



# Working with landowners

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# Working with landowners

Landowners typically have a series of fundamental questions that they raise when considering the potential for a solar farm on their property.

It is a big decision for both landowner and Halo Renewable Energy (“Halo”) alike, and so we outline here a number of basic, specific questions and answers to typical issues that are raised with us.

This document is not meant to cover everything, as each situation is slightly different.

## Philosophy of Landowner Relationships

Our landowners are our partners. We are “strapped to each other” for a long journey, which we hope will be of great commercial benefit to all. We treat all landowners with respect and courtesy, as we expect them to treat Halo, its stakeholders, consultants and contractors similarly.

Maintaining this gold standard “social charter” is of fundamental importance, and it also leads to great care in selection and progress of both solar farm site opportunities and our landowner partners.

The cost & task of developing a solar project is daunting, and we are mindful of not being seen as a “problem solver” for other issues that might be unfortunately occurring in a landowners’ life. The drought has brought considerable complexity to rural life, and Halo’s philanthropic endeavours are directly pointed at assisting where we can on such issues. This does not mean, however, that we are here to solve problems we have not created, including dealing with commercial banks.

We will not pay fees or rents that do not make economic sense. We will not agree to terms and requests that are not commercially founded and in the interests of the project as a whole. Landowners run their rural enterprises with great care and focus – and so do we with our operations & investments.

As we would expect a landowner to no longer deal with any organisation which did not maintain the highest standards of conduct towards them, similarly Halo would prefer to spend positive energy, capital and resource pursuing projects where alignment of interests (*near and far term*) are apparent. We have no interest in “locking horns” with anyone – as that is just wasted time and energy.

We often say “no” where the potential project might have positive attributes, but it is apparent that the approach, personal values or demands of the landowner are not aligned with ours. We don’t see anything wrong with this. Many things are just not meant to be.

## Confidentiality & Confidential Information

We take our business interests and those of our landowners seriously. All discussions and agreements are strictly confidential.

Internally no person can, for example, access any information on any project (*actual or proposed*) without specific authorization. We protect all information fiercely – and expect our landowners and prospective landowners to do similarly.

Inside our office door in Sydney is a World War 2 poster of “Loose Lips Sink Ships”. And we live at all times by this moto.

## How do you calculate rent and when is it paid ?

The calculation of the rent (*typically per acre or hectare*) is based on numerous factors including :

### a. Proximity to a connection to the Grid

The further away a project is from an electrical connection the higher the cost and complexity of building cables and infrastructure to reach that connection.

### b. Physical Attributes of the Site

The physical attributes of the site are important. Examples include the slope of the site (*higher the slope the further solar panels need to be apart because of shadowing, for example*), general terrain (*incidence of large rocks / boulders*), scrub and thick tree lines (*complexities with bushfire management*), road access, etc.

### c. Social & Environmental Issues

Then there are numerous environmental issues that need to be considered including Aboriginal Heritage / Sacred Sites, Flora, Fauna and social impact (*does glare impact neighbours, for example ?*).

So the task itself is not straightforward and takes considerable analysis and planning at the earliest of stages. We need to undertake site visits as well as carry out searches of various Government databases to understand whether there are any obvious problems.

Once this data is known then a discussion on rent can take place. We are clear and considered on any proposal we put forward, but our initial proposal does tend to be our best.

Rent is typically paid when the decision to proceed to construction of any project is made and coincides with site access and the mobilization of equipment /labour. Rent payment periods vary according to landowner requirements, but typically Halo's agreements cater for payments either quarterly or 6 monthly in advance.

## Exclusivity Agreement & Option Agreement Fees Paid

There are 2 specific steps that Halo undertakes in assessing a project:

1. **Exclusivity Agreement.** This is a "handshake" agreement of usually 1 or 2 pages which provides Halo the confidence of being able to spend time and money in assessing the potential project. We pay a fee for such an agreement of typically around \$1,000 (*depending on project appeal*) and it covers a period of no more than 6 months.
2. **Option Agreement & Attaching Draft Lease.** If the decision to move to an Option Agreement is made then we pay an additional fee on signing of Option & Lease Documents. Typically the Exclusivity Fee and Option Fee together are between A\$2,500 + gst and \$7,500 + gst. The level of fee is based on the attractiveness and size of the project. Larger projects that are more straightforward to progress are at the top end of that range and smaller projects that are complex are at the bottom end.

