

Christopher S. Sotos  
President  
Apple I LLC  
300 Carnegie Center, Suite 300  
Princeton, NJ 09540

October 16, 2018

Ralph Peschek  
Chief Financial Officer  
William S. Hart Union High School District  
21380 Centre Pointe Pkwy.  
Santa Clarita, CA 91350

**Subject: Engagement Letter for Valuation Services in Connection with the Fair Market Value of the HSD Solar Holdings LLC Purchase Option Price**

Dear Sirs,

This engagement letter (the "Engagement Letter") confirms that we, Duff & Phelps, LLC ("Duff & Phelps"), have been jointly retained by Apple I LLC (the "Company") and the William S. Hart Union High School District (the "School District" and together with the Company, the "Parties" or "you"), to provide certain valuation services (the "Services") in connection with the Fair Market Value ("FMV") estimation of the purchase option price (the "Purchase Price") associated with the aggregate Business Enterprise for the contracted solar generation portfolio (the "System Assets") of HSD Solar Holdings LLC ("HSDSH") as of an expected purchase date in October 2019 (the "Valuation Date"). Collectively, this arrangement is the "Engagement". The Company has authority to, and hereby binds, HSDSH to the terms and conditions applicable in this Contract that are applicable the Company. In addition, an independent professional service provider, Duff & Phelps will treat the Parties as equal co-clients and shall not act as an advocate for either client in the event of a dispute related hereto.

**Scope of Services**

It is understood that the Services to be provided will be used to assist the Parties' management ("Management") with the FMV estimation of the Purchase Price as of the Valuation Date under the terms of the solar energy power purchase agreement between HSDSH and the School District (the "Purchase Agreement").

In the course of our valuation analysis, we will use and rely upon financial and other information, including prospective financial information, obtained from Management and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects. We will not accept responsibility for the accuracy and completeness of such provided information.

The Parties acknowledge that our valuation, advice and conclusions in our Deliverables will be provided as a prospective Valuation Date in the future; we are not responsible for identifying or forecasting all risks, as there will usually be differences between perceived or potential risks and actual results because events and circumstances frequently do not occur as expected, and those differences may be material; and our valuation, advice and conclusions in our Deliverables may be materially affected by changes in economic, environmental, political, regulatory, market or other circumstances, by unmodeled, latent, unanticipated or imperfectly modelled market forces, or when the information or assumptions upon which the results are based prove to have been incorrect.

#### **Definition of Value**

For the purposes of the Engagement, Fair Market Value is defined as "the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of relevant facts" (Estate Tax Regs., Sec. 20.2031-1(b); Rev. Rul. 59-60, 1959-1 C.B. 237).

We define Business Enterprise to equal the sum of a company's Fair Market Value of equity capital and Fair Market Value of interest-bearing debt obligations.

#### **Valuation Approaches**

We will consider the following approaches when estimating the Fair Market Value of the System Assets: the Income Approach, the Market Approach, and the Cost Approach.

**Income Approach:** The Income Approach is a valuation technique that provides an estimation of the Fair Market Value of an asset or business based on the cash flows that an asset or a business can be expected to generate over its remaining useful life. The Income Approach begins with an estimation of the annual cash flows a hypothetical buyer would expect the subject asset or business to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) or the business at the end of the discrete projection period to arrive at an estimate of Fair Market Value.

**Market Approach:** The Market Approach is a valuation technique that provides an estimation of Fair Market Value based on market prices in actual transactions and on asking prices for assets (or businesses). The valuation process is a comparison and correlation between the subject asset (or business) and other similar assets (or businesses). Considerations such as time and condition of sale and terms of agreements are analyzed for comparable assets and are adjusted to arrive at an estimation of the Fair Market Value of the subject asset.

**Cost Approach:** The Cost Approach is a valuation technique that uses the concept of replacement cost as an indicator of Fair Market Value. The premise of the Cost Approach is that, if it were possible to replace the asset, a hypothetical buyer would pay no more for an asset than the amount for which the asset could be replaced.

