

# CASH FLOW POSITIVE

## LED LIGHTING PROPOSAL

**PREPARED FOR:**  
**SAMPLE CUSTOMER**  
123 N. MAIN ST | ANYTOWN, CA 94501





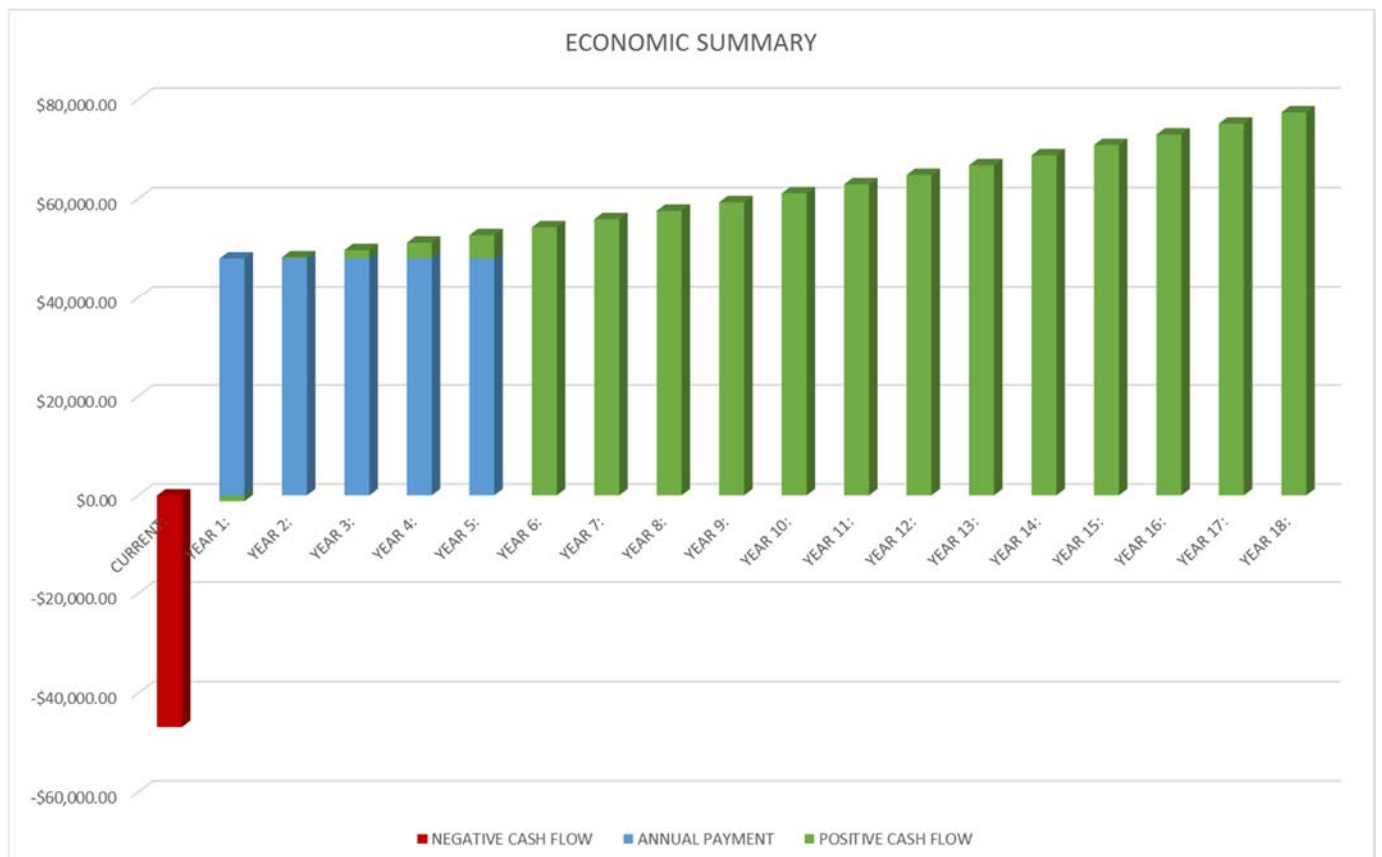
## TURN ON THE SAVINGS!

MAC Solutions specializes in delivering cutting edge, energy efficient lighting solutions. Conserving energy is not only great for the environment but can also save your business a significant amount of money. Contrary to what many believe, reducing energy costs doesn't have to mean reducing the quality or quantity of light. In some instances, MAC Solutions can reduce your lighting energy costs up to 75%. We have partnered with WB FINANCIAL to offer cash-flow positive financing options that put money back in your pocket from day one! Monthly payments are structured to be less than monthly energy/maintenance savings, generating positive cash flow from the start. The best part is, after your last payment is made under the finance agreement, savings go straight to your bottom line.

