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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-32347

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ORMAT TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**88-0326081**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

6225 Neil Road, Reno, Nevada 89511-1136
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:
(775) 356-9029
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock $0.001 Par Value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
		(Do not check if a smaller reporting company)	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $2,315,466,032 based on the closing price as reported on the New York Stock Exchange. Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: As of February 23, 2018, the number of outstanding shares of common stock, par value $0.001 per share was 50,609,051.

Documents incorporated by reference: Part III (Items 10, 11, 12, 13 and 14) incorporates by reference portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders, which will be filed not later than 120 days after December 31, 2017.

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ORMAT TECHNOLOGIES, INC.

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Glossary of Terms

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below:

Term	Definition
Amatitlan Loan	$42,000,000 in initial aggregate principal amount borrowed by our subsidiary Ortitlan Limitada from Banco Industrial S.A. and Westrust Bank (International) Limited.
AMM	Administrador del Mercado Mayorista (administrator of the wholesale market — Guatemala)
ARRA	American Recovery and Reinvestment Act of 2009
Auxiliary Power	The power needed to operate a geothermal power plant's auxiliary equipment such as pumps and cooling towers
Availability	The ratio of the time a power plant is ready to be in service, or is in service, to the total time interval under consideration, expressed as a percentage, independent of fuel supply (heat or geothermal) or transmission accessibility
Balance of Plant equipment	Power plant equipment other than the generating units including items such as transformers, valves, interconnection equipment, cooling towers for water cooled power plants, etc.
BESS	Battery Energy Storage Systems
BLM	Bureau of Land Management of the U.S. Department of the Interior
BOT	Build, operate and transfer
CAGR	Compound annual growth rate
Capacity	The maximum load that a power plant can carry under existing conditions, less auxiliary power
Capacity Factor	The ratio of the average load on a generating resource to its generating capacity during a specified period of time, expressed as a percentage
CARB	California Air Resources Board
CDC	Caisse des Dépôts et Consignations, a French state-owned financial organization
CFE	Comision Federal de Electricidad
C&I	Refers to the Commercial and Industrial sectors, excluding residential
CNE	National Energy Commission of Honduras
CNEE	National Electric Energy Commission of Guatemala
COD	Commercial Operation Date
Company	Ormat Technologies, Inc., a Delaware corporation, and its consolidated subsidiaries
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPI	Consumer Price Index
CPUC	California Public Utilities Commission
Cyrq	Cyrq Energy, Inc.
DEG	Deutsche Investitions-und Entwicklungsgesellschaft mbH
DFIs	Development Finance Institutions
DOE	U.S. Department of Energy
DOGGR	California Division of Oil, Gas, and Geothermal Resources
DSCR	Debt Service Coverage Ratio
DSIRE	Database of State Incentives for Renewables and Efficiency
EBITDA	Earnings before interest, taxes, depreciation and amortization
EDF	Electricite de France S.A.
EGS	Enhanced Geothermal Systems
EIB	European Investment Bank
ENEE	Empresa Nacional de Energía Eléctrica
Enthalpy	The total energy content of a fluid; the heat plus the mechanical energy content of a fluid (such as a geothermal brine), which, for example, can be partially converted to mechanical energy in an Organic Rankine Cycle.

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Term	Definition
EPA	U.S. Environmental Protection Agency
EPC	Engineering, procurement and construction
EPS	Earnings per share
ERC	Kenyan Energy Regulatory Commission
ERCOT	Electric Reliability Council of Texas, Inc.
ESC	Energy Sales Contract
Exchange Act	U.S. Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	U.S. Federal Energy Regulatory Commission
FIT	Feed-in Tariff
FPA	U.S. Federal Power Act, as amended
GAAP	Generally accepted accounting principles
GCCU	Geothermal Combined Cycle Unit
GDC	Geothermal Development Company
GEA	Geothermal Energy Association
Geothermal Power Plant	The power generation facility and the geothermal field
Geothermal Steam Act	U.S. Geothermal Steam Act of 1970, as amended
GHG	Greenhouse gas
GNP	Gross National Product
GTM	Green Tech Media
GW	Giga watt
GWh	Giga watt hour
HELCO	Hawaii Electric Light Company
IFC	International Finance Corporation
IID	Imperial Irrigation District
ILA	Israel Land Administration
INDE	Instituto Nacional de Electrification
IOUs	investor-owned utilities
IPPs	Independent Power Producers
ISO	International Organization for Standardization
ITC	Investment tax credit
ITC Cash Grant	Payment for Specified Renewable Energy property in lieu of Tax Credits under Section 1603 of the ARRA
JBIC	Japan Bank for International Cooperation
John Hancock	John Hancock Life Insurance Company (U.S.A.)
JOC	Joined operation contract
JPM	JPM Capital Corporation
KenGen	Kenya Electricity Generating Company Ltd.
Kenyan Energy Act	Kenyan Energy Act, 2006
KETRACO	Kenya Electricity Transmission Company Limited
KLP	Kapoho Land Partnership
KPLC	Kenya Power and Lighting Co. Ltd.
kVa	Kilovolt-ampere
kW	Kilowatt - A unit of electrical power that is equal to 1,000 watts
kWh	Kilowatt hour(s), a measure of power produced
LCOE	Levelized Costs of Energy
LSEs	Load Serving Entities
Mammoth Pacific	Mammoth-Pacific, L.P.
MACRS	Modified Accelerated Cost Recovery System
MEMR	Ministry of Energy and Mineral Resources
MIGA	Multilateral Investment Guarantee Agency, a member of the World Bank Group
MW	Megawatt - One MW is equal to 1,000 kW or one million watts
MWh	Megawatt hour(s), a measure of energy produced

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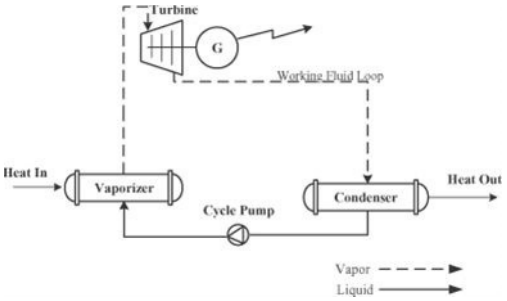
Term	Definition
NBPL	Northern Border Pipe Line Company
NIS	New Israeli Shekel
NOC	network operations center
NGI	Natural Gas-California SoCal-NGI Natural Gas price index
NV Energy	NV Energy, Inc.
NYSE	New York Stock Exchange
NYISO	New York Independent System Operator, Inc.
OEC	Ormat Energy Converter
OFC	Ormat Funding Corp., a wholly owned subsidiary of the Company
OFC Senior Secured Notes	$190,000,000 8.25% Senior Secured Notes, due 2020 issued by OFC
OFC 2	OFC 2 LLC, a wholly owned subsidiary of the Company
OFC 2 Senior Secured Notes	Up to $350,000,000 Senior Secured Notes, due 2034 issued by OFC 2
OMPC	Ormat Momotombo Power Company, a wholly owned subsidiary of the Company
Opal Geo	Opal Geo LLC
OPC	OPC LLC, a consolidated subsidiary of the Company
OPC Transaction	Financing transaction involving four of our Nevada power plants in which institutional equity investors purchased an interest in our special purpose subsidiary that owns such plants.
OPIC	Overseas Private Investment Corporation
OrCal	OrCal Geothermal Inc., a wholly owned subsidiary of the Company
OrCal Senior Secured Notes	$165,000,000 6.21% Senior Secured Notes, due 2020 issued by OrCal
Organic Rankine Cycle	A process in which an organic fluid such as a hydrocarbon or fluorocarbon (but not water) is boiled in an evaporator to generate high pressure vapor. The vapor powers a turbine to generate mechanical power. After the expansion in the turbine, the low pressure vapor is cooled and condensed back to liquid in a condenser. A cycle pump is then used to pump the liquid back to the vaporizer to complete the cycle. The cycle is illustrated in the figure below:



Ormat International	Ormat International Inc., a wholly owned subsidiary of the Company
Ormat Nevada	Ormat Nevada Inc., a wholly owned subsidiary of the Company
Ormat Systems	Ormat Systems Ltd., a wholly owned subsidiary of the Company
ORPD	ORPD LLC, a holding company subsidiary of the Company in which Northleaf Geothermal Holdings, LLC holds a 36.75% equity interest
ORPD Transaction	Financing transaction involving the Puna complex and Don A. Campbell, OREG 1, OREG 2 and OREG 3 power plants in which Northleaf Geothermal Holdings, LLC purchased an equity interest in our special purpose subsidiary that owns such plants.
OrPower 4	OrPower 4 Inc., a wholly owned subsidiary of the Company
Ortitlan	Ortitlan Limitada, a wholly owned subsidiary of the Company
ORTP	ORTP, LLC, a consolidated subsidiary of the Company

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Term	Definition
ORTP Transaction	Financing transaction involving power plants in Nevada and California in which an institutional equity investor purchased an interest in our special purpose subsidiary that owns such plants.
Orzunil	Orzunil I de Electricidad, Limitada, a wholly owned subsidiary of the Company
PEC	Portfolio Energy Credits
PG&E	Pacific Gas and Electric Company
PGV	Puna Geothermal Venture, a wholly owned subsidiary of the Company
PJM	PJM Interconnection, L.L.C.
PLN	PT Perusahaan Listrik Negara
Power plant equipment	Interconnection equipment, cooling towers for water cooled power plant, etc., including the generating units
PPA	Power purchase agreement
ppm	Part per million
PTC	Production tax credit
PUA	Israeli Public Utility Authority
PUCH	Public Utilities Commission of Hawaii
PUCN	Public Utilities Commission of Nevada
PUHCA	U.S. Public Utility Holding Company Act of 1935
PUHCA 2005	U.S. Public Utility Holding Company Act of 2005
PURPA	U.S. Public Utility Regulatory Policies Act of 1978
Qualifying Facility(ies)	Certain small power production facilities are eligible to be "Qualifying Facilities" under PURPA, provided that they meet certain power and thermal energy production requirements and efficiency standards. Qualifying Facility status provides an exemption from PUHCA 2005 and grants certain other benefits to the Qualifying Facility
RAM	Renewable Auction Mechanism
REC	Renewable Energy Credit
REG	Recovered Energy Generation
RGGI	Regional Greenhouse Gas Initiative
RPS	Renewable Portfolio Standards
RTO	Regional Transmission Organization
SaaS	Software as a Service
SCADA	Supervisory Control and Data Acquisition
SCPPA	Southern California Public Power Authority
SEC	U.S. Securities and Exchange Commission
Securities Act	U.S. Securities Act of 1933, as amended
Senior Unsecured Bonds	7% Senior Unsecured Bonds Due 2017 issued by the Company
SO#4	Standard Offer Contract No. 4
SOL	Sarulla Operations Ltd.
Solar PV	Solar photovoltaic
SOX Act	Sarbanes-Oxley Act of 2002
Southern California Edison	Southern California Edison Company
SPE(s)	Special purpose entity(ies)
SRAC	Short Run Avoided Costs
Southern California Edison	Southern California Edison Company
SPE(s)	Special purpose entity(ies)
SRAC	Short Run Avoided Costs
Union Bank	Union Bank, N.A.
U.S.	United States of America
U.S. Treasury	U.S. Department of the Treasury
VEI	Viridity Energy, Inc.
Viridity	Viridity Energy Solutions Inc., our wholly owned subsidiary
WHOH	Waste Heat Oil Heaters

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Cautionary Note Regarding Forward-Looking Statements

This annual report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect or anticipate will or may occur in the future, including such matters as our projections of annual revenues, expenses and debt service coverage with respect to our debt securities, future capital expenditures, business strategy, competitive strengths, goals, development or operation of generation assets, market and industry developments and the growth of our business and operations, are forward-looking statements. When used in this annual report, the words "may", "will", "could", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "projects", "potential", or "contemplate" or the negative of these terms or other comparable terminology are intended to identify forward-looking statements, although not all forward-looking statements contain such words or expressions. The forward-looking statements in this annual report are primarily located in the material set forth under the headings Item 1 — "Business" contained in Part I of this annual report, Item 1A — "Risk Factors" contained in Part I of this annual report, Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Part II of this annual report, and "Notes to Financial Statements" contained in Item 8 — "Financial Statements and Supplementary Data" contained in Part II of this annual report, but are found in other locations as well. These forward-looking statements generally relate to our plans, objectives and expectations for future operations and are based upon management's current estimates and projections of future results or trends. Although we believe that our plans and objectives reflected in or suggested by these forward-looking statements are reasonable, we may not achieve these plans or objectives. You should read this annual report completely and with the understanding that actual future results and developments may be materially different from what we expect due to a number of risks and uncertainties, many of which are beyond our control. Other than as required by law, we will not update forward-looking statements even though our situation may change in the future.

Specific factors that might cause actual results to differ from our expectations include, but are not limited to:

- significant considerations, risks and uncertainties discussed in this annual report;
- geothermal resource risk (such as the heat content, useful life and geological formation of the reservoir);
- operating risks, including equipment failures and the amounts and timing of revenues and expenses;
- financial market conditions and the results of financing efforts;
- the impact of fluctuations in oil and natural gas prices and competition with other renewable sources on the energy price component under certain of our PPAs;
- risks and uncertainties with respect to our ability to implement strategic goals or initiatives in segments of the clean energy industry or new or additional geographic focus areas;
- risk and uncertainties associated with our future development of storage projects which may operate as "merchant" facilities without long-term sales agreements, including the variability of revenues and profitabilty of such projects;
- environmental constraints on operations and environmental liabilities arising out of past or present operations, including the risk that we may not have, and in the future may be unable to procure, any necessary permits or other environmental authorizations;
- construction or other project delays or cancellations;
- political, legal, regulatory, governmental, administrative and economic conditions and developments in the U.S. and other countries in which we operate and, in particular, the impact of recent and future federal, state and local regulatory proceedings and changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, public policies and government incentives that support renewable energy and enhance the economic feasibility of our projects at the federal and state level in the United States and elsewhere, and carbon-related legislation;
- the enforceability of long-term PPAs for our power plants;
- contract counterparty risk;
- weather and other natural phenomena including earthquakes, volcanic eruption, drought and other natural disasters;

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- changes in environmental and other laws and regulations to which our company is subject, as well as changes in the application of existing laws and regulations;
- current and future litigation;
- our ability to successfully identify, integrate and complete acquisitions;
- competition from other geothermal energy projects and new geothermal energy projects developed in the future, and from alternative electricity producing technologies;
- market or business conditions and fluctuations in demand for energy or capacity in the markets in which we operate;
- there can be no assurance regarding when, if and to what extent opportunities under our commercial cooperation agreement with ORIX Corporation will in fact materialize;
- the direct or indirect impact on our company's business of various forms of hostilities including the threat or occurrence of war, terrorist incidents or cyber-attacks or responses to such threatened or actual incidents or attacks, including the effect on the availability of and premiums on insurance;
- our new strategic plan to expand our geographic markets, customer base and product and service offerings may not be implemented as currently planned or may not achieve our goals as and when implemented;
- development and construction of Solar PV and energy storage projects, may not materialize as planned;
- the effect of and changes in current and future land use and zoning regulations, residential, commercial and industrial development and urbanization in the areas in which we operate; and
- other uncertainties which are difficult to predict or beyond our control and the risk that we may incorrectly analyze these risks and forces or that the strategies we develop to address them may be unsuccessful.

PART I

ITEM 1. BUSINESS

Certain Definitions

Unless the context otherwise requires, all references in this annual report to "Ormat", "the Company", "we", "us", "our company", "Ormat Technologies", or "our" refer to Ormat Technologies, Inc. and its consolidated subsidiaries. A glossary of certain terms and abbreviations used in this annual report appears at the beginning of this report.

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Overview

We are a leading vertically integrated company that is currently primarily engaged in the geothermal and recovered energy power business. With the objective of becoming a leading global provider of renewable energy, we focus on several key initiatives, under our new strategic plan, as described below.

We design, develop, build, sell, own, and operate clean, environmentally friendly geothermal and recovered energy-based power plants, usually using equipment that we design and manufacture.

Our geothermal power plants include both power plants that we have built and power plants that we have acquired, while we have built all of our recovered energy-based plants. We recently expanded our operations to include the provision of services in the energy storage, demand response and energy management markets. We currently conduct our business activities in two business segments:

- In the Electricity segment we develop, build, own and operate geothermal and recovered energy-based power plants in the U.S. and geothermal power plants in other countries around the world and sell the electricity they generate. We also provide energy storage, demand response and energy management related services through our Viridity business; and

- In the Product segment we design, manufacture and sell equipment for geothermal and recovered energy-based electricity generation and remote power units and provide services relating to the engineering, procurement, construction, operation and maintenance of geothermal and recovered energy-based power plants and in the future, other power generating units such as Solar PV and energy storage

In March 2017, we expanded our Electricity segment operations by entering the energy storage, demand response and energy management markets following the acquisition of substantially all of the business and assets of Viridity Energy, Inc. (VEI), a Philadelphia-based company. The acquired business and assets are owned and operated by our wholly owned subsidiary Viridity Energy Solutions Inc. (Viridity). We intend to use our Viridity business to accelerate long-term growth, expand our market presence in a growing market, and further develop our energy storage, demand response and energy management services, including the VPower™ software platform. We plan to continue providing services and products to existing Viridity customers, while expanding our service offerings to include development and EPC into new regions and targeting a broader potential customer base.

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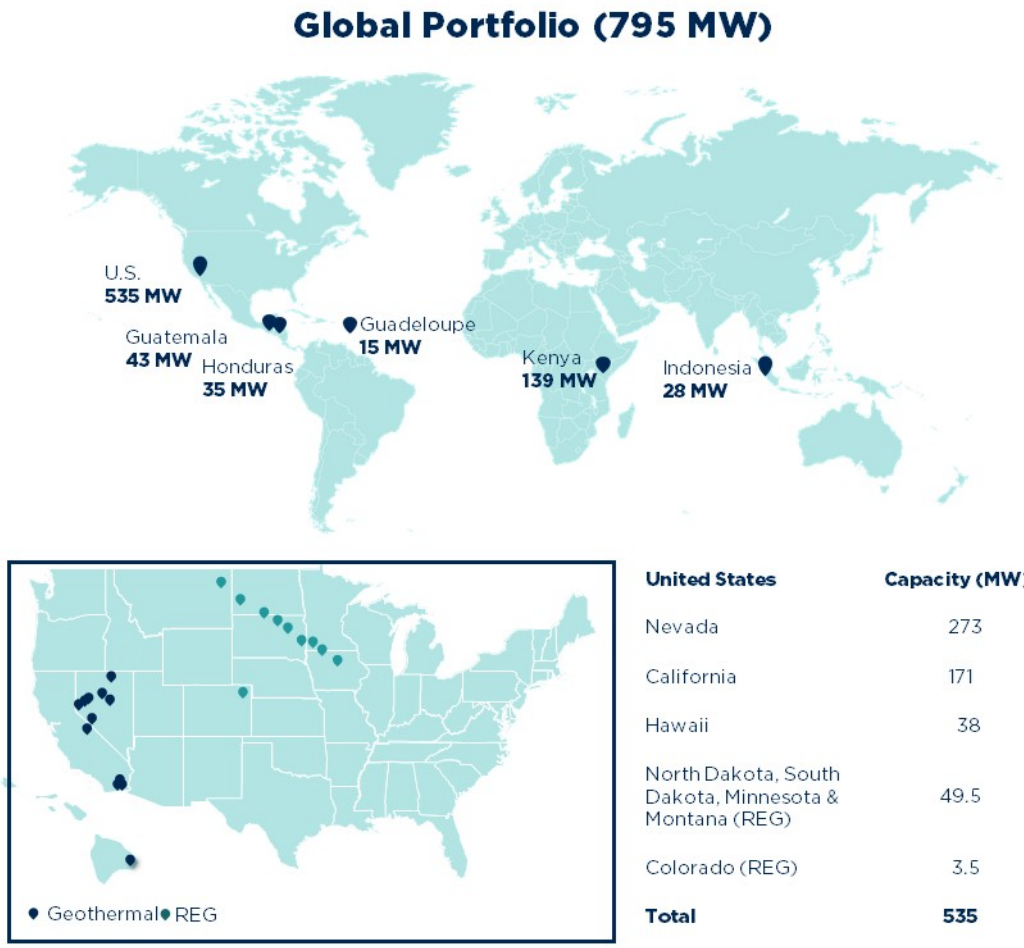
The map below shows our worldwide portfolio of operating geothermal and recovered energy power plants as of March 1, 2018.



United States	Capacity (MW)
Nevada	273
California	171
Hawaii	38
North Dakota, South Dakota, Minnesota & Montana (REG)	49.5
Colorado (REG)	3.5
Total	**535**

The charts below show the relative contributions of the Electricity segment and the Product segment to our consolidated revenues and the geographical breakdown of our segment revenues for the fiscal year ended December 31, 2017. Additional information concerning our segment operations, including year-over-year comparisons of revenues, the geographical breakdown of revenues, cost of revenues, results of operations, and trends and uncertainties is provided below in Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8 — "Financial Statements and Supplementary Data".

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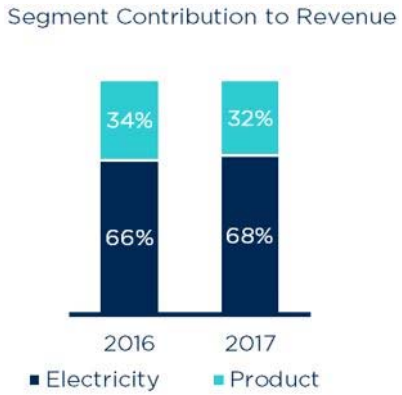
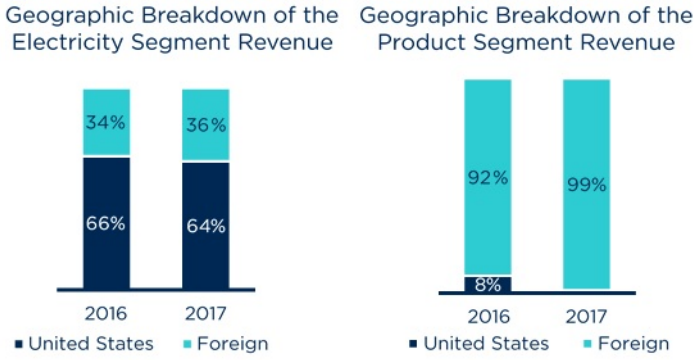
The following chart sets forth a breakdown of our revenues for each of the years ended December 31, 2017 and 2016:



The following chart sets forth the geographical breakdown of revenues attributable to our Electricity and Product segments for each of the years ended December 31, 2017 and 2016:



Note: Electricity segment revenues for 2017 in the "Segment Contribution to Revenue" and "Geographic Breakdown of the Electricity Segment Revenue" charts above include our energy storage and demand response activity.

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Most of the power plants that we currently own or operate produce electricity from geothermal energy sources. Geothermal energy is a clean, renewable and generally sustainable form of energy derived from the natural heat of the earth. Unlike electricity produced by burning fossil fuels, electricity produced from geothermal energy sources is produced without emissions of certain pollutants such as nitrogen oxide, and with far lower emissions of other pollutants such as carbon dioxide. As a result, electricity produced from geothermal energy sources contributes significantly less to global warming and local and regional incidences of acid rain than energy produced by burning fossil fuels. In addition, compared to power plants that utilize other renewable energy sources, such as wind or solar, geothermal power plants are generally available all the time and can provide base-load electricity services. They can also be custom built to provide a range of services such as baseload, voltage regulation, reserves and flexible capacity. Geothermal energy is also an attractive alternative to other sources of energy as part of a national diversification strategy to avoid dependence on any one energy source or politically sensitive supply sources.

In addition to our geothermal energy business, we manufacture products that produce electricity from recovered energy or so-called “waste heat”. We also construct, own, and operate recovered energy-based power plants. Recovered energy comes from residual heat that is generated as a by-product of gas turbine-driven compressor stations, solar thermal units and a variety of industrial processes, such as cement manufacturing. Such residual heat, which would otherwise be wasted, may be captured in the recovery process and used by recovered energy power plants to generate electricity without burning additional fuel and without additional emissions.

Since 2015, we have implemented a number of elements of our new multi-year strategic plan which was reviewed by our Board of Directors (the “Board”) in 2017. We expect the plan to evolve over time in response to market conditions and other factors. At this time, however, we expect that our primary focus will be as follows:

- *Expand our geothermal geographical reach*. While we continue to evaluate opportunities worldwide, we currently see, Honduras, New Zealand, Philippines, Chile, Indonesia, Turkey, Kenya, Guatemala, China and Ethiopia as very attractive geothermal markets for us. We are actively looking at ways to expand our presence in those countries. In addition, we are looking to expand and accelerate growth through acquisitions and other investments, both domestically and globally, such as our recent acquisition of a geothermal power plant in Guadeloupe in the Caribbean and our recent announcement of the execution of a definitive agreement to acquire U.S. Geothermal Inc., which has three operating power plants in the U.S.

- *Expand into new technologies.* We ultimately hope to be able to leverage our technological capabilities over a variety of renewable energy platforms, including solar power generation and energy storage. Initially, however, we expect that our primary focus will be on expanding our core geothermal competencies to provide high efficiency solutions for high enthalpy applications by utilizing our binary enhanced cycle and technology, as well as expanding into steam geothermal generation equipment and facilities. We may acquire companies with technological and integration capabilities we do not currently have, or develop new technology ourselves, where we can effectively leverage our expertise to implement this part of our strategic plan.

- *Expand our customer base.* We are evaluating a number of strategies for expanding our customer base to C&I customers. In the near term, however, we expect that a majority of our revenues will continue to be generated as they currently are, with our traditional electrical utility customer base for the Electricity segment and our on-going business development efforts for new customers for our Product segment.

While we believe that long-term growth can be realized through our transformational efforts over time, there is no assurance if and when we will meet our objective to become a leading global provider of renewable energy or that such efforts will result in long-term growth. We see these new initiatives as incremental measures to enhance shareholder value. While we implement the plan, we expect to continue, and expand, through organic growth, acquisitions, and other measures, our current business lines both in the Electricity and Product segments as well as other business lines as described above.

Company Contact and Sources of Information

We file annual, quarterly and periodic reports, proxy statements and other information with the SEC. You may obtain and copy any document we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580, Washington D.C. 20549. You may obtain information on the operation of the SEC’s Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet website at http://www.sec.gov that contains reports, proxy and other information statements, and other information regarding issuers that file electronically with the SEC. Our SEC filings are accessible via the internet at that website.

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Our reports on Form 10-K, 10-Q and 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available through our website at www.ormat.com for downloading, free of charge, as soon as reasonably practicable after these reports are filed with the SEC. Our Code of Business Conduct and Ethics, Code of Ethics Applicable to Senior Executives, Audit Committee Charter, Corporate Governance Guidelines, Nominating and Corporate Governance Committee Charter, Compensation Committee Charter, and Insider Trading Policy, as amended, are also available at our website address mentioned above. If we make any amendments to our Code of Business Conduct and Ethics or Code of Ethics Applicable to Senior Executives or grant any waiver, including any implicit waiver, from a provision of either code applicable to our Chief Executive Officer, Chief Financial Officer or principal accounting officer requiring disclosure under applicable SEC rules, we intend to disclose the nature of such amendment or waiver on our website. The content of our website, however, is not part of this annual report.

You may request a copy of our SEC filings, as well as the foregoing corporate documents, at no cost to you, by writing to the Company address appearing in this annual report or by calling us at (775) 356-9029.

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Our Power Generation Business (Electricity Segment)

Power Plants in Operation

The table below summarizes certain key non-financial information relating to our power plants and complexes as of March 1, 2018. The generating capacity of certain of our power plants and complexes listed below has been updated from our 2016 disclosure to reflect changes in the resource temperature and other factors that impact resource capabilities:

Type	Region	Plant	Ownership[1]	Generating capacity (MW)[2]	Region 2016 Capacity Factor
Geothermal	California	Ormesa Complex	100%	40	
		Heber Complex	100%	89	
		Mammoth Complex	100%	29	
		Brawley	100%	13	
					77%
	West Nevada	Steamboat Complex	100%	70	
		Brady Complex	100%	18	
					87%
	East Nevada	Tuscarora	100%	18	
		Jersey Valley	100%	10	
		McGinness Hills	100%	90	
		Don A. Campbell	63.3%	41	
		Tungsten Mountain	100%	26[3]	
					94%
	Hawaii	Puna	63.3%	38	
					97%
	International	Amatitlan (Guatemala)	100%	20	
		Zunil (Guatemala)	97%	23	
		Olkaria III Complex (Kenya)	100%	139	
		Bouillante (Guadeloupe Island)	60%[4]	15	
		Platanares (Honduras)	100%	35[5]	
					94%
Total Consolidated Geothermal				714	88%
Unconsolidated Geothermal	Indonesia	Sarulla (SIL & NIL 1)	12.75%	28	
REG		OREG 1	63.3%	22	
		OREG 2	63.3%	22	
		OREG 3	63.3%	5.5	
		OREG 4	100%	3.5[6]	
Total REG				53	84%
Total				**795**	

1. We indirectly own and operate all of our power plants, although financial institutions hold equity interests in one of our subsidiaries, Opal Geo, which owns the McGinness Hills geothermal power plant complex, the Tuscarora and Jersey Valley power plants and the second phase of the Don A. Campbell power plant, all located in Nevada. In the table above, we list these power plants as being 100% owned because all of the generating capacity is owned by Opal Geo and we control the operation of the power plants. The nature of the equity interests held by the financial institution is described below in Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings "Opal Geo Transaction".

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Notwithstanding our approximately 60% equity interest in the Bouillante power plant and 63.25% direct equity interest in the Puna, the first phase of Don A. Campbell, OREG 1, OREG 2 and OREG 3 power plants as well as the indirect interest in the second phase of the Don A. Campbell power plant owned by our subsidiary, ORPD LLC ("ORPD"), we list 100% of the generating capacity of the Bouillante power plant and the power plants in the ORPD portfolio in the table above because we control their operation. We list our 12.75% share of the generating capacity of the Sarulla power plant as we own a 12.75% minority interest. The revenues from the Sarulla project are not consolidated and are presented under "Equity in earnings (losses) of investees, net" in our financial statements.

2. References to generating capacity generally refer to the gross generating capacity less auxiliary power in the case of all of our existing power plants, except the Zunil power plant. We determine the generating capacity figures in these power plants by taking into account the resource and power plant capabilities. In the case of the Zunil power plant, revenues are calculated based on a 24 MW capacity unrelated to the actual performance of the reservoir. This column represents our net ownership of such generating capacity.

   In any given year, the actual power generation of a particular power plant may differ from that power plant's generating capacity due to variations in ambient temperature, the availability of the resource, and operational issues affecting performance during that year.

3. The 26 MW Tungsten Mountain power plant in Nevada commenced commercial operation on December 1, 2017.

4. We own 60%, and each of CDC and Sageos own 20%, of the Bouillante power plant. We and CDC hold our respective 60% and 20% equity interests in the Bouillante power plant through GB.

5. The 35 MW Platanares power plant in Honduras commenced commercial operation on September 26, 2017.

6. The OREG 4 power plant is not operating at full capacity because of low run time of the compressor station that serves as the power plant's heat source. This results in lower power generation.

All of the revenues that we derive from the sale of electricity are pursuant to long-term PPAs. Approximately 45.8% of our total revenues in the year ended December 31, 2017 were derived from the sale of electricity by our power plants to power purchasers that currently have investment grade credit ratings. The purchasers of electricity from our foreign power plants are either state-owned or private entities.

New Power Plants

We are currently in various stages of construction of new power plants and expansion of existing power plants. Our construction and expansion plan include 72 MW in generating capacity from geothermal power plants in the U.S., Kenya and Indonesia that are fully released for construction. In addition, we have several projects in the U.S., Guadeloupe, Kenya and Honduras that are either under initial stages of construction or under different stages of development with an aggregate capacity of between 115 MW and 120 MW.

We have substantial land positions across 32 prospects in the U.S., Guatemala, Guadeloupe, Kenya, New Zealand, Honduras and Ethiopia that we expect will support future geothermal development, on which we have started or plan to start exploration activity. These land positions are comprised of various leases, exploration concessions for geothermal resources and an option to enter into geothermal leases.

In addition, we are currently developing three storage systems, one behind-the-meter system and two in-front-of-the-meter (IFM) systems in New Jersey.

New activity

On March 15, 2017, we completed the acquisition of our Viridity business as described above.

Our Viridity business currently manages curtailable customer loads of over 875 MW across 3,000 sites under contracts with leading U.S. retail energy providers and directly with large C&I customers, including management of a portfolio of non-utility storage assets located in the northeastern U.S. with over 80,000 operational market hours. We serve our distributed customers through a network operations center (NOC), which is operated 24/7 using our VPowerMarkets™ software platform and a SCADA platform. VPower™ services are provided to customers using a SaaS model under which we receive license fees and/or a portion of the revenue and savings that are achieved for our Viridity customers.

We expect that the eco system we created, combining our Viridity capabilities and our overall capabilities, including among others, our global presence, experience in technology and system integration, EPC of power generation projects, flexible business models, and our reputation and experience in the geothermal and recovered energy sectors, will enable us to expand in the growing energy storage sector.

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In connection with the acquisition of our Viridity business, we assumed certain contractual duties and obligations that are regulated by the Federal Energy Regulatory Commission (FERC) and certain independent system operators (ISOs) and regional transmission organizations (RTOs). Specifically, our Viridity business obtained and maintains authorization from FERC to make wholesale sales of power, capacity, and ancillary services at market-based rates, and we have confirmed membership status with eligibility to serve designated contractual functions within each of the following ISOs and RTOs: PJM Interconnection LLC (PJM), New York Independent System Operator, Inc. (NYISO), and the Electric Reliability Council of Texas (ERCOT). Additionally, during the fourth quarter of 2017, we received formal notice of membership in Midcontinent Independent System Operator (MISO) and ISO New England Inc. and have filed for membership in Independent Electricity System Operator (IESO – Ontario Canada). In the future, we may need to obtain and maintain similar membership and eligibility status with other ISO and RTO markets in which our Viridity business will operate.

Our Product Business (Product Segment)

We design, manufacture and sell products for electricity generation and provide the related services described below. We primarily manufacture products to fill customer orders, but in some situations, we may manufacture products as inventory for future internal and external projects.

Power Units for Geothermal Power Plants. We design, manufacture and sell power units for geothermal electricity generation, which we refer to as OECs. In geothermal power plants using OECs, geothermal fluid (either hot water (also called brine) or steam or both) is extracted from the underground reservoir and flows from the wellhead to a vaporizer that also heats a secondary working fluid, which is vaporized and used to drive the turbine. The secondary fluid is then condensed in a condenser, which may be cooled directly by air or by water from a cooling tower and sent back to the vaporizer. The cooled geothermal fluid is then reinjected back into the reservoir. Our customers include contractors and geothermal power plant developers, owners and operators.

Power Units for Recovered Energy-Based Power Generation. We design, manufacture and sell power units used to generate electricity from recovered energy, or so-called "waste heat". This heat is generated as a residual by-product of gas turbine-driven compressor stations, solar thermal units and a variety of industrial processes, such as cement manufacturing, and is not otherwise used for any purpose. Our existing and target customers include interstate natural gas pipeline owners and operators, gas processing plant owners and operators, cement plant owners and operators, and other companies engaged in other energy-intensive industrial processes.

EPC of Power Plants. We serve as an EPC contractor for geothermal and recovered energy power plants on a turnkey basis, using power units we design and manufacture. Our customers are geothermal power plant owners as well as our target customers for the sale of our recovered energy-based power units as described above. Unlike many other companies that provide EPC services, we believe we have an advantage in that we are using equipment that we manufacture and thus have better quality and better control over the timing and delivery of required equipment and its related costs.

Remote Power Units and Other Generators. We design, manufacture and sell fossil fuel powered turbo-generators with capacities ranging from 200 watts to 5,000 watts, which operate unattended in extreme hot or cold climate conditions. Our customers include contractors who install gas pipelines in remote areas and off-shore platforms operators and contractors. In addition, we design, manufacture, and sell generators, including heavy duty direct-current generators, for various other uses. We are in the process of slowing down these activities.

History

Ormat Technologies, Inc. was formed as a Delaware corporation in 1994 by our former parent company Ormat Industries. Ormat Industries was one of the first companies to focus on the development of equipment for the production of clean, renewable and generally sustainable forms of energy. On February 12, 2015, we successfully completed the acquisition of Ormat Industries in an all-stock merger, eliminating its majority ownership and control of Ormat Technologies.

Industry Background

Geothermal Energy

Most of our power plants in operation produce electricity from geothermal energy. There are several different sources or methods of obtaining geothermal energy, which are described below.

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Hydrothermal geothermal-electricity generation — Hydrothermal geothermal energy is derived from naturally occurring hydrothermal reservoirs that are formed when water comes sufficiently close to hot rock to heat the water to temperatures of 300 degrees Fahrenheit or more. The heated water then ascends toward the surface of the earth where, if geological conditions are suitable for its commercial extraction, it can be extracted by drilling geothermal wells. Geothermal production wells are normally located within several miles of the power plant, as it is not economically viable to transport geothermal fluids over longer distances due to heat and pressure loss. The geothermal reservoir is a renewable source of energy if: (i) natural ground water sources and reinjection of extracted geothermal fluids are adequate over the long-term to replenish the geothermal reservoir following the withdrawal of geothermal fluids and (ii) the well field is properly operated. Geothermal energy power plants typically have higher capital costs (primarily as a result of the costs attributable to well field development) but tend to have significantly lower variable operating costs (principally consisting of maintenance expenditures) than fossil fuel-fired power plants that require ongoing fuel expenses.

EGS — An EGS is a subsurface system that may be artificially created to extract heat from hot rock where the permeability and aquifers required for a hydrothermal system are insufficient or non-existent. A geothermal power plant that uses EGS techniques recovers the thermal energy from the subsurface rocks by creating or accessing a system of open fractures in the rock through which water can be injected, heated through contact with the hot rock, returned to the surface in production wells and transferred to a power unit.

Co-produced geothermal from oil and gas fields, geo-pressurized resources — Another source of geothermal energy is hot water produced as a by-product of oil and gas extraction. When oil and gas wells are deep, the extracted fluids are often at high temperatures and if the water volume associated with the extracted fluids is significant, the hot water can be used for power generation in equipment similar to a geothermal power plant.

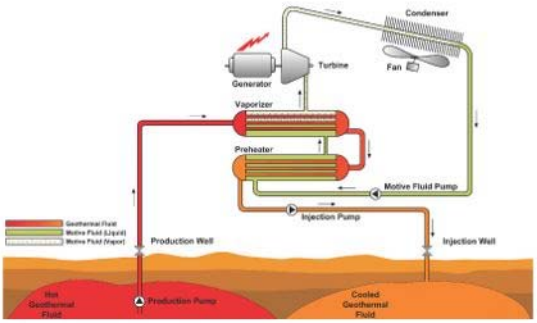
Geothermal Power Plant Technologies

Geothermal power plants generally employ either binary systems or conventional flash design systems, as briefly described below. In our geothermal power plants, we also employ our proprietary technology of combined geothermal cycle systems.

