ONE ENERGY

WIND FOR INDUSTRY
PROJECT UNDERWRITING POLICY

Effective: April 23, 2019

PROJECT UNDERWRITING POLICY INTRODUCTION

March 2019

One Energy is building the next iteration of a utility. We plan to secure a significant market position in the C&I electricity market. Our standard sales contract has a 20-year term, which raises questions around offtaker long-term credit risk. One Energy has promulgated the following project underwriting policy.

THE GOAL

The underwriting policy is intended to ensure that a project is highly likely to realize the full economic benefit of its bargain over its contractual and operational life, and, as a result, the combination of several projects creates a fleet of assets that is attractive to institutional investors and lenders.

Since we expect the operational life of the projects to exceed 30 years, and the initial contract terms are 20 years, we have to to look beyond just counterparty credit rating to form a comprehensive risk picture. This is accomplished by considering:

1. The credit rating and financial strength of the original counterparties.
2. Unique positive or negative corporate, plant, and industry factors of the original counterparty.
3. The availability of alternative revenue sources (other viable counterparties).

It is our position that the single biggest financial risk mitigation tool for a project is the availability of Backup revenue sources. This position is supported by our statistical tools derived from long-term data sets (detailed later in the document).

Additional risk mitigation is provided through robust contract terms and legal filings to enable merchant options.

All projects are designed so that the worst-case position is that the project is able to sell power to the grid as a merchant project operating under Qualifying Facility (QF) protections.

MARKET REALITIES

There are important market realities affecting One Energy's market:

1. The majority of US companies are not rated (see Appendix A, Figure 2 for rating distributions).
2. Of the rated companies in the US, the majority are not investment-grade.
3. No rating agencies attempt to give a 20-year credit view.
4. Over a 20-year period, a disruptive technology can eliminate or substantially alter an entire industry.
5. There are companies that did not exist 20 years ago that have investment-grade ratings today.
6. The significant majority of power is used by companies that do not have an investment-grade credit rating.
7. The 20-year cumulative default rate for BBB- rated entities (investment grade) is 11.91% for the period from 1983 – 2017 according to a comprehensive study done by Moody's. (Ref: Figure 1: 20-Year Corporate Default Rates - Source: Moody's Investor Service Data Report 15 February 2018)

PPA PROTECTIONS

Our PPA is the first line of defense to protect our primary revenue stream. It is a 20-year take-or-pay contract that contains a number of key provisions designed to protect our revenue stream. See Appendix B for example clauses.

FORWARD CONTRACT PROTECTION

All our PPAs are "forward contracts" as defined by the US Bankruptcy Code. Under this treatment, it is more difficult for a customer in reorganization to use the bankruptcy process to materially alter our agreement.

STRONG ASSIGNMENT PROVISIONS

Unconditional assignment of the project by the customer is only permitted in limited circumstances that are beneficial to our risk profile.

All other assignments are conditional and designed to maintain or improve our financial risk profile.

FACILITY ATTACHMENT

Our projects and property rights "attach" to the customer's facility and the customer's obligations are transferred with the facility upon its sale or change in control.

PLANT CLOSURE CLAUSE

In certain cases, we agree to a special clause allowing for a specified plant shutdown event as a full termination of buyer obligations. The customer must continue to pay for production, whether used or not, for a 90-day period, thereby allowing One Energy time to implement alternative sales options.

This clause is narrowly drafted to allow only for total plant shutdowns (plant closes, is not sold or transferred, does not operate or produce any product, and company remains intact). Total plant shutdowns in operating companies are relatively rare occurrences. Most plants are sold to recapture value and continue to operate with new owners. That said, the lack of a closure clause is a deal-breaking condition for some customers. Typically, this is because the plants have a requirement at the corporate level or through a debt covenant that requires a protection provided by this clause.

We only allow this clause to exist in low-risk scenarios where the plant competitive position is strong and there are significant risk mitigation factors in place. We feel the use of this clause substantially expands our market and that adherence to this underwriting policy substantially reduces exposure to plant-closure risk.

BUYOUT AND TERMINATION FOR CONVENIENCE

Other than the aforementioned plant closure clause, our PPAs include both buyout and termination-for-convenience clauses. These clauses are drafted with buyout prices that are calculated to be financially advantageous to One Energy if they are executed by the customer.