### ECONOMIC SUMMARY

<b>Total Life Savings</b> <b>\$883,484.43</b>	Investment	Annual Savings	Simple Payback (yrs)
	<b>\$212,709.00</b>	<b>\$46,816.99</b>	<b>4.54</b>
	Increase in Facility Value	Potential 1 <sup>st</sup> Year Tax Deduction:	
	<b>\$585,212.40</b>	<b>\$212,709.00</b>	
	Annual Cash Flow w/ Financing:	Annual Cash Flow After Financing:	
	<b>\$1,735.55</b>	<b>\$60,327.53</b>	
Equipment Life: 18.0 yrs	Utility Escalation Rate: 3.00 %	Market CAP Rate: 8.00%	

### EXAMPLE CASH FLOW WITH 5-YEAR FINANCING



# GLOSSARY

**Annual Cash Flow:** The amount of cash available to the end user after payments have been made from the savings.

**Example:** A project with \$100,000 of annual savings, has an investment of \$300,000 and requires annual payments of \$78,000 over a 4 year term, would have an annual cash flow equal to  $\$100,000 - \$78,000 = \$22,000$ .

**Annual Payments:** The sum of expected payments made to a lender over a year.

**Annual Savings:** The total savings a project achieves in the first year including any utility and maintenance savings.

**Example:** A project saves \$9,000 per year in electricity and \$1,000 in maintenance per month, the annual savings will equal  $(\$9,000 + \$1,000) \times 12 \text{ months} = \$120,000$ .

**Average Annual Cash Flow:** In the case of savings that are variable over the course of a financing term, this is the average annual cash flow over the term. Calculated by the sum of cash flow the term of a financing agreement, divided by the term length.

**Average Annual Payments:** In the case of payments that are variable over the course of a financing term, this is the average annual payment made over the term. Calculated by the sum of payments made to a lender over the term of a financing agreement, divided by the term length.

**Average Annual Savings:** The total lifetime savings divided by the project life.

**Example:** A project saves a total of \$1,000,000 over the project life of 15 years, the average annual savings equals  $\$1,000,000 / 15 = \$150,000$ .

**Average Monthly Savings:** The average annual savings divided by 12.

**Equipment Life:** The number of years the installed equipment is expected to last and provide savings to the facility.

**Financed Life Cycle Savings:** The total savings net of the costs over the life of the project and the cost of financing.

**Example:** A project savings \$10,000 for 10 years and the investment (net cost) of the project is \$20,000 and the cost of financing (e.g. interest payments on a capital lease) is \$5,000 over the 5 year lease term, the Life Cycle Savings will be  $\$10,000 \times 10 - \$20,000 - \$5,000 = \$75,000$ .

**Gross Cost:** The total cost of a project before any incentives or rebate have been applied.

**Incentives:** Money paid by a third party, such as a utility managing an energy efficiency program, to offset the cost and encourage the installation of equipment. Incentives can either be collected upfront, and reduce the investment (net cost) of the project, or they can be collected after financing.

**Investment:** The total cost of the project, less any incentives received. Also known as Net Cost.

**Example:** A project costs \$30,000 and receives a one-time incentive of \$10,000, the Investment equals

$\$30,000 - \$10,000 = \$20,000$ .

**Lease Term:** The agreed upon time for which a customer will make payments to a finance partner. Can be expressed either in years or months.

**Life Cycle Savings:** The total savings net of the costs over the life of the project.

**Example:** A project savings \$10,000 for 10 years and the investment (net cost) of the project is \$20,000, the Life Cycle Savings will be  $\$10,000 \times 10 - \$20,000 = \$80,000$ .

**Monthly Cash Flow:** Monthly Cash flow is obtained by dividing the annual cash flow by 12.

**Monthly Savings:** The annual savings of a project divided by 12.

**Net Cost:** The cost of the project after any incentives or rebates have been applied. Also, called the investment.

**Net Present Value (NPV):** The life cycle savings of a project adjusted for the discount rate. The NPV is a representation of the value of the total life cycle savings in today's dollars.

**Example:** A project has a life cycle savings of \$183,700 over 15 years and a discount rate of 7%. The NPV of the life cycle savings equals \$97,476.

**Increase in Facility Value:** Equipment upgrades that include energy or maintenance savings increase the net operating income (NOI) of a facility, which leads to an increase in the facility's value. To demonstrate the impact that savings have on a facility's value, the first year annual savings of the project is divided by the capitalization rate, or cap rate. The capitalization rate is real estate valuation metric that is used to compare different investments.

**Example:** Using a cap rate of 8%, a project that saves \$50,000 annually will result in an Increase in Facility Value of \$625,000.

**Simple Payback:** The investment of a project divided by the annual savings (first year). The simple payback is a measure of how much time in years it takes to recoup an investment based on the first year annual savings.

**Example:** A project saves \$100,000 per year for an investment of \$300,000, the simple payback equals  $\$300,000 / \$100,000 = 3 \text{ years}$ .

**Utility Escalation Rate:** An estimated percentage utility costs are expected to rise every year. Includes escalation of maintenance costs.