

## **Frequently Asked Questions**

### ***What is the purpose of HVAC Capital's program?***

To enable mechanical/controls contractors to provide a financing solution to their customers when there is no capital budgeted for an equipment replacement/controls upgrade.

### ***How can my company benefit from this program?***

Have you ever had a customer want to buy but simply didn't have the capital budgeted for the work? Now you can present them a solution. In addition, you should be paid much more quickly for the job improving your company's cash flow.

### ***How does my company get access to the program?***

It's simple. You simply provide us with the name of your company, its address and telephone number. You email this to [lderrett@hvaccapital.com](mailto:lderrett@hvaccapital.com) and we can set you up. Or, you can wait until you are submitting your first customer application and we can approve you at that time instead.

### ***How do I get access to the website?***

When you are set up in the program, you will be given a password. On an interim basis, you can use the word master as a password.

### ***What can I do in the website?***

The site is designed to allow you to self-serve and do the following:

- Generate a one-page Financing Proposal with all of your quotes
- Print out a one-page Application for your customer
- Provide handouts to your customers showing the benefits of our program; the handouts are customized depending on the type of customer to whom you are selling
- Generate a Project Investment Analysis in which you can compare expected annual energy and maintenance/repair savings to an annual lease payment; this analysis shows your customer an annual cash flow analysis over a 10 year period allowing them to assess the economics of a replacement/upgrade. In shorter term payback deals (5 years or less), if you use a 7 year lease, savings will exceed the annual lease payment allowing your customer to improve their cash flow by agreeing to the replacement/upgrade.

### ***Does my company have to sign a contract?***

No. All of our contracts are signed directly with your customer.

### ***What can be financed?***

We provide 100% of the installation costs of mechanical/controls system replacements and upgrades. That includes the materials, labor, warranty, etc...

### ***What type of equipment can be financed?***

All mechanical systems, controls, lighting and associated equipment can be included. They can be financed in a bundle, or, individually meaning we can even finance a controls upgrade or lighting retrofit on a stand alone basis.

### ***Can Maintenance be included?***

We can finance up to one year of maintenance if it is a small portion of the job. In most cases, your customers would prefer not to pay interest on their maintenance costs since they are usually paid directly to you monthly or quarterly. Including maintenance in the lease would only increase the costs to your customer. It is preferable that we finance the installation costs only and you have maintenance handled separately with your customer.

### ***If your financing is in the form of a lease, how does it work?***

Your customer pays fixed monthly payments for the term of the lease and owns the equipment at the end for \$1. There are no tricky end of term trade-ins, etc.....

### ***What is the “interest rate”?***

It is an “apples to oranges” comparison to view an “interest rate” on a lease versus the same on a bank loan. Why?

- 1) Most banks will not finance these installations and use just the installation as collateral (too much soft costs to lend 100%). This causes your customer to pledge other company assets otherwise used to finance their core business.
- 2) Most bank loans are floating rate exposing your customer to ever increasing payments over the term of the loan. Leases have the total cost locked up at the beginning.

### ***Are there any prepayment penalties?***

There are no additional penalties that are beyond the original lease agreement. If your customer wishes to prepay, they can often have a prepayment equal to the present value of their future payments discounted at around 6%.

### ***How does the process work?***

When quoting a job, go to our website and generate a Lease Proposal, Lease Application and Handout (depending on customer type). If you are helping the customer justify the investment by quantifying energy and maintenance/repair savings, then make sure to use the Project Investment Analysis to generate an effective one-page presentation.

The basic steps are:

- 1) generate a Finance Proposal and submit with your quote
- 2) customer fills out a Lease Application and faxes to 713.529.3501
- 3) credit decision usually reached in one-day or less
- 4) lease agreement is emailed to your customer and is signed and returned
- 5) you receive a purchase order and complete the installation
- 6) when the project is completed, we verify your customer's satisfaction and your account is credited via ACH, or, you receive a check overnight (you should be paid much faster this way!).

The above steps are generally the case for deals of \$75K and below. Larger transactions and certain types of customers (commercial office buildings) will require financial information which we are happy to obtain.

### *How do you handle progress payments?*

For installations > \$50,000, we can pay you 50% once we receive the correctly signed documents from your customer (before you really have anything invested in the job!). The remainder can be paid out at 40% (at a later date) and the final 10% installment at completion.

### *Why will my customers be interested in this program?*

It varies, depending on the type of customer with whom you are dealing.

**Commercial Office Buildings** – building owners prefer to preserve capital for other investments

**Schools and Universities** – often budget constrained; may not have budgeted for the replacement in their last bond referendum

**Small Businesses** – want to preserve liquidity - especially in today's credit environment

**Hospitals** – insufficient Medicare and Medicaid payments; cash constrained; prioritize their funds towards upgrading medical equipment

**Large Businesses** – mechanical system upgrades often lose out in internal budgeting process

**Churches** – budgets always constrained; not enough access to conventional financing