Binary System

In a geothermal power plant using a binary system, geothermal fluid (either hot water (also called brine) or steam or both) is extracted from the underground reservoir and flows from the wellhead through a gathering system of insulated steel pipelines to a vaporizer that also heats a secondary working fluid. This is typically an organic fluid, such as pentane or butane, which is vaporized and is used to drive the turbine. The organic fluid is then condensed in a condenser, which may be cooled directly by air or by water from a cooling tower and sent back to the vaporizer through a pump. The cooled geothermal fluid is then reinjected back into the reservoir. The operation of our air-cooled binary geothermal power plant is depicted in the diagram below.

Air-Cooled Binary Geothermal Power Plant



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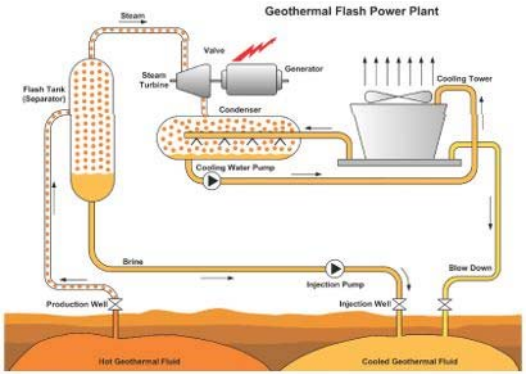
Flash Design System

In a geothermal power plant using flash design, geothermal fluid is extracted from the underground reservoir and flows from the wellhead through a gathering system of insulated steel pipelines to flash tanks and/or separators. There, the steam is separated from the brine and is sent to a demister, where any remaining water droplets are removed. This produces a stream of dry saturated steam, which drives a steam turbine generator to produce electricity. In some cases, the brine at the outlet of the separator is flashed a second time (dual flash), providing additional steam at lower pressure used in the low pressure section of the steam turbine to produce additional electricity. Steam exhausted from the steam turbine is condensed in a surface or direct contact condenser cooled by cold water from a cooling tower. The non-condensable gases (such as carbon dioxide) are removed by means of a vacuum system in order to maintain the performance of the steam condenser. The resulting condensate is used to provide make-up water for the cooling tower. The hot brine remaining after separation of steam is injected (either directly or after passing through a binary plant to produce additional power from the residual heat remaining in the brine) back into the geothermal resource through a series of injection wells. The flash technology is depicted in the diagram below.



In some instances, the wells directly produce dry steam and the steam is fed directly to the steam turbine with the rest of the system similar to the flash technology described above.

Our Proprietary Technology

Our proprietary technology may be used either in power plants operating according to the Organic Rankine Cycle alone or in combination with various other commonly used thermodynamic technologies that convert heat to mechanical power, such as gas and steam turbines. It can be used with a variety of thermal energy sources, such as geothermal, recovered energy, biomass, solar energy and fossil fuels. Specifically, our technology involves original designs of turbines, pumps, and heat exchangers, as well as formulation of organic motive fluids (all of which are non-ozone-depleting substances). Using advanced computational fluid dynamics techniques and other computer aided design software as well as our test facilities, we continuously seek to improve power plant components, reduce operations and maintenance costs, and increase the range of our equipment and applications. We are always examining ways to increase the output of our plants by utilizing evaporative cooling, cold reinjection, configuration optimization, and topping turbines. In the geothermal as well as the recovered energy (waste heat) areas, we are examining two-level and three-level energy systems and other thermodynamic cycle alternations along with new motive fluids.

We also developed, patented and constructed GCCU power plants in which the steam first produces power in a backpressure steam turbine and is subsequently condensed in a vaporizer of a binary plant, which produces additional power. Our Geothermal Combined Cycle technology is depicted in the diagram below.

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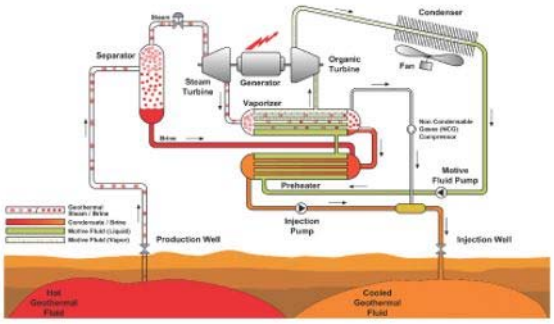
Geothermal Combined Cycle Power Plant (GCCU)



In the conversion of geothermal energy into electricity, our technology has a number of advantages over conventional geothermal steam turbine plants. A conventional geothermal steam turbine plant consumes significant quantities of water, causing depletion of the aquifer and requiring cooling water treatment with chemicals and thus a need for the disposal of such chemicals. A conventional geothermal steam turbine plant also creates a significant visual impact in the form of an emitted plume from the cooling towers, especially during cold weather. By contrast, our binary and combined cycle geothermal power plants have a low profile with minimal visual impact and do not emit a plume when they use air-cooled condensers. Our binary and combined cycle geothermal power plants reinject all of the geothermal fluids utilized in the respective processes into the geothermal reservoir. Consequently, such processes generally have no emissions.

Other advantages of our technology include simplicity of operation and maintenance and higher yearly availability. For instance, the OEC employs a low speed and high efficiency organic vapor turbine directly coupled to the generator, eliminating the need for reduction gear. In addition, with our binary design, there is no contact between the turbine blade and geothermal fluids, which can often be very corrosive and erosive. Instead, the geothermal fluids pass through a heat exchanger, which is less susceptible to erosion and can adapt much better to corrosive fluids. In addition, with the organic vapor condensed above atmospheric pressure, no vacuum system is required.

We use the same elements of our technology in our recovered energy products. The heat source may be exhaust gases from a Brayton cycle gas turbine, low-pressure steam, or medium temperature liquid found in the process industries such as oil refining and cement manufacturing. In most cases, we attach an additional heat exchanger in which we circulate thermal oil or water to transfer the heat into the OEC's own vaporizer in order to provide greater operational flexibility and control. Once this stage of each recovery is completed, the rest of the operation is identical to that of the OECs used in our geothermal power plants and enjoys the same advantages of using the Organic Rankine Cycle. In addition, our technology allows for better load following than conventional steam turbines, requires no water treatment (since it is air cooled and organic fluid motivated), and does not require the continuous presence of a licensed steam boiler operator on site.

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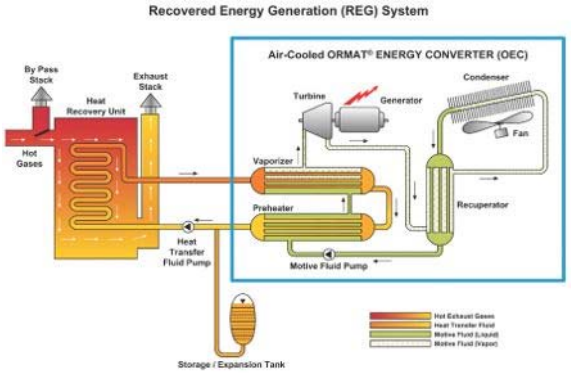
Our REG technology is depicted in the diagram below.



Patents

We have 77 U.S. patents that are in force (and have approximately 9 U.S. patents pending). These patents and patent applications cover our products (mainly power units based on the Organic Rankine Cycle) and systems (mainly geothermal power plants and industrial waste heat recovery plants for electricity production). The products-related patents cover components that include turbines, heat exchangers, seals and controls as well as control of operation of geothermal production well pumps. The system-related patents cover not only particular components but also the overall energy conversion system from the "fuel supply" (e.g., geothermal fluid, waste heat, biomass or solar) to electricity production.

The system-related patents also cover subjects such as waste heat recovery related to gas pipeline compressors and industrial waste heat, solar power systems, disposal of non-condensable gases present in geothermal fluids, power plants for very high pressure geothermal resources, two-phase fluids, low temperature geothermal brine as well as processes related to EGS. A number of our patents cover combined cycle geothermal power plants, in which the steam first produces power in a backpressure steam turbine and is subsequently condensed in a vaporizer of a binary plant, which produces additional power. The remaining terms of our patents range from one year to 16 years. The loss of any single patent would not have a material effect on our business or results of operations.

Research and Development

We are conducting research and development activities intended to improve plant performance, reduce costs, and increase the breadth of our product offerings. The primary focus of our research and development efforts is targeting power plant conceptual thermodynamic cycle and major equipment including continued performance, cost and land usage improvements to our condensing equipment, and development of new higher efficiency and higher power output turbines.

Our Viridity business continues to develop new optimization algorithms to optimize the life of a battery energy storage system (BESS), to optimize our and our customers' economic return and to forecast the trends surrounding our customers' electricity consumption and the electric grid including times of peak demands and the usage of ancillary services.

We have also focused our development efforts on the engineering and design of improved energy storage systems. These development efforts include, among others, further development of the control hardware and software for energy storage systems to follow electric grid and market signals and to optimize their delivery of energy into the markets using our VPower™ software and SCADA platform to accelerate system optimization through cloud base algorithms.

We have developed, and continue to develop, system integration capabilities that match the appropriate system and system sizing with the appropriate battery chemistry, electrical and physical components to accommodate our needs or needs of the customers that will own such energy storage systems in light of the markets in which they will operate. We are searching for alternative chemistries, products and combinations of hybrid solutions to best address our energy storage product customers' needs.

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Additionally, we are continuing to evaluate investment opportunities in new companies with technology and/or product offerings for renewable energy and energy storage solutions.

Market Opportunity

Geothermal Market Opportunities

United States

Interest in geothermal energy in the U.S. remains strong for numerous reasons, including legislative support, RPS goals, coal and nuclear base-load retirements, and increasing awareness of the positive value of geothermal characteristics as compared to intermittent renewable technologies.

Today, electricity generation from geothermal resources is concentrated mainly in California, Nevada, Hawaii, Idaho, Oregon, and Utah, and we believe there are opportunities for development in other states such as New Mexico due to the potential of their geothermal resources.

In a report issued in March 2016, the GEA indicated that the U.S. geothermal industry had about 3,700 MW of installed nameplate capacity and over 80 active projects with a cumulative capacity of over 1,250 MW of geothermal projects under various phases of consideration or development in 10 U.S. states.

Geothermal energy provides numerous benefits to the U.S. grid and economy, according to another GEA report issued in January 2017. Geothermal development and operation brings economic benefits in the form of taxes and long term high-paying jobs, and it currently has one of the lowest LCOE of all power sources in the U.S. Additionally, improvements in geothermal production make it possible to provide ancillary and on-demand services. This helps load serving entities avoid additional costs from purchasing and then balancing intermittent resources with storage or new transmission.

State level legislation

In response to increasing demand for "green" energy, many states have adopted legislation requiring, and providing incentives for, electric utilities to sell electricity generated from renewable energy sources. In the U.S., 37 states plus the District of Colombia and four territories have enacted an RPS, renewable portfolio goals, or similar laws requiring or encouraging utilities in such states to generate or buy a certain percentage of their electricity from renewable energy or recovered heat sources.

According to the Database of State Incentives for Renewables and Efficiency (DSIRE), 30 states (including California, Nevada, and Hawaii, where we have been the most active in our geothermal energy development and in which all of our operating U.S. geothermal power plants are located), two territories, and the District of Columbia define geothermal resources as "renewable". In addition, according to the EPA, 25 states have enacted RPS, Clean Energy Standards, Energy Efficiency Resource Standards or Alternative Portfolio Standards program guidelines that include some form of combined heat and power and/or waste heat recovery.

We see the impact of RPS legislation as the most significant driver for us to expand existing power plants and to build new projects.

California

California's RPS program now requires Load Serving Entities (LSEs), including investor-owned utilities (IOUs), electric service providers, community choice aggregators, and publicly owned utilities to increase their share of procurement from eligible renewable energy resources as a percentage of their total procurement. The RPS requires LSEs to procure 33 percent of their energy from renewable resources by 2020, ramping up to 50 percent in 2030, with interim targets of 40 percent by 2024 and 45 percent by 2027. The expanded RPS target should benefit geothermal energy, which has the advantage of generating flexible base load power, helping California diversify its mix of renewable resources.

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In 2014, AB 2363 became effective, requiring the CPUC to adopt, by December 31, 2015, a methodology for determining the costs of integrating eligible renewable energy resources. The process has experienced some delays, and currently, the CPUC is incorporating the development of this methodology into its Integrated Resource Planning process. While the CPUC has issued draft guidelines for integrated resource planning in late 2017, the renewable integration issues assessment remain unresolved. The CPUC has implemented a capacity assessment mechanism that tends to favor dispatchable resources, including geothermal, giving them a higher overall capacity value than variable resources such as wind and solar.

Nevada

In 2016, Nevada's RPS required that at least 20% of electricity sold to Nevada retail customers be from renewable energy resources and credits, and at least 6% of that amount be from solar resources. According to NV Energy's Annual RPS Compliance Report, in 2016, both Nevada Power and Sierra Pacific Power exceeded 2016 RPS standard requirements, achieving a total of 22.2% and 26.6% respectively.

Hawaii

Hawaii established a renewable portfolio goal in 2001. Since 2001, the RPS targets were revised and expanded. On June 2015, Hawaii became the only state with a legislative goal of 100% renewable energy by 2045 with the signing of HB 623. The new policy includes interim requirements of 15% by the end of 2015, 30% by the end of 2020, 40% by 2030, and 70% by 2040, ultimately reaching 100% renewable electricity by 2045.

In 2016, Hawaiian Electric Company and its subsidiaries exceeded the 2015 RPS requirement, achieving a consolidated RPS of 25.8% of retail electricity sales from eligible renewable energy resources.

Federal level legislation

On August 3, 2015, President Obama and the EPA announced the Clean Power Plan that sets standards for power plants and customized goals for states to cut carbon pollution. The goal of the proposed plan includes cutting carbon emissions from the power sector by 32% below 2005 levels nationwide by 2030. In February 2016, the Supreme Court of the U.S. granted a temporary stay halting implementation of the Clean Power Plan pending resolution of legal challenges to the proposed plan. The U.S. Court of Appeals for the District of Columbia Circuit heard oral arguments in the cases challenging the Clean Power Plan on September 27, 2016.

On March 28, 2017, President Donald Trump signed the Executive Order on Energy Independence (E.O. 13783), which in part calls for a review of the Clean Power Plan. On October 10, 2017, the EPA issued a Notice of Proposed Rulemaking (NPRM), proposing to repeal the Clean Power Plan. After reviewing the Clean Power Plan, the EPA has proposed to determine that the Obama-era regulation exceeds the agency's statutory authority.

The federal government encourages production of electricity from geothermal resources or solar energy through certain tax subsidies. For a new geothermal power plant in the U.S. that started construction by December 31, 2017, we are permitted to claim an investment tax credit for 30 percent of the project cost in the year the project is put in service or production tax credits over time on the power produced. The production-based credits, which in 2017 were 2.4 cents per kWh, are adjusted annually for inflation and may be claimed for 10 years on the net electricity output sold to third parties after the project is first placed in service. Any project that started construction by December 2017 must ordinarily be put in service within four years after the end of the year in which construction started to qualify for tax credits at these rates. For a new geothermal power plant in the U.S. that started construction after 2017, we are permitted to claim an investment tax credit of 10 percent of the project cost.

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New solar projects that are under construction by December 2019 will qualify for a 30 percent investment tax credit. The credit will fall to 26 percent for projects starting construction in 2020 and 22 percent for projects starting construction in 2021. Projects that are under construction before these deadlines must be placed in service by December 31 2023 to qualify for investment tax credits at these rates. Solar projects placed in service after December 31, 2023 will only qualify for a 10 percent investment tax credit, on par with the permanent credit provided to geothermal. Under current tax rules, any unused tax credit has a one-year carry back and a twenty-year carry forward.

The tax credits are potentially exposed to claw back under a new base erosion and anti-abuse tax or "BEAT" that took effect on January 1, 2018. See the discussion under Item 1A — “Risk Factors”.

New U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”), enacted at the end of December 2017 reduced the corporate income tax rate from 35 percent to 21 percent starting in 2018. This is likely to reduce the amount of tax equity that can be raised to finance renewable energy projects but should increase after-tax earnings from operating projects after the initial period when the project is being depreciated.

The Tax Act also allows the cost of new or used equipment purchased from third parties to be "expensed" or deducted immediately. This change applies to equipment put in service after September 27, 2017. However, it does not apply to equipment that we contracted to acquire on or before September 27. This full expensing applies to equipment put in service through 2022. After that, the percentage that can be expensed drops by 20 percent a year until it reaches zero in 2027.

There are other changes in the Tax Act that are potentially favorable to us, such as U.S. corporations will no longer be taxed on dividends from foreign corporations in which they own at least a 10 percent interest to the extent the dividends are paid out of future earnings earned outside the U.S., and income from cross-border sales of turbines and other "inventory" will be treated as earned in the country where the items were manufactured rather than earned partially or entirely in the country where the inventory is sold. There are also other potentially unfavorable provisions, such as a new annual tax on global intangible low--taxed income, or "GILTI." We have not yet made a full assessment of the impact of the Tax Act on our future earnings or operations. See Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion.

Global

We believe the global markets continue to present growth and expansion opportunities in both established and emerging markets.

According to the GEA’s Geothermal Power: International Market Update, the global geothermal market was developing about 2.5 GW of planned capacity spread across 23 countries. Additionally, the GEA estimates that, based on current data, the global geothermal industry is expected to grow from 13.8 GW today to reach 23 GW by 2021.

The assessment conducted by the GEA is only an estimate that is based on projects and resource reporting by the geothermal industry. A developer’s ability to fully develop a geothermal resource is dependent upon its capabilities to identify the resource and conduct exploration, development and construction; therefore, this estimate may not be accurate. We refer to it only as a possible reference point, but we do not necessarily concur with this estimate.

Operations outside of the U.S. may be subject to and/or benefit from increasing efforts by governments and businesses around the world to fight climate change and move towards a low carbon, resilient and sustainable future. According to a 2017 report from the International Renewable Energy Agency entitled Rethinking Energy, to date, more than 170 countries have established renewable energy targets, and nearly 150 have enacted policies to catalyze investments in renewable energy technologies.

In December 2015, 197 countries signed an historic agreement at the COP21 UN Climate Change Conference held in Paris. For the first time, all countries committed to setting nationally determined climate targets and reporting on their progress. The agreement’s aim is to keep global temperature rise this century well below 2 degrees Celsius and to drive efforts to limit the temperature increase even further to 1.5 degrees Celsius above pre-industrial levels. According to the United Nations Framework Convention on Climate Change (UNFCCC), the submission of national targets in five-year cycles signals to investors and technology innovators that the world will demand clean power plants, energy efficient factories and buildings, and low-carbon transportation in the decades to come.

The Paris Agreement entered into force on November 4, 2016, thirty days after the date on which at least 55 parties to the Convention accounting in total for at least an estimated 55% of the total global greenhouse gas emissions deposited their instruments of ratification, acceptance, approval or accession with the Depositary. 127 Parties have ratified of 197 Parties to the Convention.

On June 1, 2017, President Donald J. Trump announced that the U.S. will withdraw from the Paris Climate Accord and begin negotiations to either re-enter or negotiate an entirely new agreement with more favorable terms for the U.S.

In support of the Paris agreement, the EIB has committed to provide $100 billion of new financing for climate action projects over the five years. The support of multilateral institutions such as EIB is expected to be an important factor in assisting countries in reaching their targets under the Paris Climate Change Agreement.

In November 2015, a group of 20 countries, including the US, UK, France, China and India, pledged to double their budget for renewable energy technology over the next five years as part of a separate initiative called Mission Innovation.

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Also, in November 2015, the Breakthrough Energy Coalition was launched by a group of 28 private investors with the objective of bringing companies with the potential to deliver affordable, reliable and carbon free power from the research lab to the market.

We believe that these developments and governmental plans will create opportunities for us to acquire and develop geothermal power generation facilities internationally, as well as create additional opportunities for our Product segment.

Outside of the U.S., the majority of power generating capacity has historically been owned and controlled by governments. Since the early 1990s, however, many foreign governments have privatized their power generation industries through sales to third parties encouraging new capacity development and/or refurbishment of existing assets by independent power developers. These foreign governments have taken a variety of approaches to encourage the development of competitive power markets, including awarding long-term contracts for energy and capacity to independent power generators and creating competitive wholesale markets for selling and trading energy, capacity, and related products. Some foreign regions and countries have also adopted active government programs designed to encourage clean renewable energy power generation such as the following countries in which we operate and/or are conducting business development activities:

Europe

Turkey is the fastest growing geothermal market worldwide with the theoretical potential for 31 GW of geothermal capacity and with a proven geothermal capacity of 4.5 GW, according to the Turkish Mineral Technical Exploration Agency.

Since 2004, we have established strong relationships in the Turkish market and provided our full range of solutions including our state-of-the-art binary systems to 28 geothermal power plants with a total capacity of nearly 515 MW, of which 6 power plants are currently under construction.

In Turkey, the 'National Renewable Energy Action Plan' proposes to increase the country's renewable energy generation capacity to 61 GW by 2023, including 1.5 GW of electricity generation from geothermal resources. This plan is supported by the European Bank for Reconstruction and Development. The plan aims to increase Turkish energy security by diversifying its energy supply, making greater use of domestic resources, protecting the environment by relying on clean, renewable and low carbon technologies and fostering energy market efficiency through private sector investment and integration.

The plan also seeks to attract private investments in research and development and in geothermal exploitation for electricity production and to provide financial support to innovation and technology research in the field of renewable energy. Special emphasis and attention has been placed on using locally manufactured equipment in renewable energy based generating facilities, with a target set for the amount of major and critical equipment that is manufactured locally to be used in such facilities by the end of 2019.

To achieve its objective of having 30% of its power generated from renewable sources by 2023, Turkey has changed its renewable energy law first enacted in 2007. The law sets the feed-in-tariff (FIT) for electricity generated from geothermal resources at $105 per MWh for ten years from the COD of the relevant project and provides a further incentive of $13 per MWh for local manufacturing of turbine related parts for five years from the COD of the relevant project. This law, as amended, is effective until 2020. Renewable energy producers will also benefit from an 85% discount on transmission costs for 10 years and various priority rights over land usage. In order to benefit from the incentives under the renewable energy law, a renewable energy generation facility must hold a renewable energy resource certificate (the RER Certificate), which is issued by Turkey’s Energy Market Regulatory Authority. An RER certificate is valid for the term of the generation license of the relevant generation company. In addition, and to avoid rights and licenses manipulation, a pre-feasibility license must be issued and paid for upon request to hold a concession. These pre-licenses must be converted into full licenses for developed fields within three years of issuance, or they become void and the license rights may be re-assigned without fee reimbursement.

To address the demand for local production, we established a local subsidiary in Turkey, which has obtained all certifications required to be obtained by a local manufacturer of parts and equipment in accordance with the Turkish legislation described above.

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Latin America

Several Latin American countries have renewable energy programs. In November 2013, the national government of Guatemala, where our Zunil and Amatitlan power plants are located, approved a law creating incentives for power generation from renewable energy sources. These incentives include, among other things, providing economic and fiscal incentives such as exemptions from taxes on the importation of relevant equipment and various tax exemptions for companies implementing renewable energy projects. Additionally, the Energy Policy 2013-2027 identifies great untapped potential for renewable energy production in Guatemala, including 1,000 MW for geothermal. One of the main objectives of the Energy Policy is to secure a supply of electricity at competitive prices by diversifying the energy mix with an 80% renewable energy share target for 2027.

In **Honduras**, we recently completed the construction of the first geothermal power plant under a BOT agreement. The national government of Honduras approved the Incentives Act (Decree No.70-2007), which provide incentives in the form of tax exemptions for equipment, materials and services related to power generation development based on renewable resources. At the same time, ENEE, the national integrated utility, will buy energy from such projects and offer to pay rates that are above the marginal cost approved by the CNE. Honduras also set a target to reach at least 80% renewable energy production by 2034.

Mexico is the world's fourth largest producer of geothermal energy. Recent studies suggest an over 9 GW geothermal potential, of which only approximately 12% is already developed. In December 2013, the Mexican Congress passed a constitutional reform in an attempt to increase the participation of private investors in the generation and commercialization of electric energy. This reform affects the electricity market by opening the generation and commercialization of electricity to private companies, transforming Mexico's Federal Electricity Commission to a for-profit public company, and redefining the functions and attributions of the Ministry of Energy. The secondary legislation that establishes the attributions of the public entities, procurement regulations, and a normative framework for state-owned energy companies was finalized in 2014.

In July 2015, **Mexico** launched round zero and assigned the projects to be developed by Mexico's state-owned utility CFE, with the remainder to be put out to tender to the private sector. Thirteen geothermal areas and five concessions were given by the Mexican Secretariat of Energy to CFE. The government expects to award private companies with concessions for 30 years and exploration permits for up to 150 km^2 for three years. We are in various discussions with local companies to identify attractive geothermal resources and projects.

Caribbean

Many island nations in general and specifically the **Caribbean** nations, depend almost entirely on petroleum to meet their electricity needs. With an average electricity price of approximately $35 per kWh in 2014, the lack of diversified power generation leaves Caribbean nations vulnerable to commodity market volatility, while the lack of new development leaves them reliant on what are believed to be outdated and often unreliable power plants. The larger issue hindering large-scale renewable energy deployments, however, is scale. Caribbean nations have quite significant renewable energy potential, yet most have small demand. The majority of the Caribbean grids are relatively old, with the average diesel generator more than 20 years old. Furthermore, the power supply is relatively inefficient with high system losses. Due to their sizes, each of the Caribbean countries is generally dominated by one local utility and simple market structures where electricity is regulated directly by local governments. Other than in Guadeloupe, where the geothermal power plant that we recently acquired has been operating since 1985, there are no other operating geothermal projects in the Caribbean region. Recently, some deep well drilling exploration was performed on a few islands, but the results of this exploration are still pending. Although few, we believe there are opportunities for us in the Caribbean islands of St. Kitts, Nevis, St. Lucia, Dominica, and Montserrat.

Oceania

In **New Zealand**, where we have been actively providing geothermal power plant solutions since 1988, the government's policies to fight climate change include an unconditional GHG emissions reduction target of between 10% and 20% below 1990 levels by 2020 and a renewable electricity generation target of 90% of New Zealand's total electricity generation by 2025. We continue selling power plant equipment to our New Zealand customers and secured two projects in the last two years.

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South East Asia

Ormat holds a 12.75% equity interest in the Sarulla project in **Indonesia**. The first 110 MW phase commenced commercial operation in March 2017, the second 110 MW phase commenced commercial operation in October 2017, and the third 110 MW phase is currently under construction, with plans to commence commercial operation in the second quarter of 2018.

The **Indonesian** government intends to increase the share of renewable energy sources in the energy mix, aiming to meet a target of 23% of domestic energy demand by 2025. In the IPP sector, certain regulations for geothermal projects have been implemented, providing incentives such as investment tax credits, accelerated depreciation, and pricing guidelines to allow for preferential power prices for generators.

The Indonesian government announced its intention to reduce the country's carbon dioxide emissions by 26% by 2020 at the 2009 United Nations Climate Change Conference in Copenhagen and during 2015 in Paris.

In January 2016, the President of Indonesia issued new presidential regulations (PR No. 4 2016) to accelerate the Indonesian 35 GW Power Generation Program. The regulations introduce a new government guarantee for the development of power projects, which would cover both projects developed by the state-owned utility company, PLN, and those projects developed by PLN in cooperation with IPPs or their subsidiaries. Additionally, a shorter period to obtain necessary permits for development was introduced as well as clarifications that geothermal projects can be developed in high-conservation forest areas (e.g. national parks).

The Indonesian government is planning to revise negative investment regulation. According to Presidential Decree No. 39/2014, the development of geothermal power plants with a capacity of less than 10 MW is closed to foreign ownership. Currently, foreign investors may own up to 95% of power plants with generating capacities greater than 10 MW. The revised regulations will allow foreign investors to own up to 100% of geothermal power plants, with generating capacities greater than 10 MW and up to 67% of geothermal power plants with generating capacities of less than 10 MW.

In late 2016, the Indonesian government attempted to bring the national electricity provision with lower cost and minimized subsidies. In February 2017, the MEMR issued two regulations: No. 10/2017, which regulates the key terms of PPAs and No. 12/2017, which regulates the utilization of renewable energy for the provision of electricity. However, in August 2017, MEMR regulation No. 10/2017 was amended by the regulation MEMR No 49/2017, and regulation MEMR No. 12/2017 was replaced by regulation MEMR No. 50/2017.

Under MEMR No. 50/2017, the tariff policy for geothermal PPAs is mainly determined based on the location of the relevant power plant. For geothermal projects located in Java, Sumatera, Bali and certain other regions that have a local electricity generation cost (the "Local BPP") below or equal to the national average electricity generation cost (the "National BPP"), the tariff will be based on rates negotiated by the developer and PLN.

For geothermal projects located in regions with a Local BPP that is higher than the National BPP, the ceiling tariff is set to the Local BPP.

In addition to project development, we are also pursuing various supply opportunities in Southeast Asia, including several optimization projects.

China

In **China**, where we recently supplied our equipment to one of our clients' geothermal projects, the National Energy Administration adopted the 13th Renewable Energy Development Five Year Plan. The plan was adopted in December 2016 and establishes targets for renewable energy deployment until 2020. Key objectives under the plan include, among others, to increase the share of non-fossil fuel energy in total primary energy consumption to 15% by 2020 and to 20% by 2030, and to increase installed renewable power capacity to 680 GW by 2020.

East Africa

In East Africa the geothermal potential along the Rift Valley is estimated at several thousand MW. The different countries along the Rift Valley are at different stages of development of their respective geothermal potentials.

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In **Kenya**, there are already several geothermal power plants, including the only geothermal IPP in Africa, our 139 MW Olkaria III complex. The Kenyan government has identified the country's untapped geothermal potential as the most suitable indigenous source of electricity and it aspires to reach 5 GW of geothermal power generation by 2030. To attain this goal, GDC was formed to fast track the development of geothermal resources in Kenya. We have a 51% interest in a consortium that signed a PPA for a 35 MW geothermal power plant in the Menengai area.

The Kenyan government is aiming to reach 22.7GW of power generating capacity by 2033, under the Least-Cost Power Development Plan 2013-33 with a target of 42% of such capacity generated from renewable energy sources (including large hydro but excluding solar).

In December 2012, FITs for various technologies were reviewed and the process of negotiating PPAs in Kenya streamlined. Geothermal projects subject to this regime have priority grid access at the cost of the developer. Geothermal projects from 35 MW to 70 MW have a USD $0.088 per kWh (up to 500 MW) FIT.

In 2015, the Departmental Committee of Finance, Planning, and Trade amended the Income Tax Act in view of the 2015 Finance Bill. The amendments include maintaining the enhanced investment deduction of 150% under section 17B and extending the period of deduction of tax losses to over 10 years.

The governments of **Djibouti, Ethiopia, Eritrea, Tanzania, Uganda, Rwanda** and **Zambia** are exploring ways to develop geothermal resources in their countries, mostly through the help of international development organizations such as the World Bank.

In **Ethiopia**, the new Geothermal Law Proclamation 981 became effective in 2016, and supporting regulations are under consideration. We hold rights for four concessions in Ethiopia. We are currently negotiating a power purchase agreement with the local government and we have started initial exploration studies on the secured concessions.

In January 2014, energy ministers and delegates from 19 countries committed to the creation of the Africa Clean Energy Corridor Initiative (Corridor), at a meeting in Abu Dhabi convened by the International Renewable Energy Agency. The Corridor will boost the deployment of renewable energy and aim to help meet Africa’s rising energy demand with clean, indigenous, cost-effective power from sources including hydro, geothermal, biomass, wind and solar.

Other opportunities

Recovered Energy Generation

In addition to our geothermal power generation activities, we are pursuing recovered energy-based power generation opportunities in North America and the rest of the world. We believe recovered energy-based power generation will ultimately benefit from the efforts to reduce GHG emissions. For example, in the U.S., FERC has expressed its position that one of the goals of new natural gas pipeline design should be to facilitate the efficient, low-cost transportation of fuel through the use of waste heat (recovered energy) from combustion turbines or reciprocating engines that drive station compressors to generate electricity for use at compressor stations or for commercial sale. FERC has, as a matter of policy, requested natural gas pipeline operators filing for a certificate of approval for new pipeline construction or expansion projects to examine “opportunities to enhance efficiencies for any energy consumption processes in the development and operation” of the new pipeline. We have built 22 power plants which generate electricity utilizing “waste heat” from gas turbine-driven compressor stations along interstate natural gas pipelines, from midstream gas processing facilities, and from processing industries in general.

Several states, and to a certain extent, the federal government, have recognized the environmental benefits of recovered energy-based power generation. For example, 18 states currently allow electric utilities to include recovered energy-based power generation in calculating such utilities' compliance with their mandatory or voluntary RPS and/or Energy Efficient Resources Standards. In addition, California modified the Self Generation Incentive Program to allow recovered energy-based power generation to qualify for a per watt incentive.

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In Colorado, Xcel Energy, the largest utility in that state, now offers a $500 per kW incentive for recycled energy projects. This incentive is paid out over 10 years to developers and manufacturers who convert waste heat from stacks and process it into electricity. The tariff details the rates and a methodology for recycled energy projects that wish to take advantage of this incentive.

Recovery of waste heat is also considered "environmentally friendly" in the western Canadian provinces. On November 22, 2015, the Alberta Government released the Clean Leadership Plan that includes (a) phasing out of coal-fired electricity generation by 2030; (b) a commitment to generate 30 percent of Alberta's electricity from renewable sources by 2030; (c) new financing for energy efficiency; and (d) an economy-wide price on carbon pollution. The plan also mandates that Alberta reduce methane emissions from oil and gas operations by 45% by 2025. In 2016, the Canadian government ratified its commitments in the Paris Agreement, which features a commitment to reduce emissions by 30% from 2005 levels by 2030. The federal government has announced that Canadian provinces must have an emission reduction plan in place or be subject to a federal carbon tax in 2018. This comprehensive set of climate policies, once fully implemented, will encourage the development of renewable energy technologies, including waste heat recovery, in Alberta and other provinces. We believe that Europe and other markets worldwide may offer similar opportunities in recovered energy-based power generation.

In summary, the market for the recovery of waste heat converted into electricity exists either when already available electricity is expensive or where the regulatory environment facilitates construction and marketing of power generated from recovered waste heat. However, such projects tend to be smaller than 9 MW and we expect any growth to be relatively slow and geographically scattered.

New activities under our strategic plan

The traditional grid is undergoing a major disruption. The continued decline in Solar PV prices is impacting renewable energy pricing and the growth in intermittent green energy is generating increasing strains on the grid, mainly in the U.S and Europe. The increasing amount of Solar PV power being supplied to the grid can create situations where a significant amount of power plant capacity must be available to ramp up and down to accommodate Solar PV daily output cycles and variations due to atmospheric conditions. The output from Solar PV power plants can change significantly over short periods of time due to environmental conditions like cloud movement and fog burn off and that can cause instability on the electric grid.

As a result, energy management and specifically electricity storage is becoming a key component of the future grid. In parallel, we see movement of C&I and communities toward direct purchases of electricity and an increased focus on reliability of electricity supply.

Energy Storage

Energy storage systems utilize low cost, surplus, available electricity that enables utilities to optimize the operation of the grid and generators to run closer to full capacity for longer periods of time and operate more efficiently and effectively. With the increasing use of wind and solar energy, the need for storage services such as balancing services, frequency regulation, rapid generation ramping, reactive power, black start and movement of energy from times of excess to times of high demand is becoming more important.

The global energy storage market is still developing, with specific applications and geographies leading the overall market. After a record-breaking year in 2015, the energy battery storage industry is continuing to gain momentum globally. More than 1.6 GW of new deployments (approximately $2.0 billion) were announced worldwide in 2015. Various diversified battery storage technologies have been developed and deployed. According to GTM, total deployed MW in 2016 and 2017 represent continued growth of above 25% per year and forecasts for 2018 and beyond expect greater growth to be achieved as energy storage becomes cheaper and its technologies and markets more mature.

Much of the BESS activity is focused on energy storage for the grid and ancillary services. Behind the meter deployments are growing fast to enable customers to increase savings from demand charge reductions and create revenues through active market participation (demand response programs). Also, grids and utilities are undergoing significant changes such as grid aging, grid congestion, coal retirement, implementation of carbon reduction rules and increasing renewable energy and intermittent energy penetration. BESS delivers many benefits to grids and end users (behind the customer meter, as well as to micro-grids). Real-time balancing services can reactively increase stability and reliability on the grid to offset renewables inherent flexibility, to store energy now to be used later and to promote business resiliency, power quality and physically distributed benefits for all segments of the grid or the end customer.

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According to Navigant research, BESS continues to be one of the fastest growing segments of the broader energy industry, set to reach an overall installed power capacity of 143.7 GW and a cumulative global market size of $162.3 billion in the next 10-year period. This represents a CAGR of approximately 30% over the 10-year period in both in-front-of-the meter grid connected and behind-the-meter C&I deployments.

According to a GTM report from December 2016, the U.S. behind-the-meter energy storage market today is small, with combined residential and non-residential deployments in 2015 accounting for only 15% of installed capacity in MW terms. By 2021, however, the behind-the-meter segment is expected to account for half of the annual U.S. market, driven by many factors including improved system economics, net-energy metering reform, changes to utility rate structures, increasing viability of demand-charge management for non-residential customers, and increased interest in reliability and resiliency. GTM is expecting total installations of more than 4 GW through 2021 in the U.S. These trends in the U.S. market are expected to be experienced in other leading global markets in Europe and Asia.

We plan to use our Viridity platform and services to expand our market presence in the energy storage market and further develop our VPower™ software platform to be utilized in optimizing and generating revenues from demand response including ownership and supply of BESS systems. We expect that the eco system we have created, combining our Viridity business's capabilities with our global presence, experience in technology and system integration, EPC capabilities, flexible business models and reputation and experience in the geothermal and recovered energy sectors, will enable us to expand into this growing sector.

C&I

The C&I sector is shifting from centralized electricity generation systems to distributed resources supported by emerging models of direct PPAs with renewable power plants, on-site deployments, and customized solutions for energy management. Participants in the C&I sector are motivated to purchase renewable energy to reduce costs and diversify their energy supply, to lock in long-term energy price stability and carbon footprint reductions, to achieve renewable energy targets and to demonstrate leadership, innovation, and competitive first mover advantages. We see C&I customers as a natural expansion of our customer base from regulated utilities to medium and large C&I customers desiring to contract for renewable energy.

The advances in electricity storage technology together with high period demand charges, demand response programs, concern over electricity supply reliability and more aggressive goals for renewable energy content than those of centralized electricity suppliers are all factors that have supported the growth of the C&I market. The need for technical customized solutions to meet these varied C&I needs fits well with our Viridity business and our experience in providing customized geothermal and REG solutions to various customers around the world.

Solar PV

The market for Solar PV power grew significantly in recent years, driven by a combination of favorable government policies and a decline in equipment prices. We are monitoring market drivers with the potential to develop Solar PV power plants in locations where we can offer competitively priced power generation. Our focus currently is in installing Solar PV systems in some of our operating geothermal power plants to reduce internal consumption loads. We are planning to install the first system in Tungsten Mountain. In addition, we are looking for hybrid projects that involve intermittent power (such as Solar PV) and energy storage.