UNDERSTANDING DEFAULT SCENARIOS

PORTFOLIO QUALITY GOALS

One Energy intends to build a high-quality portfolio of projects that collectively provide further risk mitigation for the long term success of the portfolio. One Energy selects projects based on the existence of multiple alternative revenue sources in the event its primary source is interrupted.

Alternative revenue sources include nearby loads as well as the ability to sell power under QF status to the wholesale market.

Multiple layers of protection in the form of Backups ensure projects will never be without revenue streams.

BACKUP REVENUE STREAMS

The majority of our projects sell electricity to customers that are located near other large electric loads that can serve as potential alternative customers.

If a customer's production facility ceases to exist (i.e., it is not sold or transferred whereupon the PPA also transfers to a new facility owner), then it is our intention to sell our project's electricity production to a neighboring business. Our preference is to own the land associated with our projects, although in some cases we may lease land co-terminus with the PPA term from the offtaker. In either case, our land control combined with ownership of the protection system (i.e., the switching station) provides substantial legal, commercial, and physical flexibility in securing a Backup customer. For example, we can run a new collection line to a new customer adjacent to our location and provide a new tie-in (typically $100k or less for all necessary work). Given natural escalation on electricity pricing, we would expect to secure equivalent or better rates under a Backup PPA.

MERCHANT OPTIONS

All our projects enjoy the ability provided by their QF status to sell energy to the grid at avoided-cost rates. A typical project for us in 2018 has a PPA rate of 5.5 cents/kWh. The local LMP is typically around 3.9 cents. The typical avoided cost is just above LMP. That means in a day-one failure scenario, we have a 100% fall back at more than 70% of primary stream value. Assuming a 4.1-cent avoided-cost rate day one and a 2.7% grid annual inflation rate by year 12, natural spot pricing escalation would cause One Energy to actually prefer merchant sales to remaining under the initial 5.5-cent fixed-rate PPA.

GO/NO-GO CATEGORIZATION FRAMEWORK

There are two critical underwriting decisions we make in a project evaluation. The first is a go/no-go on a project itself. The second is a decision only coming into play if a plant closure clause is being considered. Projects are not rated on relative strength; the underwriting is a pass/fail in each case. Projects that advance must fall into one of eleven categories for go/no-go and one of three categories for cases that include a plant closure clause.

Projects that do not fit into one of the below categories and/or fail to comply with the Aggregate Portfolio Restrictions do not meet the Underwriting Policy and may be considered by the Board on a case by case basis.

GO/NO-GO

Rated Offtaker Categories

Category 1	1. Credit rating of BBB+ or better
Category 2	1. Credit rating of BBB- or better 2. In business more than 50 years
Category 3	1. Credit rating of BBB- or better 2. In business 20 years or more 3. Customer is in a Low Risk Industry
Category 4	1. Credit rating of BBB- or better 2. One or more Backup Revenue Sources available at project location
Category 5	1. Credit rating of BB- or better 2. In business more than 50 years 3. Customer is in a Low Risk Industry 4. One or more Backup Revenue Sources available at project location 5. Composite Default Score less than 11.0%
Category 6	1. Credit rating of BB- or better 2. Customer is in a Low Risk Industry 3. Two or more Backup Revenue Sources available 4. Composite Default Score less than 11.0%
Category 7	1. Credit rating of BB- or better 2. Two or more Backup Revenue Sources available 3. Investment in plant in excess of $20 million in last five years 4. Composite Default Score less than 11.0%

Unrated Offtaker Categories

Category 8	1. Plant value in excess of $500 million 2. One or more Backup Revenue Sources available 3. Project serves less than 50% of plant load 4. More than 20 years in business 5. Customer is in a Low Risk Industry 6. Composite Default Score less than 11.0%
Category 9	1. Plant value in excess of $150 million 2. Two or more Backup Revenue Sources available 3. Project serves less than 50% of plant load 4. More than 20 years in business 5. Customer is in a Low Risk Industry 6. Composite Default Score less than 11.0%
Category 10	1. Plant value of $50 million or more 2. Corporate parent with $250 million+ in assets 3. Two or more Backup Revenue Sources available 4. Project serves less than 50% of plant load 5. Investment in plant in last five years in excess of 3 times the value of the project 6. Customer is in a Low Risk Industry 7. Composite Default Score less than 11.0%

