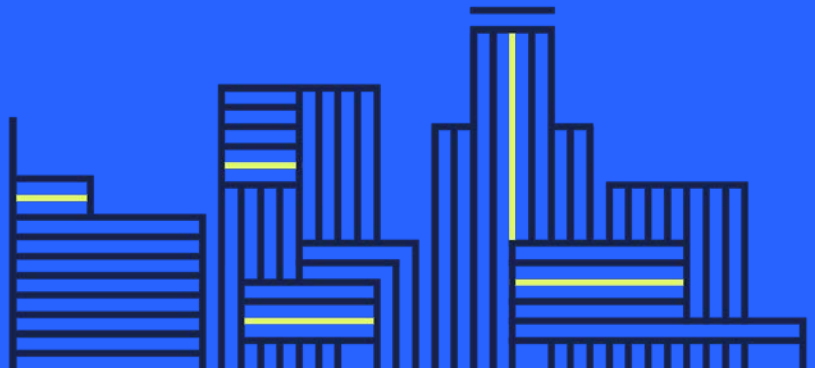
The Future of Lighting Efficiency

DLC Stakeholder Meeting

July 2018



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About us

2013	Year Founded
300+	Customers
43	States with Completed Projects
$500M	Deployment Capacity
50+	Certified Subscription Vendors

Our Investors:

ENERGY IMPACT PARTNERS

Constellation
An Exelon Company

VISION RIDGE PARTNERS

> The annual market for deployment of C&I *Energy as a Service* is expected to exceed $221 Billion by 2026
>
> Navigant Research

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An Emerging Market

Financial Products

Traditional Financing (Lease/Loan)

The customer takes ownership of the equipment through Capital budgeting or debt and is responsible for the operation and maintenance.

ESA / Performance Contracts

An ESCO often helps arrange financing and will guarantee a certain level of savings. The customer pays for the program from the energy savings of the technology.

AAS / Subscription

Designed as a service contract, the customer makes a monthly payment for their technology and servicing. The equipment is owned by the service provider, who is responsible for ongoing operation and maintenance.

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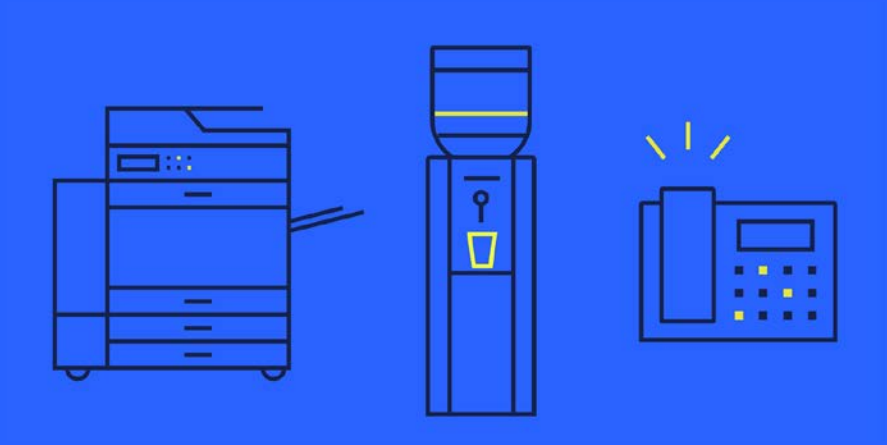
Getting new energy technology is costly and complex.

Accessing it requires diverting scarce resources away from a customer’s core business.

Investing in and owning energy technology is **rarely the best use of a customer’s capital, time and attention**.

Customers want to subscribe to value, not own.



- Software: Google, SalesForce
- Network / IT: AWS, Dropbox
- Office Support: Xerox
- Music: Spotify

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Los Angeles Times

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AUTOS BUSINESS

Just like underwear, wine and vitamins: You can subscribe to the Volvo XC40

By DANIEL MILLER JUN 29, 2018 | 6:00 AM

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Air Force wants to buy energy resiliency as a service

By Jared Serbu @jserbuWFED
June 22, 2016 5:16 am
5 min read

The Air Force is beginning to explore the idea of asking a single provider to take over the complicated web of business arrangements that power its bases and support its energy resiliency strategies, and replace them with a new model: Energy as a service.

Like the other military branches, the Air Force is heavily engaged in alternative energy endeavors involving enhanced-use leases and energy saving performance contracts to build microgrids and distributed energy plants on its own bases, mostly with the goal of keeping their own facilities lit if the public electric grid is disabled by a cyber attack or natural disaster.

It's launched more than 300 renewable energy projects to date, but each of them has involved arduous base-by-base negotiations involving local electric companies, state utility regulators and private

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> “I am not going to pay you for power; I am not going to pay you for light bulbs and light fixtures, I want light and heat and the ability to project the force.
>
> That’s what I want done. Give me that, and tell me how you are going to do that.”
>
> Mark Correll,
> USAF Deputy Assistant Secretary
> for Environment, Safety and Infrastructure

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This fundamentally changes the customer approach

The Product is the "**what**"

Traditional EE Project Sales

1. **Insights** The "why"
2. **Projects** The "what"
3. **Procurement Options** The "how"

The Product is the "**outcomes**"

Subscription Approach

1. **Procurement Strategy** The "how"
2. **Success Criteria** The "why"
3. **Projects** The "what"

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Case study: ABC Healthcare

ABC Healthcare competitively owns or leases 101 facilities with 8,600+ beds in 6 states. ABC selected Sparkfund to programmatically upgrade their portfolio to LED lighting and controls.