## **Procedures**

The procedures that we will follow will likely include, but will not be limited to, the following:

- Analysis of general market data, including economic, governmental, and environmental forces;
- Analysis of conditions in, and the economic outlook for the Power & Utility Industry with a focus on the Renewable Energy and Independent Power Producer sectors;
- Discussions concerning the history, current state, and future operations of the System Assets with Management;
- Discussions with Management to obtain an explanation and clarification of data provided;
- Analysis of financial and operating projections including revenues, operating margins, working capital, and capital expenditures based on the System Assets' historical operating results, industry results and expectations, and Management representations (such projections will form the basis for the Income Approach) as it relates to the System Assets;
- Development of Discounted Cash Flow ("DCF") models based on financial information received from and discussions with Management regarding the System Assets' projected financial results;
- Estimation of an appropriate Weighted Average Cost of Capital for use in the Income Approach;
- Fair Market Value estimation of the aggregate Business Enterprise for the System Assets using forms of the Income, Market and Cost Approaches;
- Preparation of a short-form presentation deck documenting the key assumptions, methodologies, & conclusions; and
- Analysis of other facts and data considered pertinent to these valuations to arrive at a conclusion of Fair Market Value.

## **Form of Deliverables and Timetable**

At the conclusion of our analysis, we will provide you with a short-form presentation deck describing assumptions & methodologies used to estimate the Fair Market Value of the System Assets as well as supporting exhibits (the "Deliverables"). Except as described above, the Deliverables will not consider or provide any conclusion with respect to any federal or other tax matter. In addition, notwithstanding anything to the contrary in the Purchase Agreement, while we will discuss our analysis and conclusions relating to the Deliverable with the Parties, we will not disclose our proprietary internal working papers, models or the like to the Parties.

We are ready to begin our work immediately upon receipt of the signed Engagement Letter. Draft results for the preliminary valuation will be available approximately 20 business days from the receipt of necessary information. The final valuation will be available approximately 10 business days after the expiration of the 20 business day period during which Management reviews the preliminary valuation. We will notify Management as soon as reasonably possible in the event that we anticipate that a timetable cannot be met and agree with Management upon an adjusted timetable if necessary.

### **Staffing and Fees**

Lee Tourscher will be the Managing Director in charge of the Services on behalf of Duff & Phelps and will oversee the day-to-day aspects of our work program. We will call upon additional experienced staff when required.

Our fees for the Services to be provided reflect the complexity of the Engagement, the time scale for its completion, the caliber of staff engaged, and the value of the Services provided. Based upon our understanding of the Engagement, we estimate our professional fees to be approximately **\$32,000**. The professional fees will be shared equally between the Company and School District; however, the Company and School District are jointly and severally liable for payment of all costs, fees and expenses herein. Expenses, some of which will be allocated, will be billed in addition to our professional fees and shall not exceed 5% of the professional fee estimate above. We bill on a periodic basis. Upon receipt of the signed Engagement Letter, initial invoices in the amount of \$10,000 will be issued to the Company and School District each. Ultimately, our fee will be a product of the amount and nature of the work requested and the timeframe for its completion.

This fee estimate is subject to the following key assumptions:

- Our fee assumes Management will provide assistance to us throughout the engagement, but particularly at the outset of the work during the data collection and client interview process
- Duff & Phelps will estimate the Fair Market Value of the aggregate Business Enterprise for the System Assets (~5 MW, 9 Sites – on a combined basis)
- Management will provide detailed information for the System Assets in a readily usable electronic format such as a multi-year cash flow model, key contract summaries, etc.
- The above fee estimate includes one round of revisions based on feedback from Management
- Any consultations with the Parties' independent auditors, the Securities and Exchange Commission, the Internal Revenue Service, and/or any other authorized third-party recipients will be billed on an hourly basis at discounted rates for the individuals involved as approved in writing from the Parties.

