Comprehensive Energy Infrastructure Finance

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Opportunity

Energy Service Agreements Lower OPEX, Eliminate CAPEX, and Outsource Project Risks

- **No Capital Expenditure**: Energy Service Agreements ("ESA") is a pay-for-performance, off-balance sheet financing solution that allows Company to implement energy projects with zero capital expenditure
- **Improve Bottom Line**: There is an immediate improvement to Company's bottom line because payments are based on units of energy saved
- **Guaranteed Savings**: The price per unit of savings is set below Company's current utility price, resulting in an immediate reduction to operating expenses
- **No Risk**: Company bears no project performance risks because they only pay for actual energy saved. Performance risk is borne by the project investor and the contractor
- **Third-Party Owned and Operated:** Investors fund all project development, construction, and maintenance costs. They own the equipment and conduct all maintenance to ensure performance

Projects include a range of technologies including:

- Lighting upgrades
- Combined heat and power (CHP) plants
- HVAC upgrades or replacement
- Energy management systems
- Fuel Cells
- Process controls
- Pumps and motors
- Refrigeration systems
- Conveyance systems
- Water Conservation Retrofits

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Financial and Operational Outcomes: ESAs Drive Better Results

Financial Benefits

- **Immediate Savings and Zero Capex:** Projects will create savings for Company on day one with zero investment or capex requirements
- **Free Up Cash:** Eliminates large discretionary investment and releases cash for core business activities or acquisitions, etc.
- **More Projects:** Enables the implementation of more energy projects at a greater number of facilities – Save more money
- **Larger Projects:** Eliminates budget limits on project size, creating more savings
- **NPV Uplift and P&L Accretion:** Create greater long-term value for shareholders using low cost financing

Operational Benefits

- **No Balance sheet Impact:** Contract structure results in no balance sheet impact, preserving debt capacity and credit rating
- **Performance Risk Eliminated:** Long-term project performance is the responsibility of best-in-class service providers, so Company can focus on its core business activities
- **Long-Term Service:** Transfers responsibility for the operation, maintenance and monitoring to strong third-parties for the life of the equipment
- **Easy Rollout:** Management of a broad portfolio of projects by industry leaders
- **Administrative Burden:** Alturus coordinates implementation and program administration
- **Employee Time:** Frees up employees to focus on other critical business initiatives
- **Scalable:** Scalable financing accelerates rollout, reducing the cost of delaying implementation

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'Energy Service Agreement' provides best value

	Traditional			Emerging	
	Internal Funding	**Equipment Lease**	**Energy Service Performance Contracting (ESPC)** [1]	**'Energy Service Agreement' (ESA)**	**Property Assessed Clean Energy (PACE)** [1]
Description	Direct equipment purchase from OEM or contractor	Traditional lease financing for ECM equipment	On-balance sheet debt related to ESCO savings guarantee, (federal and MUSH markets)	Service contract with third-party capital to build, finance and maintain ECMs	Debt funding via voluntary property tax assessment and property lien
Considerations					
No Upfront Cost	✗	✓	✓	✓	✓
No Balance Sheet Impact	✗	✗	✗	✓	?
Performance-Based	✗	✗	✓	✓	✗
Ongoing O&M	✗	?	✓	✓	✗
Ongoing M&V	✗	?	✓	✓	✗
Ability to Scale	✗	✗	✗	✓	✗
Investor Considerations					
Source of Repayment	n/a	Operating income	Operating income	Service contract	Property taxes
Typical Term	n/a	5 – 10 years	Up to 20 years	5 – 10 years	Up to 20 years
Collateral / Security	n/a	Equipment; UCC1 Statement	Senior Secured	Equipment; UCC1 Statement	Tax lien

Note: (1) See appendix for additional description of financing structures

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