

Commercial Solar & Storage Solutions

THE 5 MOST COMMON WAYS TO FINANCE COMMERCIAL SOLAR



Power Your Tomorrow

INTRODUCTION

As the solar industry has matured, so have the types of financing methods available to commercial and industrial businesses wanting to improve their bottom line through renewable energy.

These are tried and true methods. Solect Energy has helped more than 500 companies go solar using these financing methods.

Read on for descriptions of the most common types of solar financing, and a comparison of all five at the end.





THE MIX & MATCH OF SOLAR FINANCING

When a commercial solar energy system is installed, the owner of that array receives a federal Incentive Tax Credit (ITC), accelerated depreciation benefits, and “green energy” income* in addition to electricity savings. That owner could be you, a solar developer like Solect Energy, or a third party such as one of our financing partners.

The options vary by financing method, offering different terms, upfront costs and ongoing costs.

But in all cases, you—the business owner—benefit from lower electric bills. That means lower overhead, improved cash flow and a better bottom line. Not to mention the benefits you reap from the federal and state solar incentives, either directly or indirectly.

* Green energy income programs include SMART in Massachusetts, RECs in Illinois, REG in Rhode Island and ZRECs in Connecticut.



1. CASH PURCHASE

Like most sound investments, you get the greatest financial return if you purchase a solar energy system outright, using your own capital or a combination of debt and equity. Because you own the system from the start, you benefit directly from the tax and other financial benefits, resulting in the most favorable return on investment (ROI) as compared to other financing options.

WHO GETS THE DIRECT BENEFIT

Electricity Savings	You
Federal Incentive Tax Credit (ITC) & Accelerated Depreciation	You
Green Income	You

STRUCTURE

Who owns the system	You
How recorded on your books	Asset
Upfront cost	Full system price
Ongoing payments	\$0

Best for: Companies with available capital that want the highest possible ROI from their solar investment.



2. SOLECT SOLAR LOAN

Solect Energy can help you secure a solar loan through introductions to our financing partners, or you can choose to finance through your own bank. In either case, you receive all the benefits of a direct purchase, but are responsible for monthly loan payments and any interest you accrue.

WHO GETS THE DIRECT BENEFIT

Electricity Savings	You
Federal Incentive Tax Credit (ITC) & Accelerated Depreciation	You
Green Income	You

STRUCTURE

Who owns the system	You
How recorded on your books	Asset
Upfront cost	Purchase price minus loan value
Monthly payments	Pre-determined loan payment
Typical term	10-15 years depending on lender

Best for: Businesses that want the high ROI and financial/tax benefits of solar ownership but prefer not to leverage their own capital.





LEASING PRODUCTS

Many companies prefer not to commit excess cash or to secure loan financing for solar. Those companies can access solar's substantial benefits without the upfront investment through one of several types of commercial financing solutions.

These products include Operating Leases, Capital Leases and Power Purchase Agreements, each of which enables you, the business owner, to essentially share the financial benefits of solar with the company that finances or owns the solar energy system. You still benefit from lower electric bills and, directly or indirectly, tax benefits and green income.



3. SOLECT OPERATING LEASE

With an Operating Lease, one of our finance partners owns the solar energy system on your property. You essentially rent the system from the leasing company so you can use the electricity it produces. You incur no upfront cost as 100% financing is provided.

The lessor receives the tax credit and the accelerated depreciation benefit, which is monetized thereby reducing the solar system's cost, and lowering your monthly payments.

You receive the green income payments through state sponsored subsidies, in addition to the electricity savings derived from replacing much of your utility-bought power with your own solar power.

This arrangement frequently creates positive cash flow for you from the start, since your electricity savings can typically be greater than your monthly lease payments.

Operating Lease payments are accounted for as operating expenses and thus remain off your balance sheet; in addition, you can purchase the array or extend the lease at the end of the lease term.

WHO GETS THE DIRECT BENEFIT

Electricity Savings	You
Federal Incentive Tax Credit (ITC) & Accelerated Depreciation	Financing Partner
Green Income	You

STRUCTURE

Who owns the system	Financing Partner
How recorded on your books	Expense
Upfront cost	\$0
Monthly payments	Pre-determined lease payment
Typical term	7-10 years

Best for

- ▶ Businesses that can't receive the full value of the tax credit and accelerated depreciation, but want to lower their electric bills.
- ▶ Businesses that want to preserve their capital for other uses.



4. SOLECT CAPITAL LEASE

A Capital Lease is similar to an Operating Lease but instead of “renting” the solar energy system, the lease is structured as a “Conditional Sale”. Typically, the system ownership is transferred to you for \$1.00 at the end of the Capital Lease term.

