US ENERGY CAPITAL

Conyers, Georgia

Rebuild America

and

Georgia Environmental Facilities Authority

Present an Energy Technology Seminar

Energy Efficient Technology in Buildings

Conyers, Georgia

October 14th, 2004

Jim Borland, President,

US Energy Capital

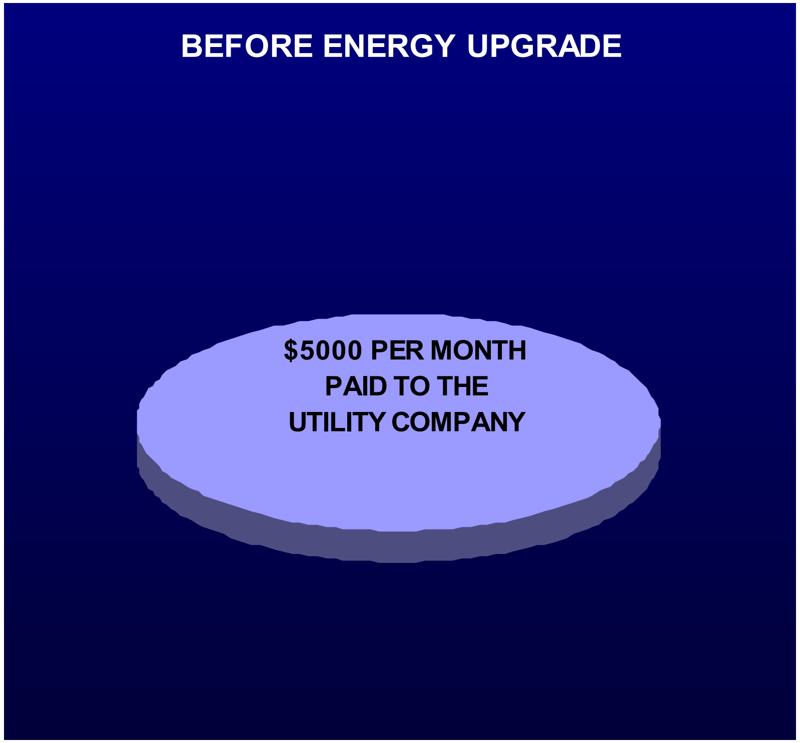
FINANCING – WHY?

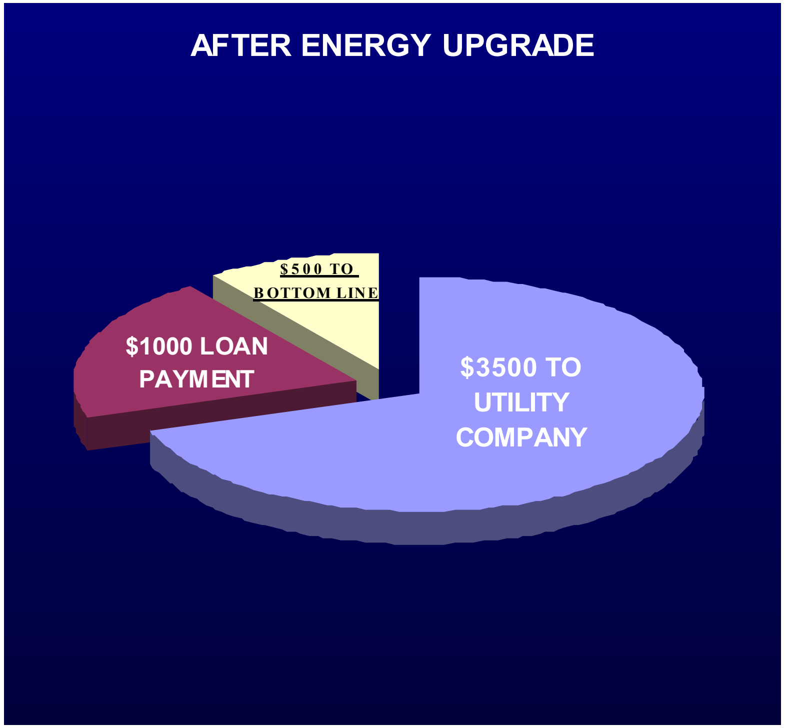
It is a known fact that the lack of capital prevents many energy savings projects from ever being completed