Poorly Rated Offtaker Categories

Category 11	1. Credit rating of B+, B, or B- 2. Two or more Backup Revenue Sources, one of which is an existing customer with confirmed demand sufficient to accommodate full load from the project 3. A composite default score of 6.3% or lower 4. The company is either public or agrees to provide annual financials

PLANT CLOSURE CLAUSE GO/NO-GO

Category 1	1. Two or more Backup Revenue Sources available 2. Composite Default Score less than 6.3%
Category 2	1. One or more Backup Revenue Sources available 2. At least one of the Backup sources is an existing customer with known sufficient electrical demand to absorb full project generation 3. Composite Default Score less than 8.5%
Category 3	1. BBB- or better credit rating 2. Known Long Horizon Facility 3. 20+ years of operating history or brand-new facility (last two years)

AGGREGATE PORTFOLIO RESTRICTIONS

Industry Subjective Factors

As a whole, the portfolio shall not exceed the following aggregate restrictions without board approval:

1. On a megawatts-installed basis, the total amount of projects underwritten under Category 8, 9, and 10 will not exceed 30% of the fleet.
2. On a megawatts-installed basis, the total amount of projects underwritten to a single corporation (including significant subsidiaries) will not exceed 30% of the fleet.
3. On a megawatts-installed basis, the total amounts of projects underwritten under criteria Category 11 will not exceed 15% of the fleet.

NOTES & DEFINITIONS

Low Risk Industry

For categorization with respect to Go/No-Go and plant closure clause acceptance purposes, management will consider a range of subjective factors to assess industry risk. One Energy feels a Low Risk Industry is one that has:

1. Long-term industry existence (i.e., in excess of 30 years)
2. Low levels of disruptive forces:
    a. Low substitute threats
    b. Low levels of regulatory jeopardy
    c. Minimal raw materials constraints
    d. Minimal market constraints
    e. No substantial or permanent excess capacity threats

Plant Value

Plant value shall be determined on the basis of GAAP statements, appraisals, insurance valuations, or other reputable and independent information sources.

Credit Rating

When evaluating credit rating, One Energy is cognizant of the fact that many companies operate through their significant subsidiaries or North American subsidiaries. For the purposes of this policy, One Energy will consider the offtaker to have the credit rating of its parent entity if one of the following is true:

1. The offtaker counterparty is a subsidiary of a rated parent entity, where the parent entity is primarily a holding company and conducts its significant businesses through its subsidiaries. A "significant subsidiary" as defined in GAAP would be included in this category.
2. The offtaker counterparty conducts a significant majority of North American activities on behalf of a parent entity.

Joint Ventures, plant-level, and state-level subsidiaries or SPEs will not be considered to have the rating of the parent entity and will have to be evaluated on a standalone basis.

Credit ratings from the following agencies will be accepted: Moody's, Standard & Poors, Fitch Ratings, and Kroll.

Unrated entities may be treated as rated entities if a "shadow rating" is obtained from one of the following methods:

1. Moody's RiskCalc

For this policy, credit ratings shall be the rating at the time the PPA is executed, and credit ratings designations between agencies are considered equivalent and interchangeable in accordance with Figure 6: Rating Equivalency Table.

Backup Revenue Sources

A Backup Revenue Source refers to a facility located within one mile of the property the turbines sit on that meets the following requirements:

1. The Backup Revenue Source facility is of sufficient size and characteristics that there is a high probability of sufficient demand to use the power produced by the project.
2. The Backup Revenue Source facility is located in the same utility provider territory as the original offtaker.
3. There are no known technical issues which would preclude the interconnection to the Backup Revenue Source.

4. The Backup Revenue Source is legally unrelated to and is not primarily dependent on the operation of the primary offtaker.

Composite Default Score

The Composite Default Score is a score that is designed to calculate the total risk of default of multiple entities all having default events in the original 20-year contract period. The score is mathematically calculated using the 20-year cumulative default rates of the original offtaker and all Backup Revenue Sources. The 20-year cumulative default rates are sourced using long-term default data provided by Moody's (further detailed in Exhibit A, Figure 5: 20-Year Cumulative Default Risk Table – All Ratings).