**Acknowledgement and Acceptance**

In accordance with Duff & Phelps policy, it is necessary that we receive an executed copy of this Engagement Letter and the attached Terms and Conditions (to which this Engagement is subject) prior to commencement of the Services. If the scope and terms of the Engagement Letter and the attached Terms and Conditions are acceptable, please acknowledge your acceptance by signing the confirmation below and returning this Letter to us via e-mail ([lee.tourscher@duffandphelps.com](mailto:lee.tourscher@duffandphelps.com)). Please do not hesitate to contact me if you have any questions or amendments.

Sincerely,

A handwritten signature in black ink, appearing to read "Lee Tourscher", with a long horizontal line extending to the right.

Lee Tourscher  
Managing Director  
Duff & Phelps, LLC

CC: David Herr, Managing Director / Duff & Phelps, LLC

**Confirmation of Terms of Engagement**

**Subject: Engagement Letter for Valuation Services in Connection with the Fair Market Value of the HSD Solar Holdings LLC Purchase Option Price**

Having read this Engagement Letter from Duff & Phelps, LLC and the attached Terms and Conditions, we acknowledge acceptance of and agree to engage Duff & Phelps, LLC in accordance with the terms and provisions of this Engagement Letter and the attached Terms and Conditions.

\_\_\_\_\_

Date: \_\_\_\_\_

Signed: Christopher S. Sotos

Position: President

On behalf of: Apple I LLC and HSD Solar Holdings LLC

\_\_\_\_\_

Date: 10/26/18

Signed: Ralph Peschek

Position: Chief Financial Officer

On behalf of: William S. Hart Union High School District

## **Terms and Conditions**

The following are the terms and conditions (the "Terms and Conditions") on which we will provide the services (the "Services") set forth in the attached engagement letter (the "Engagement Letter"). Together, the Terms and Conditions and the Engagement Letter are referred to as the "Contract," which forms the entire agreement between Duff & Phelps, LLC ("Duff & Phelps") and you relating to the Services.

## **Fees**

1. Our invoices are payable within thirty (30) days of receipt. If we do not receive payment of any invoice within 45 days of the invoice date, we shall be entitled, without prejudice to any other rights that we may have, to suspend provision of the Services until all sums due are paid in full.
2. If any amounts payable hereunder are not paid within thirty (30) days when due, such amounts shall accrue interest at a rate equal to the lesser of two percent (2%) per month or the highest interest rate allowed under the law of New York. In the event that we are required to initiate a lawsuit or hire attorneys to collect any past due amounts, in addition to any other rights and remedies available to us, we shall be entitled to reimbursement of our attorneys fees and other costs of collection.
3. We have no responsibility to update any Deliverables, analysis or any other document relating to this Engagement for any events or circumstances occurring subsequent to the date of such Deliverables, analysis or other document. Any such subsequent consultations or work shall be subject to arrangements at our then standard fees plus expenses.
4. Either party may request changes to the Services. We shall work with you to consider and, if appropriate, to vary any aspect of the Engagement, subject to payment of reasonable additional fees and a reasonable additional period to provide any additional services. Any variation to this Contract, including any variation to fees, services, or time for performance of the Services, shall be set forth in a separate engagement letter executed by both parties which shall form part of this Contract.
5. Our performance of the Services is dependent upon you providing us with accurate and timely information and assistance as we may reasonably require from time to time. You shall use reasonable skill, care and attention to ensure that all information we may reasonably require is provided on a timely basis and is accurate and complete. You shall notify us if you subsequently learn that the information provided is incorrect or inaccurate or otherwise should not be relied upon. The inability to supply us with the agreed upon information in a useable form within the amount of time reasonably required by us may increase fees and delay completion. Additionally, in the event unforeseen complications are encountered which would significantly increase fees; we would discuss these with you and await your approval before proceeding.