FINANCING FACT

Most energy saving projects can be financed so that ***current utility budgeting can pay for the energy upgrade*** from the savings realized

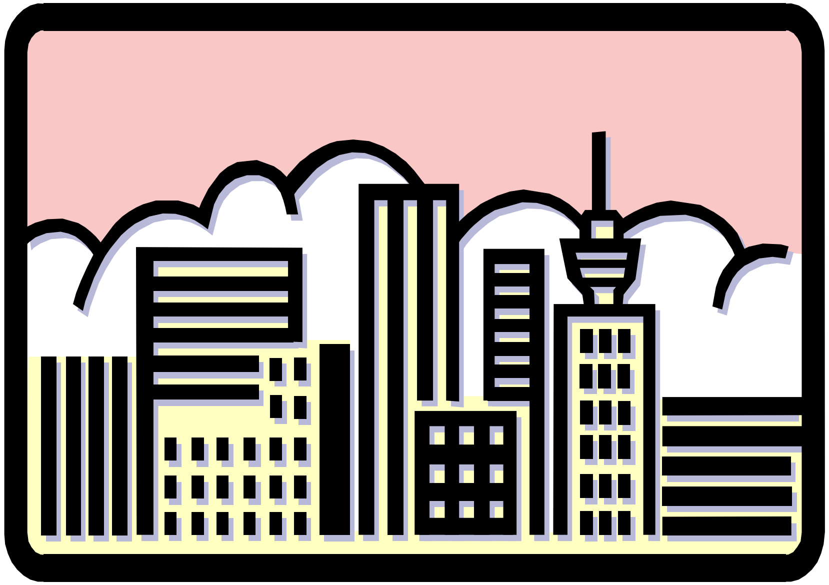
FINANCING ADVANTAGE





INDUSTRY SEGMENTS

- GOVERNMENT
  - Federal
  - Municipal
    - State / City / Schools
- NOT-FOR-PROFIT 501(C)(3)
  - Churches
  - Private Schools / Universities
  - Charities



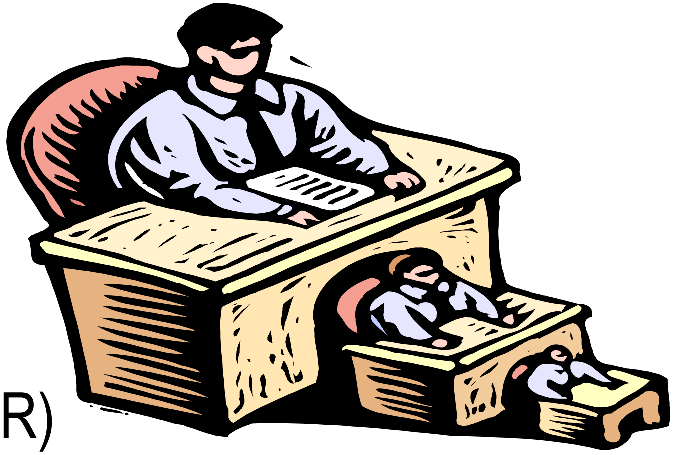
- COMMERCIAL / INDUSTRIAL (C & I)
  - (Just about any site not falling in the above 2 categories)

FINANCING VEHICLES- CONTRACTS

THREE DIFFERENT APPROACHES

1. SHARED SAVINGS
   - Split between customer & contractor

2. PERFORMANCE CONTRACT
   - Guaranteed Savings
   - No Upfront Capital (Usually)



3. CAPITAL APPROACH (MOST POPULAR)
   - Pay With Cash
   - Use Borrowed Capital
     >Lease / Loan / Bond

Municipal Leasing – What is it?

Allows the Public sector to purchase without having go to the voters for every item

- Lease payments are a part of the budget process – does not require voter approval such as a bond issue does
- Not considered "Debt" in most cases
- Subject to annual appropriations

Why is Muni Financing different?

Municipal rates are lower than commercial rates because the interest earned is tax-free

Rates are comparable to Municipal bonds

Muni Financing is for whom?

