Advanced Energy Capital "AEC"

Factoring Non-POR Commercial Energy Receivables

ADVANCED ENERGY CAPITAL

"Synthetic POR": Giving ESCOs The Money for Their commercial Sales in Non-POR Territories

This document is intended for information purposes only.

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The Problem

- The development of non-recourse POR programs has created a bifurcated retail energy market
  - Risk averse Esco’s are focusing primarily on non-recourse POR (“POR”) states and territories
  - Suppliers and lenders eschew business that isn’t POR
  - Competition in POR states is intense and customers are harder to attract at good margins

- Those states without POR programs present lucrative customer-acquisition and gross margin opportunities
  - Esco’s are seeking a way to do business in states without POR in a way that does not drain their available capital and resources
  - Smart Esco’s realize that customer migration to Esco’s in states without POR programs show millions of potential customers who are still with the local utilities.
  - Given the lack of competition, Esco’s want to find a way to prosper, in a risk-controlled fashion, in these states

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The Solution: “Synthetic P.O.R.”

While solutions remain to be found for residential customers in non n-POR states, Esco’s that can successfully market to commercial customers in those states now have a powerful tool at their disposal: **AEC Direct Invoice Factoring Facility or “Synthetic POR”**.

- Costs are similar to typical POR charges
- ESCOs take absolutely no credit risk – as the program is 100% non-recourse
- Timing of cash flows to Esco for eligible invoices is similar to POR payments
- Cash flow creates capital efficiencies and reduces costs of other capital solutions

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Typical Terms

While individual programs will vary, the basic **AEC Direct Invoice Factoring Facility** terms might look like this:

• Overall Facility Size: $10 million to $100 million
• Underlying customer size: from small commercial to credit-worthy firms
• Timing of Cash Flows: Payments are made on the 23rd day of each month. Payments are made on behalf of invoices that were collected for the first and second month following the billed month and final payments made in the third month regardless of whether the invoices were collected.
•Interest rate on Advances: Prime+5% (interest charged from the advance date through the earlier of invoice payment date or 45 days)
• for a period of three months
• Recourse to Esco's: None
• Credit approval per customer: Required
• Factoring Cost: in-line with POR costs
• Covenants: Minimal

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Step by Step Process

The AEC Direct Invoice Factoring Facility Process:

1. ESCO sells commercial customer commodity
2. ESCO communicates the customer information (contact info, EIN, Approx volume, D&B) to AEC
3. AEC performs the credit work and confirms that the customer's credit will be approved
4. AEC communicates to the ESCO that the sale/Customer has been approved
5. ESCO delivers the commodity to the Customer
6. ESCO bills the customer
7. ESCO sells the invoice to AEC
8. AEC remits the payments to the ESCO (minus the factor discount)
9. Customer pays AEC lockbox