## **Termination**

6. Either party may terminate this Contract in the event that the other party has breached any material provision of this contract and such breach has not been cured within ten (10) days after receipt of written notice from the then non-breaching party. As between the Company and the School District, in the event that the Company or the School District is the breaching party, the breaching party shall reimburse the non-breaching party for all fee's due to or paid to Duff & Phelps.
7. Upon termination of this Contract, each party shall, upon written request from the other, return to the other all property and documentation of the other that is in its possession, except that we shall be entitled to retain one copy of such documents in order to maintain a professional record of our involvement in the Engagement, subject to our continuing confidentiality obligations hereunder.
8. The provisions included within "Fees", "Preservation of Confidential Information" and "Other Terms and Provisions" shall survive the termination or expiration of this Contract.

## **Valuation Work Products and Deliverables**

9. At the conclusion of the Engagement, we will prepare a draft Deliverables detailing our valuation procedures and the results of our work. Once you have read the draft Deliverables and we have received your comments on it, we will issue our final Deliverables bearing the signature of Duff & Phelps, LLC.
10. Prior to the finalization of the Services and the Deliverables, we will confirm facts with Management. We may do this by providing you with drafts of the valuation analysis and the Deliverables under the condition that in no circumstances are such drafts to be copied or given to other persons, except that it may be provided to the Parties' independent auditors. We may also require a letter from you confirming representations made by you and Management upon which we have relied. In addition, with respect to any information provided by you and Management, we will require from you a written confirmation that, to the best of your knowledge and belief, such information was accurate and that no significant information essential to the Services or Deliverables has been withheld from us.
11. Our Deliverables will be based upon the information provided by and on behalf of you and Management. We assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of Management. There will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. You acknowledge that no reliance shall be placed on draft Deliverables, conclusions or advice, whether oral or written, issued by us since the same may be subject to further work, revision and other factors which may mean that such drafts are substantially different from any final Deliverables or advice issued.



12. Any advice given or Deliverables issued by us is provided solely for your use and benefit and only in connection with the Services that are provided hereunder. Except as required by law, you shall not provide such Deliverables to any third party, except that it may be provided to the Parties' independent auditors. Notwithstanding the foregoing, (i) you shall not refer to us either directly by name or indirectly as an independent valuation service provider (or by any other indirect reference or description), or to the Services, whether in any public filing or other document, without our prior written consent, which we may at our discretion grant, withhold, or grant subject to conditions, (ii) in addition to the foregoing prohibitions and requirements with respect to all third parties, submission of our Deliverables or any portion thereof to, or responding to any comment letter issued by, the Securities and Exchange Commission or its staff, or any written or verbal references to us, our Deliverables or to the Services in such a response is subject to you providing us with prior notice, and allowing us to provide input as to the content of such response, (iii) our Deliverables, when prepared for a tax reporting/planning purpose as stated in our engagement letter and/or Deliverables, may be submitted to your tax counsel, tax advisors, and/or the IRS/specific tax authority if such Deliverables submission is directly related to the stated tax reporting/planning purpose, and (iv) you agree to provide us with prior notice of, and the opportunity to participate in, any discussion, negotiation or settlement with the IRS or any such tax authority, to the extent that such discussion, negotiation or settlement could have a material effect on us or our estimate of Fair Market Value. In no event, regardless of whether consent or pre-approval has been provided, shall we assume any responsibility to any third party to which any advice or Deliverables is disclosed or otherwise made available.
13. It is understood and agreed that the final Deliverables resulting from this Engagement shall remain your property. To the extent that Duff & Phelps utilizes any of its property (including, without limitation, any hardware or software) in connection with this Engagement, such property shall remain the property of Duff & Phelps, and you shall not acquire any right or interest in such property or in any partially completed Deliverables. We shall have ownership (including, without limitation, copyright ownership) and all rights to use and disclose our ideas, concepts, know-how, methods, techniques, processes and skills, and adaptations thereof in conducting our business (collectively, "Know-How") regardless of whether such Know-How is incorporated in any way in the final Deliverables.
14. The scope of the final Deliverables we will provide pursuant to the terms of this Contract will be limited to the scope as described in the Scope of Services section. In compliance with requirements imposed by the Internal Revenue Service, as stated in Circular 230, Duff & Phelps will provide the following disclosure on all communications with the Parties: "We inform you that any US federal tax advice contained in this communication including any attachments is not intended or written to be used and cannot be used for the purpose of (i) avoiding penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein."
15. The Deliverables or any results of our Services shall not constitute a Solvency Opinion or a Fairness Opinion and may not be relied upon by you or any other party as such. Furthermore,

any analyses we perform should not be taken to supplant any procedures that you should undertake in your consideration of the transaction contemplated in connection with this engagement or any other past present or future transaction.

