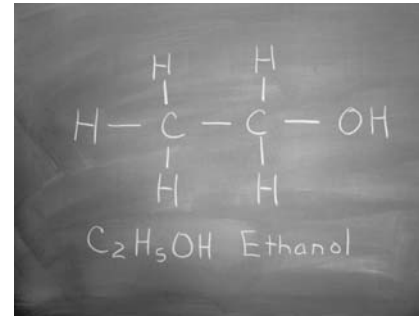
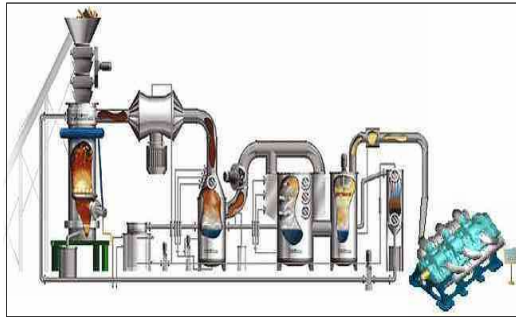


Sustainable Investing



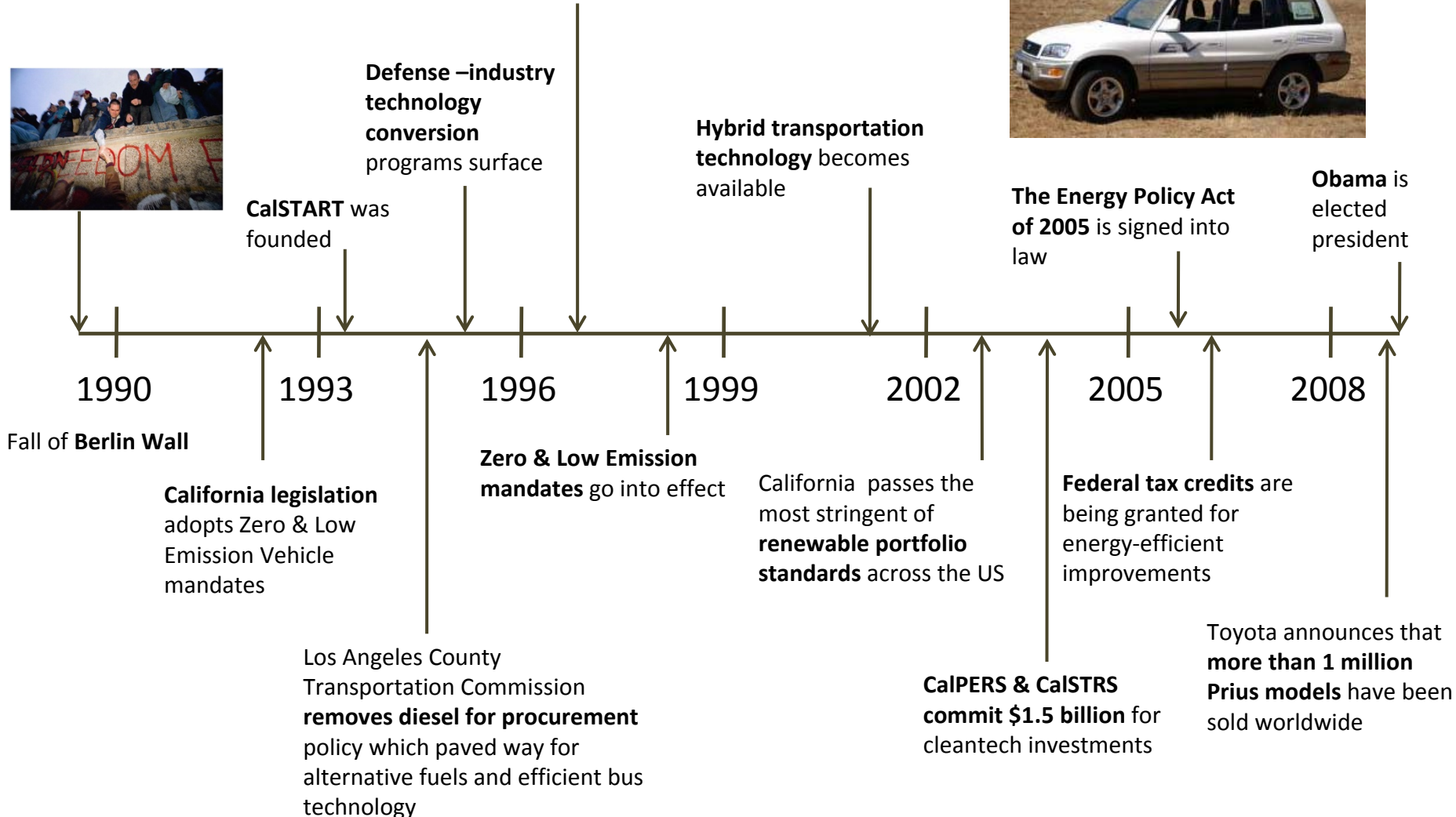
Tom Soto, Managing Partner of Craton Equity Partners and
Co-Leader of the White House Council on Environmental Quality Transition Team