Competitive Strengths

Competitive Assets. We believe our assets are competitive for the following reasons:

- *Contracted Generation.* All of the electricity generated by our geothermal power plants is currently sold pursuant to long-term PPAs with an average remaining life of approximately 18 years.
- *Baseload Generation*. All of our geothermal power plants supply all or a part of the baseload capacity of the electric system in their respective markets. This means they supply electric power on an around-the-clock basis. This provides us with a competitive advantage over other renewable energy sources, such as wind power, solar power or hydro-electric power (to the extent dependent on precipitation), which cannot provide baseload capacity because of their intermittent nature. It remains to be seen whether developments in the energy storage markets will erode this competitive advantage.
- *Ancillary Services*. Geothermal power plants positively impact electrical grid stability and provide valuable ancillary services. Because of the baseload nature of their output, they have high transmission utilization efficiency, provide capacity, provide grid inertia and reduce the need for ancillary services such as voltage regulation, reserves and flexible capacity. Other intermittent renewables create integration costs, representing a significant value proposition for geothermal energy.

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Competitive Pricing. Geothermal power plants, while site specific, are economically feasible in many locations, and the electricity they generate is generally price competitive under existing economic conditions and existing tax and regulatory regimes compared to electricity generated from fossil fuels or other renewable sources in many places around the world. Geothermal energy is recognized as one of the lower cost sources of energy from a LCOE perspective.

Ability to Finance Our Activities from Internally Generated Cash Flow. The cash flow generated by our portfolio of operating geothermal and REG power plants provides us with a robust and predictable base for certain exploration, development, and construction activities. We plan to evaluate various alternatives for financing the expansion of our business as we further develop and implement our new strategic plan.

Growing Legislative Demand for Environmentally-Friendly Renewable Resource Assets. Most of our currently operating power plants produce electricity from geothermal energy sources. The clean and sustainable characteristics of geothermal energy give us a competitive advantage over fossil fuel-based electricity generation as countries increasingly seek to balance environmental concerns with demands for reliable sources of electricity.

High Efficiency from Vertical Integration. Unlike our competitors in the geothermal industry, we are a fully integrated geothermal equipment, services, and power provider. We design, develop, and manufacture equipment that we use in our geothermal and REG power plants. Our intimate knowledge of the equipment that we use in our operations allows us to operate and maintain our power plants efficiently and to respond to operational issues in a timely and cost-efficient manner. Moreover, given the efficient communication among our subsidiaries that design and manufacture the products we use in our operations and our subsidiaries that own and operate our power plants, we are able to quickly and cost effectively identify and repair mechanical issues and to have technical assistance and replacement parts available to us as and when needed.

Exploration and Drilling Capabilities. We have in-house capabilities to explore and develop geothermal resources and have established a drilling operation that currently owns seven drilling rigs. We employ an experienced resource group that includes engineers, geologists, and drillers, which executes our exploration and drilling plans for projects that we develop.

Highly Experienced Management Team. We have a highly qualified senior management team with extensive experience in the geothermal power sector.

Technological Innovation. We have 77 U.S. patents in force (and have approximately 9 U.S. patents pending) relating to various processes and renewable resource technologies. All of our patents are internally developed. Our ability to draw upon internal resources from various disciplines related to the geothermal power sector, such as geological expertise relating to reservoir management, and equipment engineering relating to power units, allows us to be innovative in creating new technologies and technological solutions.

Limited Exposure to Fuel Price Risk. A geothermal power plant does not need to purchase fuel (such as coal, natural gas, or fuel oil) in order to generate electricity. Thus, once the geothermal reservoir has been identified and estimated to be sufficient for use in a geothermal power plant, the drilling of wells is complete, and the plant has a PPA, the plant is not exposed to fuel price or fuel delivery risk apart from the impact fuel prices may have on the price at which we sell power under PPAs that are based on the relevant power purchaser's avoided costs.

Although we are confident in our competitive position in light of the strengths described above, we face various challenges in the course of our business operations, including as a result of the risks described in Item 1A — "Risk Factors" below, the trends and uncertainties discussed in "Trends and Uncertainties" under Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" below, and the competition we face in our different business segments described under "Competition" below.

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Business Strategy

Our strategy is to continue building a geographically balanced portfolio of geothermal and recovered energy assets, and to continue to be a leader in the geothermal energy market with the objective of becoming a leading global provider of renewable energy. Since 2015, we have implemented a number of the elements of a new multi-year strategic plan. We expect the plan to evolve over time in response to market conditions and other factors. We intend to implement this strategy through:

- *Development and Construction of New Geothermal Power Plants* — continuously seeking out commercially exploitable geothermal resources, developing and constructing new geothermal power plants and entering into long-term PPAs providing stable cash flows in jurisdictions where the regulatory, tax and business environments encourage or provide incentives for such development.

- *Expanding our Geographical Reach* — increasing our business development activities in an effort to grow our business in the global markets in both business segments. While we continue to evaluate global opportunities, we currently see Turkey, New Zealand, Chile, Kenya, Honduras, China, Indonesia and Ethiopia as very attractive markets for us. We are actively looking at ways to expand our presence in those countries.

- *Acquisition of New Assets* — expanding and accelerating growth through acquisition activities globally, aiming to acquire from third parties additional geothermal assets, such as our recent announcement that we signed an agreement to acquire U.S. Geothermal Inc., which owns approximately 38 MW of operating power plants, and companies and assets that we expect to expedite our entry into the storage and C&I markets, such as our March 2017 acquisition of substantially all of the assets that comprise our Viridity business today.

- *Manufacturing and Providing Products and EPC Services Related to Renewable Energy* — designing, manufacturing and contracting power plants for our own use and selling to third parties power units and other generation equipment for geothermal and recovered energy-based electricity generation.

- *Expanding into New Technologies* — leveraging our technological capabilities over a variety of renewable energy platforms, including solar power generation and energy storage. Initially, however, we expect that our primary focus will be on expanding our core geothermal competencies to provide high efficiency solutions for high enthalpy applications by utilizing our binary enhanced cycle and technology, as well as, expanding into steam geothermal generation equipment and facilities. We may acquire companies with integration and technological capabilities we do not currently have, or develop new technology ourselves, where we can effectively leverage our expertise to implement this part of our strategic plan.

- *Expand our Customer Base* — evaluating a number of strategies for expanding our customer base to the C&I market. In the near term, however, we expect that a majority of our revenues will continue to be generated as they now are, with our traditional electrical utility customer base for the Electricity segment.

- *Increasing Output from Our Existing Power Plants* — increasing output from our existing geothermal power plants by adding additional generating capacity, upgrading plant technology, and improving geothermal reservoir operations, including improving methods of heat source supply and delivery.

- *Cost Saving by Increasing Efficiencies* — increasing efficiencies in our operating power plants and manufacturing facility including procurement by adding new technologies, restructuring of management control, automating part of our manufacturing work and centralizing our operating power plants.

- *Technological Expertise* — investing in research and development of renewable energy technologies and leveraging our technological expertise to continuously improve power plant components, reduce operations and maintenance costs, develop competitive and environmentally friendly products for electricity generation and target new service opportunities.

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Recent Developments

The most significant recent developments in our company and business are described below.

- On January 24, 2018, we announced that we entered into a definitive agreement to acquire U.S. Geothermal Inc. (NYSE American: HTM), a renewable energy company focused on the development, production and sale of electricity from geothermal energy. Under the terms of the merger agreement, holders of U.S. Geothermal common stock will receive $5.45 per share in cash. On a fully diluted basis, including payment to U.S. Geothermal's option holders, we expect to pay total consideration of approximately $109.9 million from our corporate funds. The closing of the merger is subject to customary conditions, including receipt of regulatory approvals and approval by holders of a majority of the outstanding shares of US Geothermal's common stock. The transaction is expected to close in the second quarter of 2018.

  U.S. Geothermal is currently operating geothermal power projects at Neal Hot Springs, Oregon, San Emidio, Nevada and Raft River, Idaho for a total designed net output of 45 MW that currently generate approximately 38 MW net. In addition, U.S. Geothermal is developing additional projects at the Geysers, California; a second phase project at San Emidio, Nevada; at Crescent Valley, Nevada; and the El Ceibillo project located near Guatemala City, Guatemala.

- On December 13, 2017, we announced that the 24 MW Tungsten Mountain geothermal power plant located in Churchill County, Nevada, commenced commercial operation on December 1, 2017. The Tungsten Mountain power plant will sell its power under the 26-year PPA, dated as of October 20, 2016, between our wholly owned subsidiary ONGP, LLC and SCPPA (ONGP Portfolio PPA), which was announced in June 2017. SCPPA resells the entire output of the plant to LADWP. The power plant is expected to generate approximately $15 million in average annual revenue. The Tungsten Mountain geothermal power plant utilizes our latest turbine design and contains the largest OEC ever installed. The new and innovative turbine design will increase the OEC's efficiency, capacity and availability.

- On December 13, 2017, we announced that we signed an approximately $50 million EPC contract, with TOP ENERGY Ltd for the Ngawha extension geothermal project located in Ngawha, New Zealand. The project is expected to be completed in the first quarter of 2021. Under the EPC contract, we will provide our air-cooled OEC for the Ngawha extension project. This is the third EPC contract Ormat has signed with TOP ENERGY Ltd. The first was for the Ngawha I power plant in 1998 and the second for the Ngawha II power plant in 2008.

- On October 10, 2017, we announced that the second unit of the Sarulla geothermal power plant located in the North Sumatra region of Indonesia, one of the world's largest geothermal power plants, commenced commercial operation. The Sarulla power plant includes three units of approximately 110 MW each, utilizing both steam and brine extracted from the geothermal field to increase the power plant's efficiency. The first unit of the power plant commenced commercial operation on March 17, 2017 and we expect the third unit to commence commercial operation in 2018. The Sarulla power plant is operated by Sarulla Operations Ltd. (SOL), a consortium consisting of Medco Energi Internasional Tbk, Inpex Corporation, Itochu Corporation, Kyushu Electric Power Co. Inc., and our subsidiary that holds a 12.75% equity interest in SOL.

- On September 26, 2017, we announced that the 35 MW Platanares geothermal project in Honduras commenced commercial operation. We had previously signed a BOT contract for the Platanares geothermal project in Honduras with ELCOSA, a privately-owned Honduran energy company, for 15 years from COD. The Platanares power plant sells its power under a 30-year PPA with ENEE. We hold a portion of the land on which the power plant is located through a lease from a local municipality. Because the term of the lease exceeds the term in office of the relevant municipal government, the lease remains subject to the additional approval of the Honduran Congress in order to be fully valid. We have commenced the necessary steps to obtain such approval but the current elections in Honduras may result in a delay in obtaining such approval. The project is expected to generate average annual revenue of approximately $33 million.

- On July 26, 2017, we announced that ORIX closed its acquisition of approximately 11 million shares of our common stock, representing an approximately 22% ownership stake in the Company, from FIMI ENRG Limited Partnership, FIMI ENRG, L.P., Bronicki Investments, Ltd. and certain senior members of our management team pursuant to a stock purchase agreement entered into by ORIX and the selling stockholders on May 4, 2017. In connection with the acquisition, on May 4, 2017, we entered into certain related agreements with ORIX, including a governance agreement (Governance Agreement), a commercial cooperation agreement (CCA) and a registration rights agreement (RRA), following the unanimous recommendation of a special committee of our Board that was formed to evaluate and negotiate the stockholder arrangements proposed by ORIX, and following approval by the full Board. The foregoing agreements between us and ORIX became effective on July 26, 2017.

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Under the Governance Agreement, ORIX has the right to designate three persons to our Board, which was expanded to nine directors, and propose a fourth person to be mutually agreed by the Company and ORIX to serve as a new independent director on our Board. In addition, for so long as ORIX is entitled to Board representation pursuant to the Governance Agreement, ORIX will be subject to certain customary standstill restrictions, including an effective 25% cap on its voting rights. Pursuant to the RRA, ORIX also has certain customary registration rights with respect to the shares of our common stock that it owns.

Under the CCA, we have exclusive rights to develop, own, operate and provide equipment for ORIX geothermal energy projects in all markets outside of Japan. In addition, we have certain rights to serve as technical partner and co-invest in ORIX geothermal energy projects in Japan. ORIX will also assist us in obtaining project financing for our geothermal projects from a variety of leading providers of renewable energy debt financing with which ORIX has relationships in Asia and around the world.

- On June 1, 2017, we announced that SCPPA received the final necessary approval from the City of Los Angeles that enabled SCPPA to execute the ONGP Portfolio PPA. Under the ONGP Portfolio PPA, SCPPA will purchase 150 MW of power generated by a portfolio of our new and existing geothermal power plants. Energy deliveries under the ONGP Portfolio PPA started in the fourth quarter of 2017 and the entire portfolio of geothermal power plants is expected to be online by the end of 2022. The ONGP Portfolio PPA contract capacity is 150 MW, with a minimum delivery requirement of 135 MW and a permitted maximum delivery of 185 MW. The ONGP Portfolio PPA is for a term of approximately 26 years, expiring in December 31, 2043, and has a fixed price of $75.50 per MWh with no escalation.

  The ONGP Portfolio PPA covers nine of our primary geothermal power plants, including new projects currently under construction or development, as well as existing geothermal power plants that will commence energy deliveries to SCPPA once their current PPAs terminate. The ONGP Portfolio PPA also covers sixteen secondary facilities that could be used to replace or supplement the primary facilities.

- On March 15, 2017, we announced that we completed the acquisition of our Viridity business. At closing, we paid initial consideration of $35.3 million. Additional contingent consideration may be payable upon the achievement of certain performance milestones measured at the end of fiscal year 2020. This transaction marked our entry into the growing energy storage and demand response markets, with an established North American presence.

- In February 2017, we began construction to expand the Olkaria III complex in Kenya by an additional 10 MW and increase the complex's generating capacity to up to 150 MW during 2018.

Operations of our Electricity Segment

How We Own Our Power Plants. We customarily establish a separate subsidiary to own interests in each of our power plants. This ensures that the power plant, and the revenues generated by it, will be the only source for repaying indebtedness, if any, incurred to finance the construction or the acquisition (or to refinance the construction or acquisition) of the relevant power plant. If we do not own all of the interest in a power plant, we enter into a shareholders' agreement or a partnership agreement that governs the management of the specific subsidiary and our relationship with our partner in connection with the specific power plant. Our ability to transfer or sell our interests in certain power plants may be restricted by certain purchase options or rights of first refusal in favor of our power plant partners or the power plant's power purchasers and/or certain change of control and assignment restrictions in the underlying power plant and financing documents. All of our domestic geothermal and REG power plants are Qualifying Facilities under the PURPA and are eligible for regulatory exemptions from most provisions of the FPA and certain state laws and regulations.

How We Explore and Evaluate Geothermal Resources. Since 2006, we have expanded our exploration activities, initially in the U.S. and in the last few years with an increasing focus internationally. It normally takes two to three years from the time we start active exploration of a particular geothermal resource to the time we have an operating production well, assuming we conclude the resource is commercially viable and determine to pursue its development. Exploration activities generally involve the phases described below.

Initial Evaluation. Identifying and evaluating potential geothermal resources by sampling and studying new areas combined with information available from public and private sources. We generally adhere to the following process, although our process can vary from site to site depending on geological circumstances and prior evaluation:

- We evaluate historic, geologic and geothermal information available from public and private databases, including geothermal, mining, petroleum and academic sources.

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- We visit sites, sampling fluids for chemistry if necessary, to evaluate geologic conditions.
- We evaluate available data, and rank prospects in a database according to estimated size and perceived risk. For example, pre-drilled sites with extensive data are considered lower risk than "green field" sites. Both prospect types are considered critical for our continued growth.
- We generally create a digital, spatial geographic information systems (GIS) database and 3D geologic model containing all pertinent information, including thermal water temperature gradients derived from historic drilling, geologic mapping information (e.g., formations, structure, alteration, and topography), and any available archival information about the geophysical properties of the potential resource.
- We assess other relevant information, such as infrastructure (e.g., roads and electric transmission lines), natural features (e.g., springs and lakes), and man-made features (e.g., old mines and wells).

Our initial evaluation is usually conducted by our own staff, although we might engage outside service providers for some tasks from time to time. The costs associated with an initial evaluation vary from site to site, based on various factors, including the acreage involved and the costs, if any, of obtaining information from private databases or other sources. On average, our expenses for an initial evaluation range from approximately $10,000 to $50,000 including travel, chemical analyses, and data acquisition.

If we conclude, based on the information considered in the initial evaluation, that the geothermal resource could support a commercially viable power plant, taking into account various factors described below, we proceed to land rights acquisition.

Land Acquisition. Acquiring land rights to any geothermal resources our initial evaluation indicates could potentially support a commercially viable power plant, taking into account various factors. For domestic power plants, we either lease or own the sites on which our power plants are located. For our foreign power plants, our lease rights for the power plant site are generally contained in the terms of a concession agreement or other contract with the host government or an agency thereof. In certain cases, we also enter into one or more geothermal resource leases (or subleases) or a concession or an option agreement or other agreement granting us the exclusive right to extract geothermal resources from specified areas of land, with the owners (or sublessors) of such land. In some cases, we first obtain the exploration license and once certain investment requirements are met, we can obtain the geothermal exploitation rights. This usually gives us the right to explore, develop, operate, and maintain the geothermal field, including, among other things, the right to drill wells (and if there are existing wells in the area, to alter them) and build pipelines for transmitting geothermal fluid. In certain cases, the holder of rights in the geothermal resource is a governmental entity and in other cases a private entity. Usually the duration of the lease (or sublease) and concession agreement corresponds to the duration of the relevant PPA, if any. In certain other cases, we own the land where the geothermal resource is located, in which case there are no restrictions on its utilization. Leasehold interests in federal land in the U.S. are regulated by the BLM and the Minerals Management Service. These agencies have rules governing the geothermal leasing process as discussed below under "Description of Our Leases and Lands".

For most of our current exploration sites in the U.S., we acquire rights to use the geothermal resource through land leases with the BLM, with various states, or through private leases. Under these leases, we typically pay an up-front non-refundable bonus payment, which is a component of the competitive lease process. In addition, we undertake to pay nominal, fixed annual rent payments for the period from the commencement of the lease through the completion of construction. Upon the commencement of power generation, we begin to pay to the lessors long-term royalty payments based on the use of the geothermal resources as defined in the respective agreements. These payments are contingent on the power plant's revenues. A summary of our typical lease terms is provided below under "Description of our Leases and Lands".

The up-front bonus and royalty payments vary from site to site and are based on, among other things, current market conditions.

Surveys. Conducting geological, geochemical, and/or geophysical surveys on the sites acquired. Following the acquisition of land rights for a potential geothermal resource, we conduct additional surface water analyses, soil surveys, and geologic mapping to determine proximity to possible heat flow anomalies and up-flow/permeable zones. We augment our digital database with the results of those analyses and create conceptual and digital geologic models to describe geothermal system controls. We then initiate a suite of geophysical surveys (e.g., gravity, magnetics, resistivity, magnetotellurics, reflection seismic, LiDAR, and spectral surveys) to assess surface and sub-surface structure (e.g., faults and fractures) and improve the geologic model of fluid-flow conduits and permeability controls. All pertinent geological and geophysical data are used to create three-dimensional geologic models to identify drill locations. These surveys are conducted incrementally considering relative impact and cost, and the geologic model is updated continuously.

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We make a further determination of the commercial viability of the geothermal resource based on the results of this process, particularly the results of the geochemical surveys estimating temperature and the overall geologic model, including potential resource size. If the results from the geochemical surveys are poor (i.e., low derived resource temperatures or poor permeability) or the geologic model indicates small or deep resource, we re-evaluate the commercial viability of the geothermal resource and may not proceed to exploratory drilling. We generally only move forward with those sites that we believe have a high probability of successful development.

Exploratory Drilling. Drilling one or more exploratory wells on the high priority, relatively low risk sites to confirm and/or define the geothermal resource. If we proceed to exploratory drilling, we generally use outside contractors to create access roads to drilling sites and related activities. We have continued efforts to reduce exploration costs and therefore, after obtaining drilling permits, we generally drill temperature gradient holes and/or core holes that are lower cost than slim holes (used in the past) using either our own drilling equipment, whenever possible, or outside contractors. If the obtained data supports a conclusion that the geothermal resource can support a commercially viable power plant, it will be used as an observation well to monitor and define the geothermal resource. If the core hole indicates low temperatures or does not support the geologic model of anticipated permeability, it may be plugged, and the area reclaimed. In undrilled sites, we typically step up from shallow (500-1000 feet) to deeper (2000-4000 feet) wells as confidence improves. Following proven temperature in core wells, we typically move to slim and/or full- size wells to quantify permeability.

Each year we determine and approve an exploration budget for the entire exploration activity in such year. We prioritize budget allocation between the various geothermal sites based on commercial and geological factors. The costs we incur for exploratory drilling vary from site to site based on various factors, including the accessibility of the drill site, the geology of the site, and the depth of the resource. However, on average, exploration costs, prior to drilling of a full-size well are approximately $1.0 million to $3.0 million for each site, not including land acquisition. However, we only reach such spending levels for sites that proved to be successful in the early stages of exploration.

At various points during our exploration activities, we re-assess whether the geothermal resource involved will support a commercially viable power plant based on information available at that time. Among other things, we consider the following factors:

- New data and interpretations obtained concerning the geothermal resource as our exploration activities proceed, and particularly the expected MW capacity power plant the resource can be expected to support. The MW capacity can be estimated using analogous systems and/or quantitative heat in place estimates until results from drilling and flow tests quantify temperature, permeability, and resulting resource size.
- Current and expected market conditions and rates for contracted and merchant electric power in the market(s) to be serviced.
- Availability of transmission capacity.
- Anticipated costs associated with further exploration activities and the relative risk of failure.
- Anticipated costs for design and construction of a power plant at the site.
- Anticipated costs for operation of a power plant at the site, particularly taking into account the ability to share certain types of costs (such as control rooms) with one or more other power plants that are, or are expected to be, operating near the site.

If we conclude that the geothermal resource involved will support a commercially viable power plant, we proceed to constructing a power plant at the site.

How We Construct Our Power Plants. The principal phases involved in constructing one of our geothermal power plants are as follows:

- Drilling production and injection wells.
- Designing the well field, power plant, equipment, controls, and transmission facilities.

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- Obtaining any required permits, electrical interconnection and transmission agreements.
- Manufacturing (or in the case of equipment we do not manufacture ourselves, purchasing) the equipment required for the power plant.
- Assembling and constructing the well field, power plant, transmission facilities, and related facilities.

In recent years, it takes approximately three years from the time we drill a production well, until the power plant becomes operational.

Drilling Production and Injection Wells. We consider completing the drilling of the first production well to be the beginning of our construction phase for a power plant. However, this is not always sufficient for a full release for construction. The number of production wells varies from plant to plant depending on, among other things, the geothermal resource, the projected capacity of the power plant, the power generation equipment to be used and the way geothermal fluids will be re-injected through injection wells to maintain the geothermal resource and surface conditions. We generally drill the wells ourselves although in some cases we use outside contractors.

The cost for each production and injection well varies depending on, among other things, the depth and size of the well and market conditions affecting the supply and demand for drilling equipment, labor and operators. In the last five years, our typical cost for each production and injection well is approximately $3.3 million with a range of $1.0 million to $13.0 million.

Design. We use our own employees to design the well field and the power plant, including equipment that we manufacture and that will be needed for the power plant. The designs vary based on various factors, including local laws, required permits, the geothermal resource, the expected capacity of the power plant and the way geothermal fluids will be re-injected to maintain the geothermal resource and surface conditions.

Permits. We use our own employees and outside consultants to obtain any required permits and licenses for our power plants that are not already covered by the terms of our site leases. The permits and licenses required vary from site to site, and are described below under “Environmental Permits”.

Manufacturing. Generally, we manufacture most of the power generating unit equipment we use at our power plants. Multiple sources of supply are generally available for all other equipment we do not manufacture.

Construction. We use our own employees to manage the construction work. For site grading, civil, mechanical, and electrical work we use subcontractors.

During fiscal year 2017, in the Electricity segment, we focused on the commencement of operations at Platanares power plant in Honduras and Tungsten Mountain in Nevada. We began with construction of the Olkaria III plant expansion in Kenya and enhancement work in some of our operating power plants. During fiscal year 2016, we focused on the commencement of operations at Olkaria III plant 4. During fiscal year 2015, we focused on the commencement of operations at the McGinness Hills phase 2 and the Don A. Campbell phase 2 power plants. We continued with construction of Olkaria III plant 4.

When deciding whether to continue holding lease rights and/or to pursue exploration activity, we diligently prioritize our prospective investments, taking into account resource and probability assessments in order to make informed decisions about whether a particular project will support commercial operation. As a result, during fiscal year 2017 we discontinued exploration activities at four prospective sites: the Ungaran region in Indonesia, Glass Buttes - Midnight Point in Oregon and Tuscarora - phase 2 and Don A. Campbell - phase 3, in Nevada. During fiscal year 2016, we discontinued exploration activities at three future prospective sites, in the Kula region in Hawaii and the Aqua Quieta and Sollipulli regions in Chile. During fiscal year 2015, we discontinued exploration and development activities at ten future prospects, including Kona and Ulupalakua (Maui) in Hawaii, Warm Springs Tribe and Newberry - Twilight in Oregon, Whirlwind Valley in Utah, Argenta, Hycroft and South Jersey in Nevada and Mariman and Quinohuen in Chile.

After conducting exploratory studies at those sites, we concluded that the respective geothermal resources would not support commercial operations. Costs associated with exploration activities at these sites were expensed accordingly (see “Write-off of Unsuccessful Exploration Activities” under Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations”).

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We added to our exploration inventory two prospective sites in 2017 and ten prospective sites in each of the years ended December 31, 2016 and 2015.

How We Operate and Maintain Our Power Plants. In the U.S., our wholly owned subsidiary, Ormat Nevada, usually acts as the operator of our power plants pursuant to the terms of an operation and maintenance agreement. Operation and maintenance of our foreign projects are generally provided by our subsidiary that owns the relevant project. Our operations and maintenance practices are designed to minimize operating costs without compromising safety or environmental standards while maximizing plant flexibility and maintaining high reliability. Our operations and maintenance practices for geothermal power plants seek to preserve the sustainable characteristics of the geothermal resources we use to produce electricity and maintain steady-state operations within the constraints of those resources reflected in our relevant geologic and hydrologic studies. Our approach to plant management emphasizes the operational autonomy of our individual plant or complex managers and staff to identify and resolve operations and maintenance issues at their respective power plants; however, each power plant or complex draws upon our available collective resources and experience, and that of our subsidiaries. We have organized our operations such that inventories, maintenance, backup, and other operational functions are pooled within each power plant complex and provided by one operation and maintenance provider. This approach enables us to realize cost savings and enhances our ability to meet our power plant availability goals.

Safety is a key area of concern to us. We believe that the most efficient and profitable performance of our power plants can only be accomplished within a safe working environment for our employees. Our compensation and incentive program includes safety as a factor in evaluating our employees, and we have a well-developed reporting system to track safety and environmental incidents, if any, at our power plants.

How We Sell Electricity. In the U.S., the purchasers of power from our power plants are typically investor-owned electric utility companies or electric cooperatives including public owned utilities. Outside of the U.S., the purchaser is either a state-owned utility or a privately-owned entity and we typically operate our facilities pursuant to rights granted to us by a governmental agency pursuant to a concession agreement. In each case, we enter into long-term contracts (typically, PPAs) for the sale of electricity or the conversion of geothermal resources into electricity. Although previously our power plants' revenues under a PPA generally consisted of two payments, energy payments and capacity payments, our recent PPAs provide for energy payments only. Energy payments are normally based on a power plant's electrical output actually delivered to the purchaser measured in kWh, with payment rates either fixed or indexed to the power purchaser's "avoided" power costs (i.e., the costs the power purchaser would have incurred itself had it produced the power it is purchasing from third parties) or rates that escalate at a predetermined percentage each year. Capacity payments are normally calculated based on the generating capacity or the declared capacity of a power plant available for delivery to the purchaser, regardless of the amount of electrical output actually produced or delivered. In addition, we have six domestic power plants located in California, Nevada and Hawaii that are eligible for capacity bonus payments under the respective PPAs upon reaching certain levels of generation, or subject to a capacity payment reduction if certain levels of generation are not reached.

How We Finance Our Power Plants. Historically we have funded our power plants with different sources of liquidity such as a non-recourse or limited recourse debt, lease financing, tax monetization transactions, internally generated cash, which includes funds from operation, as well as proceeds from loans under corporate credit facilities and the sale of equity interests and other securities. Such leveraged financing permits the development of power plants with a limited amount of equity contributions, but also increases the risk that a reduction in revenues could adversely affect a particular power plant's ability to meet its debt obligations. Leveraged financing also means that distributions of dividends or other distributions by our power plant subsidiaries to us are contingent on compliance with financial and other covenants contained in the applicable financing documents.

Non-recourse debt or lease financing refers to debt or lease arrangements involving debt repayments or lease payments that are made solely from the power plant's revenues (rather than our revenues or revenues of any other power plant) and generally are secured by the power plant's physical assets, major contracts and agreements, cash accounts and, in many cases, our ownership interest in our affiliate that owns that power plant. These forms of financing are referred to as "project financing". Project financing transactions generally are structured so that all revenues of a power plant are deposited directly with a bank or other financial institution acting as escrow or security deposit agent. These funds are then payable in a specified order of priority set forth in the financing documents to ensure that, to the extent available, they are used to first pay operating expenses, senior debt service (including lease payments) and taxes, and to fund reserve accounts. Thereafter, subject to satisfying DSCR and certain other conditions, available funds may be disbursed for management fees or dividends or, where there are subordinated lenders, for the payment of subordinated debt service.

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In the event of a foreclosure after a default, our affiliate that owns the power plant would only retain an interest in the power plant assets, if any, remaining after all debts and obligations have been paid in full. In addition, incurrence of debt by a power plant may reduce the liquidity of our equity interest in that power plant because the equity interest is typically subject both to a pledge in favor of the power plant's lenders securing the power plant's debt and to transfer and change of control restrictions set forth in the relevant financing agreements.

Limited recourse debt refers to project financing as described above with the addition of our agreement to undertake limited financial support for our affiliate that owns the power plant in the form of certain limited obligations and contingent liabilities. These obligations and contingent liabilities may take the form of guarantees of certain specified obligations, indemnities, capital infusions and agreements to pay certain debt service deficiencies. To the extent we become liable under such guarantees and other agreements in respect of a particular power plant, distributions received by us from other power plants and other sources of cash available to us may be required to be used to satisfy these obligations. Creditors of a project financing of a particular power plant may have direct recourse to us to the extent of these limited recourse obligations.

We have used financing structures to monetize PTCs and depreciation, such as our recent tax equity partnership transaction involving Opal Geo, and an operating lease arrangement for our Puna complex power plants.

We have also used a sale of equity interests in two of our geothermal assets and nine of our REG facilities to fund corporate needs including funding for the construction of new projects. We may use of the same financing structure in the future.

How We Mitigate International Political Risk. We generally purchase insurance policies to cover our exposure to certain political risks involved in operating in developing countries, as described below under "Insurance". To date, our political risk insurance policies are with MIGA, a member of the World Bank Group, and Zurich Re, a private insurance and re-insurance company**.** Such insurance policies generally cover, subject to the limitations and restrictions contained therein, 80-90% of our losses resulting from specified governmental actions or responses thereto, such as confiscation, expropriation, riots, the inability to convert local currency into hard currency, and, in certain cases, the breach of agreements. We have obtained such insurance for the Olkaria, Zunil, Amatitlan, Platanares and Sarulla projects.

Description of Our Leases and Lands

We have domestic leases on approximately 320,500 acres of federal, state, and private land in California, Hawaii, Nevada, New Mexico, Utah and Oregon. The approximate breakdown between federal, state and private leases and owned land is as follows:

- 85% of the acreage under our control is leased from the U.S. government, acting mainly through the BLM;
- 11% is leased or subleased from private landowners and/or leaseholders;
- 2% is owned by us; and
- the balance is leased from various states, none of which is currently material.

Each of the leases within each of the categories above has standard terms and requirements, as summarized below. Internationally, our land position includes approximately 122,500 acres, most of which are for geothermal prospects in Honduras.

BLM Geothermal Leases

Certain of our domestic project subsidiaries have entered into geothermal resources leases with the U.S. government, pursuant to which they have obtained the right to conduct their geothermal development and operations on federally-owned land. These leases are made pursuant to the Geothermal Steam Act and the lessor under such leases is the U.S. government, acting through the BLM.

BLM geothermal leases grant the geothermal lessee the right and privilege to drill for, extract, produce, remove, utilize, sell, and dispose of geothermal resources on certain lands, together with the right to build and maintain necessary improvements thereon. The actual ownership of the geothermal resources and other minerals beneath the land is retained in the federal mineral estate. The geothermal lease does not grant to the geothermal lessee the exclusive right to develop the lands, although the geothermal lessee does hold the exclusive right to develop geothermal resources within the lands. The geothermal lessee does not have the right to develop minerals unassociated with geothermal production and cannot prohibit others from developing the minerals present in the lands. The BLM may grant multiple leases for the same lands and, when this occurs, each lessee is under a duty to not unreasonably interfere with the development rights of the other. Because BLM leases do not grant to the geothermal lessee the exclusive right to use the surface of the land, BLM may grant rights to others for activities that do not unreasonably interfere with the geothermal lessee's uses of the same land; such other activities may include recreational use, off-road vehicles, and/or wind or solar energy developments.

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Certain BLM leases issued before August 8, 2005 include covenants that require the projects to conduct their operations under the lease in a workmanlike manner and in accordance with all applicable laws and BLM directives and to take all mitigating actions required by the BLM to protect the surface of and the environment surrounding the land. Additionally, certain leases contain additional requirements, some of which concern the mitigation or avoidance of disturbance of any antiquities, cultural values or threatened or endangered plants or animals, the payment of royalties for timber, and the imposition of certain restrictions on residential development on the leased land.

BLM leases entered into after August 8, 2005 require the geothermal lessee to conduct operations in a manner that minimizes impacts to the land, air, water, to cultural, biological, visual, and other resources, and to other land uses or users. The BLM may require the geothermal lessee to perform special studies or inventories under guidelines prepared by the BLM. The BLM reserves the right to continue existing leases and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-way. Prior to disturbing the surface of the leased lands, the geothermal lessee must contact the BLM to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Subject to BLM approval, geothermal lessees may enter into unit agreements to cooperatively develop a geothermal resource. The BLM reserves the right to specify rates of development and to require the geothermal lessee to commit to a communalization or unitization agreement if a common geothermal resource is at risk of being overdeveloped.

Typical BLM leases issued to geothermal lessees before August 8, 2005 have a primary term of ten years and will renew so long as geothermal resources are being produced or utilized in commercial quantities but cannot exceed a period of forty years after the end of the primary term. If at the end of the forty-year period geothermal steam is still being produced or utilized in commercial quantities and the lands are not needed for other purposes, the geothermal lessee will have a preferential right to renew the lease for a second forty-year term, under terms and conditions as the BLM deems appropriate.

BLM leases issued after August 8, 2005 have a primary term of ten years. If the geothermal lessee does not reach commercial production within the primary term, the BLM may grant two five-year extensions if the geothermal lessee: (i) satisfies certain minimum annual work requirements prescribed by the BLM for that lease, or (ii) makes minimum annual payments. Additionally, if the geothermal lessee is drilling a well for the purposes of commercial production, the primary term (as it may have been extended) may be extended for five years and as long thereafter as steam is being produced and used in commercial quantities (meaning the geothermal lessee either begins producing geothermal resources in commercial quantities or has a well capable of producing geothermal resources in commercial quantities and is making diligent efforts to utilize the resource) for thirty-five years. If, at the end of the extended thirty-five-year term, geothermal steam is still being produced or utilized in commercial quantities and the lands are not needed for other purposes, the geothermal lessee will have a preferential right to renew the lease for fifty-five years, under terms and conditions as the BLM deems appropriate.

For BLM leases issued before August 8, 2005, the geothermal lessee is required to pay an annual rental fee (on a per acre basis), which escalates according to a schedule described therein, until production of geothermal steam in commercial quantities has commenced. After such production has commenced, the geothermal lessee is required to pay royalties (on a monthly basis) on the amount or value of (i) steam, (ii) by-products derived from production, and (iii) commercially de-mineralized water sold or utilized by the project (or reasonably susceptible to such sale or use).

For BLM leases issued after August 8, 2005, (i) a geothermal lessee who has obtained a lease through a non-competitive bidding process will pay an annual rental fee equal to $1.00 per acre for the first ten years and $5.00 per acre each year thereafter; and (ii) a geothermal lessee who has obtained a lease through a competitive process will pay a rental equal to $2.00 per acre for the first year, $3.00 per acre for the second through tenth year and $5.00 per acre each year thereafter. Rental fees paid before the first day of the year for which the rental is owed will be credited towards royalty payments for that year. For BLM leases issued, effective, or pending on August 5, 2005 or thereafter, royalty rates are fixed between 1.0-2.5% of the gross proceeds from the sale of electricity during the first ten years of production under the lease. The royalty rate set by the BLM for geothermal resources produced for the commercial generation of electricity but not sold in an arm’s length transaction is 1.75% for the first ten years of production and 3.5% thereafter. The royalty rate for geothermal resources sold by the geothermal lessee or an affiliate in an arm’s length transaction is 10.0% of the gross proceeds from the arm’s length sale. The BLM may readjust the rental or royalty rates at not less than twenty-year intervals beginning thirty-five years after the date geothermal steam is produced.

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In the event of a default under any BLM lease, or the failure to comply with any of the provisions of the Geothermal Steam Act or regulations issued under the Geothermal Steam Act or the terms or stipulations of the lease, the BLM may, 30 days after notice of default is provided to the relevant project, (i) suspend operations until the requested action is taken, or (ii) cancel the lease.

Private Geothermal Leases

Certain of our domestic project subsidiaries have entered into geothermal resources leases with private parties, pursuant to which they have obtained the right to conduct their geothermal development and operations on privately owned land. In many cases, the lessor under these private geothermal leases owns only the geothermal resource and not the surface of the land.

Typically, the leases grant our project subsidiaries the exclusive right and privilege to drill for, produce, extract, take and remove from the leased land water, brine, steam, steam power, minerals (other than oil), salts, chemicals, gases (other than gases associated with oil), and other products produced or extracted by such project subsidiary. The project subsidiaries are also granted certain non-exclusive rights pertaining to the construction and operation of plants, structures, and facilities on the leased land. Additionally, the project subsidiaries are granted the right to dispose geothermal fluid as well as the right to re-inject into the leased land water, brine, steam, and gases in a well or wells for the purpose of maintaining or restoring pressure in the productive zones beneath the leased land or other land in the vicinity. Because the private geothermal leases do not grant to the lessee the exclusive right to use the surface of the land, the lessor reserves the right to conduct other activities on the leased land in a manner that does not unreasonably interfere with the geothermal lessee's uses of the same land, which other activities may include agricultural use (farming or grazing), recreational use and hunting, and/or wind or solar energy developments.

The leases provide for a term consisting of a primary term in the range of five to 30 years, depending on the lease, and so long thereafter as lease products are being produced or the project subsidiary is engaged in drilling, extraction, processing, or reworking operations on the leased land.

As consideration under most of our project subsidiaries' private leases, the project subsidiary must pay to the lessor a certain specified percentage of the value "at the well" (which is not attributable to the enhanced value of electricity generation), gross proceeds, or gross revenues of all lease products produced, saved, and sold on a monthly basis. In certain of our project subsidiaries' private leases, royalties payable to the lessor by the project subsidiary are based on the gross revenues received by the lessee from the sale or use of the geothermal substances, either from electricity production or the value of the geothermal resource "at the well".

