



STAFF REPORT ACTION REQUIRED

Date:	June 22, 2016
To:	TAF Board of Directors
From:	Tim Stoate Vice President Impact Investing
Re:	Rescission of Legend Power ESPA Financing

SUMMARY

It is recommended that the \$1,000,000 in financing for ESPA transactions made available to Legend Power be rescinded. Staff have worked with the company to consider several transaction opportunities and have yet to find a good fit, mainly because the company has determined that their customers will accept Legend Power's own performance guarantee.

BACKGROUND

On [July 16, 2014](#), TAF Board approved up to \$1,000,000 for ESPA financing to customers of Legend Power for the installation of their energy savings equipment. Legend Power has paid an application fee of \$15,000.

The ESPA financing with the YMCA of Greater Toronto, approved on [September 27, 2012](#), was for the installation of Legend Power savings modulator in five buildings, with the savings from this one measure pooled, thus mitigating the risk of any one building underperforming and impact on repayment. The performance guarantee is provided by an engineer and backed by Energi. The Y transaction is performing as projected.

It was thought that this structure could be replicated with Legend Power with owners of multiple properties, and could be used as "a foot in the door" for larger retrofits. However, the additional cost of the 3rd party guarantee has been a concern in the market; whereas TAF would be taking a risk on \$1 million worth of projects, the customer is only taking a risk on \$100,000 and is prepared to accept Legend's capacity to cover its guarantee. Legend Power has determined that its customers are prepared to accept Legend Power's own guarantee, are happier with a simple lease financing, and/or prefer to pay cash in view of the short term nature of the paybacks.

While TAF's offer of financing has not advanced, Legend Power has made it clear that TAF's commitment to invest, based on our due diligence and the insurance company's independent review, along with the success of the Y project, has enabled them to overcome sales objections and expand their market. This is a perfect example of what Guy Burry called "one of the best deals TAF never made".

Based on this experience we may be able to apply the structure under different circumstances, and we have learned how to screen opportunities differently.

In a meeting on June 2, 2016, the Investment Committee moved to recommend that the Board of Directors rescind the offer of ESPA financing to Legend Power.

RECOMMENDATION

TAF Board of Directors rescind offer of ESPA financing to Legend Power.

CONTACT

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