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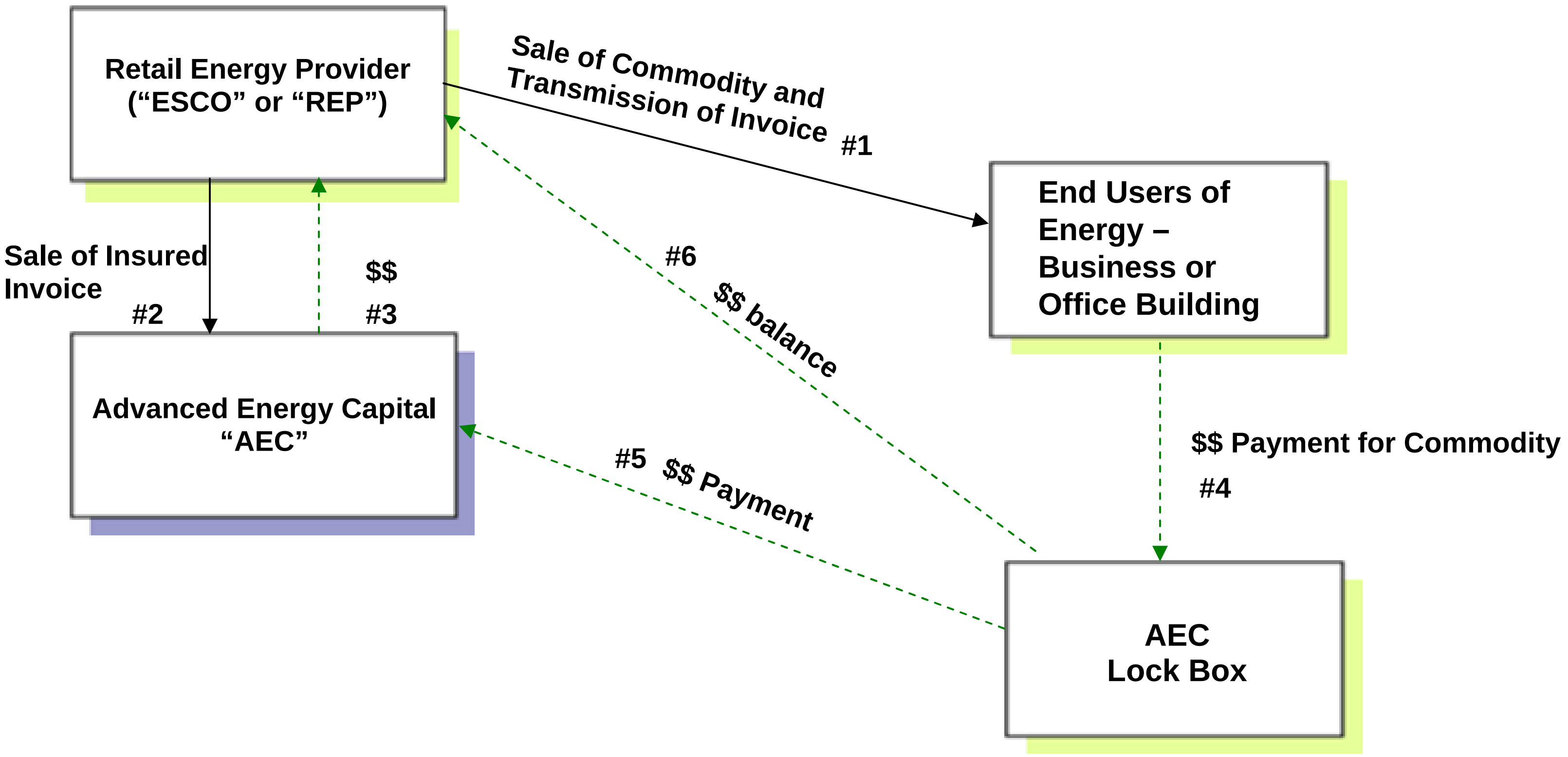
Flowchart



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Example: Life Cycle of a Customer

Process/Days	1	2	3	4	5	6 to 40	41 to 60	61	62	63	64	65	66 to 94	95	96	96 to 111
Esco sells customer power or gas																
Customer provides credit info																
Esco provides credit info to AEC-F																
AEC-F runs credit info via Insurer																
AEC-F communicates approval or decline to Esco																
Esco communicates approval or decline to customer																
Customer is enrolled																
Waiting period until enrolled customer is served by Esco																
Energy commodity flows to customer under Esco's name																
Customer's meter is read																
Meter-read is communicated to Esco																
Esco creates invoice																
Esco transmits invoice to customer																
Esco transmits invoice to AEC-F																
AEC-F buys invoice																
AEC-F notifies insurer of purchase of invoice																
30-day funding clock on invoice begins																
AEC-F acquires funds for advance to Esco (day before funding)																
AEC-F funds advance to Esco																
Customer pays invoice to AEC-F lockbox																
AEC-F pays purchase price to Esco																

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