Without the subscription solution, upgrading their facilities would have been time and capital prohibitive.

Phase 1: 11 facilities completed in 6 months

Phase 2: 72 additional facilities planned for the next 12 months

Outcomes: Warm and welcoming environment, additional switches, evening standby mode

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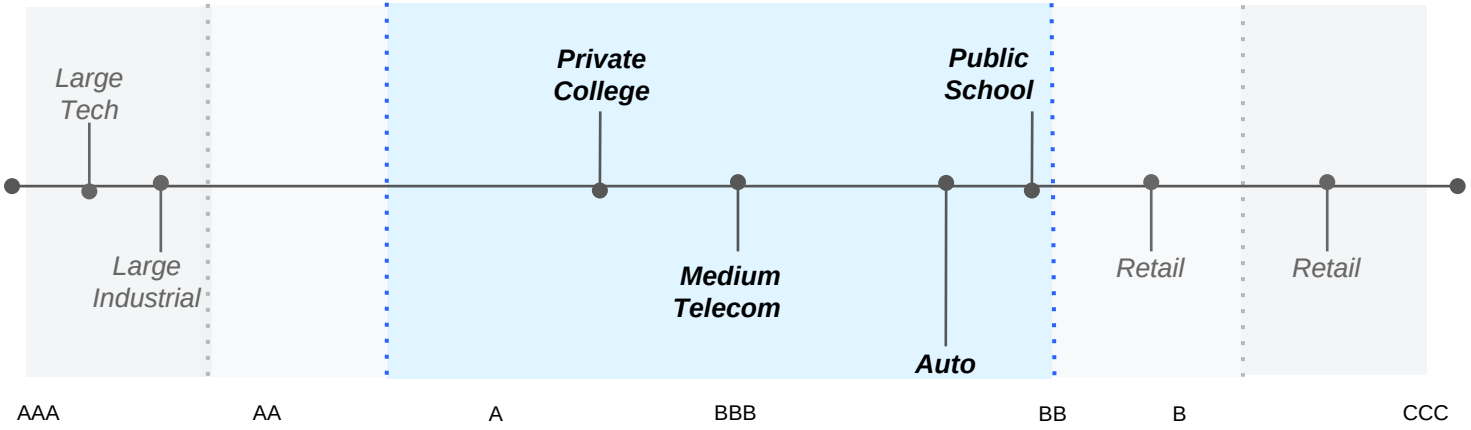
Customer Fit

Financial fit



Customer characteristics

10+ facility locations

Owns or has **long-term leases**

Compelling energy technology **event**

Need **faster procurement** or to **free up resources**

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Subscription/AAS is the lowest total cost of use

A variation of the metric total cost of ownership, TCU is a calculation that helps organizations estimate the net cost, comprised of direct and indirect costs and benefits, of implementing and using technology.

	Current System	Cash Purchase	**Subscription**
Upfront costs	**N/A**	**$1,000,000**	**$0**
Annual Costs	**$540,000**	**$270,400**	**$384,186**
Annual Opportunity Cost [1]	N/A	$100,000	$0
Annual Subscription Payments [2]	N/A	N/A	$245,805
Annual Energy Cost	$475,000	$190,000	$190,000
Annual Maintenance Cost [3]	$65,000	$10,400	$0
Annual Income Tax Advantage [4]	$0	($30,000)	($51,619)
1 Year TCU	**$540,000**	**$1,270,000**	**$384,186**
5 Year Cumulative TCU	**$2,700,000**	**$2,353,000**	**$1,920,931**

1. Opportunity cost of being unable to invest this cash elsewhere in the business at corporate hurdle rate, assumed to be 10%.
2. Subscription payments are inclusive of all services to be provided under this technology subscription, including financing at a 6.50% underlying interest rate.
3. Subscription includes all labor and materials needed to maintain technology. Maintenance is customer responsibility in event of a cash purchase.
4. Cash purchase allows customer to deduct depreciation (assumed to be a 7-year straight line schedule) from taxable income. Technology Subscription allows for deduction of entire subscription payment. Effective corporate income tax rate assumed to be 21%.

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OEM: Thinking Outside The Box

Anchoring customers with a procurement strategy supports their adoption of more advanced systems based around what outcomes are right for their business or operations and not just what generates the quickest return on investment.

*Selling equipment and "the channel" will no longer be your differentiator. But you can leverage that channel to anchor customers on **a strategy** to procure all their advanced lighting expertise, solutions and services through you.*

Sustained engagement is the new stock and flow. Customers are relying on you to be the experts and to deliver the success without complexity.

What business related insights will your products deliver? How will you charge for them? What is the business case?

Who in your channel will be the expert? How do you continue to maintain a well trained contractor base?

Utility: Thinking Outside The Box

Anchoring customers with a procurement strategy supports their adoption of more advanced systems based around what outcomes are right for their business or operations and not just what generates the quickest return on investment.

Some providers (utilities, oil & gas majors, and ESCOs) are looking to provide distributed infrastructure for your customers. Customers are looking to their energy advisors to help alleviate the time, capital, and risk of projects. Are you prepared to be their trusted advisor?

Customer engagement outside of your top 10% accounts is hard. How are you adding value to the other 90% in a distributed infrastructure world?

What happens when the low hanging fruit is no longer available? How will you hit your aggressive EE targets?

Could you consider providing behind the meter assets for your customer?

Thank You

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