

## Energy & Infrastructure Funding Solutions

The next evolution in energy and infrastructure program funding

Developed by:



**Lance**, through its energy investment and debt capital activities, provides solutions for large scale intelligent energy efficiency projects that deliver significant energy and emissions savings to corporate, institutional, and government end-users.

This opportunity is emerging due to several converging factors:

- Political, economic, and social pressures are forcing an expedited paradigm shift in energy policy for large public and private entities
- Advances in LED lighting, wireless controls, VFDs, HVAC and other ancillary intelligent technologies can now deliver exponential improvement in energy efficiency (EE) and sustainability projects, both indoor and outdoor
- Budget constraints among municipalities, corporations, and institutions are driving the need for an outsourced funding solution
- Currently, energy efficiency initiatives are largely implemented through small applications on an ad hoc basis, or through expensive ESCO solutions

<sup>1</sup> Deutsche Bank and Rockefeller Foundation report, March 2012

# Lance– Team Background

- **The Lance team has extensive experience in numerous disciplines:**  
Corporate Real Estate, Corporate Services / Brokerage, Agency Leasing, Sustainability and Energy Efficiency, Debt and Equity Capital Markets, Institutional Real Estate Investment, Appraisal / Valuation, Tax and Accounting Advisory
- **From equally diverse previous employers:**  
Blackstone, BT Communications, CresaPartners, Cushman & Wakefield, Deloitte, DTZ / UGL Equis, General Electric, General Motors, Goldman Sachs, ING Clarion, Jones Lang LaSalle, JP Morgan, Siemens, UBS
- **With a wide array of corporate and government clients:**  
AT&T, Bank of America, BNY Mellon, Chrysler Group, City of New York, Delphi Corporation, General Motors, GSA, HSBC, IBM, Marsh USA, JP Morgan Chase, Oracle, Prudential Financial, Tiffany & Co., Travelers Insurance, UnitedHealth Group, Verizon, Xerox
- **... and has completed over \$20 billion in corporate real estate and sustainability financing and other transactions to date**

The energy efficiency market is growing quickly, but the high up-front costs are a hindrance to scale. Current financing solutions are sub-optimal – especially for building retrofits and outdoor lighting replacement, which represent the vast majority of the opportunities.

- The ESCO business has grown to \$5B<sup>1</sup> and become a staple in the efficiency market by providing energy savings performance contracts (ESPCs)<sup>2</sup> but EE investment on a global scale should be much larger
- ESPC financing or leasing approaches are typically shorter term in nature and not matched to the useful life of the products, thus creating a drag on delivering savings to the end-user
- Barriers to massive EE project adoption include (i) paying off the high cost up-front investment creates a multi-year delay for realized savings, and (ii) the negative balance sheet impact and potential negative credit rating agency consequences of current ESPC financing

<sup>1</sup> U.S. energy services companies (ESCOs) have grown the market from less than \$500 million/year in 1990 to \$6.4 billion in 2013.

<sup>2</sup> <http://www.greentechmedia.com/articles/read/How-the-ESCO-Market-for-Efficiency-Can-Continue-Expanding>

Lance has developed an innovative service contract funding structure to tap the market for large-scale Intelligent EE & Sustainability Projects – the **Energy & Infrastructure Funding Solution (EIFS)**

## No Upfront Cost to end-user

Provides 100% funding of major EE retrofit and sustainability projects for Corporations, Government, Hospitals and Academic Institutions – with no capital expenditures required by end-users



## Tailored Amortization & Future Proofing

Flexible payment structures can maximize savings in the early years for end-users and/or provide embedded “future proofing” for intra-project investment in new and emerging technologies and systems