The Composite Default Score is calculated as follows:

Composite Default Score (%) = P1(%) * P2(%) * P3(%) …

Where P is the 20-year default rating from the following table for the facilities including the primary offtaker and all Backup Revenue Sources.

To calculate the Composite Default Score, the rating of an unrated entity (including the original offtaker) is assumed to be a "B / B2".

Initial Credit Rating		20 Year Cumulative Default Rate (%)
AAA	Aaa	0.14%
AA+	Aa1	1.40%
AA	Aa2	2.55%
AA-	Aa3	2.30%
A+	A1	3.94%
A	A2	6.70%
A-	A3	6.20%
BBB+	Baa1	6.30%
BBB	Baa2	8.61%
BBB-	Baa3	11.91%
BB+	Ba1	19.03%
BB	Ba2	19.50%
BB-	Ba3	40.47%
B+	B1	46.10%
B	B2	48.04%
B-	B3	50.62%
CCC+	Caa	52.67%
CCC	Ca-c	61.65%

Figure 1: 20-Year Corporate Default Rates - Source: Moody's Investor Service Data Report 15 February 2018

Known Long Horizon Facility

A Known Long Horizon Facility is a facility that is engaged in one of the following:

1. Raw material processing facility or surface mine with 50+ years of reserves
2. Critical operating facility for an interstate pipeline (pump station, refinery)
3. An inherently long-term operation (50+ years)

REFERENCES

1. Moody's Investor Service Data Report 15 February 2018: Annual Default Study: Corporate Default and Recovery Rates 1920-2017

APPENDIX A – KEY RATINGS REFERENCE TABLES

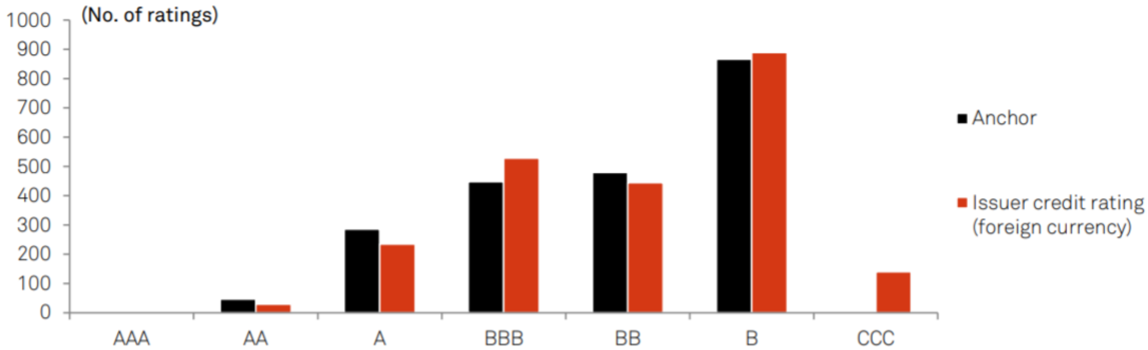

Figure 2: Corporate Credit Rating Distribution of Rated Entites - Source: S&P Global Ratings