Agenda

- 1 Why it's different this time
- 2 Sustainable investing in an era of uncertainty
- 3 Thriving cleantech companies
- 4 Sustainable investing and the Obama Administration

1 History of cleantech

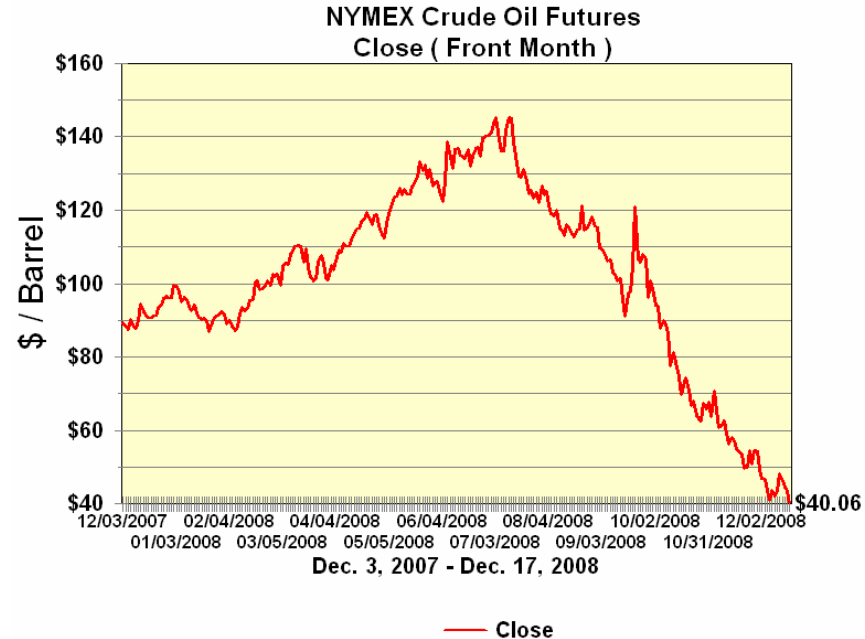
Electric vehicle technology such as the GM EV1 & Toyota Rav 4 emerge



1 Why it's different this time

“For over three decades, we've listened to a growing chorus of warnings about our energy dependence. We've heard President after President promise to chart a new course...Yet our dependence on foreign oil has only grown... This time must be different. This time we cannot fail, nor be lulled into complacency simply because the price at the pump has - for now - gone down from \$4 a gallon. To control our own destiny, America must develop new forms of energy and new ways of using it.”

– President-Elect Obama, Dec. 15, 2008



“The drop in oil prices, I do think, makes the conversation about energy more difficult, not less necessary.”

– President-Elect Obama,
Dec. 5, 2008

1 Business leaders also see a unique opportunity

“The most important thing [that President-Elect Obama needs to do is] kick-start a huge amount of innovation and research in energy...I think we’ve just scratched the surface in terms of clean ways to use energy, to create energy. It’s the challenge of our generation. It’s the scourge of the economy.”

