

ADVANCED ENERGY CAPITAL (“AEC”)

Working Capital and Supply Lines of Credit for Retail Energy Providers



*AEC Provides REPs with Supply and
Financing Solutions*

**FINANCE & SUPPLY
SOLUTIONS
FOR THE ENERGY
INDUSTRY**

This document is intended for information purposes only.



Advanced Energy Capital: Energy Finance

- Advanced Energy Capital is a specialty finance company dedicated to serving the energy remarketing industry.
- Our specific expertise, experience and pedigree resides in credit enhancement, direct asset based lending and management of such opportunities in the energy space.
- We have entered into a strategic relationships with national energy gas and electric wholesalers.
- We provide turn-key credit solutions for both Retail Energy Providers (“REPs”) and energy wholesalers in the energy remarketing Industry.
- Our overall goal is to promote energy deregulation and assist the energy remarketing industry in its growth and expansion



Advanced Energy Capital: Our Mission

AEC's mission has been to provide clients with cost efficient finance solutions.

With respect to Retail Energy Providers (“REPs”), we have developed and implemented a complete protocol of credit products, operational controls and monitoring tools which have resulted in the financing of approximately \$300 million in energy sales.

Our facilities allow REPs to focus on selling and ensure that an adequate supply of energy is within their reach.



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TANGIBLE BENEFITS of AEC: Reliable Supply (Power and Gas) and Financing

Advantages of AEC Credit Support

- Increases Retail Energy Providers' sales and opportunities by providing lines of supply credit for Natural Gas, as well as Power, via the nation's leading energy company
- Provides a revolving cash line for REPs to use in peak periods – including Working Capital needs
- Provides credit for “P.O.R” and “Non-P.O.R.” receivables- thus increasing availability
- Structure allows for REPs to access pricing from other third party suppliers via a mirror transaction
- Dramatically reduces ISO deposits over time thus freeing up cash for growth
- Reduce cash drag by reducing payment frequency to ISO from weekly to monthly

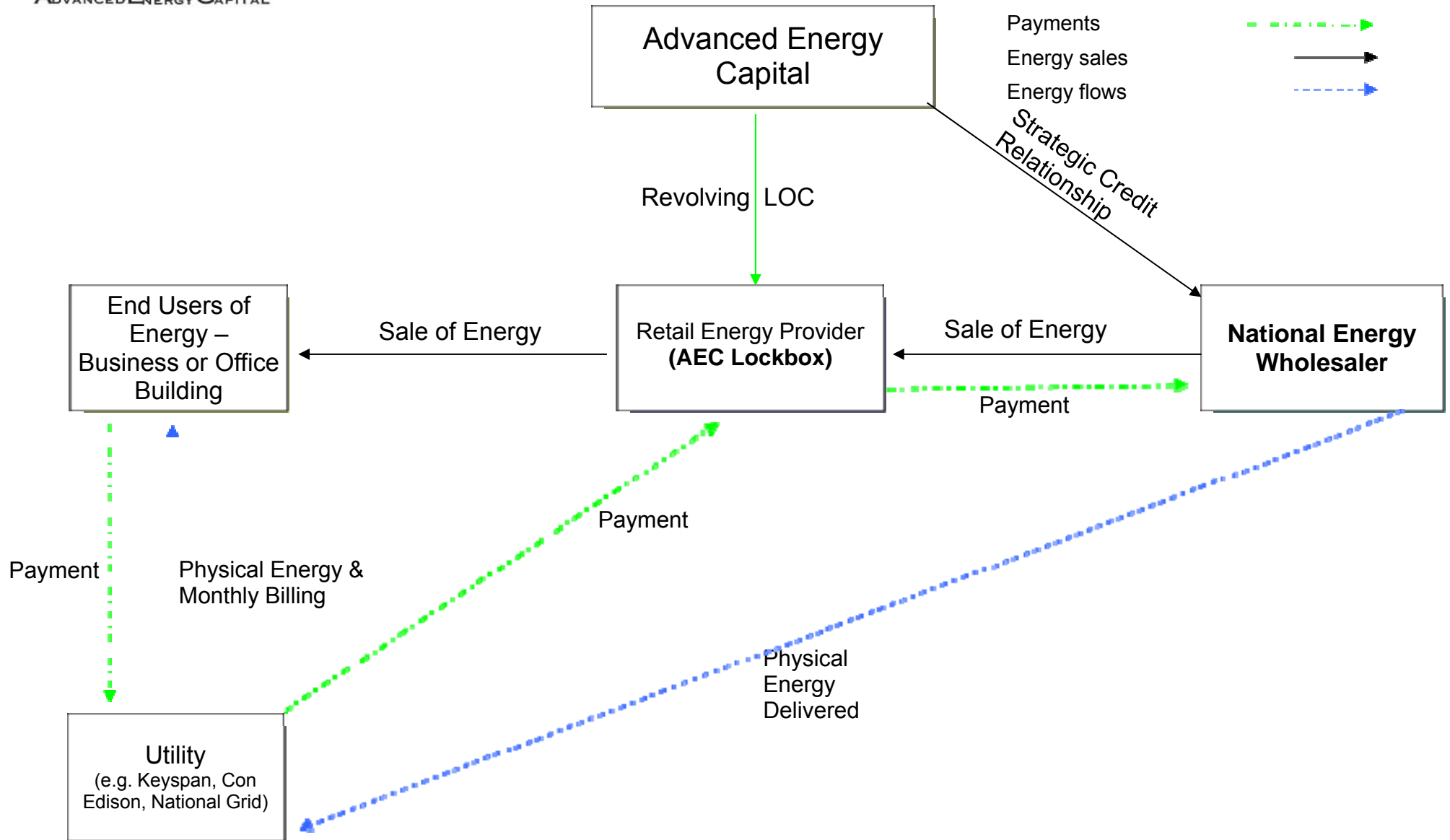
About Advanced Energy Capital:

