



Available Financing **Structures and Definitions**



What is an ESA?

Energy Services Agreements (ESAs), "Energy as a Service Contracts," or "Efficiency Services Agreements" are a relatively simple form of energy efficiency financing. An ESA is a pay-for-performance contract where the client can implement their energy project with zero upfront capital expenditure.

How does an ESA work?

An ESA provider develops, finances, maintains and owns the equipment / technology for the duration of the contract (typically 5 to 10 years) additional and longer terms available upon request, if certain criteria i.e. cost & size qualifies. In exchanges for implementing the project, the ESA provider will charge the customer a minimum monthly fee for the equipment portion of the project, along with a reduced rate based on overall consumption, which is less than the current utility.

While the customer will enjoy immediate energy savings and greater reliability, they won't actually own the equipment, unless they buy out the contract at a certain point in time or purchase the equipment at the end of either the initial term or any extension of the contract.

This is an off-balance sheet solution where the energy savings is the value of the agreement to the customer because of customization. A typical ESA will take a shorter time to close, with greater savings achieved through the implementation process and is typically better for larger projects or (more than \$1 Million).

What is a Conditional Sales Contract / Money over Money Lease?

A Conditional Sales Contract or Agreement / Money over Money Lease Financing Agreement is a financing agreement where a customer / buyer will take possession of a particular type of energy related equipment (asset), but the asset's title and right of repossession remain with the seller+ / lender / lessor until the customer / buyer / lessee makes all of the required payments and pays the pre-determined Purchase Option and the conclusion of the initial term.

The Customer / buyer / lessee can take possession of the property (asset) as soon as the agreement is in force, which is normally before the equipment is delivered and accepted,

(certain timelines apply), but does not own the equipment until it is completely paid for, which is usually over a long-term agreement in monthly installments. If the customer / client / defaults on its payments, the seller / lender / lessor will take possession through repossession of the item (asset).

The buyer is responsible for equipment and its maintenance and operations throughout the term of the agreement.

What is a Operating Lease / True Lease / Tax Lease ?

With an Operating Lease / True / or Tax Lease, the customer only has the right to use the property for a specific pre-determined period of time, which ranges from (3 years to 15 years). It is based on the credit profile of the client, their ability to pay the required monthly installments and life expediency of the asset. There is never a transfer of ownership to the customer. It is similar in ways to a rental payment, which according to US Law and the IRS the entire monthly payment can be claimed as a monthly operating expense.

However, in some cases, if structured correctly, with certain assets. The client can either upgrade the equipment, return the equipment, continue to rent or purchase the equipment for the FMV (Fair Market Value) at the conclusion of the term or any extension.

Additional and more complex financing structures can be provided. They are based on the term, equipment cost and overall credit of the customer. Those financing structures are also based on the projected life and obsolesces of the technology. And are subject to change.

The options contained in this document currently apply to certain and limited technologies,i.e., Cogeneration CHP (Combined Heat & Power), Solar (Roof or Ground Mount) and Wind.

Any other form of technology needs to be reviewed, before a financing structure can be provided.

The information contained applies to transactions that range from approximately \$ 500,000.00 to \$ 100,000,000.00 and larger. And are based on the credit of the customer, and are subject to change.