## Optimized for the Credit Markets

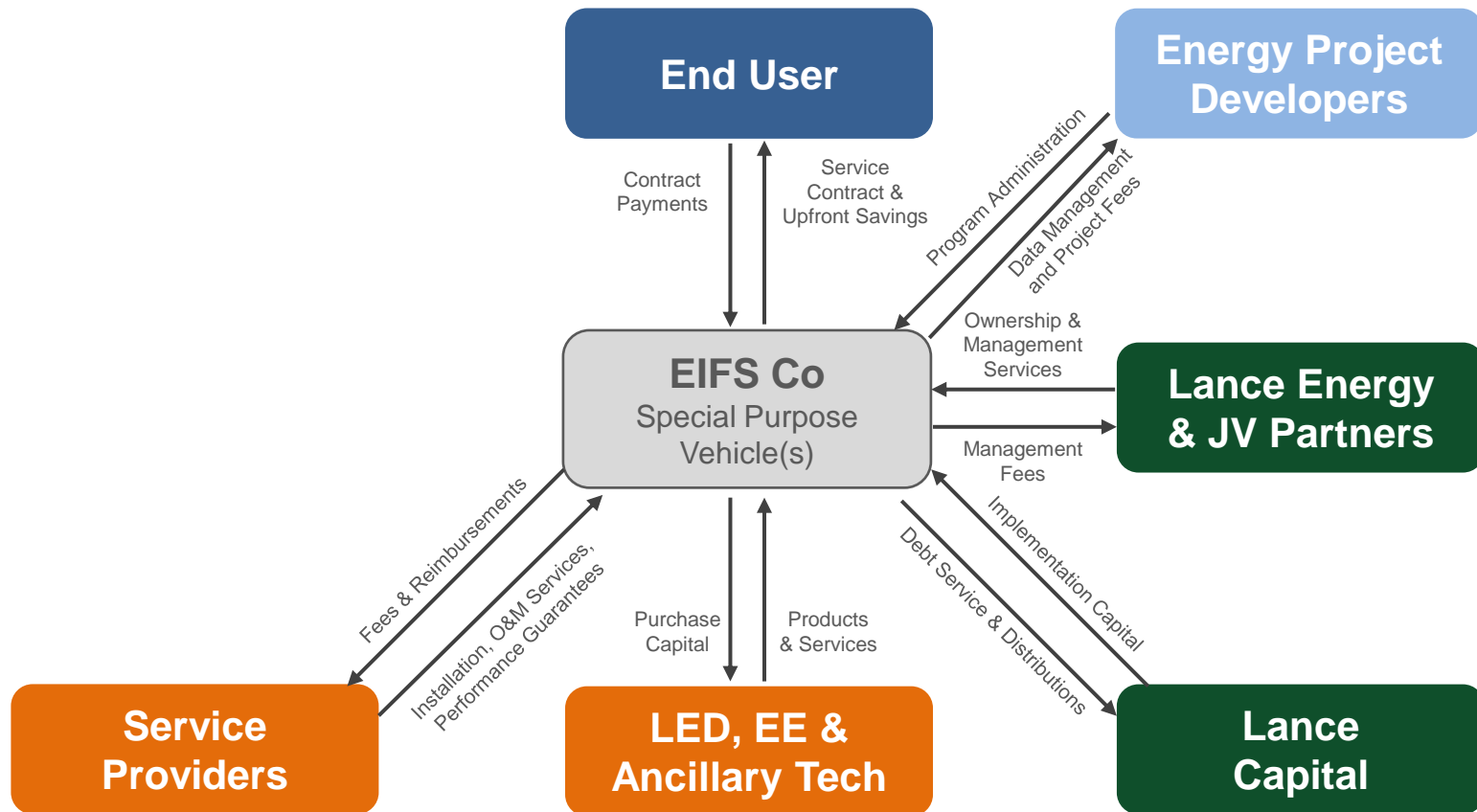
Private placement/other debt issues provide exposure to Investment Grade credits with yield enhancement – ideally optimized and structured to meet the recognized demand of institutional investors

= Access to the **\$25 Trillion<sup>1</sup>** in institutional portfolios hungry for large scale clean energy investments, unlocking billions of dollars in EE projects

<sup>1</sup> <http://www.forbes.com/sites/mindylubber/2016-17/03/03/insurers-have-huge-role-as-clean-energy-investors/>

# Project Funding: Structure

EIFS keeps the energy efficiency assets in a separate corporate entity – the EIFS Company – instead of the end-user’s balance sheet for a given project or set of projects. The retrofit project is completed through EIFS Co. with **zero capital expenditure** by the public or private end-user.



