

FUNDING ENERGY EFFICIENCY AND RENEWABLES:

THE BENEFACTOR INVESTMENT MODEL



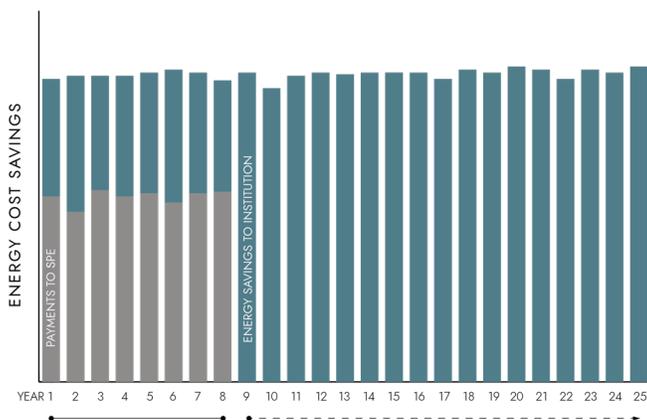
Several years ago, following a presentation to a small college board of trustees of the college's climate action plan, one trustee posed a question:

"I have two pots of money: funds I use for charitable purposes, and funds I invest. **Is there a way I can invest in this plan and make a reasonable return on my investment while helping the college achieve its goals?**"

GreenerU has teamed up with EcoMotion to provide a resounding "yes."

A UNIQUE OPPORTUNITY FOR FRIENDS OF THE INSTITUTION

Although research suggests that sustainability-related giving opportunities grow the pie by expanding giving, development officers have been understandably reluctant to move in that direction for fear of diverting precious donations from pressing operational and capital needs.



The Benefactor Investment Model (BIM) solves this tension by creating an investment opportunity for high-net-worth friends of the institution that: provides a reasonable return on their investment, benefits the institution financially, and helps the institution make meaningful progress on its sustainability goals.

Given the competition for scarce donation dollars—even across a single institution—institutions have an opportunity to engage in a way that:

- Capitalizes on donors' enthusiasm for their institution's efforts to address climate change
- Provides individuals a reasonable return on their investment
- Benefits the institution financially
- Avoids drawing from existing funding sources and projects

HOW DOES IT WORK?

Developed by the California-based mission-driven clean energy firm EcoMotion, the Benefactor Investment Model is a financing mechanism that provides educational institutions the funding needed for investments in energy-efficiency measures and renewable energy with no upfront costs.

A BIM is, at its core, a "very friendly" power-purchase agreement (PPA). Under this model, tax-paying investors—such as alumni and other institutional benefactors—have an opportunity to provide funding for projects that contribute to institutions' efforts toward climate action plan implementation and can receive a reasonable return on their investments. This is made possible due to taxpayers' eligibility for available tax-based incentives for energy-related investments where nonprofits and public institutions are not.



GreenerU believes educational institutions are uniquely positioned to lead the world in mitigating climate change. Our mission is to help them.



EcoMotion is committed to providing clients with premier service and facilitating action. EcoMotion's complementary spheres of activity fulfill its mission of **motivating individuals, companies, schools, utilities, and governments.**

THE DETAILS

The gist is that the BIM is a win-win for both schools seeking viable funding sources and school supporters looking for additional ways to help schools realize significant greenhouse gas emissions reductions. The details:

