and either internal or external legal counsel.

Corporations with significant publicly stated sustainability goals also include input from related teams in the organization.

# ITC'S – AN INVESTOR ROADMAP FOR RENEWABLES AND BATTERY STORAGE\*

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## Foss Simplifies a complex process, optimizing returns and minimizing the use of Investor resources



\* Timing can vary significantly based on project size and circumstances. Investments underwritten on a case-by-case basis.

# TIMING OF INFLOWS, OUTFLOWS AND BENEFITS FAVOR TAX EQUITY INVESTORS

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#### Advantages over "straight" equity

- "Last-in, First-out" capital \* No tax equity contributed until construction is complete
  - \* Majority of capital held back until assets placed in service
- Rapid breakeven on invested dollars \* 100% of credits claimed upfront
  - \* Accelerated depreciation, 1-Yr bonus or 5-Yr MACRS

Reliable source of cash distributions from the sale of solar power, and at exit

Exit is highly structured to ensure timeliness and projected returns over ~63-66 months

If there is bank debt, Foss structures a Forbearance to protect against recapture

Tax basis "Step-up" can be insured to prevent claiming unqualified credits



## SAMPLE BENEFIT SCHEDULE

(Notional \$10MM Solar ITC Investment)

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Year	Investor Contributions ro Fund	Investment Tax Credits	Preferred Return	Preferred Return and Credits	Pass Through Income (Losses)	Buyout Proceeds	Basis Reduction	Tax Savings (Costs)	Cumulative Net Benefits
2023	\$11,550,000	\$10,000,000	\$160,417	\$10,160,417	(\$3,410,890)	-	(\$5,000,000)	\$10,716,287	(\$673,296)
2024	-	-	275,000	275,000	(2,318,693)	-	-	486,926	88,629
2025	-	-	275,000	275,000	165,000	-	-	(34,650)	328,979
2026	-	-	275,000	275,000	165,000	-	-	(34,650)	569,329
2027	-	-	275,000	275,000	165,000	-	-	(34,650)	809,679
2028	-	-	206,250	206,250	701,250	550,000	-	(147,263)	1,418,667
2029	-	-	-	-	-	-	-	-	1,418,667
-	\$11,550,000	\$10,000,000	\$1,466,667	\$11,466,667	(\$4,533,333)	\$550,000	(\$5,000,000)	\$10,952,000	



Gross Benefits Realized = \$12,968,667 ROI = 12.3% Cumulative Net Benefits/Capital Invested \$1,418,667/\$11,550,000 = 1.123

NOTE: Timeline is hypothetical and may vary by project. Cash flow and exit proceeds may vary by offering terms and may encounter risk and variability.

## EXAMPLE SOLAR PROJECT "PROJECT MAGPIE" – Upstate NY, 2021

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#### COMMUNITY SOLAR PORTFOLIO:

- 25.2 MW ground-mounted solar project across four sites (future capacity, 46.8 MW)
- Generates clean energy for 3,000 homes
- Guaranteed income in first three years from New York State incentives
- Summit Ridge Energy, a premier solar developer, has closed multiple projects with Foss and we have exclusive access to their project pipeline
- On track to achieve 18% return in excess of original pro forma target
- Tax equity investor benefits:
  - \$12.45 M solar investment tax credits (ITCs)
  - \$1.78 M cash distributions
  - \$1.05 M buyout at exit
  - \$1.00 M other tax benefits
  - (less \$13.7M capital investment)
  - Net Return: \$2.55M



## FOSS PROVIDES AN OUTSOURCED APPROACH: COMPLEXITY MADE SIMPLE

### FOSS & COMPANY TAX CREDIT SPECIALISTS

### Foss & Company's full-service transaction management makes it simple for investors to capitalize on tax credits.



We function as a turnkey extension of a company's finance and tax teams to manage non-core tax solutions.

# ABOUT FOSS & COMPANY

### Since 1983, Foss has been one of the premier sponsors of tax equity investments for corporate America

Nearly \$9B successfully deployed in Housing, Community Preservation, Renewables, and Sustainable Technologies

\$1.5B of investments currently under management

100s of investments across the U.S. in well-established structures, delivering results at or above projections

0 events of tax credit recapture or disallowance

Foss provides resources that allow companies to meet tax obligations and environmental, social, and governance (ESG) initiatives, while earning attractive after-tax returns

Fully integrated with dedicated project acquisition, underwriting, asset management/accounting teams for each tax credit program. Timely delivery of annual tax documentation





