Table of Contents

20.2 Land usufruct and lease agreements

The Company entered into land usufruct agreements with Ganadería El Limón, S.A. and Corporación Ganadera Interamericana, S.A., Nicaraguan entities who allow the Company to develop the Project in their farms, with a total area of approximately 2,200 hectares. The term of the usufruct agreements is for 20 years starting when the Project began commercial operations (December 1, 2012). As compensation, Ganadería El Limón will receive the higher of 0.75% of energy sales or an annual amount of US$55,000, which will increase 3% on an annual basis. Corporación Ganadera Interamericana will receive 2.00% of energy sales. All utility and tax expenses over the farms are assumed by Eolo.

In addition, the Company had to pay a non-refundable amount of US$900,000 to Ganadería El Limón as a security deposit. The Company recognized such payment as an intangible asset, which is amortized in 20 years (Note 11).

The Company also signed lease agreements with Ganadería El Limón and Corporación Ganadera Interamericana over the farms for a period of 10 years that will commence upon finalization of the land usufruct agreements. The rent charge for Ganadería El Limón's farms will be the higher of 0.75% of energy sales or an annual amount of US$55,000, which will increase by 3% on an annual basis. The rent charge for Corporación Ganadera Interamericana's farms will be equivalent to 2% of energy sales.

20.3 Wind farm construction and maintenance

The Company entered into an Engineering, Procurement and Construction Agreement with Gamesa Eólica, S.L. through which Gamesa designed, engineered, procured, installed and constructed the wind farm of 44 MW as a turnkey project including the construction and installation of 22 wind turbines. The total contract price amounted to US$78,746,608 and the Company has paid the total amount to Gamesa as of December 31, 2014 (2013: US$78,242,322 with a remaining balance of US$504,226 – Note 14.), which is included under the item of property, plant and equipment in the statement of financial position.

The Company and Gamesa also entered into an Operation and Maintenance Agreement on December 31, 2011 to ensure that the Project will operate as technically designed after its construction. Under this agreement, Gamesa guarantees that the Project will meet an average availability on the turbine equipment of no less than 97% beginning on the second anniversary of the Project's commissioning completion (April 1, 2015). The maintenance service began in April 2013 and the annual fee is equivalent to US$60,795 per wind turbine, for total of US$1,337,496 a year, which includes the cost of corrective maintenance.

20.4 Contingencies

In January 2014 Eolo was notified by the Municipality of Rivas, Nicaragua, of a tax assessment of property taxes on land and equipment corresponding to the 2013 fiscal period. The property taxes claimed by the Municipality amounts to a total of US$137,321. Eolo has responded that it should not bear those taxes because it does not own the lands (the lands on which the wind farm operates is leased) and its equipment does not fall under the "fixtures" definition of the tax law on which the property taxes are levied. On May 28, 2014, Eolo filed a lawsuit against the Municipality of Rivas at the Contentious Administrative Court. This process is expected to take between one or two years. In the meantime, the Municipality is precluded from enforcing the tax assessment because Eolo rendered a guarantee of US$14,739 as part of the contentious process. The Company, after consultation with its legal advisors, considers that there are strong arguments to revert the tax assessment claimed and that any ultimate payment is not probable. Therefore, as of December 31, 2014 the financial statements do not contain a provision for this matter.