As the project owner, we have major incentive to exploit the best in breed products and systems to deliver the **maximum savings** possible, and develop **revenue generation** opportunities to be shared with the end-user.

- Lance and its partners will deploy energy efficiency / sustainability solutions that are both state of the art, yet proven and financeable
- Virtually any large scale capital-intensive energy project is suitable for the EIFS approach. We will evaluate and deploy intelligent emerging technologies with our industry leading O&M partners.

## Lighting & Controls

LED Lights  
Wireless Controls  
Intelligent Sensors  
Smart Buildings & Cities

## Generation Opportunities

Heat to Power Solutions  
Co-generation  
Solar PV  
Biomass

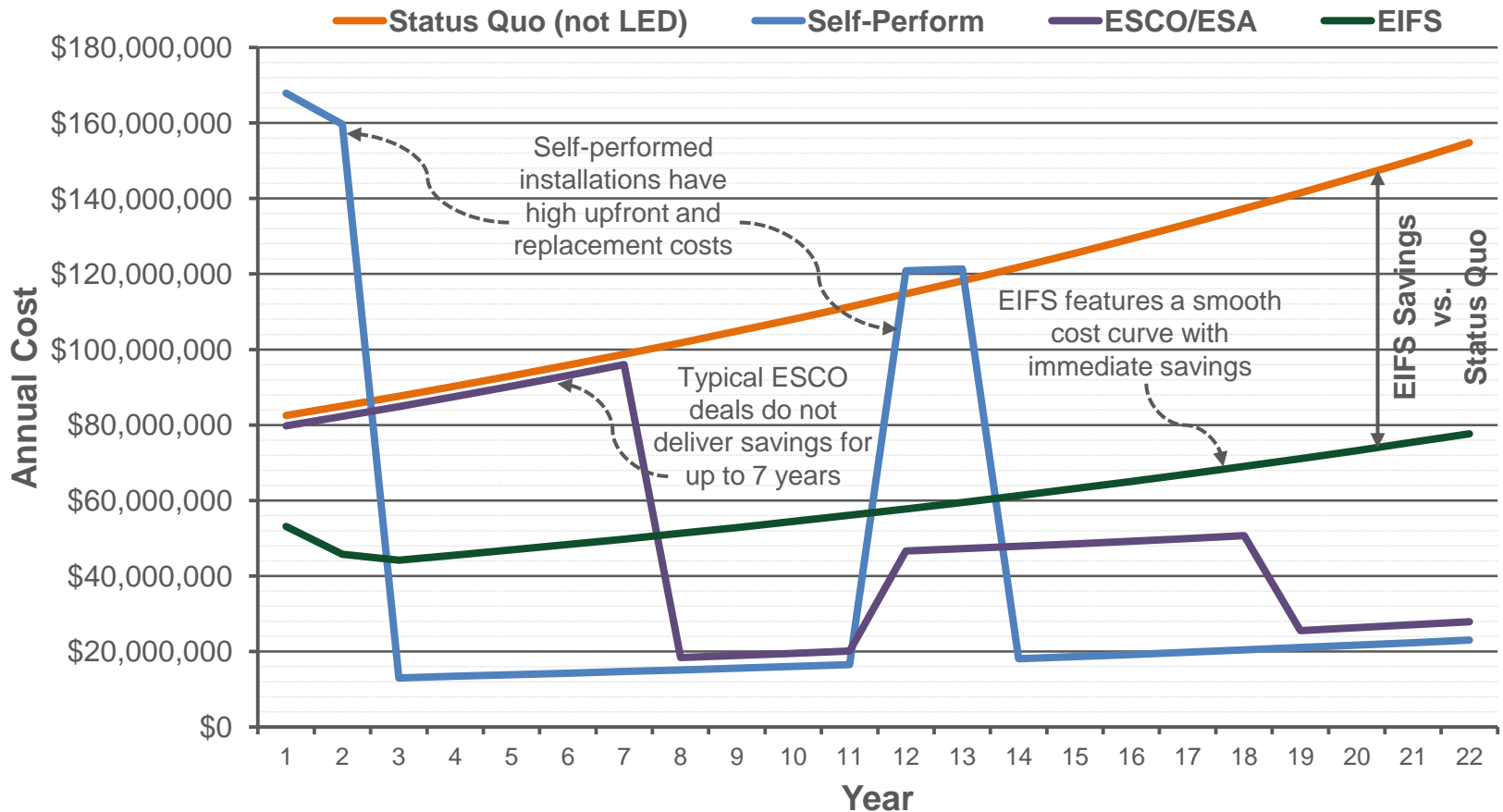
## Smart Grid Systems

Demand Response  
Distributed Storage  
Big Data  
Small Cell / DAS Revenue

# Economic Benefits: Cost vs. Alternatives

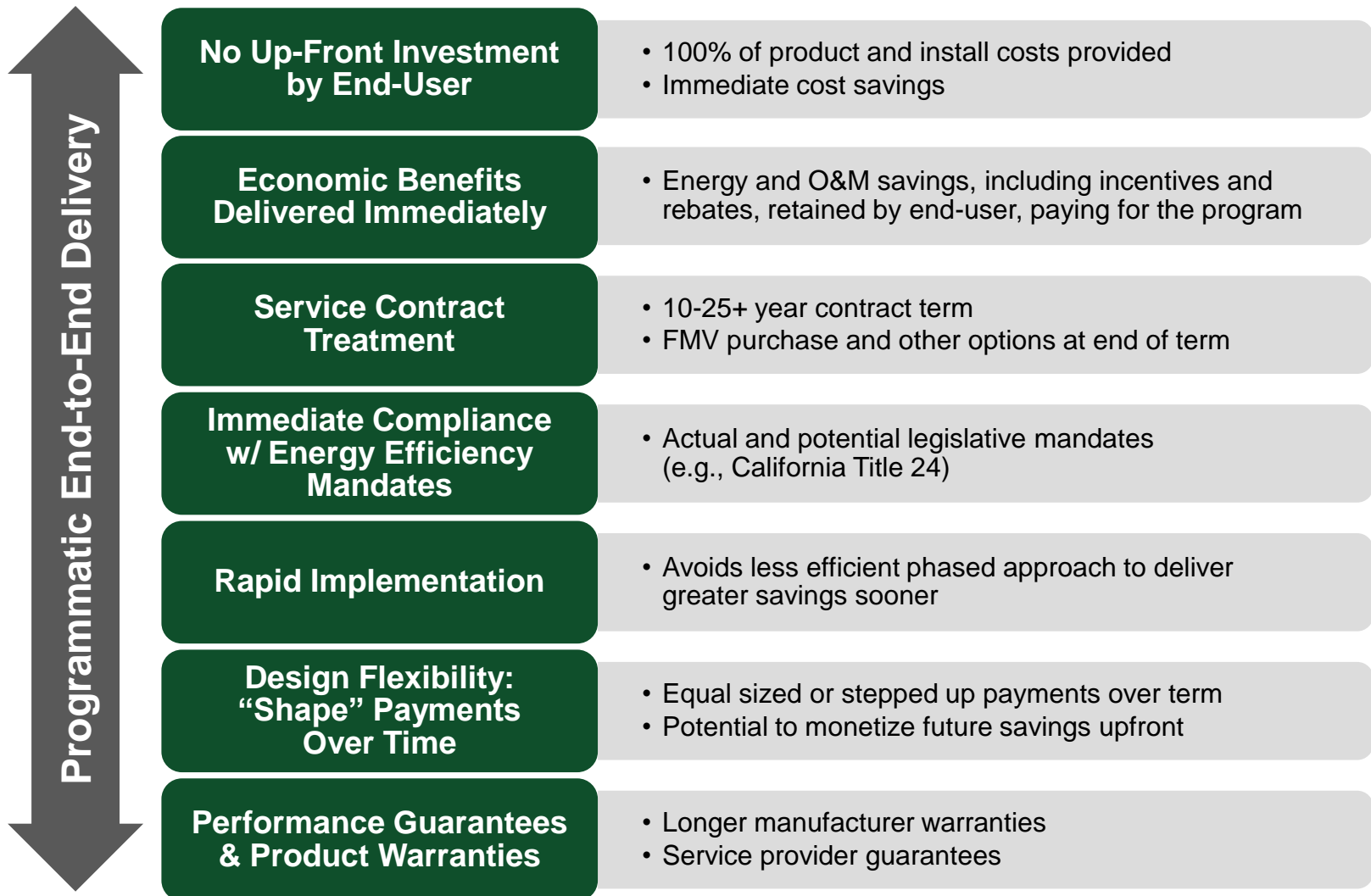
Lance EIFS keeps all the benefits of traditional Energy Service Performance Contracts, but generates better economic results.