In addition, pursuant to the leases, the project subsidiary typically agrees to commence drilling, extraction or processing operations on the leased land within the primary term, and to conduct such operations with reasonable diligence until lease products have been found, extracted and processed in quantities deemed "paying quantities" by the project subsidiary, or until further operations would, in such project subsidiary's judgment, be unprofitable or impracticable. The project subsidiary has the right at any time within the primary term to terminate the lease and surrender the relevant land. If the project subsidiary has not commenced any such operations on said land (or on the unit area, if the lease has been unitized), or terminated the lease within the primary term, the project subsidiary must pay to the lessor, in order to maintain its lease position, annually in advance, a rental fee until operations are commenced on the leased land.

If the project subsidiary fails to pay any installment of royalty or rental when due and if such default continues for a period of fifteen days specified in the lease, for example, after its receipt of written notice thereof from the lessor, then at the option of the lessor, the lease will terminate as to the portion or portions thereof as to which the project subsidiary is in default. If the project subsidiary defaults in the performance of any obligations under the lease, other than a payment default, and if, for a period of 90 days after written notice is given to it by the lessor of such default, the project subsidiary fails to commence and thereafter diligently and in good faith take remedial measures to remedy such default, the lessor may terminate the lease.

We do not regard any property that we lease as material unless and until we begin construction of a power plant on the property, that is, until we drill a production well on the property.

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Description of Our Power Plants

Domestic Operating Power Plants

The following descriptions summarize certain industry metrics for our domestic operating power plants:

Brady Complex

Location	Churchill County, Nevada
Generating Capacity	18 MW
Number of Power Plants	Two (Brady and Desert Peak 2 power plants).
Technology	The Brady complex utilizes binary and flash systems. The complex uses air and water-cooled systems.
Subsurface Improvements	12 production wells and nine injection wells are connected to the plants through a gathering system.
Major Equipment	Three OECs and three steam turbines along with the Balance of Plant equipment.
Age	The Brady power plant commenced commercial operation in 1992 and a new OEC was added in 2004. The Desert Peak 2 power plant commenced commercial operation in 2007.
Land and Mineral Rights	The Brady complex is comprised mainly of BLM leases that are held by production. The scheduled expiration dates for all of these leases are after the end of the expected useful life of the power plants in the Brady complex. The complex's rights to use the geothermal and surface rights under the leases are subject to various conditions, as described in "Description of Our Leases and Lands".
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the leases, and the Brady power plant holds rights of way from the BLM and from a private owner that allows access to and from the plant.
Resource Information	The resource temperatures at the Brady and Desert Peak 2 power plants are 270 degrees Fahrenheit and 338 degrees Fahrenheit, respectively. The Brady and Desert Peak geothermal systems are located within the Hot Springs Mountains, approximately 60 miles northeast of Reno, Nevada, in northwestern Churchill County. The dominant geological feature of the Brady area is a linear north-northeast-trending band of hot ground that extends two miles. The Desert Peak geothermal field is located within the Hot Springs Mountains, which form part of the western boundary of the Carson Sink. The structure is characterized by east-titled fault blocks and north-northeast-trending folds. The geologic structure in the area is dominated by high-angle normal faults of varying displacement.
Resource Cooling	During the last three years the cooling at the Brady power plant has levelled off to a rate of one degree Fahrenheit per year. The temperature decline at the Desert Peak 2 power plant is approximately two degrees Fahrenheit per year.
Sources of Makeup Water	Condensed steam is used for makeup water.
Power Purchaser	The Sierra Pacific Power Company and Nevada Power Company purchase power generated by the Brady power plant and Desert Peak 2 power plant, respectively.
PPA Expiration Date	Brady power plant — 2022. Desert Peak 2 power plant — 2027.
Financing	The prior financing transactions covering the Brady complex have been fully paid off.
Supplemental Information	We are currently in the process of enhancing the Brady power plant. We are replacing its equipment with new OECs, following which we expect the capacity of the complex to increase by 4 MW to approximately 22 MW. Engineering and manufacturing have been completed, and transportation and construction are ongoing. We expect the enhancement to be completed in the first half of 2018.

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Brawley Complex

Location	Imperial County, California
Generating Capacity	13 MW (See supplemental information below)
Number of Power Plants	One
Technology	The Brawley power plant utilizes a water-cooled binary system.
Subsurface Improvements	36 wells have been drilled and are connected to the Brawley power plant through its gathering system. As we improved our knowledge of the geothermal resource, we changed some of the wells from production to injection (and vice versa) and left others idle. Currently, we have 13 wells connected to the production header and 23 wells, connected to the injection header.
Major Equipment	Five OECs together with the Balance of Plant equipment.
Age	The Brawley power plant commenced commercial operation on March 31, 2011.
Land and Mineral Rights	The Brawley area is comprised entirely of private leases. The leases are held by production. The scheduled expiration date for all of these leases is after the end of the expected useful life of the power plant. The plant's rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in "Description of Our Leases and Lands".
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the leases.
Resource Information	Brawley production is from deltaic and marine sedimentary sands and sandstones deposited in the subsiding Salton Trough of the Imperial Valley. Based on seismic refraction surveys the total thickness of these sediments in the Brawley area is over 15,000 feet. The shallow production reservoir (from depths of 1,500 to 4,500 feet) that was developed is fed by fractures and matrix permeability and is conductively heated from the underlying fractured reservoir which convectively circulates magmatically heated fluid. Produced fluid salinity ranges from 20,000 to 50,000 ppm, and the moderate scaling and corrosion potential is chemically inhibited. The temperature of the deeper fractured reservoir fluids exceed 525 degrees Fahrenheit, but the fluid is not yet developed because of severe scaling and corrosion potential. The deep reservoir is not dedicated to the Brawley power plant. The average produced fluid resource temperature is 310 degrees Fahrenheit.
Resource Cooling	The temperature of the geothermal resource depends on the mix of operating production wells that we use.
Sources of Makeup Water	Water is provided by the IID.
Power Purchaser	Southern California Edison
PPA Expiration Date	2031.
Financing	Corporate funds and ITC cash grant from the U.S. Treasury.
Supplemental Information	We are currently selling the power generated by the Brawley complex to Southern California Edison under an existing PPA at a capacity level of approximately 8 MW and we are planning to increase this level to 11 MW by the end of 2018 and further thereafter. With a new chemical supply system, we plan to activate several idle wells and we recently drilled a well in eastern Brawley and connected it to the power plant. As a result, we expect to see an increase in generation.

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Don A. Campbell Complex

Location	Mineral County, Nevada
Generating Capacity	41 MW
Number of Power Plants	Two (phase 1 and phase 2)
Technology	The Don A. Campbell power plants utilize an air-cooled binary system.
Subsurface Improvements	Nine production wells and five injection wells are connected to the plants.
Material Equipment	Two air-cooled OECs with the Balance of Plant equipment.
Age	The phase 1 power plant commenced commercial operation on January 1, 2014 and the phase 2 power plant commenced commercial operation on September 27, 2015.
Land and Mineral Rights	The Don A. Campbell area is comprised of BLM leases. The complex's rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in "Description of Our Leases and Lands".
Resource Information	The Don A. Campbell geothermal reservoir consists of highly fractured, silicified alluvium over at least two square miles. Production and injection are very shallow with nine pumped production wells (from depths of 1,350 feet to 1,900 feet) and five injection wells (from depths of 649 feet to 2,477 feet), all targeting northwest-dipping fractures. The thermal fluids are thought to be controlled by a combination of conductive heat transfer from deeper bedrock and through mixing of upwelling thermal fluids from a deeper geothermal system also contained in the bedrock. The system is considered blind with no surface expression of thermal features. The temperature of the resource is approximately 254 degrees Fahrenheit.
Resource Cooling	Temperature started declining in mid-2016. An injection well was drilled in 2017 and testing is in process to confirm the impact on temperature decline. Injection tests and tracer studies, along with reservoir modeling, will further develop a plan to mitigate temperature decline of the reservoir.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted in leases from BLM.
Power Purchaser	Two separate PPAs with SCPPA.
PPA Expiration Date	The phase 1 PPA expires in 2034 and the phase 2 PPA expires in 2036
Financing	The phase 1 power plant was financed through our sale of our 4.03% Senior Secured Notes and a cash grant that we received from the U.S. Treasury. The phase 2 power plant was financed using corporate funds and the proceeds of the tax equity transaction involving Opal Geo.
Supplemental Information	In April 2015, we closed an equity transaction with Northleaf in which Northleaf acquired a 36.75% equity interest in ORPD. ORPD owns the Puna complex, the Don A. Campbell phase 1 power plant, and the OREG 1, OREG 2, and OREG 3 power plants. In November 2016, Northleaf purchased a 36.75% equity interest in the Don A. Campbell phase 2 power plant, which was initially added to the existing ORPD portfolio and then later contributed to Opal Geo, which is indirectly owned by ORPD, in connection with the tax equity partnership transaction as described below.

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Heber Complex

Location	Heber, Imperial County, California
Generating Capacity	89 MW
Number of Power Plants	Five (Heber 1, Heber 2, Heber South, Gould 1 and Gould 2).
Technology	The Heber 1 plant utilizes a dual flash system and a binary bottoming unit called Gould 1 and the Heber 2, Gould 2 and Heber South plants all utilize binary systems. The complex uses a water cooled system.
Subsurface Improvements	27 production wells and 38 injection wells connected to the plants through a gathering system.
Major Equipment	17 OECs and one steam turbine with the Balance of Plant equipment.
Age	The Heber 1 plant, Heber 2, Heber South, Gould 1 and Gould 2 plants commenced commercial operation in 1985, 1993, 2008, 2006 and 2005, respectively.
Land and Mineral Rights	The Heber complex is comprised mainly of private leases. The leases are held by production. The scheduled expiration dates for all of these leases are after the end of the expected useful life of the power plants. The complex's rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in "Description of Our Leases and Lands".
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the leases.
Resource Information	The resource supplying the flash flowing Heber 1 wells averages 341 degrees Fahrenheit. The resource supplying the pumped Heber 2 wells averages 316 degrees Fahrenheit. The Heber complex's production is from deltaic sedimentary sandstones deposited in the subsiding Salton Trough of California's Imperial Valley. Produced fluids rise from near the magmatic heated basement rocks (18,000 feet) via fault/fracture zones to the near surface. Heber 1 wells produce directly from deep (4,000 to 8,000 feet) fracture zones. Heber 2 wells produce from the nearer surface (2,000 to 4,000 feet) matrix permeability sandstones in the horizontal outflow plume fed by the fractures from below and the surrounding ground waters. Scale deposition in the flashing Heber 1 producers is controlled by down hole chemical inhibition supplemented with occasional mechanical cleanouts and acid treatments. There is no scale deposition in the Heber 2 production wells.
Resource Cooling	Average cooling of one degree Fahrenheit per year was observed during the past 20 years of production.
Sources of Makeup Water	Water is provided by condensate and by the IID.
Power Purchaser	One PPA with Southern California Edison and two PPAs with SCPPA.

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PPA Expiration Date	Heber 1 — 2025, Heber 2 — 2023, and Heber South — 2031. The output from the Gould 1 and Gould 2 power plants is sold under the PPAs with SCPPA.
Financing	The Heber complex was financed through the sale of OrCal Senior Secured Notes and the proceeds of the transaction involving our subsidiary ORTP described below
Supplemental Information	We are currently in the process of enhancing the Heber 1 power plant. We are planning to convert artesian wells to pumped wells, add a new water cooling unit and replace one of the OECs, following which we expect the capacity of the complex to reach 89 MW. Construction is ongoing and completion of the enhancement is expected in the first quarter of 2018.

Jersey Valley Power Plant

Location	Pershing County, Nevada
Generating Capacity	10 MW
Number of Power Plants	One
Technology	The Jersey Valley power plant utilizes an air cooled binary system.
Subsurface Improvements	Two production wells and four injection wells are connected to the plant through a gathering system. A third production well is not connected to the power plant and will be used in the future as required.
Major Equipment	Two OECs together with the Balance of Plant equipment.
Age	Construction of the power plant was completed at the end of 2010 and the off-taker approved commercial operation under the PPA on August 30, 2011.
Land and Mineral Rights	The Jersey Valley site is comprised of BLM leases. The leases are held by production. The scheduled expiration dates for all of these leases are after the end of the expected useful life of the power plant. The power plant's rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in "Description of Our Leases and Lands".
Access to Property	Direct access to public roads from leased property and access across leased property are provided under surface rights granted in leases from BLM.
Resource Information	The Jersey Valley geothermal reservoir consists of a small high-permeability area surrounded by a large low-permeability area. The high-permeability area has been defined by wells drilled along an interpreted fault trending west-northwest. Static water levels are artesian; two of the wells along the permeable zone have very high productivities, as indicated by Permeability Index (PI) values exceeding 20 gpm/psi. The average temperature of the resource is 310 degrees Fahrenheit.
Resource Cooling	The rate of cooling was four degrees Fahrenheit in 2015, but we have moderated such cooling by reducing the injection rate in a well near the production wells. To offset the reduction of injection in this well, we diverted more fluid to farther away wells (by increasing injection pressure).
Power Purchaser	Nevada Power Company
PPA Expiration Date	2032

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Financing	The Jersey Valley power plant was financed through the sale of our OFC 2 Senior Secured Notes, corporate funds, an ITC cash grant from the U.S. Treasury and the proceeds of the Opal Geo tax equity partnership transaction.

Mammoth Complex

Location	Mammoth Lakes, California
Generating Capacity	29 MW
Number of Power Plants	Three (G-1, G-2, and G-3).
Technology	The Mammoth complex utilizes air cooled binary systems.
Subsurface Improvements	Ten production wells and five injection wells are connected to the plants through a gathering system.
Major Equipment	Two new OECs and six turbo-expanders together with the Balance of Plant equipment.
Age	The G-1 plant commenced commercial operation in 1984 and the G-2 and G-3 power plants commenced commercial operation in 1990. We recently replaced the equipment at the G-1 plant with new OECs.
Land and Mineral Rights	The Mammoth complex is comprised mainly of BLM leases. The leases are held by production. The scheduled expiration dates for all of these leases are after the end of the expected useful life of the power plants. The complex's rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in "Description of Our Leases and Lands".
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the leases.
Resource Information	The average resource temperature is 339 degrees Fahrenheit. The Casa Diablo/Basalt Canyon geothermal field at Mammoth lies on the southwest edge of the resurgent dome within the Long Valley Caldera. It is believed that the present heat source for the geothermal system is an active magma body underlying the Mammoth Mountain to the northwest of the field. Geothermal waters heated by the magma flow from a deep source (greater than 3,500 feet) along faults and fracture zones from northwest to southeast east into the field area. The produced fluid has minimal scaling potential.
Resource Cooling	In the last three years the temperature has stabilized and there has been no notable decline.
Power Purchaser	G1 and G3 plants — PG&E and G2 plant — Southern California Edison.
PPA Expiration Date	G-1 and G-3 plants — 2034 and G-2 plant — 2027.
Financing	The prior financing transactions covering the Mammoth complex have been fully paid off.

McGinness Hills Complex

Location	Lander County, Nevada
Generating Capacity	90 MW
Number of Power Plants	Two (first phase and second phase)

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Technology	The McGinness Hills complex utilizes an air cooled binary system.
Subsurface Improvements	Ten production wells and six injection wells are connected to the power plant.
Material Equipment	Six air cooled OECs with the Balance of Plant equipment.
Age	The first phase power plant commenced commercial operation on July 1, 2012, and the second phase power plant commenced commercial operation on February 1, 2015.
Land and Mineral Rights	The McGinness Hills complex is comprised of private and BLM leases. The leases require annual rental payments, as described above in "Description of Our Leases and Lands". The rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in "Description of Our Leases and Lands".
Resource Information	The McGinness Hills geothermal reservoir is contained within a network of fractured rocks over an area at least three square miles. The reservoir is contained in both Tertiary intrusive and Paleozoic sedimentary (basement) rocks. The thermal fluids within the reservoir are inferred to flow upward through the basement rocks along the NNE-striking faults at several fault intersections. The thermal fluids then generally outflow laterally to the NNE and SSW along the NNE-striking faults. No modern thermal manifestations exist at McGinness Hills, although hot spring deposits encompass an area of approximately 0.25 square miles and indicate a history of surface thermal fluid flow. The resource temperature averages 335 degrees Fahrenheit and the fluids are sourced from the reservoir between 2,000 and 5,000 feet below the surface.
Resource Cooling	The temperature has been stable with no notable cooling since the first phase power plant began operation.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted in leases from BLM.
Power Purchaser	Nevada Power Company
PPA Expiration Date	2033
Financing	The power plants were financed through the sale of our OFC 2 Senior Secured Notes, an ITC cash grant from the U.S. Treasury for the first phase power plant and the proceeds of the Opal Geo tax equity partnership transaction.

OREG 1 Power Plant

Location	Four gas compressor stations along the Northern Border natural gas pipeline in North and South Dakota.
Generating Capacity	22 MW
Number of Units	Four
Technology	The OREG 1 power plant utilizes our air cooled OECs.
Major Equipment	Four WHOH and four OECs together with the Balance of Plant equipment.
Age	The OREG 1 power plant commenced commercial operation in 2006.
Land	Easement from NBPL.
Access to Property	Direct access to the plant from public roads.
Power Purchaser	Basin Electric Power Cooperative

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PPA Expiration Date	2031
Financing	Corporate funds.
Supplemental Information	In April 2015, we closed an equity transaction with Northleaf in which Northleaf acquired a 36.75% equity interest in ORPD, which has a direct ownership interest in the Puna complex, the Don A. Campbell phase 1 power plant, the OREG 1, OREG 2, and OREG 3 power plants as well as an indirect ownership interest in the Don A. Campbell phase 2 power plant.

OREG 2 Power Plant

Location	Four gas compressor stations along the Northern Border natural gas pipeline; one in Montana, two in North Dakota, and one in Minnesota.
Generating Capacity	22 MW
Number of Units	Four
Technology	The OREG 2 power plant utilizes our air cooled OECs.
Major Equipment	Four WHOH and four OECs together with the Balance of Plant equipment.
Age	The OREG 2 power plant commenced commercial operation during 2009.
Land	Easement from NBPL.
Access to Property	Direct access to the plant from public roads.
Power Purchaser	Basin Electric Power Cooperative
PPA Expiration Date	2034
Financing	Corporate funds.
Supplemental Information	In April 2015, we closed an equity transaction with Northleaf in which Northleaf acquired a 36.75% equity interest in ORPD, which has a direct ownership interest in the Puna complex, the Don A. Campbell phase 1 power plant, the OREG 1, OREG 2, and OREG 3 power plants as well as an indirect ownership interest in the Don A. Campbell phase 2 power plant.

OREG 3 Power Plant

Location	A gas compressor station along Northern Border natural gas pipeline in Martin County, Minnesota.
Generating Capacity	5.5 MW
Number of Units	One
Technology	The OREG 3 power plant utilizes our air cooled OECs.
Major Equipment	One WHOH and one OEC along with the Balance of Plant equipment.
Age	The OREG 3 power plant commenced commercial operation during 2010.
Land	Easement from NBPL.
Access to Property	Direct access to the plant from public roads.
Power Purchaser	Great River Energy
PPA Expiration Date	2029
Financing	Corporate funds.
Supplemental Information	In April 2015, we closed an equity transaction with Northleaf in which Northleaf acquired a 36.75% equity interest in ORPD, which has a direct ownership interest in the Puna complex, the Don A. Campbell phase 1 power plant, the OREG 1, OREG 2, and OREG 3 power plants as well as an indirect ownership interest in the Don A. Campbell phase 2 power plant.

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OREG 4 Power Plant

Location	A gas compressor station along natural gas pipeline in Denver, Colorado.
Generating Capacity	3.5 MW
Number of Units	One
Technology	The OREG 4 power plant utilizes our air cooled OECs.
Major Equipment	Two WHOH and one OEC together with the Balance of Plant equipment.
Age	The OREG 4 power plant commenced commercial operation during 2009.
Land	Easement from Trailblazer Pipeline Company.
Access to Property	Direct access to the plant from public roads.
Power Purchaser	Highline Electric Association
PPA Expiration Date	2029
Financing	Corporate funds.

Ormesa Complex

Location	East Mesa, Imperial County, California
Generating Capacity	40 MW
Number of Power Plants	Three (OG I, OG II and GEM 3). The GEM 2 plant was taken off line during 2015 due to plant operation optimization.
Technology	The OG I and OG II plants utilize a binary system and the GEM 3 plant utilizes a flash system. The complex uses a water cooling system.
Subsurface Improvements	24 production wells and 57 injection wells connected to the plants through a gathering system.
Material Major Equipment	8 OECs and one steam turbine with the Balance of Plant equipment.
Age	The various OG I plants commenced commercial operation between 1987 and 1989, and the OG II plant commenced commercial operation in 1988. Between 2005 and 2007 a significant portion of the old equipment in the OG plants was replaced (including turbines through repowering). The GEM plant commenced commercial operation in 1989, and a new bottoming unit was added in 2007.
Land and Mineral Rights	The Ormesa complex is comprised of BLM leases. The leases are held by production. The scheduled expiration dates for all of these leases are after the end of the expected useful life of the power plants. The complex's rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in "Description of Our Leases and Lands".
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the leases.
Resource Information	The resource temperature ranges from 280 degrees Fahrenheit to 343 degrees Fahrenheit depending on which production wells are used. Production is from sandstones. Productive sandstones are from 1,800 to 6,000 feet, and have only matrix permeability. The currently developed thermal anomaly was created in geologic time by conductive heating and direct outflow from an underlying convective fracture system. Produced fluid salinity ranges from 2,000 ppm to 13,000 ppm, and minor scaling and corrosion potential is chemically inhibited.

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Resource Cooling	In the last year, the temperature has declined by one degree Fahrenheit.
Sources of Makeup Water	Water is provided by the IID.
Power Purchaser	SCPPA under a single PPA.
PPA Expiration Date	November 30, 2042.
Financing	The prior financing transactions covering the Mammoth complex have been fully paid off.
Supplemental Information	On November 30, 2017 we started to sell the electricity generated by the Ormesa complex power plants under a 25-year PPA with SCPPA. This PPA replaced the 30-year SO#4 contract with Southern California Edison. Under the terms of the new PPA, energy from the power plant is sold to SCPPA at a rate of $77.25 per MWh with no annual escalation. Contract capacity is 35 MW with a maximum generation equivalent to a net capacity of about 43 MW.

Puna Complex

Location	Puna district, Big Island, Hawaii
Generating Capacity	38 MW
Number of Power Plants	Two
Technology	The Puna plants utilize our geothermal combined cycle and binary systems. The plants use an air cooled system.
Subsurface Improvements	Six production wells and five injection wells connected to the plants through a gathering system.
Major Equipment	The first plant consists of ten OECs made up of ten binary turbines, ten steam turbines and two bottoming units along with the Balance of Plant equipment. The second plant consists of two OECs along with Balance of Plant equipment.
Age	The first plant commenced commercial operation in 1993. The second plant was placed in service in 2011 and commenced commercial operation in 2012.
Land and Mineral Rights	The Puna complex is comprised of a private lease. The private lease is between PGV and KLP and it expires in 2046. PGV pays an annual rental payment to KLP, which is adjusted every five years based on the CPI. The state of Hawaii owns all mineral rights (including geothermal resources) in the state. The state has issued a Geothermal Resources Mining Lease to KLP, and KLP in turn has entered into a sublease agreement with PGV, with the state's consent. Under this arrangement, the state receives royalties of approximately three percent of the gross revenues.
Access to Property	Direct access to the leased property is readily available via county public roads located adjacent to the leased property. The public roads are at the north and south boundaries of the leased property.
Resource Information	The geothermal reservoir at Puna is located in volcanic rock along the axis of the Kilauea Lower East Rift Zone. Permeability and productivity are controlled by rift-parallel subsurface fissures created by volcanic activity. They may also be influenced by lens-shaped bodies of pillow basalt which have been postulated to exist along the axis of the rift at depths below 7,000 feet.

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	The distribution of reservoir temperatures is strongly influenced by the configuration of subsurface fissures and temperatures are among the hottest of any geothermal field in the world, with maximum measured temperatures consistently above 650 degrees Fahrenheit.
Resource Cooling	The resource temperature is stable.
Power Purchaser	Three PPAs with HELCO (see "Supplemental Information" below).
PPA Expiration Date	2027
Financing	The Puna complex was financed through an operating lease, an ITC cash grant from the U.S. Treasury and the proceeds of the Northleaf transaction described above.
Supplemental Information	Energy pricing under the PPA with HELCO is**:** • For the first on-peak 25 MW, based on HELCO's avoided cost. • For the next on-peak 5 MW, a flat rate of 11.8 cents per kWh escalating by 1.5% per year. • For the new on-peak 8 MW, 9 cents per kWh for up to 30,000 MWh/year and 6 cents per kWh above 30,000 MWh/year, escalated by 1.5% per year. We signed an agreement for the period between February 1, 2017 and December 31, 2017 that waives the 30,000 kWh threshold requirements such that the price for energy delivered during on-peak hours will be 6 cents per kWh regardless of the amount of MWh delivered. We recently extended the waiver until the end of 2018. • For the first off-peak 22 MW, based on HELCO's avoided cost. The off-peak energy above 22 MW is dispatchable: 1. For the first off-peak 5 MW, a flat rate of 11.8 cents per kWh escalating by 1.5% per year. 2. For the energy above 27 MW and up to 38 MW, 6 cents per kWh escalating by 1.5% per year. The capacity payment for the first 30 MW $160 kW/year for the first 25 MW and $100.95 kW/year for the additional 5 MW. For the new eight MW power plant the annual capacity payment is $2 million.

Steamboat Complex

Location	Steamboat, Washoe County, Nevada
Generating Capacity	70 MW
Number of Power Plants	Six (Steamboat 2 and 3, Burdette (Galena 1), Steamboat Hills, Galena 2 and Galena 3).
Technology	The Steamboat complex utilizes a binary system (except for Steamboat Hills, which utilizes a single flash system). The complex uses air and water cooling systems.
Subsurface Improvements	25 production wells and 12 injection wells connected to the plants through a gathering system.
Major Equipment	Nine individual air-cooled OECs and one water-cooled OEC, and one steam turbine together with the Balance of Plant Equipment.

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Age	The power plants commenced commercial operation in 1992, 2005, 2007 and 2008. During 2008, the Rotoflow expanders at Steamboat 2 and 3 were replaced with four turbines manufactured by us.
Land and Mineral Rights	The total Steamboat area is comprised of 41% private leases, 41% BLM leases and 18% private land owned by us. The leases are held by production. The scheduled expiration dates for all of these leases are after the end of the expected useful life of the power plants. The complex's rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in "Description of Our Leases and Lands". We have easements for the transmission lines we use to deliver power to our power purchasers.
Resource Information	The resource temperature at the lower area averages 270 degrees Fahrenheit. The resource at Steamboat Hills averages 325 degrees Fahrenheit. The Steamboat geothermal field is a typical basin and range geothermal reservoir. Large and deep faults that occur in the rocks allow circulation of ground water to depths exceeding 10,000 feet below the surface. Horizontal zones of permeability permit the hot water to flow eastward in an out-flow plume. The Steamboat Hills and Galena 2 power plants produce hot water from fractures associated with normal faults. The rest of the power plants acquire their geothermal water from the horizontal out-flow plume. The water in the Steamboat reservoir has a low total solids concentration. Scaling potential is very low unless the fluid is allowed to flash which will result in calcium carbonate scale. Injection of cooled water for reservoir pressure maintenance prevents flashing.
Resource Cooling	The Steamboat Hills area resource temperature decline rate is 4°F per year and the Lower Steamboat decline rate is 3°F per year.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the leases.
Sources of Makeup Water	Water is provided by condensate and the local utility.
Power Purchaser	Sierra Pacific Power Company (for Steamboat 2 and 3, Burdette (Galena1), Steamboat Hills, and Galena 3) and Nevada Power Company (for Galena 2).
PPA Expiration Date	Steamboat 2 and 3 — 2022, Burdette (Galena1) — 2026, Steamboat Hills — 2018, Galena 3 — 2028, and Galena 2 — 2027.
Financing	Financings were fully paid.
Supplemental information	In 2017 we ceased operation of a well due to pump failures and connected a cooler well that created a significant reduction in the temperature compared to last year.

Tungsten Mountain (U.S.)

Location	Churchill County, Nevada
Generating Capacity	26 MW
Number of Power Plants	One
Technology	The Tungsten Mountain power plant utilizes an air cooled binary system.

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Subsurface Improvements	Four production and three injection wells are connected to the power plant.
Major Equipment	One air cooled OEC with the Balance of Plant equipment.
Age	The power plant commenced commercial operation on December 1, 2017.
Land and Mineral Rights	The Tungsten Mountain area is comprised of BLM land.
Resource Information	The project exploits blind resource (no hot springs or fumaroles) in an area of complex faulting associated with the range front fault on the western side of Edwards Creek Valley. Wells are 1,650 to 4,500 feet deep. Production temperature is approximately 290 degrees Fahrenheit with measured high permeability.
Resource Cooling	The resource temperature is stable.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted in leases from BLM.
Power Purchaser	SCPPA PPA until 2043.
Financing	Corporate funds during construction.

Tuscarora Power Plant

Location	Elko County, Nevada
Generating Capacity	18 MW
Number of Power Plants	One
Technology	The Tuscarora power plant utilizes a water cooled binary system.
Subsurface Improvements	Four production and six injection wells are connected to the power plant. A fifth production well is planned for 2018 and should be in place in early 2018.
Major Equipment	Two water cooled OECs with the Balance of Plant equipment.
Age	The power plant commenced commercial operation on January 11, 2012.
Land and Mineral Rights	The Tuscarora area is comprised of private and BLM leases. The leases are currently held by payment of annual rental payments, as described above in “Description of Our Leases and Lands”. The plant’s rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in “Description of Our Leases and Lands”.
Resource Information	The Tuscarora geothermal reservoir consists of an area of approximately 2.5 square miles. The reservoir is contained in both Tertiary and Paleozoic (basement) rocks. The Paleozoic section consists primarily of sedimentary rocks, overlain by tertiary volcanic rocks. Thermal fluid in the native state of the reservoir flows upward and to the north through apparently southward-dipping, basement formations. At an elevation of roughly 2,500 feet with respect to mean sea level, the upwelling thermal fluid enters the tertiary volcanic rocks and flows directly upward, exiting to the surface at Hot Sulphur Springs. The average resource temperature is 332 degrees Fahrenheit.

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Resource Cooling	We expect gradual decline in the cooling trend from two degrees Fahrenheit per year in the next two to three years, to less than one degree Fahrenheit per year over the long term.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted in leases from BLM.
Sources of Makeup Water	Water is provided from five water makeup wells.
Power Purchaser	Nevada Power Company
PPA Expiration Date	2032
Financing	OFC 2 Senior Secured Notes, ITC cash grant from the U.S. Treasury and the OrLeaf transaction.
Supplemental information	Due to the drought years, supply of make-up water for the plant cooling system is declining. With the increase in ambient temperatures, during the summer months we have experienced shortfall at levels that required at certain times reduction in plant generation. At the beginning of 2018 a new well started production. Cooling water supply continues to curtail production in the summer.

Foreign Operating Power Plants

The following descriptions summarize certain industry metrics for our foreign operating power plants:

Amatitlan Power Plant (Guatemala)

Location	Amatitlan, Guatemala
Generating Capacity	20 MW
Number of Power Plants	One
Technology	The Amatitlan power plant utilizes an air cooled binary system and a small back pressure steam turbine (one MW).
Subsurface Improvements	Six production wells and two injection wells connected to the plants through a gathering system.
Major Equipment	Two OECs and one steam turbine together with the Balance of Plant equipment.
Age	The plant commenced commercial operation in 2007.
Land and Mineral Rights	Total resource concession area (under usufruct agreement with INDE) is for a term of 25 years starting in April 2003. Leased and company owned property is approximately 3% of the concession area. Under the agreement with INDE, the power plant company pays royalties of 3.5% of revenues up to 20.5 MW generated and 2% of revenues exceeding 20.5 MW generated. The generated electricity is sold at the plant fence. The transmission line is owned by INDE.
Resource Information	The resource temperature is an average of 518 degrees Fahrenheit. The Amatitlan geothermal area is located on the north side of the Pacaya Volcano at approximately 5,900 feet above sea level. Hot fluid circulates up from a heat source beneath the volcano, through deep faults to shallower depths, and then cools as it flows horizontally to the north and northwest to hot springs on the southern shore of Lake Amatitlan and the Michatoya River Valley.

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Resource Cooling	Approximately two degrees Fahrenheit per year.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the lease agreement.
Power Purchasers	INDE and another local purchaser.
PPA Expiration Date	The PPA with INDE expires in 2028.
Financing	Senior secured limited recourse project finance loan from Banco Industrial S.A. and Westrust Bank (International) Limited.

Bouillante power plant (Guadeloupe)

Location	Guadeloupe, a French territory in the Caribbean
Generating Capacity	15 MW
Number of Power Plants	One
Technology	The Bouillante power plant uses direct steam turbines.
Subsurface Improvements	Two production wells and one injection well connected to the plant through a gathering system.
Major Equipment	Two steam turbines together with the Balance of Plant equipment.
Age	The first turbine commenced commercial operation in 1995 and the second turbine commenced operation in 2004.
Land and Mineral Rights	Geothermal concession of roughly 24 square miles valid through April 30, 2050. Facilities located on land held in fee, as well as long-term leases and easements.
Resource Information	The resource temperature is an average of 485 degrees Fahrenheit. Production comes from a fault that extends from the mountain into the ocean.
Resource Cooling	The resource temperature is stable.
Access to Property	Direct access to site through public roads.
Power Purchaser	EDF pursuant to a PPA.
PPA Expiration Date	December 31, 2030.
Financing	Corporate funds
Supplemental information	80% of the project is owned jointly by Ormat and CDC allocated 75% to Ormat and 25% to CDC. Ormat and CDC will gradually increase their combined interest in the project to 85% and Sageos will hold the remaining balance. We plan to convert two idle wells to injection wells to improve reservoir pressure support.

Olkaria III Complex (Kenya)

Location	Naivasha, Kenya
Generating Capacity	139 MW
Number of Power Plants	Four (Plant 1, Plant 2, Plant 3 and Plant 4).
Technology	The Olkaria III complex utilizes an air cooled binary system.

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Subsurface Improvements	18 production wells and five injection wells connected to the plants through a gathering system.
Major Equipment	13 OECs together with the Balance of Plant equipment.
Age	Plant 4 commenced commercial operation in January 2016, Plant 3 in January 2014 and Plant 2 in April 2013. The first phase of Plant 1 commenced operation in 2000 and the second phase in 2009.
Land and Mineral Rights	The total Olkaria III area is comprised of government leases. A license granted by the Kenyan government provides exclusive rights of use and possession of the relevant geothermal resources for an initial period of 30 years, expiring in 2029, which initial period may be extended for two additional five-year terms. The Kenyan Minister of Energy has the right to terminate or revoke the license in the event work in or under the license area stops during a period of six months, or there is a failure to comply with the terms of the license or the provisions of the law relating to geothermal resources. Royalties are paid to the Kenyan government monthly based on the amount of power supplied to the power purchaser and an annual rent. The power generated is purchased at the metering point located immediately after the power transformers in the 220 kV sub-station within the power plant, before the transmission lines, which belong to the utility.
Resource Information	The average resource temperature is 570 degrees Fahrenheit. The Olkaria III geothermal field is on the west side of the greater Olkaria geothermal area located at approximately 6,890 feet above sea level within the Rift Valley. Hot geothermal fluids rise up from deep in the northeastern portion of the concession area, penetrating a low permeability zone below 3,280 feet above sea level to a high productivity, two-phase zone identified between 3,280 and 4,270 feet above sea level.
Resource Cooling	The resource temperature is stable.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the lease agreement.
Power Purchaser	KPLC
PPA Expiration Date	Plant 2 - 2033, Plant 1 - 2034, Plant 3 - 2034 and Plant 4 - 2036
Financing	Senior secured project finance loan from OPIC and a subordinated loan from DEG.
Supplemental information	We are planning to add additional 10 MW that will come online during 2018.

Platanares (Honduras)

Location	Copan, Honduras
Generating Capacity	35 MW
Number of Power plants	One
Technology	The Platanares power plant utilizes an air cooled binary system.

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Subsurface Improvements	Four production wells and two injection wells connected to the plant through a gathering system.
Major Equipment	Two OECs together with the Balance of Plant equipment.
Age	The plant commenced commercial operation in September 2017.
Land and Mineral Rights	The Platanares site is located within a geothermal concession granted by the Department of Energy, Natural Resources, Environment, and Mines (SERNA) on fee land owned by GeoPlatanares and on land leased from various private and public entities. The concession conveys to GeoPlatanares the right to exploit the geothermal resources contained within. The transmission corridor consists of easement agreements between GeoPlatanares and various private and public entities.
Resource Information	The Platanares site is located along a narrow river valley in western Honduras. The field is covered mostly by Miocene volcanic deposits. Numerous boiling hot springs and fumaroles emit along active faults along an area around two miles in length. The geothermal reservoir is supported by highly fractured volcanic and metasedimentary rock units. Wells are less than 800 meters deep. Production temperature is 352 degrees Fahrenheit with high productivity.
Resource Cooling	The resource temperature is stable.
Access to Property	Public roads provide access to the Platanares site. In order to improve access for heavy equipment and large loads, GeoPlatanares has entered into a lease agreement with a private landowner for a small segment of road linking two leased parcels
Power Purchaser	ENEE pursuant to a PPA.
PPA Expiration Date	2047
Financing	Corporate funds.
Supplemental Information	We hold the assets, including the project's wells, land, permits and a PPA, under a BOT structure for 15 years from the date the Platanares plant commenced commercial operation on September 26, 2017. A portion of the land on which the project is located is held by us through a lease from a local municipality. The lease is subject to approval by the Honduran Congress because the term of the lease exceeds the term in office of the relevant municipal government. Our project subsidiary has commenced the necessary steps to obtain such approval. We are negotiating project finance debt that will be provided by the OPIC. The financing is expected to be signed and closed following the fulfillment of certain conditions precedent set forth in the loan documents.

Sarulla – SIL and NIL 1(Indonesia)

Location	Tapanuli Utara North Sumatra Namura I Langit area, Indonesia.
Ownership	SOL is a consortium consisting of Medco Energi Internasional Tbk, Inpex Corporation, Itochu Corporation, Kyushu Electric Power Co. Inc., and one of our indirect wholly owned subsidiaries that holds a 12.75% interest.
Generating Capacity	Currently two phases (SIL and NIL 1) are operating with a total capacity of approximately 220 MW (Ormat's ownership share is approximately 28 MW). Ormat's own equipment is producing approximately 40% of the power.

