YEAR-BY-YEAR PROJECTIONS · THREE ESCALATOR SCENARIOS

SunVest BESS Lease — Financial Model

Reference document for the accountant + dad's attorney · 15 min read

Stefano Theofanous (GOROSHI LLC) — 2026-05-10

This document models the dollar economics of the SunVest lease across multiple scenarios. The math is shown explicitly so the assumptions can be challenged. Numbers carry to the nearest thousand dollars; rounding is not material at this scale.

Inputs and assumptions

The deal has four payment streams: option payments, base operating rent, the per-megawatt premium for installed capacity above 5 MW, and a one-time construction-staging payment. The escalator is the greater of 2% per year or the annual change in CPI-U, applied to the operating rent each year starting in year two of the operating term.

For modeling purposes I use 2% as the base case (the contractual floor), 2.5% as a moderate inflation case (rough U.S. average over the last forty years), and 3% as a higher inflation case. I treat the construction-staging payment as nominal and the option payments as collected on the schedule shown in Exhibit C of the draft lease.

Discount rates of 3%, 5%, and 7% capture the range from a low-risk treasury benchmark to a more reasonable hurdle for a long-dated illiquid land lease. Most institutional analysis of land leases uses 5% to 6%; I show all three so the sensitivity is visible.

Two scenarios for the project size matter most: 10 MW (what SunVest is contemplating, which gives base $75K plus $15K times five additional MW = $150K year-one rent) and 5 MW (which is the floor case if SunVest builds smaller — $75K year-one rent flat).

Year-by-year nominal rent (10 MW, 2% escalation)

The geometric series formula gives rent in year n as $150,000 × 1.02^(n-1). Selected years:

Year	Annual rent
1	$150,000
5	$162,365

10	$179,233
15	$197,860
20	$218,419
25	$241,108
30	$266,151
35	$293,795

Twenty-five-year cumulative rent (operating term only): $4,804,500.

Thirty-five-year cumulative rent (with both renewals exercised): $7,512,300.

Add option payments of $52,500 across the three-year option period and the lease delivers between $4,857,000 and $7,564,800 in nominal pre-tax revenue across its full possible life.

Sensitivity to escalator rate (10 MW)

The CPI-floor structure in the draft means inflation above 2% accrues directly to your benefit. At higher inflation the deal pays substantially more.

Escalator	25-year cumulative	35-year cumulative
2.0% (contractual floor)	$4,804,500	$7,512,300
2.5%	$5,118,400	$8,196,200
3.0%	$5,463,400	$8,966,400

A 50-basis-point increase in the average escalator over the 35-year life adds approximately $684,000 to total revenue. The CPI floor is the single most valuable structural feature in this lease; a fixed 2% escalator (which QCELLS uses at 2.25% flat) would foreclose this upside.

Sensitivity to project size

If SunVest builds at the 5 MW base instead of 10 MW, year-one rent is $75,000 instead of $150,000 — exactly half. All projections halve proportionally.

Project size	Year-1 rent	25-year cumulative (2%)	35-year cumulative (2%)

---

5 MW	$75,000	$2,402,250	$3,756,150
10 MW	$150,000	$4,804,500	$7,512,300
15 MW	$225,000	$7,206,750	$11,268,450

The lease does not commit SunVest to a particular project size — they retain the right to build smaller or larger based on substation capacity and economics. For the McHenry County substation, Bill French explicitly stated 10 MW is the target. Treat 5 MW as the realistic downside case for a project that gets built but at a smaller capacity than planned.

Present value at multiple discount rates

Nominal totals over thirty-five years are large but distant. Present value (the amount of money today that would be equivalent to the lease's payment stream, given a chosen discount rate) is the cleaner number for decision-making.

The formula for the present value of a growing annuity is:

> *PV = C × (1 - ((1 + g) / (1 + r))^n) / (r - g)*

where C is the year-one cash flow, g is the growth rate, r is the discount rate, and n is the number of periods.