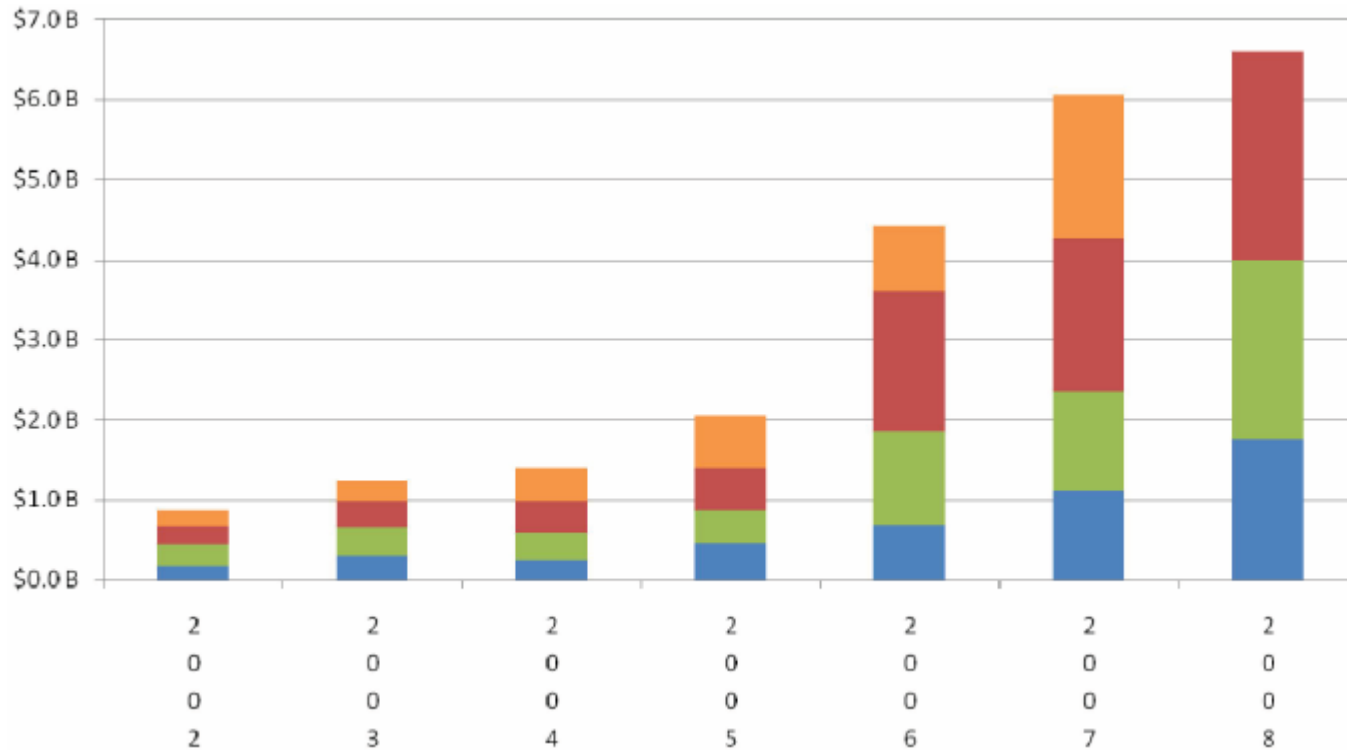


– John Doerr, Partner at Kleiner Perkins, Nov. 7, 2008

2 Enduring demand for sustainable investments

Driver	Description
Need for Economic Recovery	<ul style="list-style-type: none">• Focus is shifting to fundamental sources of GDP creation such as technological innovation, energy security and human capital development• Cleantech is at the intersection of all three sources
Policy	<ul style="list-style-type: none">• Federal and state tax credits extended in the Emergency Economic Stabilization Act of 2008• Renewable portfolio standards and energy certificates in most states• Obama will allocate a large portion of the economic stimulus plan to the cleantech sector• Direct regulation of air emissions using the Clean Air Act expected from the EPA
Public Awareness of Climate Change	<ul style="list-style-type: none">• Post -“Inconvenient Truth” era• Consensus among all major scientific and government organizations on the reality of climate change and impending effects
Investment Climate	<ul style="list-style-type: none">• Venture capital and private equity investing in cleantech continues to increase• More than \$6.6 billion of private capital invested in the cleantech sector globally in 2008 (through September), surpassing the 2007 total of \$6.0 billion

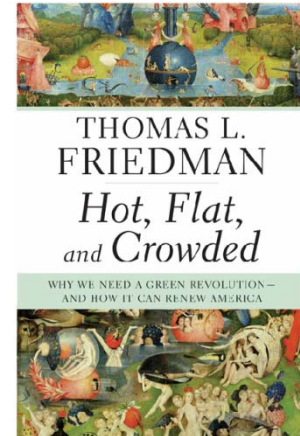
2 Global VC cleantech investing by quarter



Global cleantech investments through 3Q2008 have already surpassed the total amount invested in 2007.