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Number of Power plants	Two (SIL and NIL 1)
Technology	Integrated Geothermal Combined Cycle Unit comprised of one back pressure steam turbines and six OECs for each phase (together two steam turbines and 12 OECs.
Subsurface Improvements	About 16 production wells and the same number of injection wells are connected to the plant through a gathering system.
Major Equipment	Two pressure steam turbines and 12 OECs together with its ancillary systems as well as field separation systems; sub-station, internal HV transmission line and other Balance of Plant equipment.
Age	SIL and NIL 1 power plants commenced commercial operation in March and October 2017, respectively.
Land and Mineral Rights	Most of the above ground land for the project was acquired from private owners with some land leased from governmental agencies. Mineral rights are state owned with special agreement for its usage by the project.
Resource Information	Two field areas, NIL and SIL host a steam-liquid-dominated system. Previously drilled wells have temperatures from 275°C to 310°C. Currently most wells are flowing at an average rate of about 750T/Hr per well which is sufficient for over 20 MW electrical production.
Resource Cooling	Since the project commenced operation the resource temperature has been stable.
Access to Property	Access to property for the project has been secured.
Power Purchaser	30-year Energy Sales Contract with PLN (the state electric utility)
PPA Expiration Date	2047
Financing	In May 2014, SOL reached financial closing on $1.17 billion to finance the development of the Sarulla project with a consortium of lenders comprised of JBIC, the Asian Development Bank and six other commercial banks. The project company obtained construction and term loans under a limited recourse financing package backed by political risk guarantee from JBIC.
Supplemental Information	The Sarulla project is owned and operated by the consortium members under the framework of a JOC and ESC. Under the JOC, PT Pertamina Geothermal Energy, the concession holder for the project, has provided the consortium with the right to use the geothermal field, and under the ESC, PLN, the state electric utility, will be the off-taker at Sarulla for a period of 30 years. In addition to our equity holdings in the consortium (12.75%), we provided (under a separate supply contract) the initial conceptual design, the control system and the OECs for the Sarulla power plant. We are progressing with construction of the third phase, NIL 2, as discussed below.

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Zunil Power Plant (Guatemala)

Location	Zunil, Guatemala
Generating Capacity	23 MW (see "Supplemental Information" below for information on current generating capacity)
Number of Power Plants	One
Technology	The Zunil power plant utilizes an air cooled binary system.
Subsurface	Six production wells and two injection wells are connected to the plant through a gathering system.
Major Equipment	Seven OECs together with the Balance of Plant equipment.
Age	The Zunil power plant commenced commercial operation in 1999.
Land and Mineral Rights	The land owned by the Zunil power plant includes the power plant, workshop and open yards for equipment and pipes storage. Pipelines for the gathering system transit through a local agricultural area's right of way acquired by us. The geothermal wells and resource are owned by INDE. The power generated by the Zunil power plant is sold at our property line; power transmission lines are owned and operated by INDE.
Resource Information	The Zunil geothermal reservoir is hosted in Tertiary volcanic rocks which include overly fractured granodiorite. Production wells produce a reservoir from 536-572 degrees Fahrenheit to a depth of approximately 2,860 to 4,300 feet. A shallow steam cap exists in the production area of the field, and most of the wells produce high enthalpy fluid due to the presence of two-phase conditions in their feed zones. The wells target northwest- and northeast-trending fractures for permeability. These fractures are also thought to control upwelling from the volcanically-heated source. The upwelling fluids form a steam cap, and fluids and steam reach the surface along fractures, forming springs and fumaroles throughout the geothermal field.
Resource Cooling	The resource temperature is stable.
Access to Property	Direct access to public roads.
Power Purchaser	INDE
PPA Expiration Date	2034
Supplemental Information	In January 2014, we signed an amendment to the PPA with INDE to extend its term by 15 years until 2034. The PPA amendment also transfers operation and management responsibilities of the Zunil geothermal field from INDE to Ormat for the term of the amended PPA in exchange for an increase in tariff. Additionally, INDE exercised its right under the PPA to become a partner in the Zunil power plant and to hold a three percent equity interest. The power plant generates approximately 16 MW due to lack of sufficient geothermal resources. We successfully improved the heat supply and gradually increased the generation capacity. We expect that this improvement and the increased tariff will increase the energy portion of revenues.

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According to the PPA amendment, payments for the Zunil plant will be made as follows:

1. Capacity payment:
   a. Until 2019, the capacity payment will be calculated based on a 24 MW generating capacity regardless of the actual performance of the power plant.
   b. From 2019 and thereafter, the capacity payment will be based on actual delivered capacity and the capacity rate will be reduced.
2. Energy payment:
   a. From 2014 until 2034, the energy payment will include a geothermal field operation and maintenance rate based on actual delivered energy in addition to the energy rate on actual delivered energy.
   b. From 2019 and thereafter, the energy rate on delivered energy will increase and will compensate the reduction in the capacity rate.

Projects under Construction

We have several projects in various stages of construction, including three projects that we have fully released for construction and three projects that are in initial stages of construction.

The following is a description of projects in the U.S., Kenya and Indonesia that were released for, and are in different stages of, construction. These projects are expected to have a total generating capacity of 72 MW (representing our interest). In addition, we are planning to add 4 MW to the Brady complex, as described above.

McGinness Hills Phase 3 (U.S.)

Location	Lander County, Nevada
Projected Generating Capacity	48 MW
Projected Technology	The power plant will utilize an air cooled binary system.
Condition	Engineering and procurement is ongoing, and drilling is in process.
Subsurface Improvement	We plan to drill five new production wells and three injection wells.
Land and Mineral Rights	The McGinness Hills site is comprised of private and BLM leases. The leases require annual rental payments, as described above in “Description of Our Leases and Lands”. The rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in “Description of Our Leases and Lands”.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted in leases from BLM.
Resource Information	The McGinness Hills geothermal reservoir is contained within a network of fractured rocks over an area of at least three square miles. The reservoir is contained in both Tertiary intrusive and Paleozoic sedimentary (basement) rocks. The thermal fluids within the reservoir are inferred to flow upward through the basement rocks along the NNE-striking faults at several fault intersections. The thermal fluids then generally outflow laterally to the NNE and SSW along the NNE-striking faults. No modern thermal manifestations exist at McGinness Hills, although hot spring deposits encompass an area of approximately 0.25 square miles and indicate a history of surface thermal fluid flow. The resource temperature averages 335 degrees Fahrenheit and the fluids are sourced from the reservoir at elevations between 2,000 to 5,000 feet below the surface.

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Power Purchaser	SCPPA.
Financing	Corporate finance.
Projected Operation	By the end of 2018.
Supplemental Information	Western Watersheds Project (WWP) filed a notice of appeal and petition for standing with respect to a BLM decision approving Addendum 2 to Operation Plan & Utilization Plan for the MGH project. The appeal alleges that the BLM decision authorizing construction and operation of MGH Phase 3 causes harm to WWP and its members by allowing degradation of the wildlife habitat of the Greater sage-grouse in that area.

Olkaria III – Plant 1 Repowering (Kenya)

Location	Naivasha, Kenya
Projected Generating Capacity	10 MW
Projected Technology	The power plant will utilize an air cooled binary system.
Condition	Engineering and manufacturing are completed. Plant construction is ongoing. The power plant is planned to be on line early in 2018
Subsurface Improvement	Two wells were drilled successfully in 2017.
Land and Mineral Rights	The Olkaria III site is comprised of government leases. See description above under “Olkaria III Complex”.
Resource Information	The Olkaria III geothermal field is located on the west side of the greater Olkaria geothermal area within the Rift Valley at approximately 6,890 feet above sea level. Hot geothermal fluids rise up from deep in the northeastern portion of the concession area through low permeability at a shallow depth to a high productivity two-phase region from 3,280 to 4,270 feet above sea level.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the lease agreement.
Power Purchaser	KPLC.
Financing	Corporate finance.
Projected Operation	In the second half of 2018.
Supplemental Information	We plan to add an additional OEC to the existing Olkaria III Plant 1. The electricity generated from the new unit will be sold under the Olkaria III Plant 1 PPA.

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Sarulla NIL 2 (Indonesia)

Location	Tapanuli Utara North Sumatra Namura I Langit area, Indonesia.
Ownership	SOL is a consortium consisting of Medco Energi Internasional Tbk, Inpex Corporation, Itochu Corporation, Kyushu Electric Power Co. Inc., and one of our indirect wholly owned subsidiaries that holds a 12.75% interest.
Projected Generating Capacity	One phase, NIL 2, has a total projected generating capacity of approximately 110 MW (Ormat's share is approximately 14 MW).
Projected Technology	Integrated Geothermal Combined Cycle Unit comprised of one back pressure steam turbine and six OECs.
Condition	The first two phases (SIL and NIL 1, with a combined generating capacity of 220 MW) commenced commercial operation in March and October 2017, respectively. For the third phase, NIL 2, engineering, procurement and construction work at the site are in progress and all of Ormat's equipment has been delivered and installed. Drilling for the third phase is still ongoing and the project has achieved to date, based on preliminary estimates, 100% of the required production and injection capacity.
Land and Mineral Rights	Most of the aboveground land for the project was acquired from private owners with some land leased from governmental agencies. Mineral rights are state owned with special agreement for its usage by the project.
Resource Information	Two field areas, NIL and SIL host a steam-liquid-dominated system. Previously drilled wells have temperatures from 275°C to 310°C. Currently most wells are flowing at an average rate of about 750T/Hr per well which is sufficient for over 20 MW electrical production.
Access to Property	Access to property for the project has been secured.
Power Purchaser	30-year Energy Sales Contract with PLN (the state electric utility)
Financing	In May 2014, SOL reached financial closing on $1.17 billion to finance the development of the project with a consortium of lenders comprised of JBIC, the Asian Development Bank and six other commercial banks. Under this financing, the project company obtained construction and term loans under a limited recourse financing package backed by political risk guarantee from JBIC.
Projected Operation	NIL 2 will be commissioned in two stages. Approximately 80 MW will be commissioned in the first quarter of 2018 and approximately 30 MW will be commissioned by mid-April 2018.
Supplemental Information	The Sarulla project is owned and operated by the consortium members under the framework of a JOC and ESC. Under the JOC, PT Pertamina Geothermal Energy, the concession holder for the project, has provided the consortium with the right to use the geothermal field, and under the ESC, PLN, the state electric utility, is the off-taker at Sarulla for a period of 30 years.

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In addition to our equity holdings in the consortium, we designed the Sarulla power plant and supplied our OECs to the power plant.

The project has missed a few milestones defined under the loan documents but has received waivers from the lenders and the project is currently in compliance with the lenders' requirements. The project experienced delays in field development and cost overruns resulting from delays and excess drilling costs. Due to the cost overrun in drilling, the lenders have requested from the sponsors to commit to contributing additional equity. The sponsors have agreed, and financing documents were revised to reflect this request. With respect to our role as a supplier, all contractual milestones under the supply agreement were achieved.

The following is a description of projects in California and Nevada with an expected total generating capacity of 42 MW that are in an initial stage of construction:

Carson Lake Project (U.S.)

Location	Churchill County, Nevada
Projected Generating Capacity	10 MW
Projected Technology	The Carson Lake power plant will utilize a binary system.
Condition	Initial stage of construction.
Subsurface Improvements	We drilled one well in 2016 that did not meet our commercial criteria and another in 2017 that tested favorably. Planning is in process for next steps including a flow test to evaluate reservoir volume.
Land and Mineral Rights	The Carson Lake project site is comprised of BLM leases. The leases are currently held by the payment of annual rental payments, as described above in "Description of Our Leases and Lands." Ormat holds the leases under the initial extension of the primary term which expires in 2021. An additional extension of the primary term may be filed in 2021 for an additional 5 years. If commercial production occurs during either of these periods, the leases will be extended for 35 years with the possibility of additional extension for 55 years. The project's rights to use the geothermal and surface rights under the leases are subject to various conditions, as described above in "Description of Our Leases and Lands".
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted in leases from BLM.
Resource Information	The expected average temperature of the resource cannot be estimated as field development has not been completed yet.
Power Purchaser	SCPPA.
PPA Expiration Date	2043
Financing	Corporate funds.

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Projected Operation	We are currently continuing with drilling activity and based on these results, we will evaluate the next development steps for the project and its COD.
Supplemental Information	We signed a Small Generator Interconnection Agreement with NV Energy in December 2017.

CD4 Project (Mammoth Complex) (U.S.)

Location	Mammoth Lakes, California
Projected Generating Capacity	25 MW
Projected Technology	The CD4 power plant will utilize an air cooled binary system.
Condition	Initial stage of construction.
Subsurface Improvements	We have completed two production wells, one of which was previously considered an injection well. In 2017 we drilled a core well to begin baseline monitoring, as required by our permit. Continued drilling is planned for 2018.
Land and Mineral Rights	The Mammoth complex is comprised mainly of BLM leases, which are held by production and are subject to a unitization agreement.
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted pursuant to the leases.
Resource Information	The expected average temperature of the resource is 350-370 degrees Fahrenheit.
Power Purchaser	We have not executed a PPA.
Financing	Corporate funds.
Projected Operation	2020, subject to PPA execution.
Supplemental Information	We signed a Wholesale Distribution Access Tariff Cluster Large Generator Interconnection Agreement with SCE in December 2017.

Tungsten Mountain Solar (U.S.)

Location	Churchill County, Nevada
Projected Generating Capacity	7 MW AC (8.5 MW DC)
Projected Technology	Solar PV
Condition	Development (engineering and permitting)
Land	The Tungsten Mountain Solar site is comprised of BLM leases
Access to Property	Direct access to public roads from the leased property and access across the leased property are provided under surface rights granted in leases from BLM.
Power Purchaser	SCPPA
PPA Expiration Date	2043
Financing	Corporate funds
Projected Operation	By the end of 2018

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Supplemental Information	We plan to install Solar PV systems in the Tungsten Mountain geothermal power plant to reduce internal (i.e. parasitic) load. We are in the process of amending the Tungsten Mountain geothermal Large Generator Interconnection Agreement with NV Energy to reflect this addition of solar PV systems.

Future Projects

Projects under Various Stages of Development

We also have projects under various stages of development in the U.S., Guadeloupe and Kenya. We expect to continue to explore these and other opportunities for expansion so long as they continue to meet our business objectives and investment criteria.

The following is a description of the projects currently under various stages of development and for which we are able to estimate their expected generating capacity. Upon completion of these projects, the generating capacity of our geothermal projects would increase by approximately 73 MW to 78 MW (representing our interest). However, we prioritize our investments based on their readiness for continued construction and expected economics and therefore we are not planning to invest in all of such projects in 2018.

Bouillante power plant (Guadeloupe)

We are planning to increase the capacity of the Bouillante project by an additional 10 MW. The power plant currently sells its electricity under a 15-year PPA with EDF that was entered into in February 2016 and allows us to sell up to 14.75 MW. We expect this expansion to be completed in 2020, subject to PPA execution.

Menengai Project (Kenya)

On November 3, 2014, our majority owned Kenyan subsidiary (Project Company) signed a 25-year PPA with KPLC and a project implementation and steam supply agreement (PISSA) with GDC for the 35 MW Menengai geothermal project in Kenya. The Project Company is owned by Ormat (51%), Symbion Power LLC (24.5%) and Civicon Ltd. (24.5%).

Under the PISSA, the Project Company will finance, design, construct, install, operate and maintain the 35 MW Menengai steam power plant on a build-own-operate (BOO) basis for 25 years. GDC, which is wholly owned by the Kenyan government, will develop the geothermal resource, supply the steam for conversion to electricity and maintain the geothermal field through the term of the agreement. The Project Company expects to start construction upon financial closing.

Puna Enhancement Project (Hawaii)

We are planning to replace 10 old steam units with two new OECs and to upgrade the existing auxiliary equipment. This upgrade will increase the Puna complex generating capacity by 8 MW to 46 MW. We have entered into negotiations with HELCO to secure a PPA for increased generation during the original term of the existing PPAs and to extend the period beyond 2027. We expect the upgrade to be completed by late 2019 or early 2020.

Dixie Meadows

We are currently developing the 15 MW to 20 MW Dixie Meadows geothermal power plant in Churchill County, Nevada. Following evaluation of drilling results, we have concluded that injection wells should be located in an area which is currently designated as protected land. We are exploring ways to remove the federal designation. Until we complete this process, we have put this project on hold.

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Steamboat Solar

We are planning to develop a 5 MW Solar PV project on the site of the Steamboat geothermal complex. We plan to install Solar PV systems to reduce internal consumption loads.

Future Prospects

We have a substantial land position that is expected to support future development and on which we have started or plan to start exploration activity. When deciding whether to continue holding lease rights and/or to pursue exploration activity, we diligently prioritize our prospective investments, taking into account resource and probability assessments in order to make informed decisions about whether a particular project will support commercial operation.

As a result, during fiscal year 2017, we discontinued exploration activities at four prospects, the Ungaran prospect in Indonesia, Glass Buttes - Midnight Point in Oregon, and Tuscarora - Phase 2 and Don A. Campbell - phase 3 in Nevada. We added two new prospects in 2017, the Tungsten Mountain – Phase 2 and Twin Buttes in Nevada.

Our current land position is comprised of various leases, concessions and private land for geothermal resources of approximately 264,000 acres in 32 prospects including the following:

Nevada (15)

1. Alum	Exploration studies in progress;
2. Baltazor	Under exploration drilling;
3. Colado	Under exploration drilling;
4. Dixie Comstock	Exploration studies in progress;
5. Edwards Creek	Under exploration drilling;
6. Horsehaven (formerly Beowawe)	Exploration studies in progress;
7. North Valley	Exploration studies in progress;
8. New York Canyon	Exploration studies in progress;
9. Pearl Hot Springs	Lease acquired but no further action has been taken yet;
10. Ruby Valley	Lease acquired but no further action has been taken yet;
11. Rhodes Marsh	Exploration studies in progress;
12. South Brady	Exploration studies in progress;
13. Trinity	Exploration studies in progress;
14. Tungsten Mountain – Phase 2	Assessment for future expansion; and
15. Twin Buttes	Lease acquired but no further action has been taken yet.

California (3)

1. Glamis	Exploration studies in progress;
2. Rhyolite Plateau	Exploration studies in progress; and
3. Truckhaven	Exploration studies in progress.

Oregon (2)

1. Crump Geyser	Under exploration drilling; and
2. Lakeview/ Goose Lake	Exploration studies in progress

New Mexico (1)

1. Rincon	Exploration studies in progress.

Utah (2)

1. Pavant	Exploration studies in progress;
2. Roosevelt Hot Springs	Exploration studies in progress.

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Guatemala (2)

1. Amatitlan Phase II	Exploration studies in progress; and
2. Tecumburu	Waiting for additional land acquisition.

Guadeloupe (1)

1. Bouillante	Exploration studies in progress.

New Zealand (1)

1. Tikitere	Signed BOT agreement; exploratory drilling is pending resource consent acceptance.

Honduras (1)

1. San Ignacio (12 Tribes)	Exploration studies in progress.

Ethiopia (4)

1. Boku	Under exploration studies;
2. Dofan	Under exploration studies;
3. Dugumo Fango	Under exploration studies; and
4. Shashamane	Under exploration studies;

Storage Projects

In addition to our Geothermal activity, we are currently working to develop energy storage projects in the U.S. including the following:

ACUA

We are developing a 1 MW/1 MWh behind the meter energy storage system that will be installed in the Atlantic County Utility Authority's (ACUA) wastewater treatment plant in Atlantic City, New Jersey. We will own and operate the battery energy storage systems to create energy savings for ACUA, including by participating in PJM's frequency regulation market. Commercial operation is expected in March 2018.

Stryker and Plumstead

We are developing two 20 MW/20 MWh IFM energy storage systems. The Stryker project is located near Allentown, NJ and the Plumsted project is located near Trenton, NJ. We are acting as EPC lead and owner and operator of both projects. The energy storage systems will participate in PJM's frequency regulation market.

Operations of our Product Segment

Power Units for Geothermal Power Plants. We design, manufacture, and sell power units for geothermal electricity generation, which we refer to as OECs. Our customers include contractors and geothermal plant owners and operators.

The power units are usually paid for in installments, in accordance with milestones set forth in the supply agreement. Sometimes we agree to provide the purchaser with spare parts (or alternatively, with a non-exclusive license to manufacture such parts). We provide the purchaser with at least a 12-month warranty for such products. We usually also provide the purchaser (often upon receipt of advances made by the purchaser) with a guarantee, which partially terminates upon delivery of the equipment to the site and terminates in full at the end of the warranty period. The guarantees are typically supported by letters of credit.

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Power Units for Recovered Energy-Based Power Generation. We design, manufacture, and sell power units used to generate electricity from recovered energy or so-called "waste heat". Our existing and target customers include interstate natural gas pipeline owners and operators, gas processing plant owners and operators, cement plant owners and operators, and other companies engaged in other energy-intensive industrial processes. We have two different business models for this product line.

- The first business model, which is similar to the model utilized in our geothermal power generation business, consists of the development, construction, ownership, and operation of recovered energy-based generation power plants. Pursuant to this business model, we enter into agreements to purchase industrial waste heat, and long-term PPAs with off-takers to sell the electricity generated by the REG unit that utilizes such industrial waste heat. The power purchasers in such cases generally are investor-owned electric utilities or local electrical cooperatives. This is the business model for our OREG 1, 2, 3 and 4 power plants.

- Pursuant to the second business model, we construct and sell the power units for recovered energy-based power generation to third parties for use in "inside-the-fence" installations or otherwise. Our customers include gas processing plant owners and operators, cement plant owners and operators and companies in the process industry.

Remote Power Units and other Generators. We design, manufacture and sell fossil fuel powered turbo-generators with capacities ranging from 200 watts to 5,000 watts, which operate unattended in extreme hot or cold climate conditions. The remote power units supply energy to remote unmanned installations and along communications lines, and provide cathodic protection along gas and oil pipelines. Our customers include contractors installing gas pipelines in remote areas. In addition, we manufacture and sell generators, including heavy duty direct current generators, for various other uses. The terms for sale of the turbo-generators are similar to those for the power units we produce for power plants.

EPC of Power Plants. We engineer, procure and construct, as an EPC contractor, geothermal and recovered energy power plants on a turnkey basis, using power units we design and manufacture. Our customers are geothermal power plant owners as well as our target customers for the sale of our recovered-energy based power units described above. Unlike many other companies that provide EPC services, we believe we have an advantage in that we are using our own manufactured equipment and thus have better quality and control over the timing and delivery of equipment and related costs. The consideration for such services is usually paid in installments, in accordance with milestones set forth in the EPC contract and related documents. We usually provide performance guarantees or letters of credit securing our obligations under the contract. Upon delivery of the plant to its owner, such guarantees are replaced with a warranty guarantee, usually for a period ranging from 12 to 36 months. The EPC contract usually places a cap on our liabilities for failure to meet our obligations thereunder.

In connection with the sale of our power units for geothermal power plants, power units for recovered energy-based power generation, remote power units and other generators, we enter into sales agreements, from time to time, with sales representatives for the marketing and sale of such products pursuant to which we are obligated to pay commissions to such representatives upon the sale of our products in the relevant territory covered by such agreements by such representatives or, in some cases, by other representatives in such territory.

Our manufacturing operations and products are certified ISO 9001, ISO 14001, American Society of Mechanical Engineers, and TÜV, and we are an approved supplier to many electric utilities around the world.

Backlog

We have a product backlog of approximately $243.0 million as of February 26, 2018, which includes revenues for the period between January 1, 2018 and February 26, 2018, compared to $251.0 million as of February 27, 2017, which included revenues for the period between January 1, 2017 and February 27, 2017.

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The following is a breakdown of the Product segment backlog as of March 1, 2018 ($ in millions):

	Expected Completion of the Contract	Sales Expected to be Recognized in 2018	Sales Expected to be Recognized in the years following 2018	Expected Until End of Contract
Geothermal	2019	177.5	57	234.5
Recovered Energy	2018	0.9	0.0	0.9
Other	2018	7.6	0.0	7.6
Total		**186.0**	57.0	**243.0**

Competition

In our Electricity segment, we face competition from geothermal power plant owners and developers as well as other renewable energy providers.

In our Product segment, we face competition from power plant equipment manufacturers and system integrators as well as engineering or projects management companies.

As we implement our new strategic plan, we will face competition from a number of sources, many of which may have resources, industry experience, market acceptance or other advantages we do not have. For example, expanding into new technologies, such as energy storage, or new markets, such as C&I, will involve competition from companies that already have established businesses in those technologies and markets as well as companies seeking to acquire established businesses and other new market entrants like us.

Electricity Segment

Competition in the Electricity segment is particularly marked in the very early stage of either obtaining the rights to the resource for development of future projects or acquiring a site already in a more advanced stage of development. Once we or other developers obtain such rights or own a power plant, competition is limited. From time to time and in different jurisdictions competing geothermal developers become our customers in the Product segment.

Our main competitors in the geothermal sector in the U.S. are CalEnergy, Calpine Corporation, Terra-Gen Power LLC, Enel Green Power S.p.A and other smaller pure play developers. Outside the U.S., in many cases our competitors are companies that are gaining experience developing geothermal projects in their own countries such as Mercury (formerly Mighty River Power) and Contact Energy in New Zealand, and local developers and steam turbine manufacturers in Indonesia. Some of our competitors are now seeking to take the local experience they have gained and develop geothermal projects in other countries. These competitors include Energy Development Corporation from the Philippines and Enel Green Power from Italy. Some Turkish developers are also focusing on the international market. Additionally, we face competition from small country-specific companies.

In obtaining new PPAs, we also face competition from companies engaged in the power generation business from other renewable energy sources, such as wind power, biomass, solar power and hydro-electric power. In the last few years, competition from the wind and solar power generation industries has increased significantly.

As a geothermal company, we are focused on niche markets where our baseload and flexibility advantages can allow us to develop competitive projects.

In the demand response markets, our Viridity business competes primarily with specialized demand management providers rather than with the traditional curtailment service providers. Viridity differentiates itself from its competitors by its proprietary software and analytical strengths, wider use cases, customer base, business model, and market presence.

The energy storage and energy management space is comprised of many companies divided into different verticals and sub verticals like OEMs, integrators, battery management systems, energy management systems, battery producers, power conversion systems, DER system design and optimization, micro grids design, monitoring and control and companies that are realizing storage assets' economic value through the optimization of storage assets' operation in real time electricity markets. Our proprietary software, analytical operational platform and significant differentiated experience in storage operation and integration with electricity markets, allow us to provide multiple value streams (value stacking) from a single storage installation. We have continued and plan to continue to grow our Viridity business in these markets.

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Product Segment

Our competitors among power plant equipment suppliers are divided into high enthalpy and low enthalpy competitors. Our main high enthalpy competitors are industrial steam turbine manufacturers such as Mitsubishi Hitachi Power Systems, Fuji Electric Co., Ltd. and Toshiba Corporation of Japan, GE/Nuovo Pignone brand and Ansaldo Energia of Italy. As noted above, in 2015, we signed a strategic collaboration agreement with one of these competitors, Toshiba Corporation.

Our low enthalpy competitors are binary systems manufacturers using the Organic Rankine Cycle such as Fuji Electric Co., Ltd of Japan, Exergy of Italy, Mitsubishi Hitachi Power Systems (which acquired Turboden) and recently Egesim, a Turkish electrical contractor who is collaborating with Atlas Copco in the Turkish market. While we believe that we have a distinct competitive advantage based on our accumulated experience and current worldwide share of installed binary generation capacity (which is approximately 85%), an increase in competition, which we are currently experiencing, has started to impact our ability to secure new purchase orders from potential customers. The increased competition led to a reduction in the prices that we are able to charge for our binary equipment, which in turn impacted our profitability.

In the REG business, our competitors are other Organic Rankine Cycle manufacturers (such as GE and Mitsubishi/Turboden), manufacturers that use Kalina technology (such as Geothermal Energy Research & Development Co., Ltd in Japan), other manufacturers of conventional steam turbines and small developers of small scale ORCs.

Currently, none of our competitors compete with us in both the Electricity and the Product segments.

In the case of proposed EPC projects, we also compete with other service suppliers, such as project/engineering companies.

Customers

All of our revenues from the sale of electricity in the year ended December 31, 2017 were derived from fully-contracted energy and/or capacity payments under long-term PPAs with governmental and private utility entities. Southern California Edison, Sierra Pacific Power Company and Nevada Power Company (subsidiaries of NV Energy), HELCO, SCPPA and KPLC accounted for 4.3%, 18.1%, 5.5%, 10.1% and 15.9% of total revenues, respectively, for the year ended December 31, 2017.

Based on publicly available information, as of December 31, 2017, the issuer ratings of Southern California Edison, HELCO, Sierra Pacific Power Company, Nevada Power Company, SCPPA, Pacific Gas & Electric and EDF were as set forth below:

Issuer	**Standard & Poor's Ratings Services**	**Moody's Investors Service Inc.**
Southern California Edison	BBB+ (Stable)	A2 (Stable)
HELCO	BBB- (Stable)	Rating withdrawn
Sierra Pacific Power Company	A (Stable)	Baa1 (Stable)
Nevada Power Company	A (Stable)	Baa1 (Stable)
SCPPA	BBB+ (Stable)	Aa2 (Stable)
Pacific, Gas and Electric	A- (Watch Negative)	A2 (Rating under review)
EDF	A- (Negative)	A3 (Stable)

The credit ratings of any power purchaser may change from time to time. There is no publicly available information with respect to the credit rating or stability of the power purchasers under the PPAs for our foreign power plants.

Our revenues from the Product segment are derived from contractors or owners or operators of power plants, process companies, and pipelines.

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Raw Materials, Suppliers and Subcontractors

In connection with our manufacturing activities, we use raw materials such as steel and aluminum. We do not rely on any one supplier for the raw materials used in our manufacturing activities, as all of these raw materials are readily available from various suppliers.

We use subcontractors for some of the manufacturing activities with respect to our products components and for construction activities with respect to our power plants, which allows us to expand our construction and development capacity on an as-needed basis. We are not dependent on any one subcontractor and expect to be able to replace any subcontractor or assume such manufacturing and construction activities ourselves, if necessary or desirable, without adverse effect to our operations.

Employees

As of December 31, 2017, we employed 1,303 employees, of which 527 were located in the U.S., 579 were located in Israel and 197 were located in other countries. We expect that future growth in the number of our employees will be mainly attributable to the purchase and/or development of new power plants.

As of December 31, 2017, the only employees that are represented by a labor union are the employees of our recently acquired Bouillante power plant located in Guadeloupe. The employees in Guadeloupe are represented by the Confédération Générale du Travail de Guadeloupe. We have never experienced any labor dispute, strike or work stoppage. We consider our relations with our employees to be satisfactory. We believe our future success will depend on our continuing ability to hire, integrate, and retain qualified personnel.

In the U.S., we currently do not have employees represented by unions recognized by the Company under collective bargaining agreements. However, a union filed a petition with the NLRB seeking to organize the operations and maintenance employees at the Puna complex. A global settlement was reached with the union in February 2016 in which the union withdrew their petition and all issues were settled and closed.

We have no collective bargaining agreements with respect to our Israeli employees. However, by order of the Israeli Ministry of Economy and Industry, the provisions of a collective bargaining agreement between the Histadrut (the General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (which includes the Industrialists Association) may apply to some of our Israeli non-managerial, finance and administrative, and sales and marketing personnel. This collective bargaining agreement principally concerns cost of living pay increases, length of the workday, minimum wages and insurance for work-related accidents, annual and other vacation, sick pay, and determination of severance pay, pension contributions, and other conditions of employment. We currently provide such employees with benefits and working conditions, which are at least as favorable as the conditions specified in the collective bargaining agreement.

Insurance

We maintain business interruption insurance, casualty insurance, including flood, volcanic eruption, earthquake and cyber coverage, and primary and excess liability insurance, control of wells, construction all risk, as well as customary worker's compensation and automobile, marine transportation insurance and such other commercial insurance as is generally carried by companies engaged in similar businesses and owning similar properties in the same general areas as us or as may be required by any of our PPAs, leases, financing arrangements, or other contracts. To the extent any such casualty insurance covers both us and/or our power plants, and any other person and/or plants, we generally have specifically designated as applicable solely to us and our power plants "all risk" property insurance coverage in an amount based upon the estimated replacement value of our power plants (provided that earthquake, volcanic eruption and flood coverage may be subject to annual aggregate limits depending on the type and location of the power plant) and business interruption insurance coverage in an amount that also varies from power plant to power plant.

We generally purchase insurance policies to cover our exposure to certain political risks involved in operating in developing countries. We hold and maintain a global political risk insurance program for three years covering the significant political risk we identified as described below. This global program is issued by the global lead insurers in the private sector. Currently we hold such insurance for our Zunil, Amatitlan, Olkaria, Platanares and Sarulla operating power plants. Such insurance policies generally cover, subject to the limitations and restrictions contained therein, losses derived from a specified governmental act, such as confiscation, expropriation, riots, and the inability to convert local currency into hard currency and, in certain cases, the breach of agreements with governmental entities, up to approximately 90% of our net equity investment.

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Regulation of the Electric Utility Industry in the United States

The following is a summary overview of the electric utility industry and applicable federal and state regulations and should not be considered a full statement of the law or all issues pertaining thereto.

PURPA

PURPA provides the owners of power plants certain benefits described below if a power plant is a "Qualifying Facility". A small power production facility is a Qualifying Facility if: (i) the facility does not exceed 80 MW; (ii) the primary energy source of the facility is biomass, waste, renewable resources, or any combination thereof, and at least 75% of the total energy input of the facility is from these sources, and fossil fuel input is limited to specified uses; and (iii) the facility, if larger than one megawatt, has filed with FERC a notice of self-certification of qualifying status, or has filed with FERC an application for FERC certification of qualifying status that has been granted. The 80 MW size limitation, however, does not apply to a facility if (i) it produces electric energy solely by the use, as a primary energy input, of solar, wind, waste or geothermal resources; and (ii) an application for certification or a notice of self-certification of qualifying status of the facility was submitted to FERC prior to December 21, 1994, and construction of the facility commenced prior to December 31, 1999.

FERC's regulations under PURPA exempt owners of small power production Qualifying Facilities that use geothermal resources as their primary source and other Qualifying Facilities that are 30 MW or under in size from regulation under the PUHCA 2005, from many provisions of the FPA and from state laws relating to the financial, organization and rate regulation of electric utilities.

With respect to the FPA, FERC's regulations under PURPA do not exempt from the rate provisions of the FPA sales of energy or capacity from Qualifying Facilities larger than 20 MW in size that are made (a) pursuant to a contract executed after March 17, 2006 that is not a contract made pursuant to a state regulatory authority's implementation of PURPA or (b) not pursuant to another provision of a state regulatory authority's implementation of PURPA. The practical effect of these regulations is to require owners of Qualifying Facilities that are larger than 20 MW in size to obtain market-based rate authority from FERC if they seek to sell energy or capacity other than pursuant to a contract executed before March 17, 2006 pursuant to a state regulatory authority's implementation of PURPA or pursuant to a provision of a state regulatory authority's implementation of PURPA. Until that contract expires, is terminated or is materially modified, a Qualifying Facility, under a PURPA contract executed prior to March 17, 2006, will not be required to file for authorization to charge for market based rates.

In addition, PURPA and FERC's regulations under PURPA require that electric utilities offer to purchase electricity generated by Qualifying Facilities at a rate based on the purchasing utility's incremental cost of purchasing or producing energy (also known as "avoided cost"). However, FERC's regulations under PURPA also allow FERC, upon request of a utility, to terminate a utility's obligation to purchase energy from Qualifying Facilities upon a finding that Qualifying Facilities have nondiscriminatory access to either: (i) independently administered, auction-based day ahead, and real time markets for energy and wholesale markets for long-term sales of capacity; (ii) transmission and interconnection services provided by a FERC-approved regional transmission entity and administered under an open-access transmission tariff that affords nondiscriminatory treatment to all customers, and competitive wholesale markets that provide a meaningful opportunity to sell capacity and energy, including long and short term sales; or (iii) wholesale markets for the sale of capacity and energy that are at a minimum of comparable competitive quality as markets described in (i) and (ii) above. FERC regulations protect a Qualifying Facility's rights under any contract or obligation involving purchases or sales that are entered into before FERC has determined that the contracting utility is entitled to relief from the mandatory purchase obligation. FERC has granted the request of California investor-owned utilities for a waiver of the mandatory purchase obligation for Qualifying Facilities larger than 20 MW in size and is currently re-evaluating the 20 MW threshold for such waiver as well as other aspects of its PURPA regulations.

We expect that our power plants in the U.S will continue to meet all of the criteria required for Qualifying Facilities under PURPA. However, since the Heber power plants have PPAs with Southern California Edison that require Qualifying Facility status to be maintained, maintaining Qualifying Facility status remains a key obligation. If any of the Heber power plants loses its Qualifying Facility status our operations could be adversely affected. Loss of Qualifying Facility status would eliminate the Heber power plants' exemption from the FPA and thus, among other things, the rates charged by the Heber power plants in the PPAs with Southern California Edison and SCPPA would become subject to FERC regulation. Further, it is possible that the utilities that purchase power from the power plants could successfully obtain a waiver of the mandatory-purchase obligation in their service territories. For example, the three California investor-owned utilities have received such a waiver from FERC for projects larger than 20 MW. If this occurs or if FERC reduces the 20 MW threshold or eliminates the mandatory purchase obligation, the power plants' existing PPAs will not be affected, but the utilities will not be obligated under PURPA to renew or extend these PPAs or execute new PPAs upon the existing PPAs' expiration, if the size is above the waiver threshold.

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PUHCA

Under PUHCA 2005, the books and records of a utility holding company, its affiliates, associate companies, and subsidiaries are subject to FERC and state commission review with respect to transactions that are subject to the jurisdiction of either FERC or the state commission or costs incurred by a jurisdictional utility in the same holding company system. However, if a company is a utility holding company solely with respect to Qualifying Facilities, exempt wholesale generators, or foreign utility companies, it will not be subject to review of books and records by FERC under PUHCA 2005. Qualifying Facilities or exempt wholesale generators that make only wholesale sales of electricity are not subject to state commissions' rate regulations and, therefore, in all likelihood would not be subject to any review of their books and records by state commissions pursuant to PUHCA 2005 as long as the Qualifying Facility is not part of a holding company system that includes a utility subject to regulation in that state.

FPA

Pursuant to the FPA, FERC has exclusive jurisdiction over the rates for most wholesale sales of electricity and transmission in interstate commerce. These rates may be based on a cost of service approach or may be determined on a market basis through competitive bidding or negotiation. FERC's regulations under PURPA exempt owners of small power production Qualifying Facilities that use geothermal resources as their primary source and other Qualifying Facilities that are 30 MW or under in size from many provisions of the FPA. If any of the power plants were to lose its Qualifying Facility status, such power plant could become subject to the full scope of the FPA and applicable state regulations. The application of the FPA and other applicable state regulations to the power plants could require our power plants to comply with an increasingly complex regulatory regime that may be costly and greatly reduce our operational flexibility. Even if a power plant does not lose Qualifying Facility status, if a PPA with a power plant expires, is terminated or is materially modified, the owner of a Qualifying Facility power plant in excess of 20 MW will become subject to rate regulation under the Federal Power Act.

If a power plant in the U.S. were to become subject to FERC's ratemaking jurisdiction under the FPA as a result of loss of Qualifying Facility status and the PPA remains in effect, FERC may determine that the rates currently set forth in the PPA are not just and reasonable and may set rates that are lower than the rates currently charged. In addition, FERC may require that the power plant refund a portion of amounts previously paid by the relevant power purchaser to such power plant. Such events would likely result in a decrease in our future revenues or in an obligation to disgorge revenues previously earned by from the power plant, either of which would have an adverse effect on our revenues.

