



# **OVERVIEW OF FINANCING FOR ALTERNATIVE ENERGY PROJECTS**

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# Types of Systems are Limitless

- Solar – PV & Hot Water
  - Wind Turbines
  - CHP Systems
  - Bio-Digesters
    - Bio-Mass
- Waste Water Systems
  - Geothermal

# WHAT COMMERCIAL LEASE PROVIDERS WILL GENERALLY DO

## LEASE AGREEMENTS:

During the term of the lease, the customer makes a stream of payments considered as “Rent” as the ownership of the equipment is held by funder, Upon exercising the purchase option, the lessor passes ownership to the end user.

These may be \$1.00 buyout, FMV (participation of vendor may be required) OR 10%, 20% or higher residual buyouts as the project qualifies.

Or



## FINANCE AGREEMENTS:

The owner of the equipment is the customer from inception and the lender has a lien holder position. There is typically no buyout at the end as the end user owns the equipment from inception. This is known as an EFA, Equipment Finance Agreement.

Lenders should offer these Programs to tailor payments, take advantage of Tax Structures, & give the customer the choices they need.



- **Tax Benefits** - Lease payments may be 100% tax deductible.
- **Section 179 of the IRS Tax Code** - May Allow Tax Write Off for Capitalized Purchases. This May Be Greatly Reduced in the Years Ahead.
- **100% Financing** - Leasing permits 100% plus financing, including soft costs, warranties, tax, freight and installation, normally with 1 or 2 advance payments.
- **Greater Leverage of Capital** - Leasing Conserves valuable company working capital & credit lines.
- **Flexible Payment Plans** - Longer and flexible terms are available: residuals, vendor participation or seasonal options.
- **Fixed Rates** - Lease payments are fixed, not adjustable floating interest rates.



A normal application process will be required for all requests for funding.

Replacement or additions of equipment under \$150k will be simple leases.

All commercial project leasing requests will require a full financial package.

Generally considered to be:

3 years taxes or audited financials on the existing business or securing entity

Personal Financial Statement and 3 years taxes on all owners if a closely held corporation.

Debt schedule

Interim financials for current year or unfiled taxes years

Executive Summary to spell out where the company has been and is going

List of required equipment from vendor quotes



# MASTER LEASE OR FINANCE AGREEMENT

Using Master Lease or Master Finance Agreement whenever possible makes adding equipment down the road a snap! One bill, one phone call



## BUY OUT OF EXISTING TRANSACTIONS

Buy Out Products Allows Taking Existing Leases And Combine Them With a New Equipment Purchase To Get Lower Monthly Payments Than A Single Traditional Lease!  
Good Payment History Required on Existing lease.



## MAYBE YOUR PROJECT IS AN INVESTMENT



- Critical Point About Debt
- Whether it is Bank Funding or a Leasing Product
  - “Present ability to Pay”
- If you cannot meet that requirement then Equity is your answer
  - Question: What do you have invested?



## EQUITY FUNDING



Direct access to the investors who will fund your projects is generally limited. Gatekeepers to Hedge Funds, Investment Banks or High Net Worth Private Groups.