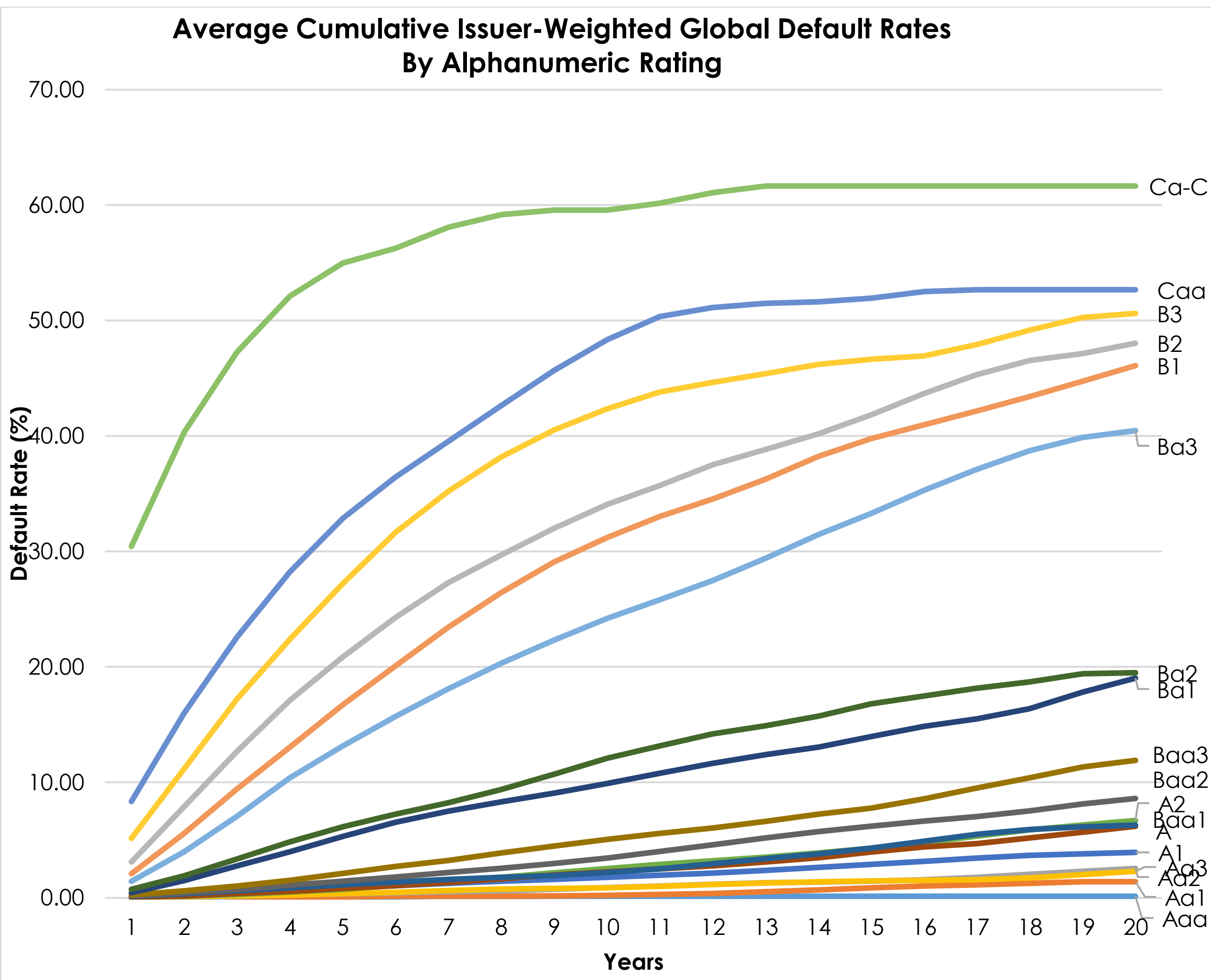

Figure 3: Corporate 20-year Cumulative Default Rate - Source: Moody's Data Report 2/15/2018

Bond Ratings Scale

Standard & Poor's	Moody's	Description	Average Credit Spread (bps)*
AAA	Aaa	Highest rating	57
AA	Aa	Very strong	64
A	A	Upper medium grade	91
BBB	Baa	Lower medium grade	150
BB	Ba	Non-investment grade	269
B	B	Highly speculative	364
C	Caa	Substantial risk	591
D	D	Issuer is in default	2279

Figure 4: Corporate Bond Spreads - Source: Barclays 12/31/2013

% Cumulative Default Risk by Year After Initial Rating (1983-2017)