The Option Fee covers a 2 year period only, and has an ability to be extended by a further 2 years. If that extension is actioned then a 2<sup>nd</sup> Option Fee for that extended 2 year period is also paid (*so if the Option Fee was \$5,000 + gst for the 2 years, it would be \$10,000 + gst for the 4 years*).

Our approach to securing great sites is to invest our time and money transparently, and to do our work quickly and efficiently. Time is money for both landowner and Halo alike.

But this is also a risky process for us as a project developer. Specifically, there are risks of landowners taking the knowledge that we share with them and trying to create “auctions” with other developers in an effort to make us pay more. Pretty poor behavior.....

If we perceive risk then we generally proceed no further without some form of cost protection for the time and money we are investing into the project in case the landowner (*or their lawyer, for example*) try to leverage our information against us. Yes people do do this sort of thing in case you are shocked.....

### When Are Option & Exclusivity Fees Paid ?

Typically within 24 hours of signing documents. We provide a transfer notice on completion of the transfer.

### Typical Rental Rates & Rental Periods

Our typical range of rental rates are between **A\$500 and A\$1,000 per Hectare per year (+ gst)** with a periodic adjustment for CPI (*case by case negotiation*). Whilst many developers attempt to avoid sharing this fundamental information we are the opposite and believe that it is in the interests of all to be transparent.

We have had landowners tell us we are wrong (*including abusively.....*), and our only response is thanks for the opinion, no problems at all and sorry we could not come to agreement. Each project must stack up financially, and we can't be burdened for decades to come with uncommercial rents.

These target rates are as at the end of 2019, and of course as with all things they may fluctuate with market conditions and attractiveness of sites for development (*and that fluctuation might be both up or down*). Rental Periods are typically a 20 year initial term with various options for another 20 years.

### Paying Landowner Legal Fees

Halo typically pays up to \$2,500 (+ gst) for the landowner to have all documents reviewed and negotiated by their own lawyers. This cost contribution is paid only after signing of the Option & Draft Lease documents.

Our legal documents are in standard form and have been drafted by one of Australia's leading law firms. We are not trying to “reinvent the wheel” and similarly expect any comments or requirements that come back to be pragmatic, commercial and to the point.

### How Long Does An Initial Assessment Take ?

We can do a desktop assessment in a matter of days once we have some basic data and information. Not all sites are feasible unfortunately, but it is in both Halo and any landowner's interests to understand potential in the shortest time possible.

Just because Halo passes on an opportunity does not of course mean it won't be suitable for another party. It is just that it has not fitted our own internal risk and financial return requirements.

All we really need from a landowner to make a "first glance" assessment is a copy of their latest Council Rates Notice which includes the various DPs and Lot numbers for their property and the street address.

We endeavor to give initial feedback within 48 to 72 hours of an initial discussion and receipt of the basic information.

### Are There Other Commercial Opportunities For Landowners ?

Hopefully yes is the answer. On current projects we are progressing various additional opportunities small and large with our landowner partners.

Any commercial relationship of course needs to be on an arms length fee basis, and the landowner must have the insurances and accreditations in place to be able to carry out the tasks as agreed.

A core part of our overall community engagement strategy is to keep as much of the money that is invested through projects in rural communities. This is of course not always possible, but it is a clear ambition.

### Do You Pay Agent / Introducer Fees ?

Yes we do. Our typical arrangement is to pay a "finder fee" in 2 parts – with the first being \$1,000 + gst for the introduction, and then a further success fee arrangement (*which is lucrative*) in the event the project gets to all approvals in place and actual construction.

We are absolutely transparent with landowners on any fee paid. Recently we have become aware (*from one landowner*) that a real estate agent attempted to introduce an alternate developer – and that agent was wanting 50% of the total landowner rents paid on the project, for the entire project life (*30 years +*). Halo will tolerate no such opportunistic & scandalous behavior by any introducing party, and simply won't deal with them.

Our position is that any cost of an introducer should be to the account of Halo – and not hit the landowner's pocket.

### Guidance Only & Next Steps

Please understand that this is a guidance document only, and provided to help landowners understand the way in general that Halo operates. It is not "definitive" and independent advice for any landowner is not only prudent, but Halo insists on such advice being taken.

If you have interest in discussing any opportunity confidentially please feel free to contact:

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