The Capital Lease functions much like an outright purchase—you even record the solar as an asset on your books—except that the leasing company or bank buys the solar on your behalf and provides you with 100% financing.

As the owner of the system, you receive the tax credit and accelerated depreciation. However, because the tax and related financial benefits flow directly to you, your monthly payment will be higher than with an Operating Lease.

In most cases, your monthly electricity savings are greater than the lease payment, so you are in the black on your solar investment from the start. When the lease is over, you have the option of purchasing the solar energy system for \$1.00.

WHO GETS THE DIRECT BENEFIT

Electricity Savings	You
Federal Incentive Tax Credit (ITC) & Accelerated Depreciation	You
Green Income	You

STRUCTURE

Who owns the system	You, after the term ends
How recorded on your books	Asset
Upfront cost	\$0
Monthly payments	Pre-determined lease payment
Typical term	7-10 years

Best for: Businesses that don't want to invest their own capital in solar, or that can't utilize the full value of the tax incentives but want to lower their electric bills



5. SOLECT POWER PURCHASE AGREEMENT

Like the lease options, you make no upfront investment of capital with the Solect Power Purchase Agreement (PPA). Solect or one of its partners owns and maintains the system at no cost to you, and the potential to earn a rental payment for the space the array occupies.

You agree to purchase all of the energy produced by the solar, at a discounted rate for 20+ years at a cost well below your utility rate.

WHO GETS THE DIRECT BENEFIT

Electricity Savings	You
Federal Incentive Tax Credit (ITC) & Accelerated Depreciation	Solect/Third Party
Green Income	Solect/Third Party

STRUCTURE

Who owns the system	Solect/Third Party
How recorded on your books	Rent = Income and Electricity = Expense
Roof lease	Payment negotiable
Upfront cost	\$0
Monthly payments	Purchase of solar energy produced
Typical term	25 years

Best for

- ▶ Nonprofit organizations and businesses with little to no tax liability.
- ▶ Businesses wanting to go solar with minimal responsibility, and that have an interest in receiving a roof rental payment.





FINANCING PRODUCT COMPARISON

The chart below compares the five options we've discussed. Remember that even when Solect or a third party is the direct recipient of an economic benefit, that benefit is being monetized and shared with you. This type of financing has allowed thousands of U.S. businesses to profit from solar energy.

Three of the five financing methods allow you to go solar with little to no upfront investment.

In all five scenarios, you:

- ▶ Lower your electric bills, which lowers your overhead, improves your cash flow and enhances your bottom line
- ▶ Benefit in some way from generous government solar incentives
- ▶ Earn "green goodwill" with customers and other stakeholders

The decision as to which model works best for your company depends on your priorities, corporate structure and financial resources.



FINANCING PRODUCT COMPARISON

	#1 CASH PURCHASE	#2 LOAN	#3 OPERATING LEASE	#4 CAPITAL LEASE	#5 PPA
WHO GETS THE DIRECT BENEFIT					
Lower electricity bills	You	You	You	You	You
Tax benefits	You	You	Financing Partner	You	Solect/Third Party
Green income	You	You	You	You	Solect/Third Party
STRUCTURE					
Who owns system	You	You	Financing Partner*	You**	Solect/Third Party
On your books	Asset	Asset	Expense	Asset	Rent = Income and Electricity = Expense
Roof lease	n/a	n/a	n/a	n/a	Payment negotiable
Upfront cost	Full system price	Purchase price minus loan value	\$0	\$0	\$0
Ongoing monthly payments	\$0	Pre-determined loan payment	Pre-determined lease payment	Pre-determined lease payment	Purchase of solar energy produced
Typical term***	n/a	10-15 years	7-10 years	7-10 years	25 years

* You can purchase the system at the end of the Operating Lease term.

** You purchase the system at the end of the Capital Lease term for \$1.

*** A variety of term lengths are available.



SOLECT MAKES IT EASY

The professionals at Solect Energy are experts at analyzing each company's unique circumstances and recommending the best financing approach.

Not only are we your financial guide; we are your purchasing agent, engineer, equipment provider, system installer, and maintenance and monitoring service. In short, we are your solar partner. Our lifelong commitment to our customers has helped make us a Top 10 commercial solar developer in the U.S.

So whether you want rooftop Solar Energy, ground-mounted Solar Energy, a Solar Canopy or a Solar Energy Storage system, we can make it happen. We'll help you compare your financing options and secure the best financing for your business while providing a full-service monitoring solution for your system, ensuring maximum financial return for you.

Contact us today so we can help you power your tomorrow.