Moreover, the loss of the Qualifying Facility status of any of our power plants selling energy to Southern California Edison could also permit Southern California Edison, pursuant to the terms of its PPA, to cease taking and paying for electricity from the relevant power plant and to seek refunds for past amounts paid and/or a reduction in future payments. In addition, the loss of any such status would result in the occurrence of an event of default under the indenture for the OFC Senior Secured Notes and the OrCal Senior Secured Notes and hence would give the indenture trustee the right to exercise remedies pursuant to the indenture and the other financing documents.

State Regulation

Our power plants in California and Nevada, by virtue of being Qualifying Facilities that make only wholesale sales of electricity, are not subject to rate, financial and organizational regulations applicable to electric utilities in those states. The power plants each sell or will sell their electrical output under PPAs to electric utilities (Sierra Pacific Power Company, Nevada Power Company, Southern California Edison or SCPPA). All of the utilities except SCPPA are regulated by their respective state public utilities commissions. Sierra Pacific Power Company and Nevada Power Company, which merged and are doing business as NV Energy, are regulated by the PUCN. Southern California Edison is regulated by the CPUC.

Under Hawaii law, non-fossil generators are not subject to regulation as public utilities. Hawaii law provides that a geothermal power producer is to negotiate the rate for its output with the public utility purchaser. If such rate cannot be determined by mutual accord, the PUCH will set a just and reasonable rate. If a non-fossil generator in Hawaii is a Qualifying Facility, federal law applies to such Qualifying Facility and the utility is required to purchase the energy and capacity at its avoided cost. The rates for our power plant in Hawaii are established under a long-term PPA with HELCO.

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Environmental Permits

U.S. environmental permitting regimes with respect to geothermal projects center upon several general areas of focus. The first involves land use approvals. These may take the form of Special Use Permits or Conditional Use Permits from local planning authorities or a series of development and utilization plan approvals and right of way approvals where the geothermal facility is entirely or partly on BLM or U.S. Forest Service lands. Certain federal approvals require a review of environmental impacts in conformance with the federal National Environmental Policy Act. In California, some local permit approvals require a similar review of environmental impacts under a state statute known as the California Environmental Quality Act. These federal and local land use approvals typically impose conditions and restrictions on the construction, scope and operation of geothermal projects.

The second category of permitting focuses on the installation and use of the geothermal wells themselves. Geothermal projects typically have three types of wells: (i) exploration wells designed to define and verify the geothermal resource, (ii) production wells to extract the hot geothermal liquids (also known as brine) for the power plant, and (iii) injection wells to inject the brine back into the subsurface resource. For example, in Nevada and on BLM lands, the well permits take the form of geothermal drilling permits for well installation. Approvals are also required to modify wells, including for use as production or injection wells. For all wells drilled in Nevada, a geothermal drilling permit must be obtained from the Nevada Division of Minerals. Those wells in Nevada to be used for injection will also require Underground Injection Control permits from the Nevada Division of Environmental Protection. Geothermal wells on private lands in California require drilling permits from the California Department of Conservation's DOGGR. The eventual designation of these installed wells as individual production or injection wells and the ultimate closure of any wells is also reviewed and approved by DOGGR pursuant to a DOGGR-approved Geothermal Injection Program.

A third category of permits involves the regulation of potential air emissions associated with the construction and operation of wells and power plants and surface water discharges associated with construction and operations activities. Generally, each well and plant requires a preconstruction air permit and storm water discharge permit before earthwork can commence. In addition, in some jurisdictions the wells that are to be used for production require and those used for injection may require air emissions permits to operate. Internal combustion engines and other air pollutant emissions sources at the projects may also require air emissions permits. For our projects, these permits are typically issued at the state or county level. Permits are also required to manage storm water during project construction and to manage drilling muds from well construction, as well as to manage certain discharges to surface impoundments, if any.

A fourth category of permits, that are required in both California and Nevada, includes ministerial permits such as building permits, hazardous materials storage and management permits, and pressure vessel operating permits. We are also required to obtain water rights permits in Nevada if water cooling is being used at the power plant. In addition to permits, there are various regulatory plans and programs that are required, including risk management plans (federal and state programs) and hazardous materials management plans (in California).

In some cases our projects may also require permits, issued by the applicable federal agencies or authorized state agencies, regarding threatened or endangered species, permits to impact wetlands or other waters and notices of construction of structures which may have an impact on airspace. Environmental laws and regulations may change in the future, which may modify the time to receive such permits and associated costs of compliance.

As of the date of this report, all of the material environmental permits and approvals currently required for our operating power plants have been obtained. We sometimes experience regulatory delays in obtaining various environmental permits and approvals required for projects in development and construction. These delays may lead to increases in the time and cost to complete these projects. Our operations are designed and conducted to comply with applicable environmental permit and approval requirements. Non-compliance with any such requirements could result in fines and penalties and could also affect our ability to operate the affected project.

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Environmental Laws and Regulations

Our facilities and operations are subject to a number of environmental laws and regulations relating to development, construction and operation. In the U.S, these may include the Clean Air Act, the Clean Water Act, the Emergency Planning and Community Right-to-Know Act, the Endangered Species Act, the National Environmental Policy Act, the Resource Conservation and Recovery Act, and related state laws and regulations.

Our geothermal operations involve significant quantities of brine (substantially, all of which we reinject into the subsurface) and scale, both of which can contain materials (such as arsenic, antimony, lead, and naturally occurring radioactive materials) in concentrations that exceed regulatory limits used to define hazardous waste. We also use various substances, including isopentane and industrial lubricants that could become potential contaminants and are generally flammable. Hazardous materials are also used in our equipment manufacturing operations in Israel. As a result, our projects are subject to domestic and foreign federal, state and local statutory and regulatory requirements regarding the use, storage, fugitive emissions, and disposal of hazardous substances. The cost of investigation and removal or remediation activities associated with a spill or release of such materials could be significant.

Although we are not aware of any mismanagement of these materials, including any mismanagement prior to the acquisition of some of our power plants that has materially impaired any of the power plant sites, any disposal or release of these materials onto the power plant sites, other than by means of permitted injection wells, could lead to contamination of the environment and result in material cleanup requirements or other responsive obligations under applicable environmental laws. We believe that at one time there may have been a gas station located on the Mammoth complex site, but because of significant surface disturbance and construction since that time further physical evaluation of the environmental condition of the former gas station site has been impractical. We believe that, given the subsequent surface disturbance and construction activity in the vicinity of the suspected location of the service station, it is likely that environmental contamination, if any, associated with the former facilities and any associated underground storage tanks would have already been encountered if they still existed.

Regulation Related to New Activity

Our recent entry into the energy storage space and planned provision of energy management, demand response and load shedding services require us to obtain and maintain certain additional authorizations and approvals. These include (1) authorization from FERC to make wholesale sales of power, capacity, and ancillary services at market-based rates, and (2) membership status with eligibility to serve designated contractual functions in the RTOs of PJM, the NYISO, and the ERCOT. In the future, we may need to obtain and maintain similar membership and eligibility status with other RTOs in order to offer such services in their respective areas.

Regulation of the Electric Utility Industry in our Foreign Countries of Operation

The following is a summary overview of certain aspects of the electric industry in the foreign countries in which we have an operating geothermal power plant. As such, it should not be considered a full statement of the laws in such countries or all of the issues pertaining thereto.

Guatemala. The General Electricity Law of 1996, Decree 93-96, created a wholesale electricity market in Guatemala and established a new regulatory framework for the electricity sector. The law created a new regulatory commission, the CNEE, and a new wholesale power market administrator, the AMM, for the regulation and administration of the sector. The AMM is a private not-for-profit entity. The CNEE functions as an independent agency under the Ministry of Energy and Mines and is in charge of regulating, supervising, and controlling compliance with the electricity law, overseeing the market and setting rates for transmission services, and distribution to medium and small customers. All distribution companies must supply electricity to such customers pursuant to long-term contracts with electricity generators. Large customers can contract directly with the distribution companies, electricity generators or power marketers, or buy energy in the spot market. Guatemala has approved a Law of Incentives for the Development of Renewable Energy Power plants, Decree 52-2003, in order to promote the development of renewable energy power plants in Guatemala. This law provides certain benefits to companies utilizing renewable energy, including a 10-year exemption from corporate income tax and VAT on imports and customs duties. On September 16, 2008, CNEE issued a resolution which approved the Technical Norms for the Connection, Operation, Control and Commercialization of the Renewable Distributed Generation and Self-producers Users with Exceeding Amounts of Energy. This Technical Norm was created to regulate all aspects of generation, connection, operation, control and commercialization of electric energy produced with renewable sources to promote and facilitate the installation of new generation plants, and to promote the connection of existing generation plants which have exceeding amounts of electric energy for commercialization. It is applicable to projects with a capacity of up to 5 MW. At present, the General Electricity Law and the Law of Incentives for the Development or Renewable Energy Power Plants are still in force.

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Kenya. The electric power sector in Kenya is regulated by the Kenyan Energy Act. Among other things, the Kenyan Energy Act provides for the licensing of electricity power producers and public electricity suppliers or distributors. KPLC is the only licensed public electricity supplier and has a virtual monopoly in the distribution of electricity in the country. The Kenyan Energy Act permits IPPs to install power generators and sell electricity to KPLC, which is owned by various private and government entities, and which currently purchases energy and capacity from other IPPs in addition to our Olkaria III complex. The electricity sector is regulated by the ERC which was created under the Kenyan Energy Act. KPLC's retail electricity rates are subject to approval by the ERC. The ERC has an expanded mandate to regulate not just the electric power sector but the entire energy sector in Kenya. Transmission of electricity is now undertaken by KETRACO while another company, GDC, is responsible for geothermal assessment, drilling of wells and sale of steam for electricity operations to IPPs and KenGen. Both KETRACO and GDC are wholly owned by the government of Kenya. Under the new national constitution enacted in August 2010, formulation of energy policy (including electricity) and energy regulation are functions of the national government. However, the constitution lists the planning and development of electricity and energy regulation as a function of the county governments (i.e. the regional or local level where an individual power plant is or is intended to be located).

Indonesia. The 2009 Electricity Law divided the power business into two broad categories: (1) activities that supply electrical power, both public supply and captive supply (own use), such as electrical power generation, electrical power transmission, electrical power distribution and the sale of electrical power and (2) the activities involved in electrical power support such as service businesses (consulting, construction, installation, operation & maintenance, certification & training, testing etc.) and industry businesses (power tools & power equipment supply). The power generation is dominated by PLN (state owned company) which controls around 70% of generating assets in Indonesia. Private sector participation is allowed through IPPs arrangement. IPP appointment is most often through tender although IPPs can be directly appointed or selected. The law provides PLN with priority rights to conduct its business throughout Indonesia. As the sole owner of transmission and distribution assets, PLN remains the only business entity involved in transmitting and distributing although the Law allows for private participation. While the 2014 Geothermal Law endorses private participation as Geothermal IPP, the Geothermal IPP appointment is through tender held by the Central Government. The Central Government also awards the tender winner a Geothermal License. Accordingly, the Geothermal License holder will conduct exploration and feasibility studies within five years subject to two one-year extensions, conduct well development and power plant construction and sell the electricity generated to PLN for a maximum of 30 years. Prior to the expiration of the Geothermal License, the IPP can propose to extend for another 20 years. Starting in 2017, the regulatory framework with respect to tariffs is based on PLN's existing average cost of generation (known by its Indonesian acronym, BPP) with respect to the relevant local grid and excludes transmission and distribution costs. The Minister of Energy releases each year a list of local BPPs and the national BPP (which is an average of the local BPPs). The BPPs for a particular year are based on PLN's previous year audited generation costs. For 2017, the national BPP was set at Rp 983 (equivalent to US$ cent 7.39/kWh at Rp 13,307/US$) based on PLN's 2016 audited generation costs. For geothermal, the tariff is measured as follows: (i) if the local BPP is higher than the national BPP, the maximum tariff is the local BPP, (ii) if the local BPP is lower than or the same as the national BPP, the tariff is based on mutual agreement between PLN and the IPP.

Guadeloupe. EDF is the transmission and distribution utility in Guadeloupe and also operates a significant portion of Guadeloupe's fossil energy generation. There are also a number of IPPs in Guadeloupe, primarily producing renewable electricity. The electricity sector in Guadeloupe is regulated by the Commission Regulation of Energy (CRE), which also regulates EDF's operations in mainland France and its other overseas territories. The electricity sector in Guadeloupe is characterized by both enabling features and obstacles with respect to renewable energy. One of the most influential enabling features is a French law requiring the utility to purchase power from any interconnected renewable generator. The major obstacle preventing further uptake of renewable electricity generation is the cap on variable generation at 30% of instantaneous system load.

Honduras. In 2014, Honduras approved its new Law of Electrical Industry (Decree 404-2013), which provides the legal framework for the electricity sector and replaces the previous Electricity Subsector Framework Law (Decree 158 of 1994, regulated by Accord 934 of 1997). The Law establishes technology-specific auctions for renewable energy. It creates the Regulatory Commission of Electric Power (CREE) as the entity in charge of supervising the bidding processes and the awarding of PPAs. The CREE is also responsible for granting study permits for the construction of generation projects that use renewable natural resources. Permits will have a maximum duration of two years, and will be revoked if no studies have been initiated within a period of six months and the reports required by the CREE have not been submitted. The new Law also establishes that all new capacity must be contracted through auctions and that the government can set a minimum quota for renewables in each auction. With respect to metering, after previous regulation applied legal incentives to renewable energy metering, the new law mandates utilities to buy excess power and credit it towards monthly bills and to install bi-directional meters.

Among others, the objectives of the law are to adapt the electricity sector's legislation to the Framework Treaty for the Central American Electricity Market, which Honduras is a party to, and update the operating rules in the country's electricity industry by incorporating structures and modern practices to increase the sector's efficiency and competency in the production and marketing of electricity services.

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With the passage of this new law, Honduras is moving into a new and open market. Under this legislation, all aspects of the market have been opened to private parties. This legislation is still being implemented within the market.

Honduras has also approved a Law of Incentives for Renewable Energy Projects, Decree 70-2007, further amended by Decree 138-2013, with additional incentives to solar PV projects, etc. The purpose, as in other countries of the region, is to promote the development of renewable energy power plants. Laws provide certain benefits to companies that generate power through renewable sources, including a 10-year exemption from corporate income tax and VAT on imports and customs duties, a fast track process for certain permits and a Sovereign Guaranty by the Central Government for the payments of the off-taker, the Public Utility Company, ENEE. At present, the Law of the Electrical Industry and the Laws of Incentives for Renewable Energy Projects are still in force.

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ITEM 1A. RISK FACTORS

Because of the following factors, as well as other variables affecting our business, operating results or financial condition, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Concentration of customers may expose us to heightened financial exposure.

We often rely on single customers at our facilities, exposing such facilities to financial risks if any customer should fail to perform its obligations.

Our businesses often rely on a single customer to purchase all or a significant portion of a facility's output. The financial performance of these facilities depends on such customer continuing to perform its obligations under the long-term agreement. A facility's financial results could be materially and adversely affected if any of our customer fails to fulfill its contractual obligations and we are unable to find other customers to produce the same level of profitability. We cannot assure that such performance failures by third parties will not occur, or that if they do occur, such failures will not adversely affect the cash flows or profitability of our businesses.

For example, we are exposed to the credit and financial condition of SCPPA and its municipal utility members, as customers that buy the output from six of our geothermal power plant. Because our contracts with SCPPA are long-term, we may be adversely affected if the credit quality of any of these customers were to decline or if their respective financial conditions were to deteriorate or if they are otherwise unable to perform their obligations under our long-term contracts.

A significant portion of our Product segment revenues are concentrated in one region and expose us to regional economic or market declines.

A significant portion of our Product segment revenues are concentrated in Turkey and rely on the continued geothermal development growth and government support for geothermal development in the country. Adverse political developments in the relationship between Turkey and the U.S., adverse economic developments in this region or a decline in government support for the development of geothermal power in the country could materially and adversely affect regional demand for the geothermal equipment and services we provide in the Turkish market or the prices we may charge for such equipment and services, which in turn could materially and adversely affect our Product segment profit margins and, consequently, our business, financial condition, future results and cash flows.

Our financial performance depends on the successful operation of our geothermal power and REG plants, which is subject to various operational risks.

Our financial performance depends on the successful operation of our subsidiaries' geothermal and REG power plants. In connection with such operations, we derived approximately 67.6% of our total revenues for the year ended December 31, 2017 from the sale of electricity. The cost of operation and maintenance and the operating performance of our subsidiaries' geothermal power and REG plants may be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- regular and unexpected maintenance and replacement expenditures;
- shutdowns due to the breakdown or failure of our equipment or the equipment of the transmission serving utility;
- labor disputes;
- the presence of hazardous materials on our power plant sites;
- continued availability of cooling water supply;

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- catastrophic events such as fires, explosions, earthquakes, volcanic activity, landslides, floods, releases of hazardous materials, severe weather storms, or similar occurrences affecting our power plants or any of the power purchasers or other third parties providing services to our power plants; and

- the aging of power plants (which may reduce their availability and increase the cost of their maintenance).

Any of these events could significantly increase the expenses incurred by our power plants or reduce the overall generating capacity of our power plants and could significantly reduce or entirely eliminate the revenues generated by one or more of our power plants, which in turn would reduce our net income and could materially and adversely affect our business, financial condition, future results and cash flow.

As mentioned above, the aging of our power plants may reduce their availability and increase maintenance costs due to the need to repair or replace our equipment.

Our exploration, development, and operation of geothermal energy resources are subject to geological risks and uncertainties, which may result in decreased performance or increased costs for our power plants.

Our primary business involves the exploration, development, and operation of geothermal energy resources. These activities are subject to uncertainties that, in certain respects, are similar to those typically associated with oil and gas exploration, development, and exploitation, such as dry holes, uncontrolled releases, and pressure and temperature decline. Any of these uncertainties may increase our capital expenditures and our operating costs, or reduce the efficiency of our power plants. We may not find geothermal resources capable of supporting a commercially viable power plant at exploration sites where we have conducted tests, acquired land rights, and drilled test wells, which would adversely affect our development of geothermal power plants. Further, since the commencement of their operations, several of our power plants have experienced geothermal resource cooling, uncontrolled flow and/or reservoir pressure decline in the normal course of operations. Because geothermal reservoirs are complex geological structures, we can only estimate their geographic area and sustainable output. The viability of geothermal power plants depends on different factors directly related to the geothermal resource (such as the temperature, pressure, storage capacity, transmissivity, and recharge) as well as operational factors relating to the extraction or reinjection of geothermal fluids. For example, at our North Brawley power plant, instability of the sands and clay in the geothermal resource and variability in the chemical composition of the geothermal fluid have all combined to increase our capital expenditures for the plant, as well as our ongoing operating expenses, and have so far prevented the plant from operation at its intended design capacity. Another example is the Sarulla project, where we are both an equity investor and equipment supplier, which has experienced delays and budget cost overruns in the drilling program. Our geothermal energy power plants may also suffer an unexpected decline in the capacity of their respective geothermal wells and are exposed to a risk of geothermal reservoirs not being sufficient for sustained generation of the electrical power capacity desired over time.

Another aspect of geothermal operations is the management and stabilization of subsurface impacts caused by fluid injection pressures of production and injection fluids to mitigate subsidence. In the case of the geothermal resource supplying the Heber complex, pressure drawdown in the center of the well field has caused some localized ground subsidence, while pressure in the peripheral areas has caused localized ground inflation. Inflation and subsidence, if not controlled, can adversely affect farming operations and other infrastructure at or near the land surface. Potential costs, which cannot be estimated and may be significant, of failing to stabilize site pressures in the Heber complex area include repair and modification of gravity-based farm irrigation systems and municipal sewer piping and possible repair or replacement of a local road bridge spanning an irrigation canal.

Additionally, active geothermal areas, such as the areas in which our power plants are located, are subject to frequent low-level seismic disturbances, volcanic eruptions and lava flows. Serious seismic disturbances, volcanic eruptions and lava flows are possible and could result in damage to our power plants (or transmission lines used by customers who buy electricity from us) or equipment or degrade the quality of our geothermal resources to such an extent that we could not perform under the PPA for the affected power plant, which in turn could reduce our net income and materially and adversely affect our business, financial condition, future results and cash flow. If we suffer a serious seismic disturbance, volcanic eruptions and lava flows, our business interruption and property damage insurance may not be adequate to cover all losses sustained as a result thereof. In addition, insurance coverage may not continue to be available in the future in amounts adequate to insure against such seismic disturbances, volcanic eruptions and lava flows.

Furthermore, absent additional geologic/hydrologic studies, any increase in power generation from our geothermal power plants, failure to reinject the geothermal fluid or improper maintenance of the hydrological balance may affect the operational duration of the geothermal resource and cause it to decline in value over time, and may adversely affect our ability to generate power from the relevant geothermal power plant.

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Reduced levels of recovered energy required for the operation of our REG power plants may result in decreased performance of such power plants.

Our REG power plants generate electricity from recovered energy or so-called "waste heat" that is generated as a residual by-product of gas turbine-driven compressor stations and a variety of industrial processes. Any interruption in the supply of the recovered energy source, such as a result of reduced gas flows in the pipelines or reduced level of operation at the compressor stations, or in the output levels of the various industrial processes, may cause an unexpected decline in the capacity and performance of our recovered energy power plants.

Our business development activities may not be successful and our projects under construction may not commence operation as scheduled.

We are in the process of developing and constructing a number of new power plants. Our success in developing a particular project is contingent upon, among other things, negotiation of satisfactory engineering and construction agreements and obtaining PPAs and transmission services agreements, receipt of required governmental permits, obtaining adequate financing, and the timely implementation and satisfactory completion of field development, testing and power plant construction and commissioning. We may be unsuccessful in accomplishing any of these matters or doing so on a timely basis. Although we may attempt to minimize the financial risks attributable to the development of a project by securing a favorable PPA and applicable transmission services agreements, obtaining all required governmental permits and approvals and arranging, in certain cases, adequate financing prior to the commencement of construction, the development of a power project may require us to incur significant expenses for preliminary engineering, permitting and legal and other expenses before we can determine whether a project is feasible, economically attractive or capable of being financed.

Currently, we have geothermal projects and prospects under exploration, development or construction in the U.S., Kenya, Guatemala, Guadeloupe, New Zealand, Honduras, Indonesia and Ethiopia, and we intend to pursue the expansion of some of our existing plants and the development of other new plants. Our completion of these facilities is subject to substantial risks, including:

- inability to secure a PPA;
- inability to secure transmission services agreements;
- inability to secure the required financing;
- cost increases and delays due to unanticipated shortages of adequate resources to execute the project such as equipment, material and labor;
- work stoppages resulting from force majeure event including riots, strikes and whether conditions;
- inability to obtain permits, licenses and other regulatory approvals;
- failure to secure sufficient land positions for the wellfield, power plant and rights of way;
- failure by key contractors and vendors to timely and properly perform, including where we use equipment manufactured by others;
- failure by key suppliers to provide steam for electricity generation, including at the Menengai project in Kenya.
- inability to secure or delays in securing the required transmission line and/or capacity;
- adverse environmental and geological conditions (including inclement weather conditions);
- adverse local business law; and
- our attention to other projects and activities, including those in the solar energy and energy storage sectors.

Any one of these could give rise to delays, cost overruns, the termination of the plant expansion, construction or development or the loss (total or partial) of our interest in the project under development, construction, or expansion.

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We rely on power transmission facilities that we do not own or control.

We depend on transmission facilities owned and operated by others to deliver the power we sell from our power plants to our customers. If transmission is disrupted, or if the transmission capacity infrastructure is inadequate, our ability to sell and deliver power to our customers may be adversely impacted and we may either incur additional costs or forego revenues. In addition, lack of access to new transmission capacity may affect our ability to develop new projects. Existing congestion of transmission capacity, as well as expansion of transmission systems and competition from other developers seeking access to expanded systems, could also affect our performance.

We may be unable to obtain the financing we need to pursue our growth strategy and any future financing we receive may be less favorable to us than our current financing arrangements, either of which may adversely affect our ability to expand our operations.

Most of our geothermal power plants generally have been financed using leveraged financing structures, consisting of non-recourse or limited recourse debt obligations. Each of our projects under development or construction and those projects and businesses we may seek to acquire or construct will require substantial capital investment. Our continued access to capital on acceptable terms is necessary for the success of our growth strategy. Our attempts to obtain future financings may not be successful or on favorable terms**.**

Market conditions and other factors may not permit future project and acquisition financings on terms similar to those our subsidiaries have previously received. Our ability to arrange for financing on a substantially non-recourse or limited recourse basis, and the costs of such financing, are dependent on numerous factors, including general economic conditions, conditions in the global capital and credit markets, investor confidence, the continued success of current power plants, the credit quality of the power plants being financed, the political situation in the country where the power plant is located, and the continued existence of tax and securities laws which are conducive to raising capital. If we are not able to obtain financing for our power plants on a substantially non-recourse or limited recourse basis, we may have to finance them using recourse capital such as direct equity investments or the incurrence of additional debt by us.

Also, in the absence of favorable financing options, we may decide not to build new plants or acquire facilities from third parties. Any of these alternatives could have a material adverse effect on our growth prospects.

We may also need additional financing to implement our strategic plan. For example, our cash flow from operations and existing liquidity facilities may not be adequate to finance any acquisitions we may want to pursue or new technologies we may want to develop or acquire. Financing for acquisitions or technology development activities may not be available on the non-recourse or limited recourse basis we have historically used for our business, or on other terms we find acceptable.

Our use of joint ventures may limit our flexibility with jointly owned investments.

We have sold minority equity interests in four of our consolidated subsidiaries, through which we hold a large number of our domestic geothermal power plants and recovered energy generation plants, to different third parties and we have partners that hold a minority equity interest in our geothermal power plant in Guadeloupe. We may continue in the future to develop and/or acquire and/or hold properties in joint ventures with other entities when circumstances warrant the use of these structures. Ownership of assets in joint ventures is subject to risks that may not be present with other methods of ownership, including:

- we could experience an impasse on certain decisions because we do not have sole decision-making authority, which could require us to expend additional resources on resolving such impasses or potential disputes, including litigation or arbitration;
- our joint venture partners could have investment goals that are not consistent with our investment objectives, including the timing, terms and strategies for any investments in the projects that are owned by the joint ventures, which could affect decisions about future capital expenditures, major operational expenditures and retirement of assets, among other things;
- our ability to transfer our interest in a joint venture to a third party may be restricted and the market for our interest may be limited;

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- our joint venture partners may be structured differently than us for tax purposes, and this could impact our ability to fully take advantage of federal tax incentives available for renewable energy projects;
- our joint venture partners might become bankrupt, fail to fund their share of required capital contributions or fail to fulfill their obligations as a joint venture partner, which may require us to infuse our own capital into the venture on behalf of the partner despite other competing uses for such capital; and
- our joint venture partners may have competing interests in our markets and investments in companies that compete directly or indirectly with us that could create conflict of interest issues.

Our international operations expose us to risks related to the application of foreign laws, taxes, economic conditions, labor supply and relations, political conditions, and policies of foreign governments, any of which may adversely affect our business, financial condition, future results and cash flow.

We have substantial operations outside of the U.S., both in our Electricity segment and our Product segment. Our foreign operations are subject to regulation by various foreign governments and regulatory authorities and are subject to the application of foreign laws. Such foreign laws or regulations may not provide the same type of legal certainty and rights, in connection with our contractual relationships in such countries, as are afforded to our operations in the U.S., which may adversely affect our ability to receive revenues or enforce our rights in connection with our foreign operations. Furthermore, existing laws or regulations may be amended or repealed, and new laws or regulations may be enacted or issued. In addition, the laws and regulations of some countries may limit our ability to hold a majority interest in some of the power plants that we may develop or acquire, thus limiting our ability to control the development, construction and operation of such power plants, or our ability to import our products into such countries. Our foreign operations are also subject to significant political, economic and financial risks, which vary by country, and include:

- changes in government policies or personnel;
- changes in general economic conditions;
- restrictions on currency transfer or convertibility;
- changes in labor relations;
- political instability and civil unrest;
- changes in the local electricity and/or geothermal markets;
- breach or repudiation of important contractual undertakings by governmental entities; and
- expropriation and confiscation of assets and facilities.

In particular, with respect to our Electricity segment, in Guatemala the electricity sector was partially privatized, and it is currently unclear whether further privatization will occur in the future. Such developments may affect our Amatitlan and Zunil power plants if, for example, they result in changes to the prevailing tariff regime or in the identity and creditworthiness of our power purchasers. In Kenya, any break-up or potential privatization of KPLC, the power purchase for our power plants located in Kenya, may adversely affect our Olkaria III complex. Although we generally obtain political risk insurance in connection with our foreign power plants, such political risk insurance does not mitigate all of the above-mentioned risks. In addition, insurance proceeds received pursuant to our political risk insurance policies, where applicable, may not be adequate to cover all losses sustained as a result of any covered risks and may at times be pledged in favor of the power plant lenders as collateral. Also, insurance may not be available in the future with the scope of coverage and in amounts of coverage adequate to insure against such risks and disturbances.

With respect to our Product segment, since we primarily engage in sales in those markets where there is a geothermal reservoir, any such change might adversely affect geothermal developers in those markets and, subsequently, the ability of such developers to purchase our products. In Turkey, we are involved as a major equipment supplier in a significant number of projects that are currently under construction. We have faced, and anticipate that we will continue to face, obstacles in the Turkish market that may materially and adversely affect our future business and operations in Turkey, including the recent failed coup, devaluation of the Turkish Lira, a general slowdown in the Turkish economy and an inability to obtain project and bank financing on terms acceptable to us, together with political uncertainties, all of which are causing our cost of revenues in Turkey to increase.

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Any or all of the changes discussed above could materially and adversely affect our business, financial condition, future results and cash flow.

Our foreign power plants and foreign manufacturing operations expose us to risks related to fluctuations in currency rates, which may reduce our profits from such power plants and operations.

Risks attributable to fluctuations in currency exchange rates can arise when any of our foreign subsidiaries borrow funds or incur operating or other expenses in one type of currency but receive revenues in another. In such cases, an adverse change in exchange rates can reduce such subsidiary's ability to meet its debt service obligations, reduce the amount of cash and income we receive from such foreign subsidiary or increase such subsidiary's overall expenses. In addition, the imposition by foreign governments of restrictions on the transfer of foreign currency abroad, or restrictions on the conversion of local currency into foreign currency, would have an adverse effect on the operations of our foreign power plants and foreign manufacturing operations, and may limit or diminish the amount of cash and income that we receive from such foreign power plants and operations.

A significant portion of our electricity revenues is attributed to payments made by power purchasers under PPAs. The failure of any such power purchaser to perform its obligations under the relevant PPA or the loss of a PPA due to a default would reduce our net income and could materially and adversely affect our business, financial condition, future results and cash flow.

A significant portion of our revenues is attributable to electricity our power plants sell to power purchasers under the relevant PPAs. There is a risk that any one or more of the power purchasers may not fulfill their respective payment obligations under their PPAs. If any of the power purchasers fails to meet its payment obligations under its PPA(s), such failure could materially and adversely affect our business, financial condition, future results and cash flow.

Storage projects that we are currently developing or plan to develop in the future may operate as "merchant" facilities without long-term power sales agreements for some or all of their generating capacity and output and therefore such projects will be exposed to market fluctuations.

Storage projects that we are currently developing or plan to develop in the future may operate as "merchant" facilities without long-term sales agreements for some or all of their generating capacity and output and therefore such projects will be exposed to market fluctuations. Without the benefit of long-term sales agreements for these assets, we cannot be sure that we will be able to sell any or all of the power and ancillary services generated by these facilities at commercially attractive rates or that these facilities will be able to operate profitably. This could lead to future impairments of our property, plant and equipment or to the closing of certain of our storage facilities, resulting in economic losses and liabilities, which could have a material adverse effect on our results of operations, financial condition or cash flows.

Seasonal variations may cause fluctuations in our cash flows, which may cause the market price of our common stock to fall in certain periods.

Our results of operations are subject to seasonal variations. This is primarily because some of our power plants may experience reduced generation during warm periods due to the lower heat differential between the geothermal fluid and the ambient surroundings. Some of our domestic power plants receive higher capacity payments under the relevant PPAs during the summer months, and due to the generally higher time-of-use energy factor during the summer months. Such seasonal variations could materially and adversely affect our business, financial condition, future results and cash flow. If our operating results fall below the public's or analysts' expectations in some future period or periods, the market price of our common stock will likely fall in such period or periods.

Pursuant to the terms of some of our PPAs with investor-owned electric utilities and publicly-owned electric utilities in states that have renewable portfolio standards, the failure to supply the contracted capacity and energy thereunder may result in the imposition of penalties.

Pursuant to the terms of certain of our PPAs, we may be required to make payments to the relevant power purchaser under certain conditions, such as shortfall in delivery of renewable energy and energy credits, and not meeting certain performance threshold requirements, as defined in the relevant PPA. The amount of payment required is dependent upon the level of shortfall in delivery or performance requirements and is recorded in the period the shortfall occurs. In addition, if we do not meet certain minimum performance requirements, the capacity of the relevant power plant may be permanently reduced. Any or all of these considerations could materially and adversely affect our business, financial condition, future results and cash flow.

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The Energy Choice Initiative (ECI), a pending amendment to the Constitution of the State of Nevada, may permit our customer to terminate its PPAs with us.

The ECI is a proposed amendment to the Constitution of the State of Nevada that would require the Nevada Legislature to adopt new statutes or amend existing statutes in order to establish an open and competitive retail electricity market and prevent the concentration of the electricity generation market among only a few generators of electricity. This ballot question passed with over 72% of Nevada voters in favor in November 2016, and if it passes again in November 2018, the Nevada Legislature will be required to amend state law in the manner described above by no later than 2023.

It is unclear what impact the ECI would have on our existing PPAs and the Nevada RPS. NV Energy, the offtaker of our Brady, SB Complex, Tuscarora, Jersey Valley and McGinness Hills power plants, is taking the position that the ECI would require the termination of our existing PPAs and potentially the termination of the RPS. Whether existing PPAs could be terminated will remain unclear until the scope of the Nevada Legislature's implementation of the ECI becomes known. If the Nevada Legislature adopts any new laws pursuant to the ECI that terminate or require the termination of, our existing PPAs with NV Energy, we could lose significant amounts of revenue derived from the sale of electricity to NV Energy under such PPAs which could materially and adversely affect our business, financial condition, future results and cash flow.

The SRAC for our power purchasers may decline, which would reduce our power plant revenues and could materially and adversely affect our business, financial condition, future results and cash flow.

Under two of the PPAs for our power plants in California, the price that Southern California Edison pays is based upon its SRAC, which are the incremental costs that it would have incurred had it generated the relevant electricity itself or purchased such electricity from others. Under settlement agreements between Southern California Edison and a number of power generators in California that are Qualifying Facilities, including our subsidiaries, the energy price component payable by Southern California Edison was fixed through April 2012, but since then is based on Southern California Edison's SRAC, as determined by the CPUC. The SRAC may vary substantially on a monthly basis, and are expected to be based primarily on natural gas prices for gas delivered to California as well as other factors. The levels of SRAC prices paid by Southern California Edison may decline following the expiration date of the settlement agreements, which in turn would reduce our power plant revenues derived from Southern California Edison under our PPAs and could materially and adversely affect our business, financial condition, future results and cash flow.

Under the terms of a global settlement approved by CPUC (Global Settlement) SRAC for our Heber 2 and Mammoth G2 PPAs are tied to a formula with energy market heat rates. The Global Settlement further provides that after July 1, 2015 if the term of any of the PPAs we have for these power plants expires, Southern California Edison would have no obligation to purchase power from any of these plants that has a generating capacity in excess of 20 MW, which would apply to the PPAs for our Heber 2 power plant (37 MW contract capacity) with Southern California Edison. Our Mammoth G2 plant (10.5 MW contract capacity) will be entitled to a new standard offer PPA, with SRAC pricing and capacity payments as determined from time to time by the CPUC. The joint parties to the Global Settlement agreed that the utilities can request from FERC a waiver of the mandatory purchase obligation under PURPA for Qualifying Facilities above 20 MW and FERC has granted such waiver for these California utilities.

If any of our domestic power plants loses its current Qualifying Facility status under PURPA, or if amendments to PURPA are enacted that substantially reduce the benefits currently afforded to Qualifying Facilities, our domestic operations could be adversely affected.

Most of our domestic power plants are Qualifying Facilities pursuant to PURPA, which largely exempts the power plants from the FPA, and certain state and local laws and regulations regarding rates and financial and organizational requirements for electric utilities.

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If any of our domestic power plants were to lose its Qualifying Facility status, such power plant could become subject to the full scope of the FPA and applicable state regulation. The application of the FPA and other applicable state regulation to our domestic power plants could require our operations to comply with an increasingly complex regulatory regime that may be costly and greatly reduce our operational flexibility.

If a domestic power plant were to lose its Qualifying Facility status, it would become subject to full regulation as a public utility under the FPA, and the rates charged by such power plant pursuant to its PPAs would be subject to the review and approval of FERC. FERC, upon such review, may determine that the rates currently set forth in such PPAs are not appropriate and may set rates that are lower than the rates currently charged. In addition, FERC may require that the affected domestic power plant refund amounts previously paid by the relevant power purchaser to such power plant. Even if a power plant does not lose its Qualifying Facility status, pursuant to regulations issued by FERC for Qualifying Facility power plants above 20 MW, if a power plant's PPA is terminated or otherwise expires, and the subsequent sales are not made pursuant to a state's implementation of PURPA, that power plant will become subject to FERC's ratemaking jurisdiction under the FPA. Moreover, a loss of Qualifying Facility status also could permit the power purchaser, pursuant to the terms of the particular PPA, to cease taking and paying for electricity from the relevant power plant or, consistent with FERC precedent, to seek refunds of past amounts paid. This could cause the loss of some or all of our revenues payable pursuant to the related PPAs, result in significant liability for refunds of past amounts paid, or otherwise impair the value of our power plants. If a power purchaser were to cease taking and paying for electricity or seek to obtain refunds of past amounts paid, there can be no assurance that the costs incurred in connection with the power plant could be recovered through sales to other purchasers or that we would have sufficient funds to make such payments. In addition, the loss of Qualifying Facility status would be an event of default under the financing arrangements currently in place for some of our power plants, which would enable the lenders to exercise their remedies and enforce the liens on the relevant power plant.

Pursuant to the Energy Policy Act of 2005, FERC also has the authority to prospectively lift the mandatory obligation of a utility under PURPA to offer to purchase the electricity from a Qualifying Facility if the utility operates in a workably competitive market. Our existing PPAs between a Qualifying Facility and a utility are not affected. If, in addition to the California utilities' waiver of the mandatory purchase obligation for QF projects that exceed 20 MW described in the risk factor above, the utilities in the other regions in which our domestic power plants operate were to be relieved of the mandatory purchase obligation, they would not be required to purchase energy from the power plant in the region under Federal law upon termination of the existing PPA or with respect to new power plants, which could materially and adversely affect our business, financial condition, future results and cash flow. Moreover, FERC has the authority to modify its regulations relating to the utility's mandatory purchase obligation under PURPA, which could result in the reduction in the purchase obligation of California and other utilities to a level below 20 MW, or the elimination of the purchase obligation. If that were to occur it could materially and adversely affect our business, financial condition, future results and cash flow.

The reduction or elimination of government incentives could adversely affect our business, financial condition, future results and cash flows.