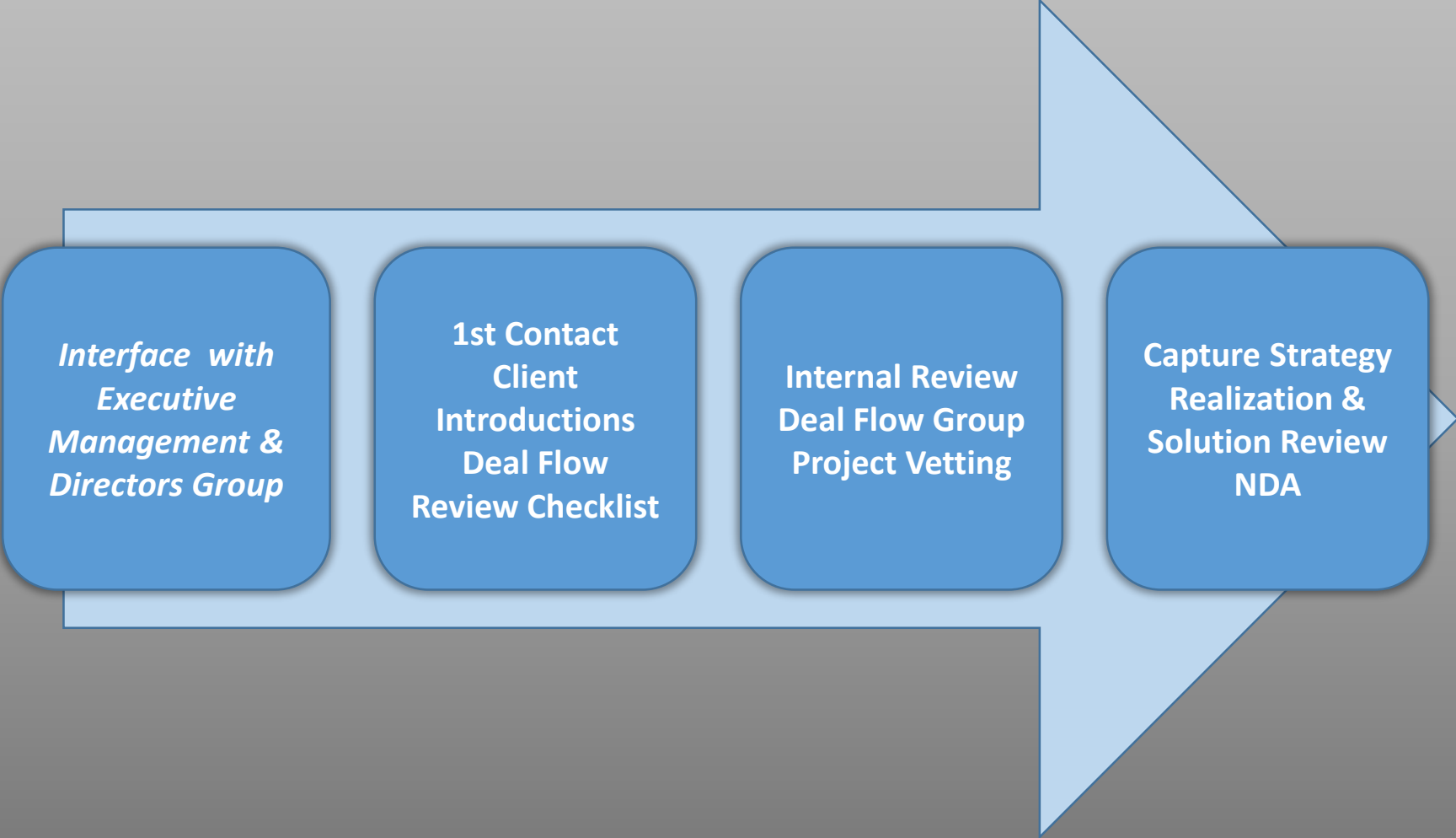
Proven equity funders who have done transactions in the cost range of your project is critical.

The Equity funder should have team members with a grasp of your technology and with the field.





# The process will likely look like this:





There is about a 10 to 12 step process to closing 60-120 days



## THESE ARE THE THINGS THAT YOU SHOULD LOOK FOR IN A QUALIFIED EQUITY LENDER:



Success & Results Based Comps.  
100% Discretion Guaranteed

Customer Focused  
Sound & Practical Solutions

Direct to Source Options  
Branded Funds Policy

Project Vetting & Solid Due Diligence  
Evaluation

Zero Up Front Fee Policy in All Engagements

Capture Strategy & Advisory Services



## In Summary:

### EVALUATE YOUR OPTIONS

What do you want from a system?

Is this an investment or a business enhancement?

Does the idea make sense to you?

Are you being sold or have you found the match to your needs?

Don't get "Shiny Object" Syndrome.

Don't get quotes, get a qualified Energy Consultant, spend a few dollars to determine YOUR best choices....then the fun begins.



## What To Do Next



- REI is a great source of information.
- The vendors, consultants and service providers have experience.
- Ask other business associates what have they done? Where did they find their answers? What pitfalls do they suggest being aware of?
- Know your own company needs, the best choices should address those needs in a way that brings the greatest benefit.

**Thanks for being part of the REI program today.**