Discover Lighting/Energy Efficiency as a Service

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Opportunity

Changes to the accounting standards have re-defined On-Balance Sheet & Off-Balance Sheet treatment

- Multinational companies 2017 – IRFS
- US companies 2018 – GAAP/FASB

- Service models more prevalent
  - Netflix, Uber, Mercedes-Benz & Comcast

Changing buying tendencies from OWNING \(\rightarrow\) USING
## Benefits of Leasing

<table>
<thead>
<tr>
<th>Reason for (operating) leasing from a Lessee perspective</th>
<th>Details</th>
<th>Status after new rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow / raise capital</td>
<td>100% Funding (no down payment); Financing entire solution (&gt;100% of hardware); fixed rate</td>
<td>Still a benefit vs. buying financed by a bank loan or owning the asset</td>
</tr>
<tr>
<td>Tax Benefits</td>
<td>No change in tax treatment; lower effective implicit rate paid by the lessee</td>
<td>Still a benefit</td>
</tr>
<tr>
<td>Accounting</td>
<td>Off balance sheet treatment</td>
<td>Partial benefit if the PV of the lease payments is meaningfully less than the cost/fair value of the leased asset, as in leases carrying high residual values</td>
</tr>
<tr>
<td>Financial</td>
<td>Least expensive; lower rental (due to RV) and no additional collateral</td>
<td>Still a benefit</td>
</tr>
<tr>
<td>Technology</td>
<td>Avoiding risk of technological obsolescence (Leases with Return Options)</td>
<td>Still a benefit</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Flexibility of mid term upgrades and end of term options; Flexible payments structures (“Buy-outs/Trade-ups”)</td>
<td>Still a benefit</td>
</tr>
<tr>
<td>Convenience</td>
<td>Quick and easy financing process often available at point-of-sale</td>
<td>Still a benefit</td>
</tr>
<tr>
<td>Asset management</td>
<td>No residual value and disposal risk</td>
<td>Still a benefit</td>
</tr>
<tr>
<td>End-user Requirements</td>
<td>One stop shopping</td>
<td>Still a benefit</td>
</tr>
<tr>
<td>Servicing</td>
<td>Servicing frequently included in lease payment</td>
<td>Still a benefit</td>
</tr>
</tbody>
</table>

Greater transparency and accurate accounting for all of a client’s leased assets and the related obligations.
Why LaaS or EEaaS

- Preserves off-balance sheet treatment
- Does not affect debt covenants/provisions
- Avoids technological obsolescence
- Can add other technology or “services” during the term of the agreement
- Ownership options at the end of the term
- Enable Laas Service Provider the ability to control the sale
Challenges

- Service Provider qualification
- Cannot be “one-off transaction” but rather an integrated solution
- Warranty coverage from the manufacturer for the full term
- Sell service payment NOT lease rate
- Who’s document do we use?
- What are the services provided and what do they cost?
Customer Feedback

- DLL’s Vendor Partner CUSTOMER is the SERVICE PROVIDER
- Fast and efficient process
- Scalable
- Enables them to provide an operating expense solution
Consultancy and Support

- Document
- Market Strategy
- Training
- Transactional Support
WLS Lighting Inc.

Project Size: $202,094.00

48 Month Term

Monthly Savings: $6,705.63

Exterior Parking/Store

Lighting upgrade
FSG LaaS offering

The Power of Light

- LED • NO COST • WORRY FREE PROGRAM

Our Power of Light Program

Facility Solutions Group (FSG) is offering a pilot program for customers to upgrade their lighting systems at no-excess-ownership cost. With our Power of Light program you can update your property with the newest technology, enjoy better lighting, and lower utility bills with no out-of-pocket investment or risk.

How Does it Work?

FSG manage ownership and warranty coordination responsibility of the lighting systems for the terms of this agreement. Since FSG serves the system, you eliminate any worries or concerns about technology risk or obsolescence. During the term of the service agreement, FSG will provide maintenance, repairs, and upgrades at no additional cost. Warranty data will be included for an additional cost.

The Process:

- FSG will perform a complete energy survey of your property and then create a complete lighting design.
- We will then install simple fixtures or others and confirm lighting level.
- Once you approve each execution, FSG will be responsible for the entire system.
- After the system is fully installed and operating, you will make your first payment.

Service & Maintenance

Our dedicated technicians will congratulate the warranty of installed fixtures. If there is a failure of a fixture or fixture component, FSG will replace the fixture or component. All installed fixtures are covered for the entire lifespan of the service agreement from the date it is installed until the expiration date.

Technology

FSG uses Energy Star® and DLC certified products from major manufacturers that we can identify with our service models or LED lighting technology customers will save energy savings an average of over 10%, while a longer life and higher lumen output. Less maintenance and reduced replacement costs. These products also reduce carbon emissions and, with our service agreement, virtually eliminate lighting maintenance costs.

About FSG

Facility Solutions Group (FSG) is one of the nation’s largest independent providers of lighting and electrical products, electrical services, electrical construction, and facility management services. FSG delivers, designs, installs, and supports all types of lighting, electrical, control, and energy-saving projects and services.

The company applies its services to facilities to build, renovate, expand, or upgrade their display equipment, in compliance with new construction or renovation of ongoing operations.

The Power of Light

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Condo Association Example

- Associations are often resource constrained
- Good candidates for Laas
- Lighting affects all residents and is a very visible improvement
- Management companies often manage several locations

Small Condo Association Project

- 64 exterior lighting fixtures
- Most fixtures Mercury Vapor, yet still not replace
- .07 kwh cost
- $25,828 installed project cost
- $4,629 annual savings
- 5.58 year payback
Condo Association Project Example

- The LaaS Solution
- 7 year LaaS agreement
- Includes fixtures and installation labor
- 10 year material and labor warranty
- $430.26 monthly payment
- Extra $44.55/month
Lighting As A Service
Lighting as a Service Defined

- LaaS is a Services Agreement that includes new lighting, installation, and maintenance for the term of the agreement.
LaaS Scope of Work

- New Lighting and Controls per Project Proposal
- Installation by an authorized, qualified & licensed contractor
- Full Maintenance over the Term including parts, labor, and lifts
- Warranty Administration
- Recycling of Existing Lighting
- Aerial Lift Equipment
- System Design
- Project Management
- Rebate Administration
- Shipping
End of Term Options

1. Start a New Services Contract with the latest LED Technology
2. Acquire the System
3. Extend the Services Contract for an additional term at a reduced monthly cost.
Why LaaS? Overcome Objections.

- **Objection:**
  - Waiting for capital approval
  - Only have enough capital for 1 facility
  - Fear of maintaining LED Lighting
  - Can’t impact Balance Sheet
  - Can’t afford it
  - I would like to use capital, but can’t get it until next year

- **Response:**
  - No Capital Required
  - No Capital Required to do all facilities
  - Maintenance is Included
  - LaaS is Off Balance Sheet
  - Payments are neutral or positive cash flow
  - Services Contract can be converted to purchase at each 12 mo Anniversary Date
Benefits to Contractor

› Opens up portfolios of properties, not just single locations
› Locks in maintenance for the term, and likely beyond
› End of Term profit opportunities: extended maintenance agreements, new lighting
Questions?