Rating	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Aaa	0.00	0.01	0.01	0.04	0.07	0.10	0.13	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Aa1	0.00	0.00	0.00	0.05	0.10	0.14	0.15	0.15	0.17	0.23	0.29	0.37	0.52	0.69	0.88	1.02	1.13	1.27	1.40	1.40
Aa2	0.00	0.01	0.11	0.24	0.35	0.43	0.52	0.62	0.75	0.90	1.03	1.17	1.30	1.36	1.43	1.56	1.79	2.05	2.30	2.55
Aa3	0.05	0.12	0.17	0.25	0.37	0.49	0.64	0.76	0.82	0.88	0.99	1.15	1.29	1.39	1.47	1.53	1.58	1.72	2.01	2.30
A1	0.07	0.21	0.42	0.63	0.83	1.06	1.26	1.44	1.59	1.77	1.96	2.15	2.37	2.64	2.91	3.17	3.44	3.68	3.81	3.94
A2	0.05	0.14	0.30	0.51	0.75	1.09	1.43	1.79	2.16	2.53	2.89	3.21	3.52	3.89	4.31	4.78	5.34	5.89	6.31	6.70
A3	0.06	0.17	0.38	0.56	0.83	1.06	1.33	1.64	1.98	2.26	2.51	2.77	3.10	3.47	3.96	4.40	4.71	5.18	5.68	6.20
Baa1	0.13	0.35	0.61	0.88	1.13	1.37	1.60	1.77	1.95	2.19	2.51	2.94	3.40	3.80	4.30	4.91	5.50	5.93	6.15	6.30
Baa2	0.17	0.43	0.72	1.10	1.44	1.81	2.19	2.55	2.97	3.44	4.01	4.59	5.19	5.73	6.22	6.64	7.04	7.53	8.14	8.61
Baa3	0.25	0.62	1.03	1.52	2.11	2.72	3.25	3.89	4.48	5.05	5.57	6.04	6.62	7.25	7.78	8.57	9.52	10.41	11.33	11.91
Ba1	0.45	1.50	2.76	4.00	5.31	6.54	7.52	8.31	9.08	9.91	10.78	11.65	12.41	13.05	13.96	14.86	15.50	16.38	17.81	19.03
Ba2	0.74	1.92	3.36	4.85	6.16	7.24	8.25	9.39	10.71	12.09	13.16	14.19	14.90	15.74	16.81	17.48	18.17	18.70	19.40	19.50
Ba3	1.43	4.00	7.06	10.40	13.17	15.72	18.10	20.32	22.32	24.19	25.81	27.49	29.40	31.47	33.29	35.30	37.11	38.73	39.87	40.47
B1	2.09	5.59	9.44	13.07	16.73	20.10	23.46	26.44	29.11	31.22	33.04	34.54	36.27	38.24	39.77	40.97	42.16	43.43	44.76	46.10
B2	3.11	7.90	12.68	17.12	20.87	24.29	27.29	29.70	32.02	34.07	35.71	37.50	38.85	40.19	41.84	43.67	45.31	46.55	47.15	48.04
B3	5.15	11.18	17.23	22.40	27.23	31.64	35.22	38.20	40.52	42.36	43.80	44.64	45.39	46.20	46.64	46.95	47.93	49.17	50.27	50.62
Caa	8.35	15.99	22.60	28.24	32.87	36.44	39.55	42.63	45.70	48.35	50.36	51.12	51.50	51.63	51.93	52.51	52.67	52.67	52.67	52.67
Ca-C	30.44	40.31	47.28	52.11	54.98	56.27	58.09	59.19	59.57	59.57	60.16	61.08	61.65	61.65	61.65	61.65	61.65	61.65	61.65	61.65

Source: Moody's Investor Service Data Report 15 February 2018, Exhibit 35

Figure 5: 20-Year Cumulative Default Risk Table – All Ratings

	Moodys	Standard & Poors	Fitch
Investment Grade	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Specualtive Grade	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa1	CCC+	CCC+
	Caa2	CCC	CCC

Figure 6: Rating Equivalency Table

APPENDIX B – KEY PPA LANGUAGE

PPA Section 6.4 – Buyout Options

Receiver shall have the option, in its sole discretion, to purchase //PROJECTCO, inclusive of all its assets on, and only on, the milestone dates set forth in Exhibit G (each a "Milestone Date"). All Milestone Dates are measured from the Project Operational Date. The "Purchase Price" for each Milestone Date shall be as defined in Exhibit G and in no event shall the Purchase Price be less than the Fair Market Value as of the Milestone Date, which shall be determined in accordance with Exhibit G.

If, at the time Receiver elects to execute its buyout option, the entity //PROJECTCO has any debt, then the Purchase Price, as defined above, shall include the payoff of all debt by Provider at Provider's cost (cash-free, debt-free). //PROJECTCO's long term service contracts and other non-debt related obligations shall remain intact at the time of sale of the entity.