Construction and operation of our geothermal power plants and recovered energy-based power plants has benefited, and may benefit in the future, from public policies and government incentives that support renewable energy and enhance the economic feasibility of these projects in regions and countries where we operate. Such policies and incentives include PTCs and ITCs, accelerated depreciation tax benefits, renewable portfolio standards, carbon trading mechanisms, rebates, and mandated feed-in-tariffs, and may include similar or other incentives to end users, distributors, system integrators and manufacturers of geothermal, solar and other power products. Some of these measures have been implemented at the federal level, while others have been implemented by different states within the U.S. or countries outside the U.S. where we operate.

The availability and continuation of these public policies and government incentives have a significant effect on the economics and viability of our development program and continued construction of new geothermal, recovered energy-based, Solar PV power plants and, recently, energy storage projects. Any changes to such public policies, or any reduction in or elimination or expiration of such government incentives could affect us in different ways. For example, any reduction in, termination or expiration of renewable portfolio standards may result in less demand for generation from our geothermal and recovered energy-based, power plants. Any reductions in, termination or expiration of other government incentives could reduce the economic viability of, and cause us to reduce, the construction of new geothermal, recovered energy-based, Solar PV or any other power plants. Similarly, any such changes that affect the geothermal energy industry in a manner that is different from other sources of renewable energy, such as wind or solar, may put us at a competitive disadvantage compared to businesses engaged in the development, construction and operation of renewable power projects using such other resources. Any of the foregoing outcomes could have a material adverse effect on our business, financial condition, future results, and cash flows.

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Our financial performance could be adversely affected by changes in the legal and regulatory environment affecting our power plants.

All of our power plants are subject to extensive regulation, and therefore changes in applicable laws or regulations, or interpretations of those laws and regulations, could result in increased compliance costs, the need for additional capital expenditures or the reduction of certain benefits currently available to our power plants. The structure of domestic and foreign federal, state and local energy regulation currently is, and may continue to be, subject to challenges, modifications, the imposition of additional regulatory requirements, and restructuring proposals. We or our power purchasers may not be able to obtain all regulatory approvals that may be required in the future, or any necessary modifications to existing regulatory approvals, or maintain all required regulatory approvals. In addition, the cost of operation and maintenance and the operating performance of geothermal power plants may be adversely affected by changes in certain laws and regulations, including tax laws.

Any changes to applicable laws and regulations could significantly increase the regulatory-related compliance and other expenses incurred by the power plants and could significantly reduce or entirely eliminate the revenues generated by one or more of the power plants, which in turn would reduce our net income and could materially and adversely affect our business, financial condition, future results and cash flow.

The costs of compliance with environmental laws and of obtaining and maintaining environmental permits and governmental approvals required for construction and/or operation may increase in the future and these costs (as well as any fines or penalties that may be imposed upon us in the event of any non-compliance with such laws or regulations) could materially and adversely affect our business, financial condition, future results and cash flow.

Environmental laws, ordinances and regulations affecting us can be subject to change and such change could result in increased compliance costs, the need for additional capital expenditures, or otherwise adversely affect us. In addition, our power plants are required to comply with numerous domestic and foreign, federal, regional, state and local statutory and regulatory environmental standards and to maintain numerous environmental permits and governmental approvals required for construction and/or operation. We may not be able to renew, maintain or obtain all environmental permits and governmental approvals required for the continued operation or further development of the power plants. We have not yet obtained certain permits and government approvals required for the completion and successful operation of power plants under construction or enhancement. Our failure to renew, maintain or obtain required permits or governmental approvals, including the permits and approvals necessary for operating power plants under construction or enhancement, could cause our operations to be limited or suspended. Finally, some of the environmental permits and governmental approvals that have been issued to the power plants contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. If we fail to satisfy these conditions or comply with these restrictions, or with any statutory or regulatory environmental standards, we may become subject to regulatory enforcement action and the operation of the power plants could be adversely affected or be subject to fines, penalties or additional costs.

We could be exposed to significant liability for violations of hazardous substances laws because of the use or presence of such substances at our power plants.

Our power plants are subject to numerous domestic and foreign federal, regional, state and local statutory and regulatory standards relating to the use, storage and disposal of hazardous substances. We use butane, pentane, industrial lubricants, and other substances at our power plants which are or could become classified as hazardous substances. If any hazardous substances are found to have been released into the environment at or by the power plants in concentrations that exceed regulatory limits, we could become liable for the investigation and removal of those substances, regardless of their source and time of release. If we fail to comply with these laws, ordinances or regulations (or any change thereto), we could be subject to civil or criminal liability, the imposition of liens or fines, and large expenditures to bring the power plants into compliance. Furthermore, in the U.S., we can be held liable for the cleanup of releases of hazardous substances at other locations where we arranged for disposal of those substances, even if we did not cause the release at that location. The cost of any remediation activities in connection with a spill or other release of such substances could be significant.

We believe that at one time there may have been a gas station located on the Mammoth complex site, but because of significant surface disturbance and construction since that time, further physical evaluation of the environmental condition of the former gas station site has been impractical. There may be soil or groundwater contamination and related potential liabilities of which we are unaware related to this site, which may be significant and could materially and adversely affect our business, financial condition, future results and cash flow.

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We may decide not to implement, or may not be successful in implementing, one or more elements of our multi-year strategic plan, and the plan as implemented may not achieve its goal to enhance shareholder value through long-term growth of the Company

We adopted a multi-year strategic plan to:

- expand our geographical base;
- expand into new technologies, such as energy storage and solar PV electric power generation both in large "utility scale" projects and smaller C&I projects for commercial, industrial, governmental, educational and other institutional customers; and
- expand our customer base.

There are uncertainties and risks associated with the plan, both as to implementation and outcome. Implementation of the plan may be affected by a number of factors, including that:

- we are still developing some elements of the plan and evaluating how and when some elements of the plan will be implemented;
- we may decide to change, or not implement, one or more elements of the plan over time; and
- we may not be successful in implementing one or more elements of the plan, in each case for a number of reasons.

For example, we may face significant challenges and risks expanding into new technologies (or expanding our geographical or customer base for those new technologies), including:

- our ability to compete with the large number of other companies pursuing similar business opportunities in energy storage and solar PV power generation, many of which already have established businesses in these areas and/or have greater financial, strategic, technological or other resources than we have;
- our ability to obtain financing on terms we consider acceptable, or at all, which we may need, for example, to obtain any technology, personnel, intellectual property, or to acquire one or more existing businesses as a platform for our expansion, or to fund internal research and development, for energy storage and solar PV electric power generation products and services;
- our ability to provide energy storage or solar electric power generation products or services that keep pace with rapidly changing technology, customer preferences, equipment costs, market conditions and other factors that will impact these markets;
- our ability to devote the amount of management time and other resources required to implement this plan, consistent with continuing to grow our core geothermal and recovered energy businesses; and
- our ability to recruit appropriate employees.

Expanding our geothermal and recovered energy businesses to new customers and geographical areas will have many of the same risks and uncertainties as those outlined above. These or other factors could mean that we decide to change or even abandon, or are otherwise unable to implement, one or more elements of the plan.

Implementing the plan may involve various costs, including, among other things:

- opportunity costs associated with foregone alternative uses of our resources;
- various expense items that will impact our current financial results; and
- asset revaluations (for example, businesses or other assets acquired for new energy storage or solar PV power generation products or services may suffer impairment charges, as a result of rapidly changing technology, market conditions or otherwise).

These costs may not be recovered, in whole or in part, if one or more elements of the plan are not successfully implemented. These costs, or the failure to implement successfully one or more elements of the plan, could adversely affect our reputation and the reputation of our subsidiaries and could materially and adversely affect our business, financial condition, future results and cash flow and the price at which our common stock is traded.

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Apart from the risks associated with implementing the plan, the plan itself will expose us to other risks and uncertainties once implemented. For example, expanding our customer base may expose us to different credit profile customers than our current customers. As another example, expanding our geographic base will subject us to risks associated with doing business in new foreign countries in which we will have to learn the business and political environment, and expanding into new technologies will expose us to risks associated with those products and services. Some of these risks may be similar to those we now face, as described in other risks factors; others may differ or be unknown to us now. The success of the plan, once implemented, will depend, among other things, on our ability to manage these risks effectively.

The trading price of our common stock could decline if securities, industry analysts or our investors disagree with our strategic plan or the way we implement it, either as a result of the factors outlined above or for other reasons.

Accordingly, there is no assurance that the plan will enhance shareholder value through long-term growth of the Company to the extent currently anticipated by our management or at all.

We may not be able to successfully integrate companies, which we acquired and may acquire in the future, which could materially and adversely affect our business, financial condition, future results and cash flow.

Our strategy is to continue to expand in the future, including through acquisitions. Integrating acquisitions is often costly, and we may not be able to successfully integrate our acquired companies with our existing operations without substantial costs, delays or other adverse operational or financial consequences. Integrating our acquired companies involves a number of risks that could materially and adversely affect our business, including:

- failure of the acquired companies to achieve the results we expect;
- inability to retain key personnel of the acquired companies;
- risks associated with unanticipated events or liabilities; and
- the difficulty of establishing and maintaining uniform standards, controls, procedures and policies, including accounting controls and procedures.

If any of our acquired companies suffers customer dissatisfaction or performance problems, this could adversely affect the reputation of our group of companies and could materially and adversely affect our business, financial condition, future results and cash flow.

The power generation industry is characterized by intense competition, and we encounter competition from electric utilities, other power producers, and power marketers that could materially and adversely affect our business, financial condition, future results and cash flow.

The power generation industry is characterized by intense competition from electric utilities, other power producers and power marketers. In recent years, there has been increasing competition in the sale of electricity, in part due to excess capacity in a number of U.S. markets and an emphasis on short-term or "spot" markets, and competition has contributed to a reduction in electricity prices. For the most part, we expect that power purchasers interested in long-term arrangements will engage in "competitive bid" solicitations to satisfy new capacity demands. This competition could adversely affect our ability to obtain PPAs and the price paid for electricity by the relevant power purchasers. There is also increasing competition between electric utilities. This competition has put pressure on electric utilities to lower their costs, including the cost of purchased electricity, and increasing competition in the future will put further pressure on power purchasers to reduce the prices at which they purchase electricity from us.

We face increasing competition from other companies engaged in the solar, energy storage, demand response and energy management sectors.

The solar power market is intensely competitive and rapidly evolving. We compete with many companies that have longer operating histories in this sector, larger customer bases, and greater brand recognition, as well as, in some cases, significantly greater financial and marketing resources than us. In some cases, these competitors are vertically integrated in the solar energy sector, manufacturing Solar PV, silicon wafers, and other related products for the solar industry, which may give them an advantage in developing, constructing, owning and operating solar power projects. Our limited experience in the Solar PV sector may affect our ability to successfully develop, construct, finance, and operate Solar PV power projects**.**

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While our Viridity business does not currently experience intense competition in the younger, less mature energy storage, demand response and energy management markets, this is expected to change in light of recent rapid growth observed in these markets. We expect that our competitors in the energy storage, demand response and energy management markets will include utilities, independent entities, new start-ups, and third party investors, who may compete more successfully in these markets than our Viridity business. If we are unable, as a result of increased competition, to expand our customer base or increase our market share in these rapidly growing markets, our business, financial condition, future results and cash flow could be materially and adversely affected.

The existence of a prolonged force majeure event or a forced outage affecting a power plant or the transmission system of the IID could reduce our net income and materially and adversely affect our business, financial condition, future results and cash flow.

The operation of our subsidiaries' geothermal power plants is subject to a variety of risks discussed elsewhere in these risk factors, including events such as fires, explosions, earthquakes, landslides, floods, severe storms, volcanic eruptions, lava flow or other similar events. If a power plant experiences an occurrence resulting in a force majeure event, although our subsidiary that owns that power plant would be excused from its obligations under the relevant PPA, the relevant power purchaser may not be required to make any capacity and/or energy payments with respect to the affected power plant for as long as the force majeure event continues and, pursuant to certain of our PPAs, will have the right to prematurely terminate the PPA. Additionally, to the extent that a forced outage has occurred, the relevant power purchaser may not be required to make any capacity and/or energy payments to the affected power plant, and if as a result the power plant fails to attain certain performance requirements under certain of our PPAs, the power purchaser may have the right to permanently reduce the contract capacity (and correspondingly, the amount of capacity payments due pursuant to such agreements in the future), seek refunds of certain past capacity payments, and/or prematurely terminate the PPA. As a consequence, we may not receive any net revenues from the affected power plant other than the proceeds from any business interruption insurance that applies to the force majeure event or forced outage after the relevant waiting period, and may incur significant liabilities in respect of past amounts required to be refunded.

In addition, if the transmission system of the IID experiences a force majeure event or a forced outage which prevents it from transmitting the electricity from the Heber complex, the Ormesa complex or the North Brawley power plant to the relevant power purchaser, the relevant power purchaser would not be required to make energy payments for such non-delivered electricity and may not be required to make any capacity payments with respect to the affected power plant for as long as such force majeure event or forced outage continues. The impact of such force majeure would depend on the duration thereof, with longer outages resulting in greater loss of revenues. In the event of any such force majeure event, our business, financial condition, future results and cash flows could be materially and adversely affected.

Some of our leases will terminate if we do not extract geothermal resources in "commercial quantities", thus requiring us to enter into new leases or secure rights to alternate geothermal resources, none of which may be available on terms as favorable to us as any such terminated lease, if at all.

Most of our geothermal resource leases are for a fixed primary term, and then continue for so long as geothermal resources are extracted in "commercial quantities" or pursuant to other terms of extension. The land covered by some of our leases is undeveloped and has not yet produced geothermal resources in commercial quantities. Leases that cover land which remains undeveloped and does not produce, or does not continue to produce, geothermal resources in commercial quantities and leases that we allow to expire, will terminate. In the event that a lease is terminated and we determine that we will need that lease once the applicable power plant is operating, we would need to enter into one or more new leases with the owner(s) of the premises that are the subject of the terminated lease(s) in order to develop geothermal resources from, or inject geothermal resources into, such premises or secure rights to alternate geothermal resources or lands suitable for injection. We may not be able to do this or may not be able to do so without incurring increased costs, which could materially and adversely affect our business, financial condition, future results and cash flow.

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Our BLM leases may be terminated if we fail to comply with any of the provisions of the Geothermal Steam Act or if we fail to comply with the terms or stipulations of such leases, which could materially and adversely affect our business, financial condition, future results and cash flow.

Pursuant to the terms of our BLM leases, we are required to conduct our operations on BLM-leased land in a workmanlike manner and in accordance with all applicable laws and BLM directives and to take all mitigating actions required by the BLM to protect the surface of and the environment surrounding the relevant land. Additionally, certain BLM leases contain additional requirements, some of which relate to the mitigation or avoidance of disturbance of any antiquities, cultural values or threatened or endangered plants or animals. In the event of a default under any BLM lease, or the failure to comply with such requirements, or any non-compliance with any of the provisions of the Geothermal Steam Act or regulations issued thereunder, the BLM may, 30 days after notice of default is provided to our relevant project subsidiary, suspend our operations until the requested action is taken or terminate the lease, either of which could materially and adversely affect our business, financial condition, future results and cash flow.

Some of our leases (or subleases) could terminate if the lessor (or sublessor) under any such lease (or sublease) defaults on any debt secured by the relevant property, thus terminating our rights to access the underlying geothermal resources at that location.

The fee interest in the land which is the subject of some of our leases (or subleases) may currently be or may become subject to encumbrances securing loans from third-party lenders to the lessor (or sublessor). Our rights as lessee (or sublessee) under such leases (or subleases) are or may be subject and subordinate to the rights of any such lender. Accordingly, a default by the lessor (or sublessor) under any such loan could result in a foreclosure on the underlying fee interest in the property and thereby terminate our leasehold interest and result in the shutdown of the power plant located on the relevant property and/or terminate our right of access to the underlying geothermal resources required for our operations.

In addition, a default by a sublessor under its lease with the owner of the property that is the subject of our sublease could result in the termination of such lease and thereby terminate our sublease interest and our right to access the underlying geothermal resources required for our operations.

Current and future urbanizing activities and related residential, commercial, and industrial developments may encroach on or limit geothermal or Solar PV activities in the areas of our power plants, thereby affecting our ability to utilize access, inject and/or transport geothermal resources on or underneath the affected surface areas.

Current and future urbanizing activities and related residential, commercial and industrial development may encroach on or limit geothermal activities in the areas of our power plants or construction and operation of Solar PV facilities, thereby affecting our ability to utilize, access, inject, and/or transport geothermal resources on or underneath the affected surface areas or build Solar PV facilities, which require large areas of relatively flat land. In particular, the Heber power plants rely on an area, which we refer to as the Heber Known Geothermal Resource Area, or Heber KGRA, for the geothermal resource necessary to generate electricity at the Heber power plants. Imperial County has adopted a "specific plan area" that covers the Heber KGRA, which we refer to as the "Heber Specific Plan Area". The Heber Specific Plan Area allows commercial, residential, industrial and other employment oriented development in a mixed-use orientation, which currently includes geothermal uses. Several of the landowners from whom we hold geothermal leases have expressed an interest in developing their land for residential, commercial, industrial or other surface uses in accordance with the parameters of the Heber Specific Plan Area. Currently, Imperial County's Heber Specific Plan Area is coordinated with the cities of El Centro and Calexico. There has been ongoing underlying interest since the early 1990s to incorporate the community of Heber. While any incorporation process would likely take several years, if Heber were to be incorporated, the City of Heber could replace Imperial County as the governing land use authority, which, depending on its policies, could have a significant effect on land use and availability of geothermal resources.

Current and future development proposals within Imperial County and the City of Calexico, applications for annexations to the City of Calexico, and plans to expand public infrastructure may affect surface areas within the Heber KGRA, thereby limiting our ability to utilize, access, inject and/or transport the geothermal resource on or underneath the affected surface area that is necessary for the operation of our Heber power plants, which could adversely affect our operations and reduce our revenues.

Current construction works and urban developments in the vicinity of our Steamboat complex of power plants in Nevada may also affect future permitting for geothermal operations relating to those power plants. Such works and developments include plans for the construction of a new casino hotel and other commercial or industrial developments on land in the vicinity of our Steamboat complex.

We depend on key personnel for the success of our business.

In general, our success depends to a significant extent on the performance of our senior management, particularly the continued service of our key employees. Our success also depends on our ability to identify, hire and retain other qualified and experienced key personnel. Although to date we have been successful in identifying, hiring and retaining the services of senior management, we face risks associated with our ability to locate or employ on acceptable terms qualified replacements for our senior management or key employees if their services were no longer available, and with the inherent difficulties and uncertainties of transitioning the Company under the leadership of new management.

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In the demand response industry, there is a relatively small pool of experienced personnel. In the relatively new energy storage market, there is an even smaller pool of experienced personnel. Our plans to grow the Viridity business are dependent on our ability to attract and retain highly specialized demand response and energy storage personnel.

Our inability to successfully identify, hire and retain any key employee could materially and adversely affect our business, financial condition, future results and cash flow.

Our power plants have generally been financed through a combination of our corporate funds and limited or non-recourse project finance debt and lease financing. If our project subsidiaries default on their obligations under such limited or non-recourse debt or lease financing, we may be required to make certain payments to the relevant debt holders, and if the collateral supporting such leveraged financing structures is foreclosed upon we may lose certain of our power plants.

Our power plants have generally been financed using a combination of our corporate funds and limited or non-recourse project finance debt or lease financing. Limited recourse project finance debt refers to our additional agreement, as part of the financing of a power plant, to provide limited financial support for the power plant subsidiary in the form of limited guarantees, indemnities, capital contributions and agreements to pay certain debt service deficiencies. Non-recourse project finance debt or lease financing refers to financing arrangements that are repaid solely from the power plant's revenues and are secured by the power plant's physical assets, major contracts, cash accounts and, in many cases, our ownership interest in the project subsidiary. If our project subsidiaries default on their obligations under the relevant debt documents, creditors of a limited recourse project financing will have direct recourse to us, to the extent of our limited recourse obligations, which may require us to use distributions received by us from other power plants, as well as other sources of cash available to us, in order to satisfy such obligations. In addition, if our project subsidiaries default on their obligations under the relevant debt documents (or a default under such debt documents arises as a result of a cross-default to the debt documents of some of our other power plants) and the creditors foreclose on the relevant collateral, we may lose our ownership interest in the relevant project subsidiary or our project subsidiary owning the power plant would only retain an interest in the physical assets, if any, remaining after all debts and obligations were paid in full.

Changes in costs and technology may significantly impact our business by making our power plants and products less competitive.

A basic premise of our business model is that generating baseload power at geothermal power plants produces electricity at a competitive price. However, traditional coal-fired systems and gas-fired systems may under certain economic conditions produce electricity at lower average prices than our geothermal plants. In addition, there are other technologies that can produce electricity such as hydroelectric systems, fuel cells, microturbines, wind turbines, energy storage systems and solar PV systems. Some of these alternative technologies currently produce electricity at a higher average price than our geothermal plants while others produce electricity at a lower average price, It is possible that technological advances and economies of scale will further reduce the cost of alternate methods of power generation. It is also possible that energy technologies will compete with our basic premise of a firm (non-intermittent) renewable baseload power source by combining renewable technologies with energy storage to provide an alternative to firm baseload energy. If this were to happen, the competitive advantage of our power plants may be significantly impaired.

Our expectations regarding the market potential for the development of recovered energy-based power generation may not materialize, and as a result we may not derive any significant revenues from this line of business.

Demand for our recovered energy-based power generation units may not materialize or grow at the levels that we expect. We currently face competition in this market from manufacturers of conventional steam turbines and may face competition from other related technologies in the future. If this market does not materialize at the levels that we expect, we will not generate any material revenues.

Our intellectual property rights may not be adequate to protect our business.

Our existing intellectual property rights, including those we acquired in connection with the acquisition of our Viridity business, may not be adequate to protect our business. While we occasionally file patent applications, patents may not be issued on the basis of such applications or, if patents are issued, they may not be sufficiently broad to protect our technology. In addition, any patents issued to us or for which we have use rights may be challenged, invalidated or circumvented.

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In order to safeguard our unpatented proprietary know-how, trade secrets and technology, we rely primarily upon trade secret protection and non-disclosure provisions in agreements with employees and others having access to confidential information. These measures may not adequately protect us from disclosure or misappropriation of our proprietary information.

Even if we adequately protect our intellectual property rights, litigation may be necessary to enforce these rights, which could result in substantial costs to us and a substantial diversion of management attention. Also, while we have attempted to ensure that our technology and the operation of our business do not infringe other parties' patents and proprietary rights, our competitors or other parties may assert that certain aspects of our business or technology may be covered by patents held by them. Infringement or other intellectual property claims, regardless of merit or ultimate outcome, can be expensive and time-consuming and can divert management's attention from our core business.

Threats of terrorism and catastrophic events that could result from terrorism, cyber-attacks, or individuals and/or groups attempting to disrupt our business, or the businesses of third parties, may impact our operations in unpredictable ways and could adversely affect our business, financial condition, future results and cash flow.

We are subject to the potentially adverse operating and financial effects of terrorist acts and threats, as well as cyber-attacks, including, among others, malware, viruses and attachments to e-mails, and other disruptive activities of individuals or groups. Our generation and transmission facilities, information technology systems and other infrastructure facilities, systems and physical assets, including our Viridity business's VPower™ software platform, could be directly or indirectly affected by such activities. Terrorist acts or other similar events could harm our business by limiting our ability to generate or transmit power and by delaying the development and construction of new generating facilities and capital improvements to existing facilities. These events, and governmental actions in response, could result in a material decrease in revenues and significant additional costs to repair and insure our assets, and could adversely affect operations by contributing to the disruption of supplies and markets for geothermal and recovered energy. Such events could also impair our ability to raise capital by contributing to financial instability and lower economic activity.

We operate in a highly regulated industry that requires the continued operation of sophisticated information technology systems and network infrastructure. Despite our implementation of security measures, all of our technology systems (and any programs or data stored thereon or therein) are vulnerable to security breaches, failures, data leakage or unauthorized access due to such activities. Those breaches and events may result from acts of our employees, contractors or third parties. If our technology systems were to fail or be breached and we were unable to recover in a timely way, we would be unable to fulfill critical business functions, and sensitive confidential and other data could be compromised, which could adversely affect our business, financial condition, future results and cash flow.

The implementation of security guidelines and measures and maintenance of insurance, to the extent available, addressing such activities could increase costs. These types of events could adversely affect our business, financial condition, future results and cash flow. In addition such events could require significant management attention and resources and could adversely affect our reputation among customers and the public.

A disruption of transmission or the transmission infrastructure facilities of third parties could negatively impact our business. Because generation and transmission systems are part of an interconnected system, we face the risk of possible loss of business due to a disruption caused by the impact of an event on the interconnected system within our systems or within a neighboring system. Any such disruption could adversely affect our business, financial condition, future results and cash flow.

Possible fluctuations in the cost of construction, raw materials, commodities and drilling may materially and adversely affect our business, financial condition, future results, and cash flow.

Our manufacturing operations are dependent on the supply of various raw materials, including primarily steel and aluminum, commodities and industrial equipment components that we use. We currently obtain all such raw materials, commodities and equipment at prevailing market prices. We are not dependent on any one supplier and do not have any long-term agreements with any of our suppliers. Future cost increases of such raw materials, commodities and equipment, to the extent not otherwise passed along to our customers, could adversely affect our profit margins.

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Conditions in and around Israel, where the majority of our senior management and our main production and manufacturing facilities are located, may adversely affect our operations and may limit our ability to produce and sell our products or manage our power plants.

The majority of our senior management and our main production and manufacturing facilities are located in Israel. As such, political, economic and security conditions in Israel directly affect our operations.

Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, and the continued state of hostility, varying in degree and intensity, has led to security and economic problems for Israel.

Negotiations between Israel and representatives of the Palestinian Authority in an effort to resolve the state of conflict have been sporadic and have failed to result in peace. The establishment in 2006 of a government in the Gaza territory by representatives of the Hamas militant group has created additional unrest and uncertainty in the region. In each of December 2008, November 2012 and July 2014, Israel engaged in an armed conflict with Hamas, each of which involved additional missile strikes from the Gaza Strip into Israel and disrupted most day-to-day civilian activity in the proximity of the border with the Gaza Strip. Our production facilities in Israel are located approximately 26 miles from the border with the Gaza Strip.

The political instability and civil unrest in the Middle East and North Africa (including the ongoing civil war in Syria) as well as the increased tension between Iran and Israel have raised new concerns regarding security in the region and the potential for armed conflict or other hostilities involving Israel. We could be adversely affected by any such hostilities, the interruption or curtailment of trade between Israel and its trading partners, or a significant downturn in the economic or financial condition of Israel. In addition, the sale of products manufactured in Israel may be adversely affected in certain countries by restrictive laws, policies or practices directed toward Israel or companies having operations in Israel.

In addition, some of our employees in Israel are subject to being called upon to perform military service in Israel, and their absence may have an adverse effect upon our operations. Generally, unless exempt, male adult citizens of Israel under the age of 41 are obligated to perform up to 36 days of military reserve duty annually. Additionally, all such citizens are subject to being called to active duty at any time under emergency circumstances.

These events and conditions could disrupt our operations in Israel, which could materially and adversely affect our business, financial condition, future results, and cash flow.

We are a holding company and our revenues depend substantially on the performance of our subsidiaries and the power plants they operate, most of which are subject to restrictions and taxation on dividends and distributions.

We are a holding company whose primary assets are our ownership of the equity interests in our subsidiaries. We conduct no other business and, as a result, we depend entirely upon our subsidiaries' earnings and cash flow.

The agreements pursuant to which most of our subsidiaries have incurred debt restrict the ability of these subsidiaries to pay dividends, make distributions or otherwise transfer funds to us prior to the satisfaction of other obligations, including the payment of operating expenses, debt service and replenishment or maintenance of cash reserves. In the case of some of our power plants that are owned jointly with other partners, there may be certain additional restrictions on dividend distributions pursuant to our agreements with those partners. In all of the foreign countries where our existing power plants are located, dividend payments to us are also subject to withholding taxes. Each of the events described above may reduce or eliminate the aggregate amount of revenues we can receive from our subsidiaries.

We have identified a material weakness in our internal control over financial reporting which, if not timely remediated, may adversely affect the accuracy and reliability of our financial statements, and our reputation, business and the price of our common stock, as well as lead to a loss of investor confidence in us.

In connection with the change in our repatriation strategy and the related release of the US income tax valuation allowance in the second quarter of 2017, we did not perform an effective risk assessment related to our internal controls over the accounting for income taxes. As a result, we identified a deficiency in the design of our internal control over financial reporting related to our accounting for income taxes, which affected the recording of income tax accounts by us in our interim and annual consolidated financial statements during 2017, including audit adjustments to the income tax accounts. As described under "Item 9A. Controls and Procedures" below, our management has concluded that this deficiency constitutes a material weakness in our internal control over financial reporting and, accordingly, internal control over financial reporting was not effective as of December 31, 2017.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

While we have developed and are in the process of implementing a remediation plan to remediate this material weakness and believe, based on our most recent assessment, that this material weakness will be remediated during 2018, there can be no assurance that this will occur within the expected timeline. We may identify additional material weaknesses in our internal control over financial reporting in the future. If we are unable to remediate this material weakness or we identify additional material weaknesses in our internal control over financial reporting in the future, our ability to analyze, record and report financial information accurately, to prepare our financial statements within the time periods specified by the rules and forms of the SEC and to otherwise comply with our reporting obligations under the federal securities laws, will likely be adversely affected. The occurrence of, or failure to remediate, this material weakness and any future material weaknesses in our internal control over financial reporting may adversely affect the accuracy and reliability of our financial statements, and our reputation, business and the price of our Common Stock or any other securities we may issue, as well as lead to a loss of investor confidence in us.

U.S. federal income tax reform could adversely affect us.

On December 22, 2017, U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") was signed into law, significantly reforming the U.S. Internal Revenue Code. The Tax Act, among other things, includes changes to U.S. federal tax rates (including reduction of the corporate tax rate from 35% to 21%), imposes significant additional limitations on the deductibility of interest, allows for the expensing of capital expenditures, puts into effect the migration from a "worldwide" system of taxation to a territorial system and modifies or repeals many business deductions and credits.

The Tax Act is likely to make some borrowing more expensive. It denies interest deductions on debt starting in 2018 to the extent a company's net interest expense exceeds 30 percent of its adjusted taxable income. Its income for this purpose means income ignoring interest expense, interest income, net operating losses and -- only through 2021 -- depreciation, amortization and depletion. Thus, the 30-percent limit is more likely to come into play after 2021 when depreciation, amortization and depletion are no longer added back to the 30-percent base. Any interest that cannot be deducted in a year can be carried forward indefinitely.

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The Tax Act subjects U.S. corporations with offshore subsidiaries to a one-time U.S. tax on untaxed earnings in offshore holding companies as if the earnings had been brought back to the U.S. thereby triggering a tax. All post-1986 net "earnings and profits" in offshore holding companies will be taxed at a 15.5 percent rate to the extent they are being held in cash or cash equivalents and at an eight percent rate otherwise. Companies must calculate the earnings as of November 2, 2017 and December 31, 2017 and pay U.S. tax on whichever amount is higher. The tax can be paid ratably over eight years. Eight percent of the tax would have to be paid in each of the first five years starting in 2017, increasing to 15 percent in year six, 20 percent in year seven and 25 percent in year eight.

Corporations will no longer be able to use net operating losses incurred after 2017 to reduce income by more than 80 percent in a year, and corporations will no longer be able to carry such losses back two years as they have been allowed to do in the past.

Starting in 2018, the U.S. will no longer allow some cross-border interest and royalty payments to related companies to be deducted. This would happen if the other country treats the payments as something other than interest or royalties for its tax purposes or the two countries treat the U.S. company making the payments differently: for example, one treats it as a corporation and the other treats it as fiscally transparent or vice versa. Once the provision is triggered, deductions would be denied in the U.S. to the extent the payment does not have to be reported as income in the foreign country.

We continue to examine the impact the Tax Act may have on our business. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the Tax Act is uncertain, and our business, financial condition, future results and cash flow, as well as our stock price, could be adversely affected.

Possible application of the new base erosion anti-avoidance tax in the U.S. may adversely affect us.

The recently enacted Tax Act in the U.S. included a base erosion and anti-abuse tax, or BEAT, that could apply to us and, more importantly, could reduce the amount of tax equity that can be raised on geothermal projects on which PTCs will be claimed. The aim of the base erosion tax is to prevent multinational companies from reducing their U.S. taxes by "stripping" earnings across the U.S. border by making payments to foreign affiliates that can be deducted in the U.S. An example of such a payment is interest on an intercompany loan or a payment to a back office in a foreign country for equipment or services. The goal of the base erosion tax is to ensure that multinational companies do not use cross-border payments to reduce their U.S. taxes to less than 10 percent of an expanded definition of taxable income. The base erosion tax requires an annual calculation. The tax only applies to companies with at least $500 million in average annual gross receipts in the three prior years before the calculation. If the tax applies to us, our tax equity raised on geothermal projects on which PTCs can be claimed may be reduced, which in turn may materially and adversely affect our business, financial condition, future results and cash flow.

The Israeli Tax Ruling we obtained in connection with our acquisition of Ormat Industries imposes conditions that may limit our flexibility in operating our business and our ability to enter into certain corporate transactions.

The Israel Tax Ruling we obtained in connection with the acquisition of Ormat Industries imposes a number of conditions that limit our flexibility in operating our business and in engaging in certain corporate transactions. Until the end of 2018, we agreed to maintain (and, to the extent that our operations expand, likewise expand) the production activities we currently carry out in Israel. Under certain circumstances, these conditions may not allow us the flexibility that we need to operate our business and may prevent us from taking advantage of strategic opportunities that would benefit our business and our stockholders.

A substantial percentage of our common stock is held by stockholders whose interests may conflict with the interests of our other stockholders.

On July 26, 2017, ORIX Corporation ("ORIX") purchased approximately 22% of our shares of common stock outstanding. Pursuant to the Governance Agreement between the Company and ORIX entered into in connection with this stock purchase transaction, ORIX has the right to designate three directors to our Board for as long as ORIX and its affiliates collectively hold at least 18% of the voting power of all of the outstanding voting securities of the Company as well as the right to representation on certain committees of our Board. ORIX may also exercise certain registration rights pursuant to the Registration Rights Agreement between the Company and ORIX.

As a result of these rights and ORIX's beneficial ownership of our common stock, ORIX could exert influence through its Board representation on the business, operations and management of the Company and its subsidiaries, including our strategic plans, or, as a significant stockholder, on matters submitted to a vote of our stockholders, including mergers, consolidations and the sale of all or substantially all of our assets. This concentration of ownership of our common stock could delay or prevent proxy contests, mergers, tender offers, or other purchases of our common stock that might otherwise give our stockholders the opportunity to realize a premium over the then-prevailing market price for our shares. If ORIX exercises its registration rights to require the Company to register for sale the common stock held by ORIX or ORIX otherwise sells its common stock in the public markets, the price of our common stock may decline. This concentration of ownership may also adversely affect the liquidity of our common stock.

The price of our common stock may fluctuate substantially, and your investment may decline in value.

The market price of our common stock may be highly volatile and may fluctuate substantially due to many factors, including:

- actual or anticipated fluctuations in our results of operations including as a result of seasonal variations in our Electricity segment-based revenues or variations from year-to-year in our Product segment-based revenues;
- variance in our financial performance from the expectations of market analysts;
- conditions and trends in the end markets we serve, and changes in the estimation of the size and growth rate of these markets;
- our ability to integrate acquisitions;
- announcements of significant contracts by us or our competitors;
- changes in our pricing policies or the pricing policies of our competitors;
- restatements of historical financial results and changes in financial forecasts;
- loss of one or more of our significant customers;
- legislation;

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- changes in market valuation or earnings of our competitors;
- the trading volume of our common stock;
- the trading of our common stock on multiple trading markets, which takes place in different currencies and at different times; and
- general economic conditions.

In addition, the stock market in general, and the NYSE and the market for energy companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies affected. These broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could result in substantial costs and a diversion of management's attention and resources, which could materially harm our business, financial condition, future results and cash flow.

Regulations related to conflict minerals may force us to incur additional expenses and may damage our relationship with certain customers.

On August 22, 2012, the SEC adopted requirements regarding mandatory disclosure for companies regarding their use of "conflict minerals" (including tantalum, tin, tungsten and gold) in their products. In general, while we do not directly purchase or use any of these "conflict minerals" as raw materials in the products we manufacture or as part of our manufacturing processes, we will need to examine whether such minerals are contained in the products supplied to us by third parties and, if so, whether such minerals originate from the Democratic Republic of Congo or adjoining countries. If we utilize any of these minerals and they are necessary to the production or functionality of any of our products or products we are contracted to manufacture, we will need to conduct specified due diligence activities and file with the SEC a report disclosing, among other things, whether such minerals originate from the Democratic Republic of Congo or adjoining countries. The implementation of these SEC rules could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of certain components incorporated in our products. In addition, we expect to incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products, and possibly additional expenses related to any changes to our products we may decide are advisable based upon our due diligence findings. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We currently lease corporate offices at 6225 Neil Road, Reno, Nevada 89511-1136. We also occupy an approximately 807,000 square foot office and manufacturing facility located in the Industrial Park of Yavne, Israel, which we lease from the Israel Land Administration. See Item 13 — "Certain Relationships and Related Transactions". We also lease small offices in each of the countries in which we operate.

We are planning to move from our current corporate offices to larger offices during the second quarter of 2018. We believe that our current manufacturing facilities will be adequate for our operations as currently conducted.

Each of our power plants is located on property leased or owned by us or one of our subsidiaries, or is a property that is subject to a concession agreement.

Information and descriptions of our plants and properties are included in Item 1 — "Business", of this annual report.

ITEM 3. LEGAL PROCEEDINGS

There were no material developments in any legal proceedings to which the Company was a party during fiscal year 2017, other than as described below.

- Jon Olson and Hilary Wilt, together with Puna Pono Alliance, filed a complaint on February 17, 2015 in the Third Circuit Court for the State of Hawaii, requesting declaratory and injunctive relief requiring that Puna Geothermal Venture comply with an ordinance that the plaintiffs allege will prohibit PGV from engaging in night drilling operations at its KS-16 well site. On May 17, 2015, the original complaint was amended to add the County of Hawaii and the State of Hawaii Department of Land and Natural Resources as defendants to the case. On October 10, 2016, the court issued its decision in response to each of the plaintiffs' and defendants' motions for summary judgment, denying plaintiffs' motion and granting defendant PGV's and the County of Hawaii's cross motions for summary judgment, effectively rendering the plaintiffs' action moot. On January 23, 2017, the plaintiffs filed a motion requesting that the Intermediate Court of Appeals address appellate jurisdiction, which was denied by the court on April 20, 2017 as premature. We believe that we have valid defenses under law, and intend to defend this action vigorously.

- On July 8, 2014, Global Community Monitor, LiUNA, and two residents of Bishop, California filed a complaint in the U.S. District Court for the Eastern District of California, alleging that Mammoth Pacific, L.P., the Company and Ormat Nevada are operating three geothermal generating plants in Mammoth Lakes, California (MP-1, MP-II and PLES-I) in violation of the federal Clean Air Act and Great Basin Unified Air Pollution Control District rules. On June 26, 2015, in response to a motion by the defendants, the court dismissed all but one of the plaintiffs' causes of action. On January 6, 2017, the court issued its order regarding several pending motions, including plaintiffs' motion for partial summary judgment, defendants' motion for summary judgment, defendants' motion to exclude and defendants' motion for leave to file a sur-reply. The impact of the court's January 6, 2017 order is to deny the plaintiffs' sole remaining cause of action. No appeal by the plaintiffs is expected and we consider this case to be effectively closed.

