

QCELLS · LEGAL BRIEF

QCELLS Parcel 9 BESS Lease — Legal Brief

For Fano review

Read this first. Five-minute summary for Fano.

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What's on the table

Qcells (through its U.S. subsidiary HQCA Energy Solutions, LLC) wants to lease a portion of Parcel 9 — Millenium Drive, Crystal Lake, parcel number 14-33-226-017 — for a battery storage facility. The draft they sent on April 17 pays \$30,000 in option payments over three years (\$7,500 + \$10,000 + \$12,500), a \$25,000 one-time construction bonus paid within thirty business days of the Lease Commencement Date, then \$50,000 per year in Basic Rent once they exercise the option and operate. Rent escalates at a flat 2.25% per year for twenty years. Three five-year renewal options can extend the term to thirty-five years.

Total nominal revenue across the full life of the deal is between \$1.30M (twenty years base + option + construction) and \$2.66M (full thirty-five years with all three renewals) if everything goes well — option exercised, full size built, no incidents, full term operated. That is one path among many. After running a 10,000-path Monte Carlo simulation through the full lifecycle, the expected NPV at a 5% discount rate is approximately \$405K under the lease as drafted, and approximately \$454K if all eight amendments land. Both numbers are before tax.

The headline finding from the Monte Carlo is that the worst-observed path under the as-drafted lease loses \$4.87M — driven by a Moss Landing-class fire event combined with an unbonded operational bankruptcy in a single path. Under the fully-amended lease the worst-observed path is a \$28K gain (option payments only). The amendments are not buying value uplift here — they are eliminating the catastrophic-loss left tail.

This is a different parcel from the SunVest BESS deal you're already working on (14-33-226-016, "Lot 27") — they are adjacent but separate lots, and the leases do not compete. Combined SunVest plus QCELLS expected NPV is approximately \$1.77M-\$1.87M before tax, \$1.06M-\$1.31M after tax.

What I would do this week

One. Don't send marital status to Nicholas Gebhart at QCELLS until the amendments below are addressed. The original guidance ("close QCELLS first, it's one document away") was based on QCELLS having a clean draft. The actual QCELLS Parcel 9 draft has more open landowner-protection gaps than

the SunVest draft did. Closing it as-is bakes in a worse-than-SunVest position on a smaller deal.

Two. Get qualified energy-lease counsel to review the amendment letter at QCELLS_AMENDMENT_REQUEST_DRAFT_2026_05_13.md. Your existing attorney (Wagner Law Firm or alternate counsel of your choice — Wagner has not responded as of 2026-05-13 per the SunVest matter, so an alternate may move faster). Once they approve the language (or red-line it), the letter goes to hqca-legal@qcells.com with a copy to Nicholas Gebhart at HQCA / Qcells.

Three. Confirm in writing with the McHenry County assessor what the tax reclassification impact will be on Parcel 9 specifically. Both the QCELLS and SunVest leases require the tenant to reimburse increased property tax. You want to know the dollar magnitude before agreeing to either reimbursement mechanism. Same diligence step on both parcels.

Four. Reconcile the four-year vs three-year Option Period inconsistency in the QCELLS draft. The Basic Provisions and Section 2 of the body say three years. The Memorandum (Exhibit C) says "up to four (4) years." This is a draft typo, but it has to be corrected before any signature so the public record matches the operative lease.

What I would not do

Do not sign the QCELLS Parcel 9 draft as currently written. There are eight serious landowner-protection gaps and they are all standard amendments. The largest gap is that the draft requires no decommissioning bond at all — not a flawed bond, no bond. A 35-year BESS lease with no funded path to remove the equipment at end-of-life is a setup for end-of-life cleanup costs falling on the landowner. Qcells's legal team has seen the standard bond language; insert it.

Do not sign anything without counsel review. This audit is engineering opinion, not legal advice. The amendment letter goes to your attorney first and then out under their revisions if any.

Do not let urgency on any deal pressure the others. You have three offers on three parcels — they're not competing. Sign each one only when its terms are right.

The five non-negotiable amendments

Of the eight critical issues in the QCELLS draft, five matter most. If QCELLS refuses any of these five, walk away — SunVest and CP Development are parallel paths.

One. Decommissioning bond — fully insert it. The draft has none. Add a requirement that Tenant post a surety bond or irrevocable letter of credit (no corporate guarantees) before Commercial Operation Date, based on an independent third-party engineer's removal-cost estimate refreshed every three years. Bond lapse gives Landlord automatic termination right. (Section 20 amendment.)

Two. Environmental insurance plus one-way environmental indemnification. The draft requires only \$2M aggregate general liability and zero environmental coverage. Raise to \$5M per occurrence / \$10M aggregate plus a separate \$5M environmental and pollution liability policy. Add a one-way environmental indemnification from Tenant to Landlord covering CERCLA, RCRA, and Illinois Environmental Protection

Act liability regardless of negligence. Survives termination. Tenant pays defense costs upfront. (Section 11 + new Section 21(d).)