2 International regulations create demand for technology

- Many US states have bypassed the federal government's position on climate policy by adopting the Kyoto Protocol as evidenced by the Western Climate Initiative and the Regional Greenhouse Gas Initiative
- The US will face persistent political and economic pressure from international community to create equally compelling incentives for clean energy and technology
- A significant amount of new technology will be needed to meet international demand

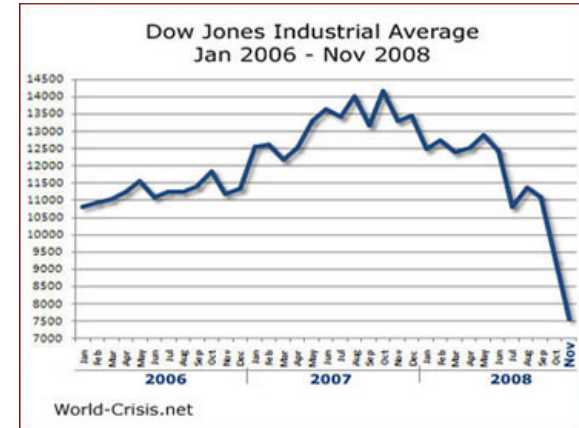


“Green will not go down Main Street America unless it also goes down Main Street China, India and Brazil...[American companies] have an enormous amount of new innovation we must put in place before we can get to a price that China and India will be able to pay [for clean power alternatives]. But this is also an opportunity.”

– Thomas L. Friedman

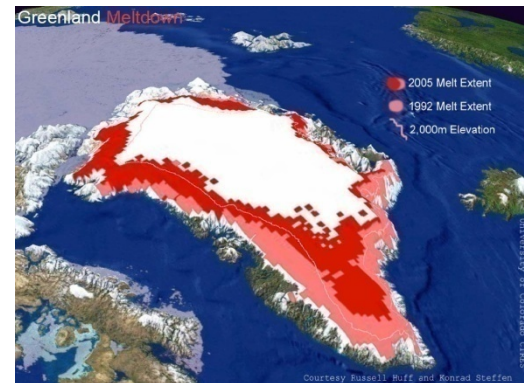
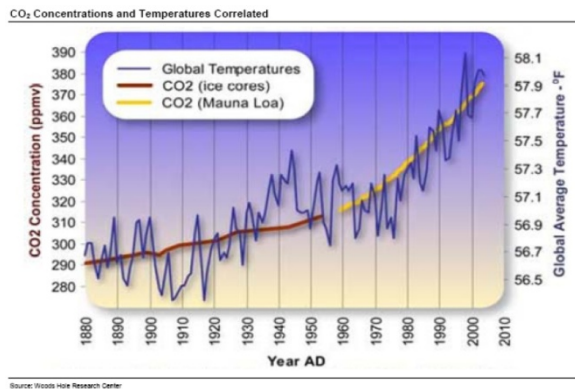
2 Sustainable investing in an era of uncertainty

- US government passed the Emergency Economic Stabilization Act (EESA) on October 3, 2008, authorizing the US Treasury to buy up to \$700 billion worth of mortgage-backed securities to bail out the financial system
- Uncertainty about the future direction of energy prices and fiscal crisis facing state and federal budgets compound financial crisis
- However, the ESA sent a clear message to the cleantech sector with the inclusion of key tax credits for renewable energy
 - An 8-year extension of the investment and production tax credits for solar power and a 1-year extension for wind power
 - New 2-year investment and production tax credits for geothermal energy, bringing geothermal heat pumps to parity with other sources of clean energy generation and energy efficiency
 - A 2-year extension of the production tax credit for closed and open-loop biomass production, landfill gas, hydropower, and waste-to-energy facilities
 - \$2.6 billion directed toward clean fuels and vehicles, including plug-in hybrid technology



2 Climate change is the #1 financial liability facing mankind

- According to the UN, an increase of just 2°C will sharply increase the risk of a climate tipping-point that could lead to “intolerable impacts on human wellbeing.”
- California policy makers understand the true ROI for sustainable investments
 - “California regulators cracked down on diesel air pollution Friday, adopting the nation's toughest rules on heavy-duty trucks...The state Air Resources Board voted unanimously for the measure that requires truckers to retrofit or replace older rigs, starting in 2011. The board declared that the health benefits far outweighed the financial pain.”
 - Mary Nichols, CARB Chairman said, “This regulation will save more than 9,000 lives and reduce the toxic emissions that cause cancer and birth defects.”