YES

States

State Agencies

Cities

City Agencies

Public School Systems

(K-12 & Universities)

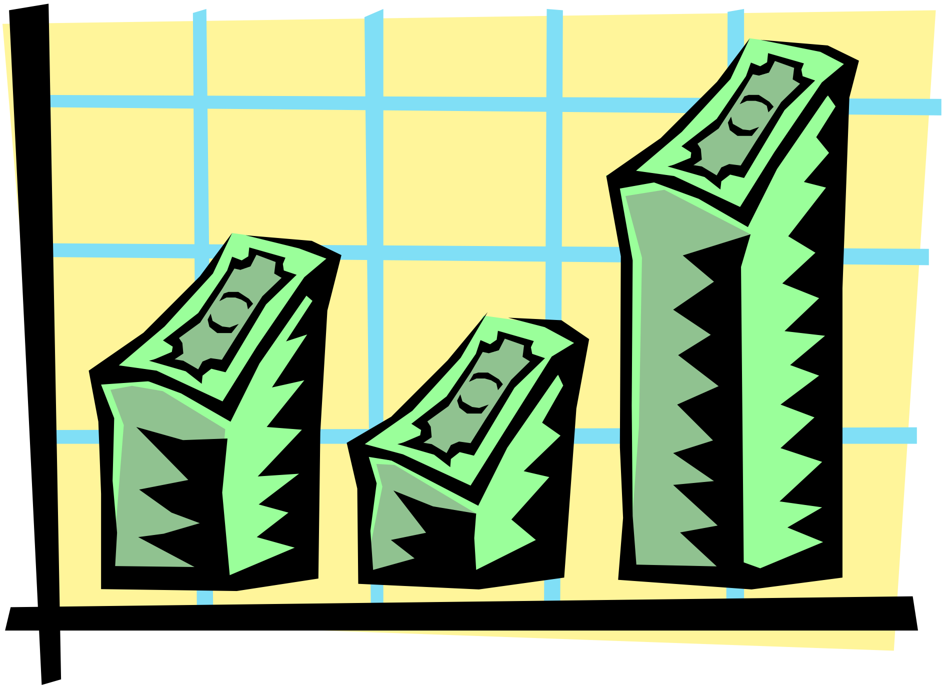
NO

Private or parochial schools

Non-Profit organizations
(will discuss later)

FINANCING BY SEGMENTS

- TYPE CONTRACT
- AVAILABLE RATES
- TERMS AVAILABLE



WHAT TO USE	Federal Gov't	**Muni**	C& I	NFP
Type of Contract				
Lease (L)	X	**X**	X	X
Loan (L)			X	X
Tax Exempt Bond (TEB)		**X**		X *
Taxable Bond (TB)			X	X
*using a conduit with a tax exempt entity				

RATES	Federal Gov't.	**Muni**	C& I	NFP
Available Terms	10 years	(L)-15 years (TEB)-25 years	10 years	10 years
Typical Interest Rates	(L) 8-10%	(L) 4.0 - 4.5%; (TEB) 2.75 - 3.5%	(L) 5.5 – 8% (TB) 4.5%	(L) 5.5 - 8% (TB) 4.5% (TEB) 2.5 - 3.5%
		(L) = Lease/Loan	(TEB) = Tax Exempt Bond)	(TB) = Taxable Bond

Muni-Financing Terminology #1

- **Budget Allocation**

- Payments are typically allocated to the Operating Budget. This allows the municipality greater flexibility from whom to borrow funds and how to best use them.
- The Operating Budget – This is the money used for day-to-day operations of the municipality

Muni-Financing Terminology #2

- **Bank Qualified**
- Bank Qualified = When a Municipality expects to enter into less than $10 million in tax-exempt debt during the current calendar year it is considered "Bank Qualified"
- A municipality does not have to be "Bank Qualified" to obtain muni financing but there may be fewer funding sources available if it is not "Bank Qualified"

Muni-Financing Terminology #3

"Non-Appropriation"

- Non-Appropriation allows the public Agency to cancel the lease, with certain restrictions, annually if funds are not appropriated for payments during the next fiscal year
- All municipal leases include a form of Non-Appropriation

Muni-Financing Terminology #4

- **Conduit Leases**
- Conduit Leases are a method for Non-Profit/501(c)(3) organizations to structure financing with rates comparable to Municipal Leases
- Involves an approved third party public agency
- The third party acts as Lessee and sub-leases the financing to the non-profit
- Expensive to create- usually appropriate for leases over $1 million

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