1. **Schools first identify projects that might be a good fit for BIM.** Eligible projects include renewable energy installations on or off campus and energy efficiency improvements in campus buildings. Schools can work with GreenerU and/or EcoMotion to evaluate, engineer, and manage project viability.
2. **Schools recruit investors and raise capital**—whether from high-end donor lists, boards of trustees, for-profit companies, alumni, or other friends of the institution.
3. **Investors form a special purpose entity (SPE).** An individual or group of investors, as recruited above, invests required funds in a Sub-S Corporation or LLC, which in turn acquires, installs, owns and manages the “green assets.” GreenerU and EcoMotion have the tools and expertise to act as owners’ representatives in setting this up.
4. **The owner’s representative manages the energy project throughout the term of the investment.** GreenerU and/or EcoMotion are prepared to serve as owner’s representative, managing both implementation and operation of the SPE.
5. **Schools enter into a PPA with the SPE.** From the moment energy-saving and renewable energy equipment is installed, the institution pays for energy at a reduced rate (typically 5-10% lower than current rates) for a fixed time period.
6. **Benefactors receive a return on investment, then donate capital assets.** Within six to ten years, the tax benefits plus the institution’s energy payments under the PPA will have repaid the full cost of the installation, at which point benefactors will have recouped their entire investment with a healthy return. Benefactors are then eligible for a charitable contribution tax deduction by donating the SPE to the institution.
7. **Any special purpose entity (SPE) will be project-specific.** It will generally be a corporation that owns the energy assets which in turn would be owned by the benefactors. The SPE will sell the outputs—solar power, energy savings, etc.—to the host institution and ultimately be donated to that institution once payback to investors is achieved.

FAQS

What might be an expected rate of return for benefactors?

Benefactors can expect to earn anywhere from 4 to 8% annually on their investment.

When would investors be repaid in full? For how long would an institution pay for energy and equipment through the SPE? Is this timeframe guaranteed?

Each project would be individually assessed, but the benefactor’s break-even point for a power purchase agreement is typically six to ten years, a timeframe that is locked in at the outset of a project’s installation.

How are benefactors able to get a return on their investment?

The benefactors’ returns come from a mix of tax credits, other tax advantages, and from the revenue associated with selling the power to the institution. At the end of the process, benefactors get another revenue source in the form of a tax write-off associated with donating the installation to the institution.

How might investors avoid “tax recapture” with a charitable donation of capital assets to the institution?

The IRS stipulates a five-year minimum before the institution can “buy” or receive energy-efficiency or renewable energy equipment as a donation to avoid tax recapture. Since most payback periods for such projects are between six to ten years, this issue is easily avoided.

What is a special-purpose entity (SPE)?

A special-purpose entity is a legal entity created to fulfill narrow, specific or temporary objectives.

How would a special purpose entity (SPE) be set up?

Any special purpose entity (SPE) will be project-specific. It will essentially be a company that owns the energy assets and will in turn be owned by the benefactors. The SPE will sell the outputs—solar power, energy savings, etc.—to the host institution and, once repayments to investors are fulfilled, its ownership and capital assets will pass to the institution.

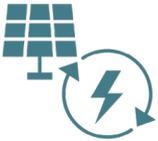
PROJECT EXAMPLE



“Peterson College” is exploring on-campus solar and a suite of campus-wide energy-efficiency upgrades. The college consults with EcoMotion and GreenerU who identify projects requiring a \$2 million investment. GreenerU and EcoMotion establish a special-purpose entity called Peterson College Energy, LLC (PCE).



On behalf of Peterson College, GreenerU and EcoMotion offer select benefactors an investment opportunity with an attractive return that will significantly lower the school’s energy costs over 25 years. Four benefactors each invest \$500,000 in PCE.



PCE builds the projects, owns the assets, and sells the solar energy output and the savings from energy-efficiency improvements—collectively worth \$250,000 annually at current utility rates—for \$230,000 annually. PCE takes care of all maintenance on the installations. Thus, the college sees a net benefit of \$20,000 annually.



After eight years, the benefactors donate PCE to the college. Between tax credits, renewable energy credits, energy payments from the college, and a final charitable gift deduction from donating PCE to the college, the benefactors have been paid back their entire initial investment, plus a 6% (or higher) annual return.



Peterson College becomes the outright owner of PCE, along with all solar and energy-efficiency equipment installed, reaping the full \$250,000 in reduced annual energy bills, plus the benefits of zero-carbon energy systems and reduced greenhouse gas emissions for the remainder of the life of the equipment.



BENEFACTORS

Initial investment:	\$500,000
Annual rate of return:	6%
Repayment period:	8 years



INSTITUTIONS

Clean energy investment:	\$2,000,000
Annual repayment, years 1-8:	\$230,000
Annual energy savings, years 1-8	\$20,000
Annual energy savings, years 9-25:	\$250,000
Total energy savings, years 1-25:	\$4,410,000