A citywide LED street lights and wireless controls project as an example:





- **Lance Energy** forms a special purpose limited liability company (EIFS Co) with potential joint venture partners for a specific project or projects for a given end-user
  - Finances, purchases, installs, owns, and maintains EE assets
  - Manages ongoing services related to M&V, data analysis, ongoing optimization, continuous, commissioning, etc.
- EIFS Co and end-user enter into a long-term service agreement
  - End-user makes service contract payments, including an absolute obligation to make minimum scheduled payments
  - End-user retains certain rights of offset or abatement with respect to other performance-related contractual elements – similar to an ESPC
  - EIFS Co may deliver an upfront payment based on NPV of project savings
- EIFS Co accomplishes obligations through partner agreements
  - Project developers
  - Major and local service providers / contractors
  - LED lighting / controls & other technology manufacturers – product/warranties
- **Lance Capital** acts as lender to EIFS Co
  - Provides 100% of implementation funding at closing



Opportunities exist in many target market segments to develop, acquire, manage and optimize billions of dollars worth of energy efficiency projects.



**Municipal /  
State / Federal**



**Office /  
Retail**



**Institutional  
Facilities**

Lance and its partners have identified and developed a project pipeline in excess of **\$2.0 Billion** in just over a year.

# Representative Projects

With our structuring partners, such as CGA Capital, Bostonia, and First Sustainable, and book-runners / placement agents such as Bank of America, Deutsche Bank, Credit Agricole, etc.:

AT&T	\$276	Northwell Health	211
BNSF Railway	56	Novant Health	126
Bridgeport Hospital	114	PepsiCo	114
Chrysler Corporation	590	Sempra Energy	174
Citibank	67	Smithsonian Institution	77
City of New York	64	Tiffany & Co.	98
City of San Diego	92	US Army	155
Commonwealth Edison	110	US Department of Justice	193
District of Columbia	25	US Federal Bureau of Investigations	144
Eli Lilly & Co.	47	US Food and Drug Administration	207
Fidelity Investments	292	US National Institutes of Health	334
GE Energy	103	US National Nuclear Security Administration	960
General Reinsurance Co.	173	US NOA Administration	330
Greater Baltimore Medical Center	34	US National Park Service	29
HSBC	135	US Navy	102
JP Morgan Chase	125	US Secret Service	198
Kinder Morgan	469	US Social Security Administration	179
L'Oreal USA	60	US Virgin Islands	400
Macy's	25	Verizon	123
Marriott	247	Walgreens	127
Mount Sinai Medical Center	65	Xerox Corporation	60

## Lance Energy and Lance Capital

Lance is a specialty corporate and government real estate finance and investment company that provides cost-effective capital for Lance invests debt and equity capital for corporate and governmental buildings and tenant improvements, energy efficiency and sustainability, real estate, infrastructure, and other major assets. Lance acts as a lender and/or investor in the context of energy services contracts, commercial real estate leasing, build-to-suits, and sale-leasebacks and other property acquisitions, as well as provides other credit tenant and net lease financing products and services.

The Lance team consists of seasoned professionals with extensive expertise in numerous disciplines, including institutional real estate asset management, acquisitions, debt and equity capital markets, corporate real estate finance, and lease tax/accounting optimizations. On an aggregate basis, Lance and its partners have completed over \$20 billion of corporate and governmental real estate and sustainability / energy efficiency financing and other transactions to date.

# ***LANCE***

[www.lance-intl.com](http://www.lance-intl.com)