Three. Assignment threshold raised to \$50M net worth and 100 MW under management. Currently the draft permits unrestricted assignment to seven categories with zero net-worth threshold. Insert the threshold for any non-affiliate, non-Financing-Party assignment. Original Tenant remains jointly and severally liable for five years post-assignment. Assignee posts or assumes the bond. (Section 14(a) amendment.)

Four. Tax reimbursement language fixed. Currently "directly" and "solely" stack in Section 12(a). Delete both; replace with "substantially as a result of, or contributed to by." Add explicit rollback-tax responsibility. (Section 12(a) amendment.)

Five. Owner termination rights for non-monetary breach. Currently Landlord can only terminate for monetary breach. Add termination rights for: (a) failure to commence construction within twenty-four months of Option exercise, (b) abandonment of 180 consecutive days post-COD, (c) Tenant bankruptcy filing, (d) insurance lapse beyond thirty days, (e) bond lapse. All subject to a sixty-day cure period if curable. (Section 16/17 amendment.)

The other three critical items (financing-party cure cap, casualty/condemnation symmetry, mutual indemnification thinness) and six smaller items are nice-to-have but not deal-breakers.

What you walk away with — probabilistic, not best-case

The deterministic best-case numbers are real but conditional. Across 10,000 simulated 35-year paths weighting every realistic outcome, here's what the QCELLS Parcel 9 deal pays at a 5% discount rate:

- Mean expected NPV (as drafted): \$404,735 before tax
- Median NPV (as drafted): \$509,817
- 5th-percentile floor: -\$33,203 (under as-drafted you actually have a meaningful negative-NPV left tail)
- 95th-percentile upside: \$949,142
- Worst-observed path: -\$4,867,449 — a Moss Landing-class fire event combined with no environmental insurance and no decommissioning bond on the QCELLS draft

Adding SunVest at a higher expected value brings the combined expected NPV across both deals to approximately \$1.77M-\$1.87M before tax, \$1.06M-\$1.31M after tax. The two-deal combination diversifies risk because the parcels and tenants are independent — and the SunVest deal has tighter draft protections, so it absorbs less of the left-tail risk.

What the amendments are actually buying. The fully-amended QCELLS lease has a mean expected NPV of \$454,108 — only \$49,373 higher than the as-drafted version. The amendments are not making this deal worth more on average. What they are doing is eliminating the \$4.87M worst-case loss: the worst-observed path under the amended lease is +\$28,362 (option payments only floor), not -\$4,867,449. The amendments are insurance against the catastrophic-loss left tail, not a way to extract more value. The 5th-percentile floor moves from -\$33K to +\$28K — a \$61.5K improvement that materially changes

the deal's risk profile.

The three highest-value amendments by mean uplift are the decommissioning bond insert (\$29.7K), the tax reimbursement language fix (\$19K), and the assignment threshold raise (\$16.3K). Insurance + environmental indemnification have lower mean uplift but eliminate the heavy-tail catastrophic-loss scenarios. Hold the line on the bond — it's the single largest amendment value and the load-bearing protection for end-of-life cleanup.

This is a meaningful supplement to the SunVest deal, not a replacement. It does not require you to sell or develop the land — the parcel remains yours, the lease runs with the land, and after the term ends the equipment must be removed and the soil restored to pre-project condition (provided the bond actually exists).

Where the documents live

- This brief: Desktop\GOROSHI_LLQ\LEASE\QCELLS_PARCEL9_LEGAL_BRIEF_2026_05_13.md
- Full clause-by-clause audit:
Desktop\GOROSHI_LLQ\LEASE\QCELLS_PARCEL9_AUDIT_2026_05_13.md
- Amendment letter to Qcells / HQCA counsel (DRAFT — for attorney review then your signature):
Desktop\GOROSHI_LLQ\LEASE\QCELLS_AMENDMENT_REQUEST_DRAFT_2026_05_13.md
- Three-deal comparison:
Desktop\GOROSHI_LLQ\LEASE\DAD_PACKAGE_QCELLS_2026_05_13\04_VS_SUNVEST_VS_CP.md
- Financial model:
Desktop\GOROSHI_LLQ\LEASE\QCELLS_PARCEL9_FINANCIAL_MODEL_2026_05_13.md
- Monte Carlo report:
Desktop\GOROSHI_LLQ\LEASE\QCELLS_PARCEL9_MONTE_CARLO_REPORT_2026_05_13.md
- Risk scenarios:
Desktop\GOROSHI_LLQ\LEASE\QCELLS_PARCEL9_RISK_SCENARIOS_2026_05_13.md

The packaged PDF bundle for Wagner / alternate counsel review:

Desktop\GOROSHI_LLQ\LEASE\DAD_PACKAGE_QCELLS_2026_05_13\ Start with
00_READ_FIRST.pdf.