

# ARMSTRONG



## Financing

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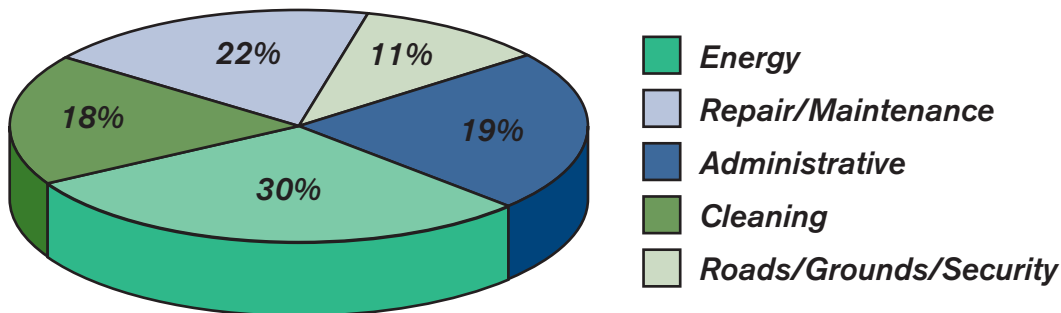
## ► Why Consider Financing

A commercial building needs to be kept updated and in-step with the expectations of its customers or occupants. Tenant refits, lighting system updates, expanding computer server accommodations, architectural changes, and similar annual capital upkeep can rapidly consume annual spending allowances. Often the less seen or thought of mechanical room isn't given the consideration it might deserve, even though an upgrade project can have a large impact on annual operating costs through energy savings.

Why wait for trouble and tenant inconvenience? You can act today with a financing program that, when combined with Armstrong ECO:nomic solutions, can generate positive cash flow.

Equipment costs funded through energy savings is an ideal management tool on which to base a leadership position in this era of sustainability.

### AVERAGE SHARES OF TOTAL OPERATING COST AVERAGE OF URBAN & SUBURBAN NON - GOVERNMENT U.S. BUILDINGS\*



\* Source: BOMA 2002

## ► Financing Works

In installations around the world, companies waste operating budgets on inefficient mechanical equipment that has an increasing maintenance requirement as their systems age. This negative cash flow is already planned and budgeted, and these real dollars are being spent every month. Why spend them all on the consumption of energy, when they can go towards lowering your carbon footprint? By installing Armstrong ECO:nomic mechanical room solutions you could find that the energy savings and the maintenance cost reductions will more than pay for the monthly lease payments on a 5-year term. At the end of the financing arrangement you will have mostly paid for the equipment out of operating savings, with only a small upfront investment.

This financing will not interfere with existing capital budgeting. In most scenarios the financing program payments are drawn from operating budgets.

Depending on the equipment, annual energy savings in a mechanical room could be as high as 80%. In addition to the cash impact of the energy savings, many energy sector utilities provide financial incentives to fund grid load reduction or energy conservation initiatives. These financial incentive programs vary by jurisdiction, and can provide a rebate allowance for up to 50% of the total project cost.

## ► A Wealth of Benefits

Updating a mechanical room with ECO:nomic solutions has positive impact on the environment, and the energy community. Your company receives financial benefits that will likely include:

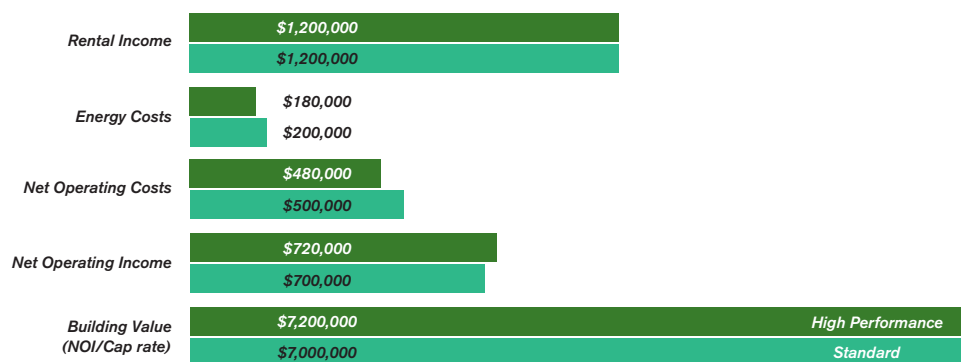
- Increased value of your building stock
- Increased marketability of your building stock
- Improved tenant comfort
- Reduced maintenance costs

- Improved stock value
- Reduced cost of financing

Improving the efficiency of your mechanical room is a recognized step towards a healthy, reliable building, and is a point of interest to an estate appraiser.