Applied to the 10 MW SunVest deal at 2% escalation:

Discount rate	25-year PV	35-year PV
3%	$3,560,000	$5,205,000
5%	$2,576,500	$3,187,500
7%	$1,975,000	$2,232,000

At a 5% discount rate, which is in the range a real-estate investor would typically use for a long-dated land lease, the deal is worth approximately $2.6M to $3.2M today depending on whether SunVest exercises the renewals. Add $50,000 in present-value option payments (collected near the front of the timeline so minimally discounted) and the all-in present value is roughly $2.6M to $3.2M.

Combined SunVest plus QCELLS

QCELLS pays $100,000 per year combined for both QCELLS parcels with a 2.25% flat escalator over a 20-year operating term, plus three 5-year renewal options reaching 35 years maximum. Year-by-year math is the same formula:

Year	QCELLS annual rent (2.25%)
1	$100,000
5	$109,308
10	$122,148
20	$152,535
35	$212,862

Twenty-year cumulative (base operating term): $2,491,900. Thirty-five-year cumulative (with all three renewals): $5,237,800.

Combined SunVest plus QCELLS nominal totals:

Period	SunVest 10 MW	QCELLS combined	Total
20-year	$4,032,300	$2,491,900	$6,524,200
25-year	$4,804,500	$3,159,500	$7,964,000
35-year (max)	$7,512,300	$5,237,800	$12,750,100

Plus option payments of approximately $85,000 to $90,000 across both deals.

Combined present value at 5% discount rate, 35-year horizon:

- SunVest: $3,187,500
- QCELLS: roughly $2,200,000
- Total: roughly $5,388,000

After-tax economics

Lease income on raw land is generally treated as ordinary income for federal and Illinois state purposes. Whether it qualifies as passive activity income depends on the entity structure and whether the landowner materially participates — a question for your accountant. For a rough estimate, use a combined effective marginal rate of 30% to 40% (24-32% federal at typical brackets plus 4.95% Illinois state).

Applied to the combined SunVest plus QCELLS 35-year present value of $5.39M:

Effective tax rate	After-tax present value
30%	$3,773,000

35%	$3,503,000
40%	$3,234,000

Holding structures (single-member LLC, S-corp election, family limited partnership) can change the effective rate at the margins but generally don't move the after-tax PV by more than a few hundred thousand dollars across this range. Real depreciation benefits accrue to SunVest, not to you, since they own the equipment.

This is where your accountant earns their fee — entity structure, basis treatment, and timing of income recognition can all be optimized.

What this is worth to you, in plain language

If both deals close and run to their full thirty-five-year possible terms, you and Steve collect somewhere between $12.7M and $14.2M in nominal cumulative rent across the two parcels (depending on inflation), plus $85-90K in option payments along the way. After tax that's roughly $7.6M to $9.9M.

In present-value terms, the deals together are worth about $5.4M today before tax, or $3.2M to $3.8M after tax. This is what you should be comparing against the alternative use of the parcels (continuing current ag/open-space use, selling the land outright, developing differently, or leaving the parcels undeveloped).

The tax reimbursement clauses in both leases mean the property tax delta from reclassification flows back to you through the tenants — net you should be neutral on tax burden assuming the reimbursement language survives negotiation. Confirm this with the McHenry County assessor before signing.

Downside cases (covered separately)

The numbers above assume SunVest exercises the option, completes construction, and operates through full term. Many of those assumptions can fail. Risk-scenario analysis is in SUNVEST_RISK_SCENARIOS_2026_05_10.md. The short version: the lease as currently drafted does not adequately protect you in several important downside cases, which is why the eight critical amendments matter.

Methodology: present-value calculations use the closed-form growing-annuity formula. CPI-floor scenarios assume the realized CPI exceeds the 2% contractual floor; if realized CPI is below 2% the contract pays at 2% which is what the base case models. Discount rates are not adjusted for inflation — these are nominal-dollar discounts applied to nominal-dollar cash flows. After-tax estimates are illustrative only; consult your accountant for actual entity-level analysis.