



Lease-to-Own Models for Small Wind

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The Energy Dream

Since almost the time when people paid their first electric bill, there has been a desire to produce their own electricity. But there has never been a low cost way.





The Evolution of Distributed Renewables

It was the 1980's when the dream of "independence from the utility" started to become a reality. But it would take another 30+ years before the goal would begin to take shape.

During that time, a multitude of efforts including ever advancing solar and wind technologies, certification standards, interconnection standards, installation standards, permit streamlining, resource identification and predictability tools to name a few, have evolved to move the industries along.

The remaining issue has been addressing the high upfront cost of renewables.



Types of Ownership Models

- 1) Out-right Purchase
- 2) Lease-to-own with small residual buyout
- 3) Power Purchase Agreement

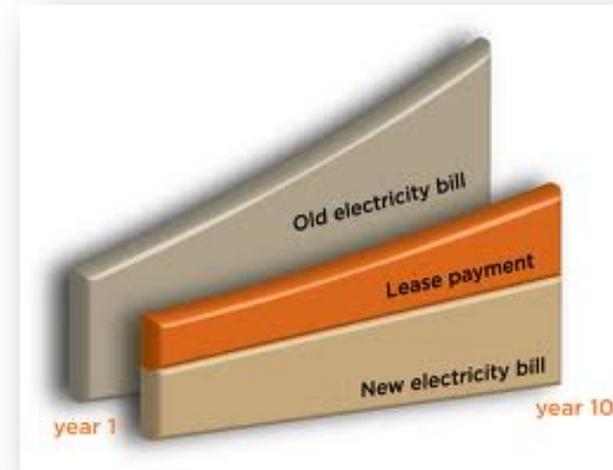
Its important to note that all these models generally include a service agreement as part of the contract. This will be either included or added at the Time the contract is signed.





Finance Options for Renewables

Solar figured it out first. They developed both PPA (power purchase agreements) and lease agreements...





...and Leasing has Transformed their Industry

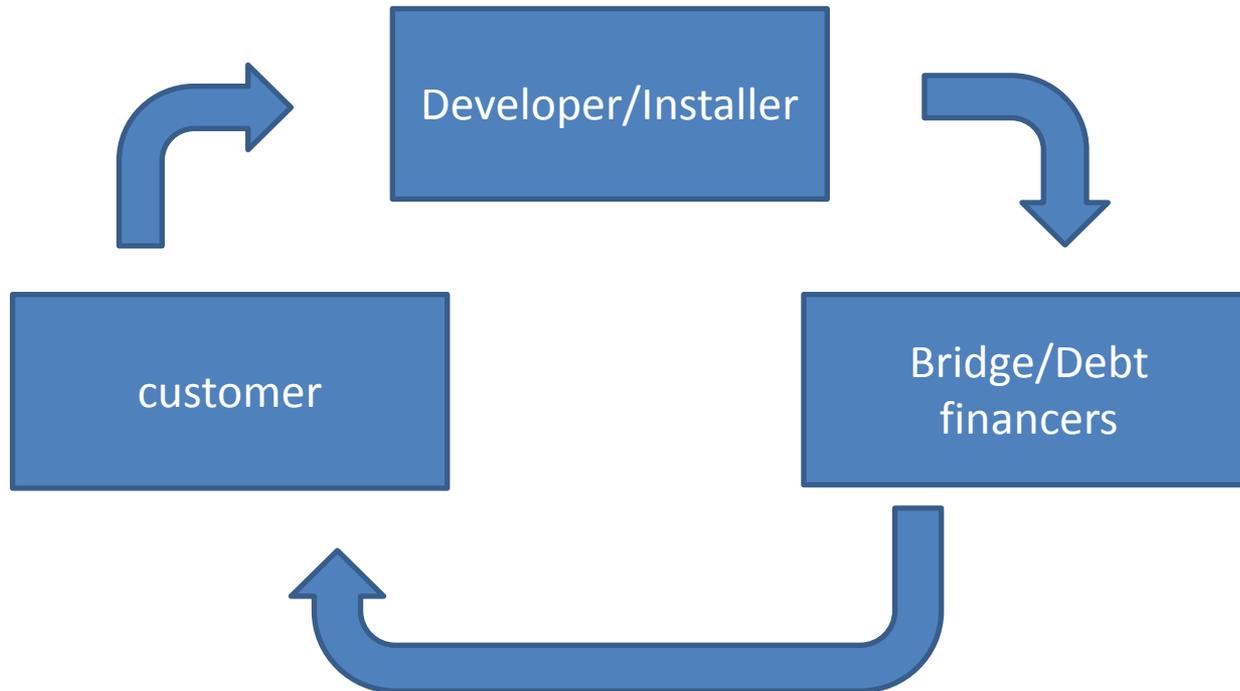
Leasing of solar systems began in 2008 and now accounts for more than 65% of lease vs. purchased systems