Source: UN report on climate change, Feb. 2007; Los Angeles Times, Dec. 13, 2008

3 Thriving cleantech companies

Biofuels: Poet, LLC

- Description:** Largest US producer of ethanol generating 1.5 billion gallons of ethanol each year at 26 plants—5 of them recently opened
- Financials:** Poet expects to generate \$4 billion in revenue in 2008 at above average profit margins
- Recent Wins:** Poet was one of six companies chosen by the Dept. of Energy to build cellulosic ethanol facilities; DOE awarded Poet an \$80 million grant
- Outlook:** “\$3.50 corn and \$54 oil, I don’t have much of an issue with that. That will work in our plants quite nicely.” (comments from Poet VP of R&D Mark Stowers when asked about Poet’s financial viability given rival VeraSun’s recent bankruptcy)

Solar: First Solar, Inc.

- Description:** Utility scale solar manufacturer with more than \$1 billion in revenue
- Financials:** Market cap of \$11.3 billion and price per share of \$140; revenue for 3Q08 increased 31% and net income increased by 42%
- Recent Wins:** Announced a 10 MW installation in Nevada and secured a low cost manufacturing position through thin film technology
- Outlook:** Global demand for utility scale solar continues to be strong and will be aided by investments in transmission capacity in select regions

3 Thriving cleantech companies (continued)

Smart Grid: GridPoint, Inc.

- Description:** Leading provider of measurable and verifiable energy management and reduction technology for utility and consumer use
- Financials:** Recently completed \$120 million in its fifth round of funding
- Recent Wins:** Acquired V2Green, a developer of plug-in electric vehicle grid integration technology, and was selected by Xcel Energy to implement its SmartGrid Platform in Boulder, Colorado
- Outlook:** Will work with Xcel Energy, Duke Energy and other electric utilities to install smart grid technology; strong revenue projections for 2009 and 2010

Energy Efficiency: EnLink Geoenergy Services, Inc.

- Description:** California-based installer of geexchange technology used to heat and chill buildings (a zero emission HVAC replacement)
- Financials:** 2008 revenue has doubled over 2007 revenue
- Recent Wins:** Currently working on San Francisco City College installation and was awarded the contract for American Canyon High School in Napa Valley
- Outlook:** Expect continued strong demand from institutional clients such as schools

3 Thriving cleantech companies (continued)

Water: Energy Recovery, Inc.

- Description:** Leading global developer and manufacturer of highly efficient energy recovery devices used in the water desalination industry
- Financials:** Market cap of \$469 million; expect a 43% increase in revenue for 2008
- Recent Wins:** Strong international growth with major projects won in the 3rd quarter in Algeria, Spain and Australia
- Outlook:** Expects strong demand for OEM customers pursuing large projects in the range of 50,000 cubic meters per day

Environmental Services: Tetra Tech, Inc.

- Description:** Provides consulting, engineering, construction and technical services for water resource management, environmental protection and remediation and sustainable environmental resource planning
- Financials:** Market cap of \$1.4 billion; net income has increased by 31% in 2008
- Recent Wins:** Awarded the Air Force Center for Engineering and the Environment Worldwide Environmental Restoration and Construction contract to provide environmental services to US Air Force facilities worldwide
- Outlook:** Strong demand will be driven by additional government contracts for environmental services

4 Sustainable investing and the Obama Administration

Conservation Infrastructure

Focus of government spending will include mass transit, new and modernized electricity transmission lines, smart grid technology, water systems, school repair, and universal broadband Internet access.

Energy Generation

Tax breaks or direct government subsidies expected for a variety of clean energy projects including solar arrays, wind farms, and technology to capture CO2 emissions from coal-fired plants.

Transportation

Either tax credits or direct subsidies will be used to encourage the development of advanced biofuels, electric vehicles and battery technology.

