COMMUNITY RISK - WIND FARM INVESTMENT

This package is provided to give a preliminary idea of how the community could be involved in Cruach Mor re-development. It is based on an interpretation of the information available today. All content is subject to revision as more specific details become clear

26/10/25

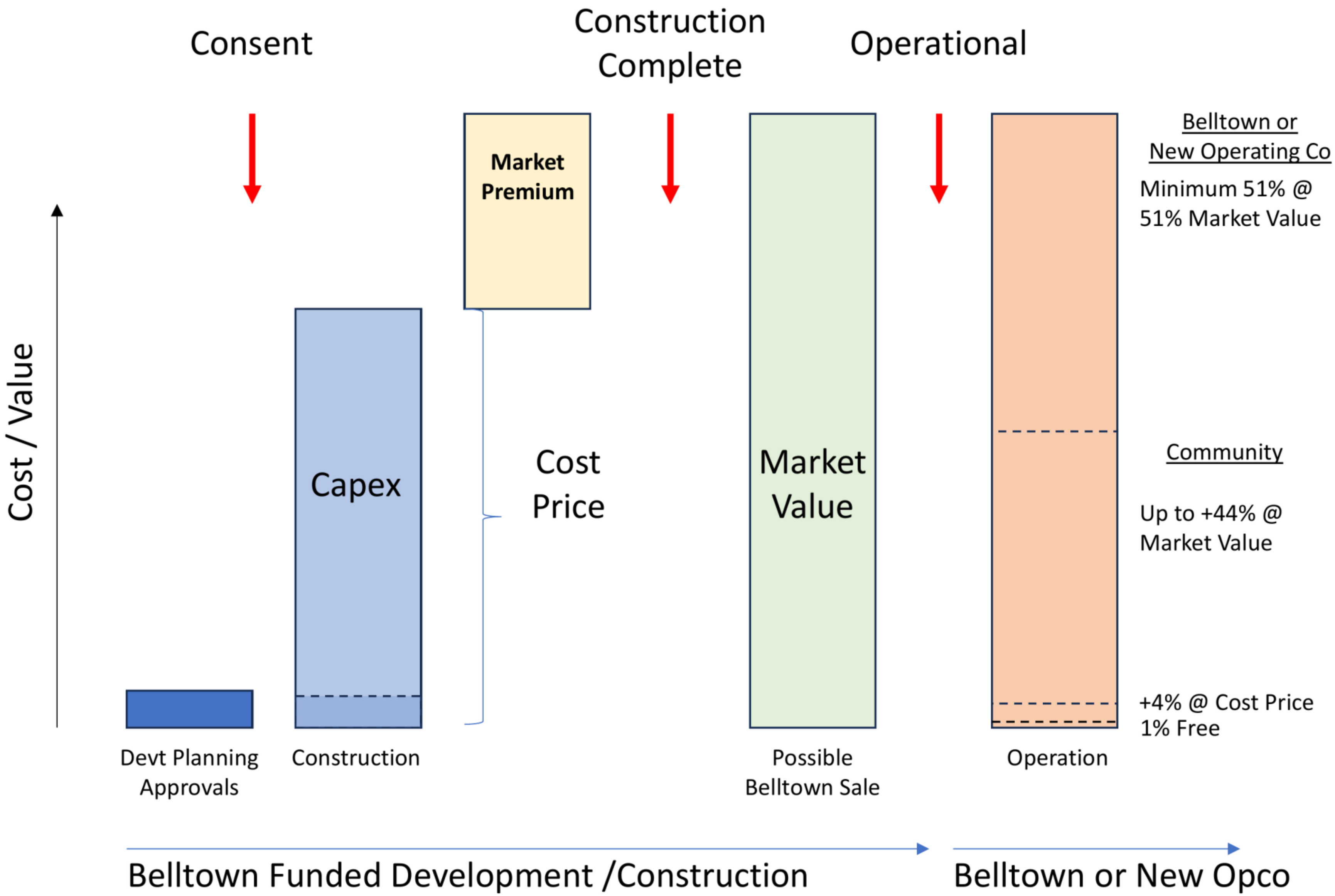
What is the Opportunity?

- Belltown will completely fund development planning, consents and construction of new wind farm
- The community will receive a Community Benefit from start of operation
    - There will be transition payments between current and new arrangements
- Prior to construction completion, Community will be given 1% equity in wind farm company
- In addition, the Community will have the opportunity to acquire further equity in the wind farm company when construction complete
    - +4% at “Cost Price”
    - Up to an additional 44% at “Market Value”
- The Community could then benefit from its equity share of dividends from the wind farm company – <u>but this is not guaranteed income</u>

How would this work?

- A Community entity would need to be established (eg a company) to receive and hold the 1% free equity and receive potential dividends
- If additional equity is wanted, then the Community entity will need to borrow to finance acquisition
- Total capital expenditure will set the “Cost price”
- Belltown may sell the windfarm company on completion of construction
  - Sales price will set the “Market Value” of the wind farm company

Development / Acquisition Illustration



Community Financing

- The new community entity would need to find a lender willing to finance acquiring equity in Wind Farm Company
  - Owning 1% might help finance the cost price 4%
- The lender would be repaid from wind farm company dividends (not from wind farm company cashflows)
  - Lenders may view this as higher risk
- None of the Belltown Scottish project communities have reached the stage of getting finance in place

What is the Risk?

- Possible community concern that debt financed equity acquisition will create a financial exposure for the community
- <u>Risk is the fact that something bad might happen</u>
- In this case the “something bad” is that the wind farm profitability is insufficient to pay dividends to repay the debt. This could be caused by, for example
  - Power output or demand is lower than planned
  - Power prices are lower than planned
  - Operating performance or amount of wind is worse than expected
  - Costs are higher than planned
- “Might happen” means what is the chance of one or a combination of these outcomes occurring

So Where is the Risk?

- The developer, operating company and lenders expect to make a profit ie they accept the risk level of the project
- The lenders carry the risk and secure their loans against the wind farm company dividends
  - <u>No community assets would be used as security</u>
- Lenders' recourse is limited to the wind farm company, its assets and new community entity
- The new community entity could lose its dividend income (including the free 1%) if debt not repaid
- <u>But there would be no recourse to community organisations, people or assets and likely the community benefit would continue to be paid</u>