In order to exercise its buyout option, Receiver shall provide written notice to Provider no less than six (6) months prior to the Milestone Date. The Date of Sale shall be the first day following the Milestone Date.

If the Receiver elects to execute its buyout option, then the Provider shall, by mutually agreed-upon form, grant the Receiver the necessary easements and leases for the continued operation of the Generating Facility throughout the Term of this Agreement and terminate any and all existing utility and ingress/egress easements related to this Agreement by and between Receiver and Provider.

PPA Section 6.5 – Termination for Convenience

At any time, Receiver may terminate this Agreement for convenience. In the event of a termination for convenience, Receiver shall pay Provider according to the following:

A. Prior to five years after Project Operational Date: $XXXXXX
B. More than five years after Project Operational Date: the corresponding Purchase Price for the closest Milestone Date proceeding the buyout.

Plant Closure Clause as included in Section 6.5 in limited cases

Notwithstanding the foregoing, if Receiver, in good faith and for legitimate business reasons, in Receiver's sole discretion, elects to cease operation and/or production at the Industrial Facility (hereinafter referred to as a "Shutdown Event"), then Receiver may, with ninety (90) days prior written notice, terminate this Agreement for convenience without cost or penalty to Receiver. In the event the Shutdown Event lasts less than one (1) year after such suspension, Receiver agrees to fully resume its obligations under this Agreement, and this Agreement shall be fully reinstated in force and effect from the date of the cessation of such Shutdown Event. In the event the Shutdown Event continues longer than one (1) year after such suspension, then this Agreement shall be deemed to be terminated and of no further force or effect without cost or penalty to Receiver.

PPA Section 14.9 – Forward Contract

The Parties acknowledge and agree that the Agreement and the transactions consummated thereunder constitute a "Forward Contract" within the meaning of the United States Bankruptcy Code and that each of Provider and Receiver is a "Forward Contract Merchant" within the meaning of the United States Bankruptcy Code.

APPENDIX C – FORM OF UNDERWRITING DOCUMENTATION

Offtaker Information

Project Name	
Project Number	
Offtaker	
Facility Business	
Is the Offtaker rated?	
Who was the rating agency?	
Was a shadow rating completed?	
Who completed the shadow rating?	
What is the credit rating of the offtaker?	
What % of the facility consumption is the project providing?	
Does management believe this is a low risk industry? (and why?)	
Is the facility a known long horizon facility? (and why?)	
When was the offtaker founded?	
Plant Value (and how was it determined?)	
Were Financials Provided?	

Provide commentary about project or primary offtaker if needed to understand the project risk profile:

Backup Revenue Source 1

Facility Name	
Business Name	
Distance from project boundary	
What does the facility do?	
Does the facility likely have sufficient consumption to use the energy produced by the project? (and why?)	
Is the business rated?	
Who is the credit rating agency?	
What is the credit rating?	
Does OE have a relationship with the business?	

Backup Revenue Source 2

Facility Name	
Business Name	
Distance from project boundary	
What does the facility do?	
Does the facility likely have sufficient consumption to use the energy produced by the project? (and why?)	
Is the business rated?	
Who is the credit rating agency?	
What is the credit rating?	
Does OE have a relationship with the business?	

Backup Revenue Source 3

Facility Name	
Business Name	
Distance from project boundary	
What does the facility do?	
Does the facility likely have sufficient consumption to use the energy produced by the project? (and why?)	
Is the business rated?	
Who is the credit rating agency?	
What is the credit rating?	
Does OE have a relationship with the business?	

Composite Default Score

Primary Offtaker Rating	
Backup Revenue Source 1 Rating	
Backup Revenue Source 2 Rating	
Backup Revenue Source 3 Rating	
Backup Revenue Source 4 Rating	
Calculated Composite Default Score	

Underwriting

What category is being used for underwriting this project?	
Provide underwriting commentary to justify the decision with respect to the criteria of that category.	

Underwriting for Plant Closure Clause

Does the project have a Plant Closure Clause?	
If so, what category is being used for underwriting this clause?	
Provide underwriting commentary to justify the decision with respect to the criteria of that category.	

Comments:

Certification

Underwriting Date	
Signed and Approved By	
Printed Name	
Title	