

FINANCING Q&As

I. MARLIN AND CREDIT FOR COMFORT INTEGRATION

- **Who is Marlin?**

Marlin Capital Solutions is the US flagship for HPS's worldwide financing platform. They have a specialized focus in small business lending. Marlin has an entire team devoted specifically to commercial HVAC financing solutions.

- **What unique advantages does Marlin offers HVAC contractors in the commercial financing space?**

Marlin knows the commercial HVAC industry. They understand all aspects that go into a commercial HVAC sale--including installation, maintenance, extended warranties, crane rental, and more, and provide turnkey financing solutions for all these needs. Their competitive advantage lies in their speedy process. Customers' applications are sent directly into Marlin's credit department's queue and given decisions instantly or within hours. Approvals are followed by a simple DocuSign package emailed to the customer. Once a customer e-signs it, the contractor is typically paid 100% in full via ACH within 24 hours. The process is seamless, and members of the Marlin team are ready to assist in any step along the way.

- **What is the advantage of offering customers commercial financing with Marlin through the Credit for Comfort app?**

The value of offering Marlin through Credit for Comfort includes giving contractors the ability to provide better rates, quicker service and better communication, from update notifications to accurate program-activity reporting.

- **Is Marlin integrated into the Credit for Comfort app?**

Yes. Once a contractor has been approved with Marlin, the Credit for Comfort team will add Marlin to their account so that contractors can offer Marlin loans to their customers directly from the app. Credit for Comfort will also send a notification email to approved contractors once their Marlin account is live on the Credit for Comfort platform.

II. CONTRACTORS

- **What are the minimum requirements for a contractor to be eligible to offer Marlin's Commercial Financing?**

Contractors must have been in business for 2 or more years. For anyone who has been in business under 5 years or has under 10 employees, Marlin generally asks for a personal guarantee; plus, they typically look for a credit score in the range of 620 or higher. For businesses that are 5 years or older with 10 or more employees, Marlin will generally make a business lending decision from companies' Dun & Bradstreet report, where they'll be looking for comparable borrowing and that their bills have been generally paid close to on time, with a Paydex score of 60 or above.

- **Is the application process for contractors paperless?**

Yes. It's all paperless.

- **How quickly can contractors get an approval decision?**

Typically, within 2-4 business hours.

- **Are Marlin's financing plans considered a lease or financing?**

A loan from Marlin is considered a form of financing. They write their contracts on an equipment finance agreement (EFA) and the title passes on day 1 to the end user. As a result, it is possible that customers benefit from 100% depreciation under Section 179, where the end user simply pays Marlin back over time.

- **What plan options does Marlin offer?**

The 2 options customers are presented with on their application are 60 months and 36 months. 60 months is by far the most popular term-selection. But Marlin can offer terms as short as 12 months for short-term/bridge financing. For HVAC businesses' with very strong credit, Marlin will consider a request for 72-month financing.

- **What's the financing cost to customers?**

Terms from 36-60 months are a fixed 6.8%. Shorter terms such as 24 months are a fixed 8.8%. Rates require no money down from the customer.

- **Is there any upfront or balloon fees for customers?**

The only charge is a one-time documentation fee – charged 30 days after project funding – that ranges between \$199-\$499 based on the amount financed. No other hidden upfront fees are required.

- **Does Marlin have any balloon or buyout payments?**

No, there's no balloon payment or buyout payment due at the end of the agreement.

- **Are there any penalties for paying off loan early?**

No. The agreement is a fixed-term contract that may be paid off at any time for the sum of the remaining payments.

- **Who owns the asset and how do you transfer ownership at the end?**

The title of the equipment passes to the end user on Day 1 upon agreement commencement and payment to the contractor.



- **What can be included in the total amount of a commercial job?**

Marlin offers turnkey financing solutions for any type of HVAC/R product, including: IAQ products, accessories, ductwork, controls & automation, installation, maintenance, warranties, service plans, crane rental, freight, and sales tax. Whatever a contractor would normally bill for a project can be financed under Marlin's program.

- **Must the customer own the location where HVAC job will be done to be able to apply?**

The applicant does not need to own the location. They can rent, lease, or own the space where the equipment will be located.