- Obama's economic stimulus package will likely reach \$1 trillion with as much as \$300 billion that could go toward sustainable investments in green infrastructure, energy independence and technology development
- The EPA is expected to have a more direct role with enforcing air emission requirements
- California is seen as a model for the environmental policies of the new administration



4 The right team moving forward



Hilda L. Solis, Secretary of Labor

- Member of the House of Representatives since 2000
- Job creation through green investing



Ken Salazar, Secretary of the Interior

- US Senator since 2004
- Sponsored geothermal heat pump credit in the 2009 ESSA



Carol M. Browner, White House Office on Climate Change

- EPA Administrator from 1992 to 2000
- Cleantech advocate



Nancy Sutley, Chair of the Council on Environmental Quality

- Los Angeles Deputy Mayor for Energy and Environment since 2005
- Funding and cleantech

4 Job creation from sustainable investing

- In California alone, energy efficiency policies have created 1.5 million jobs and \$35 billion for downstream industries since 1977
 - During this time, Californians have reduced per capita energy consumption to a level that is 40% below the national average and making them the leanest energy users in the country
- California's AB 32 is expected to create 100,000 new jobs
- Public agencies authorized by voter-approved bonds from school districts, state correctional facilities, and water districts are defining the sector
- Companies like Wal-Mart, Google, GE and IKEA are helping drive growth in cleantech
 - Mainstream employees are becoming increasingly fluent in skills required for a greener economy
- The Obama campaign estimated that 5 million jobs could be created across the US by a \$150 billion investment in cleantech over 10 years
- ***“In the face of rising unemployment, renewable energy has become a crucial source of good jobs, particularly for laid-off Rust Belt workers.”***

– New York Times, Nov. 2, 2008



January 7, 2009



16

The silver lining

Los Angeles Times

'Green' industrial park proposed for downtown Los Angeles

By Marla Dickerson
Los Angeles Times Staff Writer

September 24, 2008

“The silver lining in the dark cloud of economics we’re living through right now really is clean tech,” Soto said. “You’d be hard-pressed to find another sector with the velocity of growth and job creation that’s occurring right now.”



Photo: Craton Managing Partner, Tom Soto speaking with the Mayor of Los Angeles, Antonio Villaraigosa, LA City Councilman Jose Huizar, and CRA Chief Executive Cecilia Estolano.

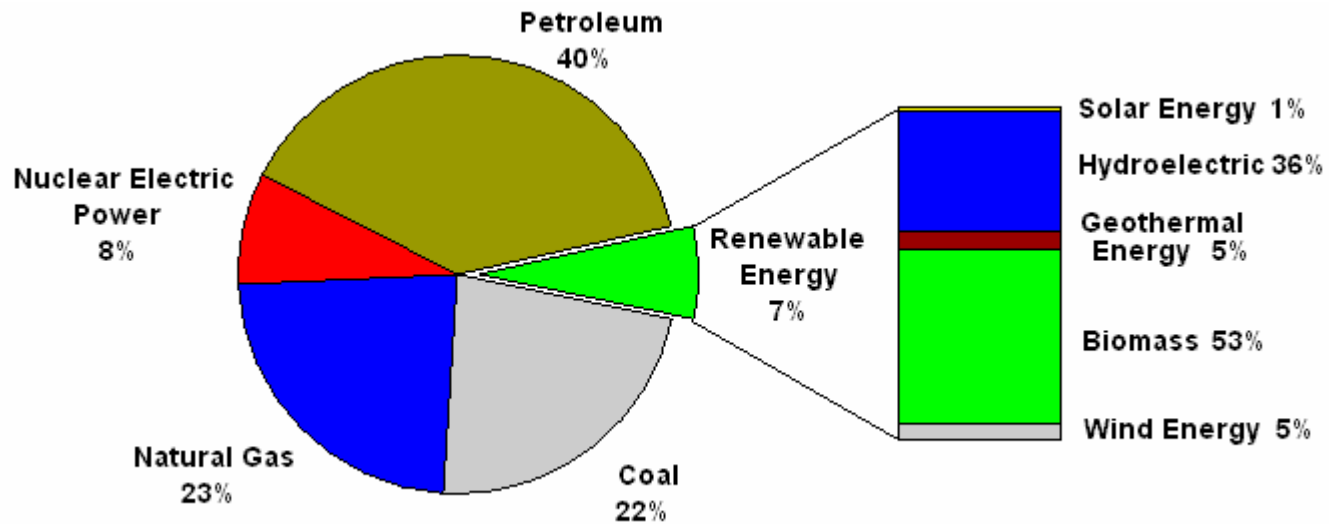
Future demand for sustainable investing

“The last frontier of the environmental movement has become the private sector, with waves of investors occupying this space. The single greatest determining factor could be a reduction in carbon, cleaner water or a cap and trade market... but none of these will have the effect that superior returns on investment will have. A singularly focused investment strategy with superior returns, will be, beyond anything else, why cleantech will remain near the center of our country’s pending economic recovery.”