In the example below, a \$20,000 decrease in energy costs leads to a \$200,000 increase in the appraised value of the building.

### APPRAISED VALUE AS A FUNCTION OF NET OPERATING INCOME



## ► Eligible Equipment

A financing program can be arranged for a variety of project types. The scope of the project may include an update of mechanical plant components, or replacement of the full mechanical room, including but not limited to the:

- Chiller plant
- Boiler plant
- Pumping systems
- Automation systems
- Heat transfer systems
- Free cooling systems

Costs that are covered by the lease include:

- New plant equipment
- Installation costs of that equipment
- Removal of the old equipment
- Professional design and permit services

Depending on the project scope, there is a limitation on the ratio of equipment to services and labour.

## ► Financing Made Easy

You may already have work planned for the next year. The process should start with your operations team to determine if any long-term budget activities are planned. Specific examples would include:

- Refrigerant change-out (to a non ozone depleting refrigerant)
- Capital upgrades
- Tenant comfort driven modifications
- Additional system capacity
- End-of-life replacement programs

Next you should consult with your local Armstrong Representative, who can suggest a program of additional

energy savings, modifications over time, or a full change-out during the off-season. Following the conceptualization of these plans, an energy audit and maintenance budget review is completed, to gather the historical and future expected operating budget. Working with a local design consultant, or contractor, a project budget for design, equipment and installation can be assembled. With all of this information in hand, the local utility should be contacted to determine if there are any financial assistance programs for energy conserving or load reduction activities. A financing requirement can then be determined and Armstrong can provide an appropriate plan that fits your expectations for term and cash flow impact.

## ► Frequently Asked Questions

### ► Does the project have to be energy-saving to be eligible for financing?

No. Any type of work can be considered.

### ► Is the financing provided by Armstrong?

Armstrong has qualified a network of providers for financing that have structured programs for this scope of projects. Those partner companies provide the financing.

### ► How do I proceed?

1. Contact your local Armstrong Representative
2. Hold a meeting to access the project scope
3. Armstrong will connect you with the appropriate local financing provider for the program

### ► What value does the project have to be?

Typically our financing partners will consider projects valued at \$50,000 or more. However, on a case-by-case basis, smaller projects will be considered.

### ► Why is Armstrong providing this service?

This financing program from Armstrong connects building owners with the right finance provider. Not all financial institutions will provide access to capital for these types of projects. By facilitating project financing Armstrong can play a key role in advancing projects that reduce energy consumption.

### ► Types of Financing

Armstrong has partnered with financing organizations that offer three major types of financing products. Those three product types are operating leases, capital leases and term loans. The nature of the financing options (lease vs loan, operating lease vs capital lease) as well as the financing terms available (interest rate, length of program) varies based on geography, product lines and the financial strength of the customer. In addition, for select situations Armstrong is able to provide short term Letter of Credit (LC) Discounting, to extend payment terms on equipment purchases.

### Customer Benefits of Financing

Companies choose to finance equipment purchases for a wide range of reasons. Thanks to its flexibility, this financing can help meet a variety of goals that businesses might have. Below are some of the more popular reasons cited for choosing financing to support an equipment acquisition.

#### ► Stay on the Edge - Avoid Obsolescence

With today's rapidly moving technology, some equipment can become obsolete relatively quickly. Financing frequently enables customers to acquire the new equipment they need without having to keep inefficient or outdated equipment working years beyond its profitable time.

#### ► Predict Costs More Accurately

Customers have predictable payments over a specified period. There are no depreciation figures to be questioned, and no varying interest costs to be estimated. Financing helps take the guesswork out of budgeting.

#### ► Capital Conservation

A lease or loan arrangement provides an alternate source of credit and financing more suited for depreciating technology assets.

#### ► Conserve Credit Lines

With financing, you can get the equipment you need without disturbing existing bank credit lines. Preserving bank lines for other possible uses is the same as expanding available credit.

#### ► Potential Tax Advantages

Lease payments are often treated as fully deductible expenses. This may mean a more rapid write-off of the equipment cost. Because the lease term is generally shorter than the depreciable life, payments can be expensed in a shorter duration.

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