How It's Done

A financial transaction, either a lease or PPA requires at least three parties.



So why don't we see more distributed wind systems using the leasing model?



Bankable Requirements

Finance institutions do not lend money on the premise of “trust me it will work”. Finance of a project is generally a combination of risk alleviation, verification of system performance and confidence of long term operation.

Primary questions of any relationship with a finance institution:

- 1) **Reliability** and 3rd party verification of the technology being used as well as financial stability of the producer (is the technology proven and is the company financially sound?).
- 2) **Performance** of the system for the life of the agreement (Will the technology perform and produce the revenue as stated in the cash flow statement?).
- 3) Long-term **maintenance agreements** to assure continued operation of technology (will there be someone available to make sure the system operates as predicted for the length of the contract?).

These are the top three transactional requirements. There are actually many other requirements from obsolesce clauses to performance guarantees



Distributed Wind and Leasing (where it is now)

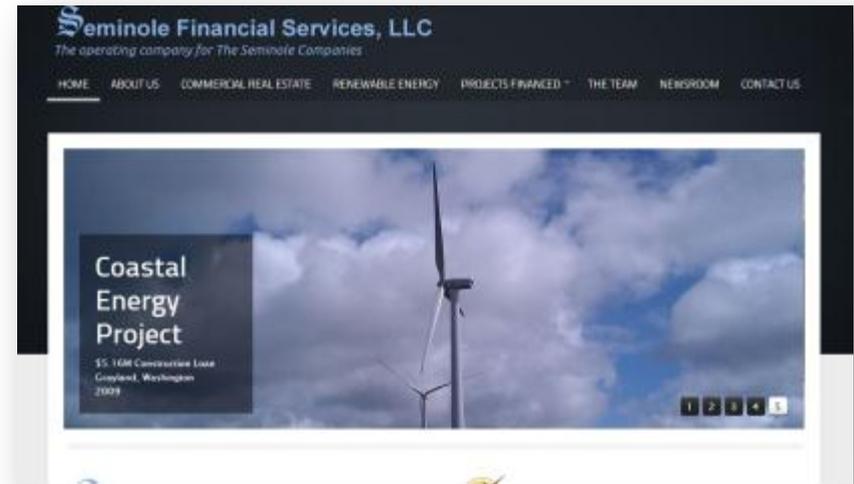
Many of the issues which have prevented distributed wind from participating are being addressed:

- 1) The SWCC , CESA and UL have established certification standards to address reliability concerns
- 2) Wind resource assessment companies have refined many of their tools to more accurately predict energy at a site without the need of long-term measurement devices (topography has an impact on the accuracy).
- 3) Mature organizations are beginning to take on development work giving financiers confidence of long-term maintenance agreements.

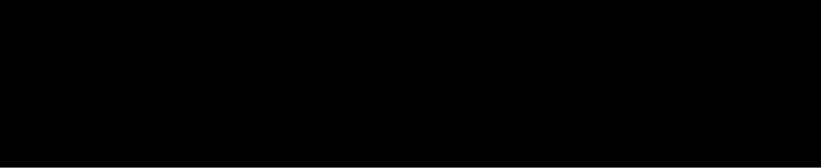


The Players

United Wind is new to the industry and will be financing projects beginning in June/July. Projects will be as small as 10KW



Seminole Financial Services is focused on types of project bridge financing programs which are used prior to the permanent debt



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