– Tom Soto

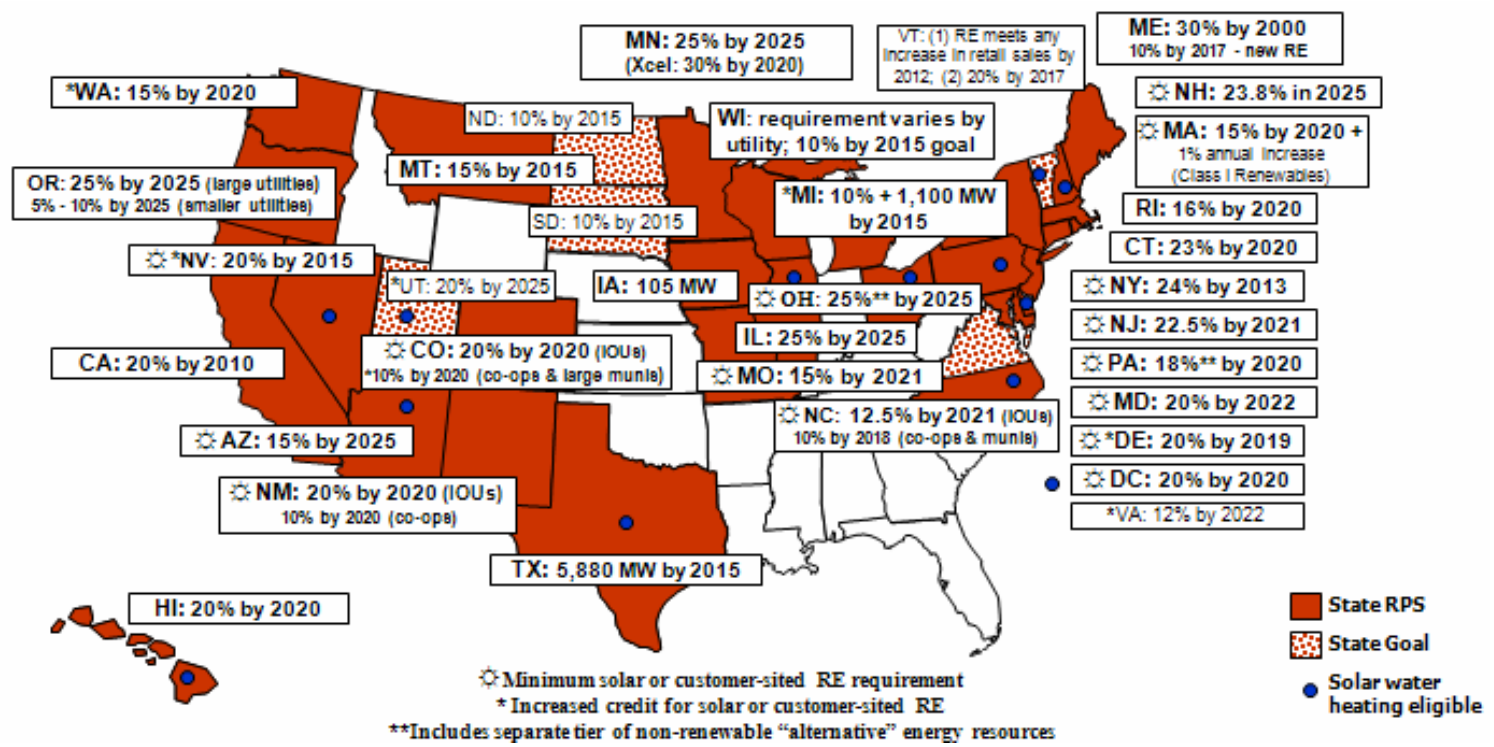
Thank You.

2 US energy consumption by source, 2007



Since 2006, more than 60 new coal plants have been cancelled, blocked or delayed with dozens more being challenged to favor cleaner sources.

2 Renewable portfolio standards



Source: www.dsireusa.org