- **What questions should the contractor ask to make sure his customers pre-qualify?**

The key pre-qualifying question is: Have you been in business for at least 2-years? Additionally, if the business is a church or non-profit, Marlin typically requires that they've been in business 5-years or more.

- **Does the contractor need to provide financials?**

No. Most contractors will qualify as a commercial dealer under the program with just the contractor enrollment form. In rare cases where there is minimal business credit, Marlin may ask for references.

- **Is there any other additional paperwork involved for the contractor?**

Marlin requires contractor enrollment and ACH information. For each financed transaction, they'll request a properly billed invoice as well. Keep in mind all invoices must include a Bill To & Ship To the customer, complete address, and manufacturer of the equipment.

- **How and when does the contractor get paid?**

Upon a contractor enrolling in the program, they'll be approved for one of 3 payment plans: A.) 100% payment upfront. B.) 50% advance payment upfront or C.) Payment in full upon delivery & installation. All payments are typically made within 24 hours of agreement execution and/or installation via ACH. Marlin will send out an electronic notification to the contractor plus Marlin's sales team will also reach out directly.

- **Must contractors complete any training prior to offering commercial financing?**

Once a contractor's enrollment form is completed and he or she has been approved, a Marlin sales rep will reach out to the primary contact to confirm set-up and review the program in more detail. This is usually handled by a Marlin sales team member as a conversation or as a scheduled Webinar.

- **Is there any recourse against contractors if a customer defaults on his or her loan?**

No. There's no risk nor recourse to the contractor for offering commercial financing. Marlin make a business lending decision and stands by it.

- **Who does the contractor call for support in the application?**

All support questions can be directed to Jim Wall, Program Manager at 856-380-8140 or jwall@marlincapitalsolutions.com.



III. CUSTOMERS

- **In what states can HVAC contractors offer Marlin's commercial financing?**

Commercial HVAC contractors can offer financing through Marlin in all 50 U.S. States.

- **How much can a customer finance?**

Customers can finance any commercial job from \$1,000 to \$1,000,000.

- **How fast do customers get approvals?**

About half of customers receive their approval status instantly. The other half, requiring manual review by a Marlin credit officer and will receive their approval status within 2-4 business hours.

- **Is the customers' application process paperless?**

Yes, customers fill in an electronic application and submit it online.



- **Does the customer need to have a clause or type of lease (NNN) that the contractor needs to verify?**

No.

- **Does the customer need to provide consent for leasehold improvement or any other paperwork from the building owner?**

No.

- **Does Marlin place any liens?**

Marlin places no blanket liens or real estate liens. They only place a UCC-1 lien on the HVAC equipment that's being financed during the life of the agreement and will only file this UCC-1 if the sell price of the order is \$50,000 or more. If the order is smaller, Marlin does not file any liens.

- **Under what circumstances does a contractor need to include a guarantor in the application?**

For younger and/or smaller companies with minimal business credit (less than 5 years in business with less than 10 employees), a personal guaranty is instrumental in Marlin's ability to make an informed lending decision.

- **Does the guarantor assume personal liability for the loan?**

If a guarantor is necessary to approve the underwriting, the obligation will not be reported to any of the personal credit bureaus as any debt. This is a key differentiator from bank lending and credit cards. It would only become the personal guarantor's debt if the borrowing company went out of business during the life of the agreement.



- **Do customers need to provide financials?**

For most requests up to \$250,000, Marlin typically does not require financials to make a credit decision. For larger requests, Marlin's sales staff will work with the end user to obtain financials. They usually ask for 2 years of financial statements, 3 months of business bank statements, and a rent-roll in these cases.



- **Are there any tax advantages customers should consider?**

Yes. Under IRS Section 179, many companies can 100% depreciate/write-off their purchase on their corporate tax return even if they finance the order since title passes Day 1. Marlin's team educates end users and advises them to have a follow-up conversation with their accountant about how Section 179 can specifically help them.

- **Is a Marlin loan considered an operating or capital lease?**

Marlin documents all agreements on what is called an equipment-finance agreement (EFA), which is similar to a loan and generally considered a capital expense.

- **Who does the customer contact for help?**

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