- Management has many years of experience. Team started working together in 1997 and started the finance business in 2003
- Management team has invested over \$1 billion in a variety of credit strategies
- Established process that has facilitated more than \$300 million of energy sales



Advanced Energy Capital

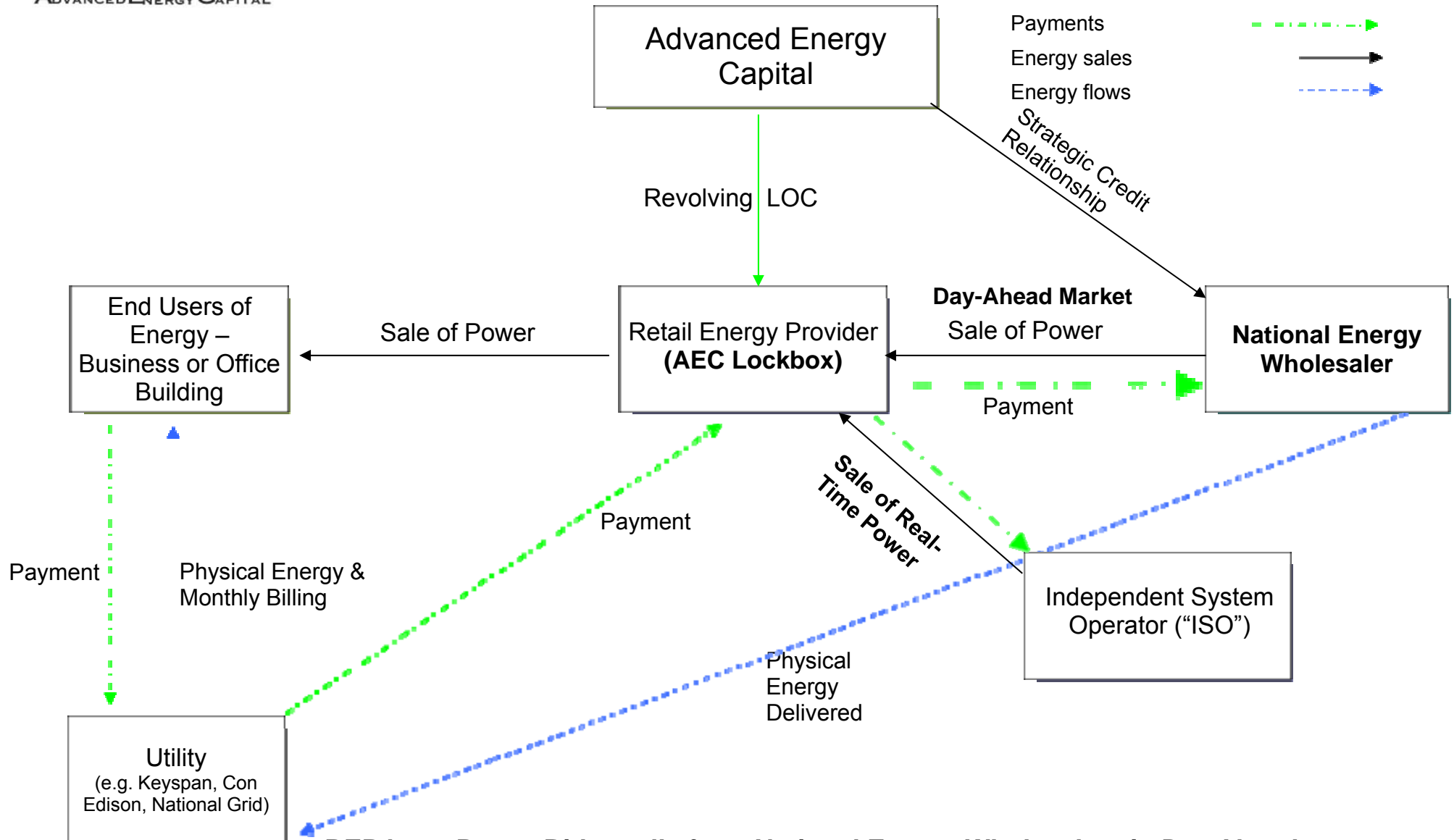
Natural Gas Finance: Flowchart





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Power Finance: Flowchart



REP buys Power Bi-laterally from National Energy Wholesalers in Day Ahead Market and REP Buys Real-time Power at ISO Dramatically Improving Cash-Flows



How AEC's Structure Provides for REPs' Needs

- AEC will provide a Supply Line of Credit equal to approximately two months of peak gas and power needs
- As part of the Line of Credit AEC will provide a Revolving Cash Facility for the REP to use when needed (subject to borrowing base)
- National Energy Wholesaler will function as the REP's preferred supplier for Gas and Power, with the REP retaining the right to access pricing from other suppliers as well
- Reduce ISO collateral needs resulting from Wholesaler providing physical power supply
- Reduce cash drag by reducing payment frequency to ISO from weekly to monthly
- AEC's oversight, lockbox and structure provides Energy Wholesaler with the comfort to enter the relationship, creating a larger and more fluid relationship with the Supplier community for the REP



Typical Terms of AEC Credit Facility

- 85%+ Advance Rate on Eligible Receivables
- Unbilled Receivables included
- Natural Gas as well as Power
- Growth-driven variable pricing: The vast majority of costs for the facility are covered via adder on unit purchases with tiered pricing reductions for volume
- Flexible term (one to three-years)
- All-in costs include may include interest charges on cash draws
- First lien and cash controls via lockbox structure



Summary