16. By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment.

#### **Preservation of Confidential Information**

17. Neither party will disclose to any third party without the prior written consent of the other party any confidential information which is received from the other party for the purposes of providing or receiving the Services which if disclosed in tangible form is marked confidential or if disclosed otherwise is confirmed in writing as being confidential or, if disclosed in tangible form or otherwise, is manifestly confidential. Both of us agree that any confidential information received from the other party shall only be used for the purposes of providing or receiving the Services under this or any other contract between us. For the avoidance of doubt, any information we receive from or on behalf the Parties (including HSDSH information) shall not be deemed confidential amongst us and such Parties.
18. These restrictions will not apply to any information which: (a) is or becomes generally available to the public other than as a result of a breach of an obligation by the receiving party; (b) is acquired from a third party who owes no obligation of confidence with respect to the information; or (c) is or has been independently developed by the recipient.
19. Notwithstanding the foregoing, either party will be entitled to disclose confidential information of the other (i) to our respective insurers or legal advisors, or (ii) to a third party to the extent that this is required, by any court of competent jurisdiction, or by a governmental or regulatory authority or where there is a legal right, duty or requirement to disclose, provided that (and without breaching any legal or regulatory requirement) where reasonably practicable not less than two (2) business days notice in writing is first given to the other party.

#### **Other Terms and Provisions**

20. Except in the event of our willful misconduct or fraud, in no event shall we be liable to you (or any person claiming through you) under this Contract, under any legal theory, for any amount in the aggregate in excess of the total professional fees paid by you to us under this Contract or any addendum to which the claim relates. In no event shall we be liable to you under this Contract under any legal theory for any consequential, indirect, lost profit or similar damages relating to or arising from our Services provided under this Contract.
21. You accept and acknowledge that any legal proceedings arising from or in connection with this Contract (or any variation or addition thereto) must be commenced within one (1) year from the date when you become aware of or ought reasonably to have become aware of the facts,

which give rise to our alleged liability. You also agree that no action or claims will be brought against any Duff & Phelps employees personally.

22. You agree to indemnify and hold harmless Duff & Phelps, its affiliates and their respective employees from and against any and all third party claims, liabilities, losses, costs, demands and reasonable expenses, including but not limited to reasonable legal fees and expenses, internal management time and administrative costs, relating to Services we render under this Contract or otherwise arising under this Contract. The foregoing indemnification obligations shall not apply in the event that a court of competent jurisdiction finally determines that such claims resulted directly from the gross negligence, willful misconduct or fraudulent acts of Duff & Phelps.
23. You accept and acknowledge that we have not made any warranties or guarantees, whether express or implied, with respect to the Services or the results that you may obtain as a result of the provision of the Services.
24. Except for your payment obligations, neither of us will be liable to the other for any delay or failure to fulfill obligations caused by circumstances outside our reasonable control.
25. This Contract constitutes the entire agreement between the parties hereto regarding the subject matter hereof and supersedes any prior agreements (whether written or oral) between the parties regarding the subject matter hereof. This Contract may be executed in any number of counterparts each of which shall be an original, but all of which together shall constitute one and the same instrument.
26. This Contract shall be governed by and interpreted in accordance with the internal laws of the State of New York and the courts of the State of New York shall have exclusive jurisdiction in relation to any claim arising out of this Contract.
27. As required under the Purchase Agreement, the Parties acknowledge and agree that we have provided services to the Parties and/or their affiliates and hereby provide consent for our performance of the Services as set forth herein.