- **Reduce or Eliminate ISO/Power-grid Deposits** - The combination of AEC and National Energy Wholesaler helps position an REP for growth by freeing up 'trapped' capital and by providing substantial cash lines and supply lines of credit. Reduce cash drag by reducing frequency of power supply payments from weekly to monthly.
- **Lower Cost of Financing to REP** – Better all-in pricing than typical cash facilities, factoring arrangements or supplier-provided financing. The vast majority facility costs are variable and tiered for volume growth.
- **More Reliability and Continuity** - AEC's core business is supporting our commitments and we are strongly incentivized to help you grow. AEC's structure, protocol and experience provides the National Energy Wholesaler with the confidence to provide REP with its supply needs via a joint lien.
- **Flexible Sizing of Facility** -Remarketers need to know that, in peak season, they can maximize sales and take on new customers. Our facility size takes peak sales into account, allowing remarketers to aggressively seek growth.
- **More Potential for Growth** – The National Energy Wholesaler coupled with unique structure and oversight of AEC, means that there is potential for very large scalability of the facility
- **Eligibility to Lend and Support Unbilled Receivables, Natural Gas as well as Power** - Advance Rates and structure specifically allow for meaningful advance rates on eligible unbilled receivables. Unbilled receivables can double a facility's size.



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AEC Credit Facility Structure & Pricing

On Average AEC is Priced Well Below Competing Financing

<u>Cost Element</u>	<u>AEC</u>	<u>Other Programs</u>
Facility Fee	Lower	Yes (2%+)
Origination Fee	None	Yes (1%+)
Equity/Warrants	None	Yes (5%+)
Collateral Management Fee	None	Yes
Working Capital Draws Available?	Yes	No
Gas/Power Adder with National Energy Wholesaler	Yes	Yes
Interest charge – Cash Borrowing	Yes	Yes