- On March 29, 2016, a former local sales representative in Chile, Aquavant, S.A., filed a claim against our subsidiaries in the 27th Civil Court of Santiago, Chile on the basis of unjust enrichment. The claim requests that the court order us to pay Aquavant $4.8 million in connection with its activities in Chile, including the EPC contract for the Cerro Pabellon project and various geothermal concessions, plus 3.75% of our geothermal products sales in Chile over the next 10 years. Pursuant to various motions submitted by the defendants and the plaintiffs to various courts, including the Court of Appeals, the case was removed from the original court and then refiled before the 11th Civil Court of Santiago. In February 2018, our preliminary defenses were denied by the lower court, and are currently pending on appeal. We timely filed our answer to the claim on the merits, and the plaintiff filed its response (replication). We believe that we have valid defenses under law, and intend to defend this action vigorously.

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- On August 5, 2016, George Douvris, Stephanie Douvris, Michael Hale, Cheryl Cacocci, Hillary E. Wilt and Christina Bryan, acting for themselves and on behalf of all other similarly situated residents of the lower Puna District, filed a complaint in the Third Circuit Court for the State of Hawaii seeking certification of a class action for preliminary and permanent injunctive relief, consequential and punitive damages, attorney's fees and statutory interest against PGV and other presently unknown defendants. On December 12, 2016, the federal district court granted plaintiffs' motion for joinder of HELCO as a co-defendant, and the case, which had previously been removed to the U.S. District Court for the District of Hawaii, was remanded back to the Third Circuit Court. The amended complaint alleged that injuries and other damages in an undisclosed amount were caused to the plaintiffs as a result of an alleged toxic release by PGV in the wake of Hurricane Iselle in August 2014. On June 14, 2017, the Third Circuit Court denied HELCO's motion to dismiss the complaint against HELCO. Discovery is underway. We believe that we have valid defenses under law, and intend to defend this action vigorously.

- On June 20, 2016, Nadia Garcia, individually and as successor in interest to Thomas Garcia Valenzuela, and as guardian ad litem to Emerie Garcia, Khamilla Garcia and Reyene Adam, filed a complaint against the Company, Ormat Nevada and Ormesa LLC in the Superior Court of Imperial County seeking unspecified monetary damages. The complaint alleges that the Ormat defendants caused the wrongful death, personal injury and other harm to Thomas Garcia when he was employed by Martin Hydroblasting Services, Inc. and suffered injuries leading to his death while performing work at the Ormesa plant site on or around March 31, 2016. The plaintiffs and the deceased's employer's insurer reached an out of court settlement on May 25, 2017 that was approved by the US District Court for the Southern District of California. The case has been dismissed, without liability to us.

- On February 18, 2018, Western Watersheds Project ("WWP") filed a notice of appeal and petition for standing with respect to the January 16, 2018 BLM decision approving Addendum 2 to Operation Plan & Utilization Plan for the McGinness Hills Geothermal Project. The appeal alleges that the January 2018 BLM decision authorizing construction and operation of Phase 3 of McGinness Hills causes harm to WWP and its members by allowing degradation of the wildlife habitat of the greater sage-grouse in that area. We have filed a motion to intervene as an interested party in support of the BLM.

In addition, from time to time, the Company is named as a party to various other lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of our business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings, the Company accrues reserves when a loss is probable and the amount of such loss can be reasonably estimated. It is the opinion of the Company's management that the outcome of these proceedings, individually and collectively, will not be material to the Company's consolidated financial statements as a whole.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. ***MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

Our common stock has traded on the NYSE under the symbol "ORA" since November 11, 2004. Prior to November 11, 2004, there was no public market for our common stock. Effective on February 10, 2015, our common stock also began trading on the TASE.

As of March 1, 2018, there were 17 record holders of our common stock. On March 1, 2018, the closing price of our common stock as reported on the NYSE was $57.65 per share.

Dividends

We have adopted a dividend policy pursuant to which we currently expect to distribute at least 20% of our annual profits available for distribution by way of quarterly dividends. In determining whether there are profits available for distribution, our Board will take into account our business plan and current and expected obligations, and no distribution will be made that in the judgment of our Board would prevent us from meeting such business plan or obligations.

Notwithstanding this policy, dividends will be paid only when, as and if approved by our Board out of funds legally available therefor. The actual amount and timing of dividend payments will depend upon our financial condition, results of operations, business prospects and such other matters as the Board may deem relevant from time to time. Even if profits are available for the payment of dividends, the Board could determine that such profits should be retained for an extended period of time, used for working capital purposes, expansion or acquisition of businesses or any other appropriate purpose. As a holding company, we are dependent upon the earnings and cash flow of our subsidiaries in order to fund any dividend distributions and, as a result, we may not be able to pay dividends in accordance with our policy. Our Board may, from time to time, examine our dividend policy and may, in its absolute discretion, change such policy. In addition to the required Board approval for the payment of dividends, we can declare as dividends no more than 35% of annual net income as dividends due to restrictions related to its third-party debt (see Note 11 to our consolidated financial statements set forth in Item 8 of this annual report).

We have declared the following dividends over the past two years:

Date Declared	Dividend Amount per Share	Record Date	Payment Date
February 23, 2016	$ 0.31	March 15, 2016	March 29, 2016
May 4, 2016	$ 0.07	May 18, 2016	May 24, 2016
August 2, 2016	$ 0.07	August 16, 2016	August 30, 2016
November 7, 2016	$ 0.07	November 21, 2016	December 6, 2016
February 28, 2017	$ 0.17	March 15, 2017	March 29, 2017
May 8, 2017	$ 0.08	May 22, 2017	May 31, 2017
August 3, 2017	$ 0.08	August 15, 2017	August 29, 2017
November 7, 2017	$ 0.08	November 21, 2017	December 5, 2017
March 1, 2018	$ 0.23	March 14, 2018	March 29, 2018

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High/Low Stock Prices

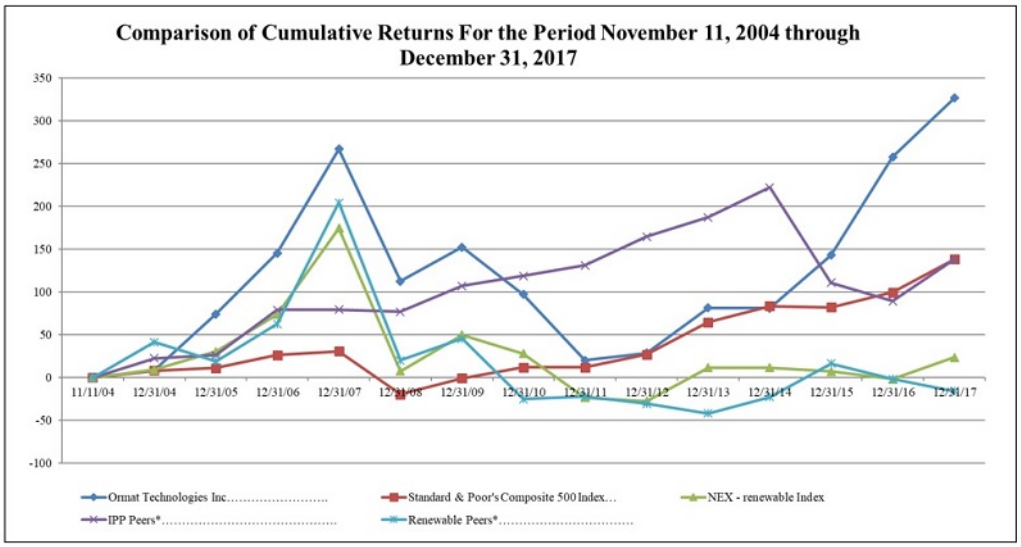
The following table sets forth the high and low sales prices of our common stock for the years ended December 31, 2016 and 2017, and from January 1, 2018 until March 1, 2018:

	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016	First Quarter 2017	Second Quarter 2017	Third Quarter 2017	Fourth Quarter 2017	January 1 to March 1, 2018
High	$ 41.56	$ 44.45	$ 50.87	$ 53.71	$ 59.63	$ 61.49	$ 63.56	$ 66.46	$ 70.68
Low:	$ 33.29	$ 40.24	$ 43.19	$ 46.01	$ 51.44	$ 55.73	$ 55.06	$ 60.13	$ 57.51

Stock Performance Graph

The following performance graph represents the cumulative total shareholder return for the period November 11, 2004 (the date upon which trading of the Company's common stock commenced) through December 31, 2017 for our common stock, compared to the Standard and Poor's Composite 500 Index, and two peer groups.

Comparison of Cumulative Returns for the Period November 11, 2004 through December 31, 2017



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	For the Year Ended December 31,													
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Ormat Technologies Inc	9%	74%	145%	267%	112%	152%	97%	20%	29%	81%	81%	143%	258%	326%
Standard & Poor's Composite 500 Index	8%	11%	26%	31%	-20%	-1%	12%	12%	27%	65%	84%	82%	100%	138%
NEX - renewable Index	9%	30%	74%	174%	7%	50%	28%	-23%	-28%	12%	11%	7%	-2%	24%
IPP Peers*	22%	26%	79%	79%	77%	107%	119%	131%	165%	187%	222%	111%	89%	138%
Renewable Peers*	41%	19%	63%	204%	20%	45%	-25%	-22%	-30%	-42%	-23%	17%	-2%	-16%

* IPP Peers are The AES Corporation, NRG Energy Inc., Calpine Corporation and Covanta Holding Corp.
** Renewable Energy (Renewable) Peers are Acciona S.A. and U.S. Geothermal Inc.

The above Stock Performance Graph shall not be deemed to be soliciting material or to be filed with the SEC under the Securities Act and the Exchange Act except to the extent that the Company specifically requests that such information be treated as soliciting material or specifically incorporates it by reference into a filing under the Securities Act or the Exchange Act.

Equity Compensation Plan Information

For information on our equity compensation plan, refer to Item 12 — "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters".

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ITEM 6. ***SELECTED FINANCIAL DATA***

The following table sets forth our selected consolidated financial data for the years ended and at the dates indicated. We have derived the selected consolidated financial data for the years ended December 31, 2017, 2016 and 2015 and as of December 31, 2017 and 2016 from our audited consolidated financial statements set forth in Item 8 of this annual report. We have derived the selected consolidated financial data for the years ended December 31, 2014 and 2013 and as of December 31, 2015, 2014 and 2013 from our audited consolidated financial statements not included herein.

The information set forth below should be read in conjunction with Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the notes thereto, set forth in Item 8 of this annual report.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in thousands, except per share data)				
Statements of Operations Data:					
Revenues:					
Electricity	$ 468,329	$ 436,292	$ 375,920	$ 382,301	$ 329,747
Product	224,483	226,299	218,724	177,223	203,492
Total revenues	692,812	662,591	594,644	559,524	533,239
Cost of revenues:					
Electricity	272,266	261,573	242,612	246,630	232,874
Product	152,094	130,223	133,753	109,143	140,547
Total cost of revenues	424,360	391,796	376,365	355,773	373,421
Gross profit	268,452	270,795	218,279	203,751	159,818
Operating expenses:					
Research and development expenses	3,157	2,762	1,780	783	4,965
Selling and marketing expenses	15,600	16,424	16,077	15,425	24,613
General and administrative expenses	42,881	46,710	34,782	28,614	29,188
Write-off of unsuccessful exploration activities	1,796	3,017	1,579	15,439	4,094
Operating Income (loss)	205,018	201,882	164,061	143,490	96,958
Other income (expense):					
Interest income	988	971	297	312	1,332
Interest expense, net	(54,142)	(67,389)	(72,577)	(84,654)	(73,776)
Derivatives and foreign currency transaction gains (losses)	2,654	(5,534)	(1,622)	(5,839)	5,085
Income attributable to sale of tax benefits	17,878	16,503	25,431	24,143	19,945
Gain from sale of property, plant and equipment	—	—	—	7,628	—
Other non-operating expense, net	(1,666)	(5,345)	(1,991)	756	1,592
Income (loss) from continuing operations, before income taxes and equity in income (losses) of investees	170,730	141,088	113,599	85,836	51,136
Income tax (provision) benefit	1,411	(31,837)	15,258	(27,608)	(13,552)
Equity in earnings (losses) of investees, net	(1,957)	(7,735)	(5,508)	(3,213)	(250)
Income (loss) from continuing operations	170,184	101,516	123,349	55,015	37,334
Discontinued operations:					
Income from discontinued operations (including gain on disposal of $0, $0, $0, $0, and $3,646, respectively)	—	—	—	—	5,311
Income tax provision	—	—	—	—	(614)
Total income from discontinued operations	—	—	—	—	4,697
Net Income (loss)	170,184	101,516	123,349	55,015	42,031
Net income attributable to noncontrolling interest	(14,695)	(7,586)	(3,776)	(833)	(793)
Net income (loss) attributable to the Company's stockholders	$ 155,489	$ 93,930	$ 119,573	$ 54,182	$ 41,238

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	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in thousands, except per share data)				
Earnings (loss) per share attributable to the Company's stockholders:					
Basic:					
Income (loss) from continuing operations	$ 3.10	$ 1.90	$ 2.46	$ 1.19	$ 0.81
Discontinued operations:	—	—	—	—	0.10
Net Income (loss)	$ 3.10	$ 1.90	$ 2.46	$ 1.19	$ 0.91
Diluted:					
Income from continuing operations	$ 3.06	$ 1.87	$ 2.43	$ 1.18	$ 0.81
Discontinued operations	—	—	—	—	0.10
Net Income (loss)	$ 3.06	$ 1.87	$ 2.43	$ 1.18	$ 0.91
Weighted average number of shares used in computation of earnings (loss) per share attributable to the Company's stockholders:					
Basic	50,110	49,469	48,562	45,508	45,440
Diluted	50,769	50,140	49,187	45,859	45,475
Dividend per share declared	$ 0.41	$ 0.52	$ 0.26	$ 0.21	$ 0.08
Balance Sheet Data (at end of year):					
Cash and cash equivalents	$ 47,818	230,214	185,919	40,230	57,354
Working capital	38,301	283,579	186,635	68,121	103,001
Property, plant and equipment, net (including construction-in process)	2,028,233	1,863,087	1,808,170	1,734,359	1,741,163
Total assets	2,586,662	2,461,569	2,273,982	2,101,525	2,138,674
Long-term debt (including current portion)	862,102	938,844	901,403	981,379	1,057,098
Equity	1,320,459	1,170,007	1,083,874	786,746	745,111

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ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

You should read the following discussion and analysis of our results of operations, financial condition and liquidity in conjunction with our consolidated financial statements and the related notes. Some of the information contained in this discussion and analysis or set forth elsewhere in this annual report including information with respect to our plans and strategies for our business, statements regarding the industry outlook, our expectations regarding the future performance of our business, and the other non-historical statements contained herein are forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements." You should also review Item 1A — "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described herein or implied by such forward-looking statements.

General

Overview of Fiscal Year 2017 Revenues

For the year ended December 31, 2017, our total revenues increased by 4.6% (from $662.6 million to $692.8 million) over the previous year.

For the year ended December 31, 2017, Electricity segment revenues were $468.3 million, compared to $436.3 million for the year ended December 31, 2016, an increase of 7.3%. Product segment revenues for the year ended December 31, 2017 were $224.5 million, compared to $226.3 million for the year ended December 31, 2016, a decrease of 0.8%.

During the years ended December 31, 2017 and 2016, our consolidated power plants generated 5,489,234 MWh and 5,396,959 MWh, respectively, an increase of 1.7%

For the year ended December 31, 2017, our Electricity segment generated approximately 67.6% of our total revenues (65.8% in 2016), while our Product segment generated approximately 32.4% of our total revenues (34.2% in 2016).

For the year ended December 31, 2017, approximately 85.3% of our Electricity segment revenues were from PPAs with fixed energy rates which are not affected by fluctuations in energy commodity prices. We have variable price PPAs in California and Hawaii, which provide for payments based on the local utilities' avoided cost, which is the incremental cost that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others, as follows:

- the energy rates under the PPAs in California for each of Heber 2 power plant in the Heber complex and the G2 power plant in the Mammoth complex, a total of between 30 and 40 MW, change primarily based on fluctuations in natural gas prices; and
- the prices paid for the electricity pursuant to the 25 MW PPA for the Puna complex in Hawaii change primarily as a result of variations in the price of oil as well as other commodities.

Historically, we have entered into derivatives transactions to reduce our economic exposure to fluctuations in the price of natural gas and oil. We recently entered into a derivative transaction to reduce our economic exposure to fluctuations in the price of natural gas from February 2017 to December 2017. For the year ended December 31, 2017, we recorded a net loss of $0.4 million under Derivatives and foreign currency transaction gains (losses).

Revenues attributable to our Electricity segment are based on the sale of electricity generated by our geothermal and recovered energy-based power plants and, following the acquisition of our Viridity business during fiscal year 2017, the provision of energy storage, demand response and energy management services to our customers.

Revenues attributable to our Product segment are based on the sale of equipment, EPC contracts and the provision of various services to our customers. Product segment revenues may vary from period to period because of the timing of our receipt of purchase orders and the progress of our equipment manufacturing and execution of the relevant project.

Our management assesses the performance of our two operating segments differently. In the case of our Electricity segment, when making decisions about potential acquisitions or the development of new projects, management typically focuses on the internal rate of return of the relevant investment, technical and geological matters and other business considerations. Management evaluates our operating power plants based on revenues, expenses, and EBITDA, and our projects that are under development based on costs attributable to each such project. Management evaluates the performance of our Product segment based on the timely delivery of our products, performance quality of our products, revenues and costs actually incurred to complete customer orders compared to the costs originally budgeted for such orders.

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Trends and Uncertainties

Trends, factors and uncertainties may impact our operations and financial condition, including many that we do not or cannot foresee. However, we believe that our results of operations and financial condition for the foreseeable future will be primarily affected by the following trends, factors and uncertainties that are from time to time also subject to market cycles:

- There has been increased demand for energy generated from geothermal and other renewable resources in the U.S. as costs for electricity generated from renewable resources have become more competitive. Much of this is attributable to legislative and regulatory requirements and incentives, such as state RPS and federal tax credits such as PTCs or ITCs (which are discussed in more detail in the section entitled "Government Grants and Tax Benefits" below). We believe that future demand for energy generated from geothermal and other renewable resources in the U.S. will be driven primarily by further commitment and implementation of state RPS and greenhouse gas initiatives.

- We accelerated our efforts to expand business development activities in developing countries where geothermal is considered a local resource that can provide a stable and cost effective solution to increase access to power. We expect that a variety of local governmental initiatives will create new opportunities for the development of new projects with the potential to realize higher returns on our equity as well as to create additional markets for our products. These initiatives include the award of long-term contracts to independent power generators, the creation of competitive wholesale markets for selling and trading energy, capacity and related energy products and the adoption of programs designed to encourage "clean" renewable and sustainable energy sources.

- We expect to continue to generate the majority of our revenues from our Electricity segment through the sale of electricity from our power plants. All of our current revenues from the sale of electricity are derived from payments under long-term PPAs related to fully-contracted power plants. As a result of the operational improvements and technological advancements that were implemented and that we plan to continue to implement in our operating portfolio, including capacity additions, geographical expansion and re-contracting of existing power plants, we expect that the Electricity segment contribution to our operating income will increase further in the future. Due to the increasing contribution of our Electricity segment to our operating income compared to the contribution of our Product segment, and due to the nature of the Product segment where revenues are less stable, we are targeting to increase future revenues from our Electricity segment in order to increase revenues, profitability and stability. We also intend to continue to pursue opportunities as they arise in our recovered energy business, in the Solar PV sector, in the energy storage market and in other forms of clean energy. In addition, pursuant to our strategic plan, we acquired our Viridity business which operates in the energy storage, demand response and energy management markets and generates revenues derived primarily from software license fees and the provision of services. We are also pursuing PPAs with enterprises that will increase our potential customer base.

- We have adopted a strategic plan for the growth of our company, in terms of geographic scope, customer base, and technology platforms covered by our product and service offerings, with a focus on increasing net income from operations. Under this plan, we will continue to focus on organic growth and increasing operational efficiency of our existing business lines. In addition, we are actively pursuing domestic and international acquisition opportunities, both within our existing business lines and the solar power generation and energy storage businesses, all of which are targeted as part of the plan. For example, we recently acquired our interest in the Bouillante geothermal power plant in Guadeloupe and signed a definitive agreement to acquire U.S. Geothermal Inc. (NYSE American: HTM), a renewable energy company focused on the development, production and sale of electricity from geothermal energy. We also completed the acquisition of our Viridity business during fiscal year 2017. As part of our services offering expansion through our Viridity business, we have developed our battery storage as a service ("BSAAS") strategy to provide comprehensive holistic solutions for energy storage, demand response, energy management through nimble and flexible business models, technology and product solutions. We plan to develop, build, own and operate energy storage facilities and provide related services in diversified markets. We will face a number of challenges and uncertainties in implementing this plan, including integration of recently acquired assets as well as potential new acquisitions, and we may revise elements of the plan in response to market conditions or other factors as we move forward with the plan.

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- In the Electricity segment, we expect intense domestic competition from the solar and wind power generation industries to continue and increase. While we believe the expected demand for renewable energy will be large enough to accommodate increased competition, any such increase in competition, including increasing amounts of renewable energy under contract as well as any further decline in natural gas prices attributable to increased production may contribute to a reduction in electricity prices. However, despite increased competition from the solar and wind power generation industries, we believe that firm and flexible base load electricity, such as geothermal-based energy, will continue to be an important source of renewable energy in areas with commercially viable geothermal resources. In the geothermal industry, we have experienced a decrease in the upfront fee required to secure geothermal leases largely as a result of reduced competition for such leases.

- In the Product segment, we have experienced increased competition from binary power plant equipment suppliers including the major steam turbine manufacturers. While we believe that we have a distinct competitive advantage based on our accumulated experience and current worldwide share of installed binary generation capacity, an increase in competition may impact our ability to secure new purchase orders from potential customers. The increased competition may also lead to further reduction in the prices that we are able to charge for our binary equipment, which in turn may reduce our profitability.

- The 38 MW Puna complex has three PPAs, one of which (the 25 MW PPA) has a monthly variable energy rate based on the local utility's avoided costs. A decrease in the price of oil as well as in other commodities will result in a decrease in the incremental cost that the power purchaser avoids by not generating its electrical energy needs from oil, which will result in a reduction of the energy rate that we may charge under this PPA. In order to reduce our exposure to oil we signed fixed rate PPAs for the remaining 13 MW.

- The pricing under our PPAs for the G2 power plant in the Mammoth complex and Heber 2 power plant in the Heber complex for a total of between 30 MW and 40 MW is variable rate based on SRAC pricing that is impacted by natural gas prices. In 2016, we signed a fixed rate PPA that reduced our exposure to fluctuations in natural gas prices at the Ormesa complex starting in November 2017. In addition, to further reduce our exposure to natural gas prices, we enter, from time to time, into derivative transactions. In January 2017, we acquired put options with a strike price of $3.00 to hedge our exposure to decreasing natural gas prices to below $3.00 per MMBtu.

- The amounts that we are paid under our PPAs for electricity, capacity and other energy attributes vary for a number of reasons, including:

    - market conditions when the PPA is signed;

    - the competitive environment in the power market where the power plant is located and the power and other energy attributes are sold; and

    - in the case of contracts described in the prior bullets with variable pricing components, current oil and natural gas prices.

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This means, among other things, that the average price per MWh, which is one of the metrics some investors may use to evaluate power plant revenues, can fluctuate from period to period. Based on total Electricity segment revenues (excluding revenues related to our Viridity business), we earned, on average, $84.80 and $80.80 per MWh in 2017 and 2016, respectively. Oil and natural gas prices, together with other factors that affect our Electricity segment revenues, could cause changes in our average price per MWh in the future.

- The viability of a geothermal resource depends on various factors such as the resource temperature, the permeability of the resource (i.e., the ability to get geothermal fluids to the surface) and operational factors relating to the extraction and injection of the geothermal fluids. Such factors, together with the possibility that we may fail to find commercially viable geothermal resources in the future, represent significant uncertainties that we face in connection with our growth expectations.

- As our power plants (including their respective well fields) age, they may require increased maintenance with a resulting decrease in their availability, potentially leading to the imposition of penalties if we are not able to meet the requirements under our PPAs as a result of any decrease in availability.

- Our foreign operations are subject to significant political, economic and financial risks, which vary by country as well as hostilities that may arise in the countries we operate. As of the date of this annual report, those risks include security conditions in Israel, the partial privatization of the electricity sector in Guatemala and the political uncertainty currently prevailing in some of the countries in which we operate as further discussed above under “Risk Factors”. Although we maintain among other things political risk insurance for most of our investments in foreign power plants to mitigate these risks, insurance does not provide complete coverage with respect to all such risks.

- Turkey’s geothermal market is one of the fastest growing markets in the geothermal industry worldwide, mainly due to governmental and regulatory support. Turkey is ranked seventh globally with an installed geothermal capacity of approximately 1,000 MW. Since 2006, we have supplied our state of the art binary equipment to over 20 projects in Turkey, which account for over 40% of the total installed geothermal capacity in Turkey as of December 2017. As a major equipment supplier in the Turkish geothermal market we are involved in a number of projects that are currently under construction and plan to continue our marketing efforts to secure new contracts. Our revenue exposure to the Turkish market is increasing and we expect higher exposure in 2018, as we signed a number of new contracts in Turkey. While we do not see any immediate impact from the failed coup in Turkey and the recent vote for the constitutional amendment bill on our business and operations, adverse economic developments in this region or a decline in government support for the development of geothermal power in the country could affect local demand for the geothermal equipment and services we provide or the prices we may charge for such equipment and services. We are monitoring any change in the political and business environments that may affect our future business and operations in the country.

- We established a facility in Turkey in order to locally produce several power plant components that entitle our customers to increased incentives under the renewable energy laws. The use of local equipment in renewable energy based generating facilities in Turkey entitles such facilities to significant benefits under Turkish law, provided such facilities have obtained an RER Certificate from EMRA, which requires the issuance of a local certificate. If we do not obtain the local certificate, then some of our customers under the relevant supply agreements in Turkey may not be issued a RER Certificate based on the equipment we supply to them, and we will be required to make a payment to such customers equal to the amount of the expected lost benefit.

- FERC is allowed under PURPA to terminate, upon the request of a utility, the obligation of the utility to purchase the output of a Qualifying Facility if FERC finds that there is an accessible competitive market for energy and capacity from the Qualifying Facility. FERC has granted the California investor-owned utilities a waiver of the mandatory purchase obligations from Qualifying Facilities above 20 MW. If the utilities in the regions in which our domestic power plants operate were to be relieved of the mandatory purchase obligation, they would not be required to purchase energy from us upon termination of the existing PPA, which could have an adverse effect on our revenues.

- The Trump Administration has expressed skepticism regarding climate change. The final outcome of this Administration’s policies and efforts regarding climate change and resulting effects to the geothermal industry remain uncertain.

- While the recently enacted U.S. federal tax legislation (referred to herein as the Tax Act) reduces the corporate tax rate, it also contains provisions which may impact companies engaged in the renewable energy industry as well as companies with international operations, such as us. The Tax Act includes provisions that would impact eligibility to claim production tax credits, reduce the amount of production tax credits, and affect depreciation and interest deduction. Other provisions would change earnings stripping rules, potentially reduce the deductibility of cross-border payments (other than cost of goods sold), and impose a tax on unrepatriated foreign earnings. For example, among other things, the Tax Act (i) allows the cost of new or used equipment purchased from third parties to be "expensed" or deducted immediately; (ii) is likely to make some borrowing more expensive, as it denies interest deductions on debt starting in 2018 to the extent a company's net interest expense exceeds 30 percent of its adjusted taxable income; (iii) subjects U.S. corporations with offshore subsidiaries to a one-time U.S. tax on untaxed earnings in offshore holding companies as if the earnings had been brought back to the U.S., thereby triggering a tax; (iv) prohibits corporations from using net operating losses incurred after 2017 to reduce income by more than 80 percent in a year and from carrying such losses back two years as they have been allowed to do in the past; and (v) prohibits some cross-border interest and royalty payments to related companies from being deducted starting in 2018. We continue to examine the impact that the recently enacted tax legislation may have on our business and operations.

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Revenues

We generate our revenues from the sale of electricity from our geothermal and recovered energy-based power plants; the design, manufacture and sale of equipment for electricity generation; and the construction, installation and engineering of power plant equipment.

Revenues attributable to our Electricity segment are derived from the sale of electricity from our power plants pursuant to long-term PPAs. While approximately 85.3% of our Electricity revenues for the year ended December 31, 2017 were derived from PPAs with fixed price components, we have variable price PPAs in California and Hawaii. Our SO#4 PPAs totaling approximately 50 MW in California are subject to the impact of fluctuations in natural gas prices, while the price paid for electricity pursuant to the 25 MW PPA for the Puna complex in Hawaii is impacted by the price of oil as well as other commodities. Accordingly, our revenues from those power plants may fluctuate.

Our Electricity segment revenues are also subject to seasonal variations, as more fully described in "Seasonality" below.

Our PPAs generally provide for energy payments alone, or energy and capacity payments. Generally, capacity payments are payments calculated based on the amount of time that our power plants are available to generate electricity. Some of our PPAs provide for bonus payments in the event that we are able to exceed certain target capacity levels and the potential forfeiture of payments if we fail to meet certain minimum target capacity levels. Energy payments, on the other hand, are payments calculated based on the amount of electrical energy delivered to the relevant power purchaser at a designated delivery point. The rates applicable to such payments are either fixed (subject, in certain cases, to certain adjustments) or are based on the relevant power purchaser's avoided costs. Our more recent PPAs generally provide for energy payments alone with an obligation to compensate the off-taker for its incremental costs as a result of shortfalls in our supply.

Revenues attributable to our Product segment fluctuate between periods, primarily based on our ability to receive customer orders, the status and timing of such orders, delivery of raw materials and the completion of manufacturing. Larger customer orders for our products are typically the result of our sales efforts, our participation in, and winning tenders or requests for proposals issued by potential customers in connection with projects they are developing as well as orders by returning customers. Such projects often take a significant amount of time to design and develop and are subject to various contingencies, such as the customer's ability to raise the necessary financing for a project. Consequently, we are generally unable to predict the timing of such orders for our products and may not be able to replace existing orders that we have completed with new ones. As a result, revenues from our Product segment fluctuate (sometimes extensively) from period to period.

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The following table sets forth a breakdown of our revenues for the years indicated:

	Revenues (dollars in thousands) Year Ended December 31,			% of Revenues for Period Indicated Year Ended December 31,		
	2017	2016	2015	2017	2016	2015
Revenues:						
Electricity	$ 468,329	$ 436,292	$ 375,920	67.6%	65.8%	63.2%
Product	224,483	226,299	218,724	32.4	34.2	36.8
Total revenues	$ 692,812	$ 662,591	$ 594,644	100.0%	100.0%	100.0%

Geographic Breakdown of Revenues

The following table sets forth the geographic breakdown of the revenues attributable to our Electricity and Product segments for the years indicated:

	Revenues in Thousands Year Ended December 31,			% of Revenues for Period Indicated Year Ended December 31,		
	2017	2016	2015	2017	2016	2015
Electricity Segment:						
United States	$ 298,220	$ 288,842	$ 261,478	63.7%	66.2%	69.6%
Foreign	170,109	147,450	114,442	36.3	33.8	30.4
Total	$ 468,329	$ 436,292	$ 375,920	100.0%	100.0%	100.0%
Product Segment:						
United States	$ 2,912	$ 18,183	$ 675	1.3%	8.0%	0.3%
Foreign	221,571	208,116	218,049	98.7	92.0	99.7
Total	$ 224,483	$ 226,299	$ 218,724	100.0%	100.0%	100.0%

The contribution of our domestic and foreign operations within our Electricity segment and Product segment to combined pre-tax income differ in a number of ways.

Electricity Segment. Our Electricity segment domestic revenues were approximately 75% and 96% higher than our Electricity segment foreign revenues for the years ended December 31, 2017 and 2016, respectively. However, domestic operations in our Electricity segment have higher costs of revenues and expenses than the foreign operations in our Electricity segment. Our foreign power plants are located in lower-cost regions, like Kenya, Guatemala, Honduras and Guadeloupe, which favorably impact payroll and maintenance expenses among other items. They are also newer than most of our domestic power plants and therefore tend to have lower maintenance costs and higher availability factors than our domestic power plants.

Product Segment. Our Product segment foreign revenues were 99% and 92% of our total Product segment revenues for the years ended December 31, 2017 and 2016, respectively. Our Product segment foreign activity also benefits from lower costs of revenues and expenses than Product segment domestic activity such as lower labor and transportation costs. Accordingly, our Product segment foreign activity contributes more than our Product segment domestic activity to our pre-tax income from operations.

Relative Contributions. While our combined (domestic and foreign) Electricity segment revenues exceeded our combined Product segment revenues by approximately $243.8 million and $210.0 million for the years ended December 31, 2017 and 2016, respectively, Product segment revenues (that are primarily foreign) resulted in higher pre-tax income from foreign operations for both of those periods.

Seasonality

Electricity generation from some of our geothermal power plants is subject to seasonal variations; in the winter, our power plants produce more energy primarily attributable to the lower ambient temperature, which has a favorable impact on the energy component of our Electricity segment revenues. The prices (primarily for capacity) paid for electricity under the PPAs with Southern California Edison and PG&E in California for the Heber 2 power plant in the Heber complex, the Mammoth complex and the North Brawley power plant are higher in the months of June through September. The higher payments payable by Southern California Edison and PG&E in the summer months offset the negative impact on our revenues from lower generation in the summer attributable to the higher ambient temperature. As a result, we receive, and expect to continue to receive in the future, higher revenues from these power plants and complexes during such months.

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Breakdown of Cost of Revenues

Electricity Segment

The principal cost of revenues attributable to our operating power plants includes operation and maintenance expenses comprised of salaries and related employee benefits, equipment expenses, costs of parts and chemicals, costs related to third-party services, lease expenses, royalties, startup and auxiliary electricity purchases, property taxes, insurance and, for some of our projects, purchases of make-up water for use in our cooling towers and also depreciation and amortization. In our California power plants our principal cost of revenues also includes transmission charges and scheduling charges. In some of our Nevada power plants we also incur transmission and wheeling charges. Some of these expenses, such as parts, third-party services and major maintenance, are not incurred on a regular basis. This results in fluctuations in our expenses and our results of operations for individual power plants from quarter to quarter. Payments made to government agencies and private entities on account of site leases where power plants are located are included in cost of revenues. Royalty payments, included in cost of revenues, are made as compensation for the right to use certain geothermal resources and are paid as a percentage of the revenues derived from the associated geothermal rights. Royalties constituted approximately 4.1% and 3.9% of Electricity segment revenues for the years ended December 31, 2017 and December 31, 2016, respectively.

Product Segment

The principal cost of revenues attributable to our Product segment includes materials, salaries and related employee benefits, expenses related to subcontracting activities, and transportation expenses. Sales commissions to sales representatives are included in selling and marketing expenses. Some of the principal expenses attributable to our Product segment, such as a portion of the costs related to labor, utilities and other support services are fixed, while others, such as materials, construction, transportation and sales commissions, are variable and may fluctuate significantly, depending on market conditions. As a result, the cost of revenues attributable to our Product segment, expressed as a percentage of total revenues, fluctuates. Another reason for such fluctuation is that in responding to bids for our products, we price our products and services in relation to existing competition and other prevailing market conditions, which may vary substantially from order to order.

Cash and Cash Equivalents

Our cash and cash equivalents, as of December 31, 2017, decreased to $47.8 million from $230.2 million as of December 31, 2016. This decrease is principally attributable to: (i) our use of $259.2 million to fund capital expenditures; (ii) repayment of $66.2 million of long-term debt; (iii) an investment in an unconsolidated company of $46.3 million; (iv) $35.3 million net cash paid for the acquisition of our Viridity business; (v) $21.3 million paid to noncontrolling interest; (vi) payment of a $20.5 million dividend; (vii) a net change in restricted cash and cash equivalents of $14.6 million; and (viii) $14.3 million of cash paid to prepay our OFC Senior Secured Notes. This decrease was partially offset by: (i) $245.6 million derived from operating activities during the year ended December 31, 2017; and (ii) net proceeds of $51.5 million from our revolving credit lines with commercial banks. As described below in “Liquidity and Capital Resources”, our corporate borrowing capacity under committed lines of credit with different commercial banks as of December 31, 2017 was $468.0 million, of which we have utilized $330.2 million as of December 31, 2017.

Critical Accounting Estimates and Assumptions

Our significant accounting policies are more fully described in Note 1 to our consolidated financial statements set forth in Item 8 of this annual report. However, certain of our accounting policies are particularly important to an understanding of our financial position and results of operations. In applying these critical accounting estimates and assumptions, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. Such estimates are based on management’s historical experience, the terms of existing contracts, management’s observance of trends in the geothermal industry, information provided by our customers and information available to management from other outside sources, as appropriate. Such estimates are subject to an inherent degree of uncertainty and, as a result, actual results could differ from our estimates. Our critical accounting policies include:

- *Revenues and Cost of Revenues.* Revenues related to the sale of electricity from our geothermal and REG power plants and capacity payments paid in connection with such sales (electricity revenues) are recorded based upon output delivered and capacity provided by such power plants at rates specified pursuant to the relevant PPAs. Revenues related to PPAs accounted for as operating leases with minimum lease rentals which vary over time are generally recognized on a straight-line basis over the term of the PPA. PPAs with contingent rentals are recognized when earned.

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Revenues generated from the construction of geothermal and recovered energy-based power plant equipment and other equipment on behalf of third parties (product revenues) are recognized using the percentage of completion method, which requires estimates of future costs over the full term of product delivery. Such cost estimates are made by management based on prior operations and specific project characteristics and designs. If management's estimates of total estimated costs with respect to our Product segment are inaccurate, then the percentage of completion is inaccurate resulting in an over- or under-estimate of gross margins. As a result, we review and update our cost estimates on significant contracts on a quarterly basis, and at least on an annual basis for all others, or when circumstances change and warrant a modification to a previous estimate. Changes in job performance, job conditions, and estimated profitability, including those arising from the application of penalty provisions in relevant contracts and final contract settlements, may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined. Provisions for estimated losses relating to contracts are made in the period in which such losses are determined. Revenues generated from engineering and operating services and sales of products and parts are recorded once the service is provided or product delivery is made, as applicable.

- *Property, Plant and Equipment.* We capitalize all costs associated with the acquisition, development and construction of power plant facilities. Major improvements are capitalized and repairs and maintenance (including major maintenance) costs are expensed. We estimate the useful life of our power plants to range between 25 and 30 years. Such estimates are made by management based on factors such as prior operations, the terms of the underlying PPAs, geothermal resources, the location of the assets and specific power plant characteristics and designs. Changes in such estimates could result in useful lives which are either longer or shorter than the depreciable lives of such assets. We periodically re-evaluate the estimated useful life of our power plants and revise the remaining depreciable life on a prospective basis.

  We capitalize costs incurred in connection with the exploration and development of geothermal resources beginning when we acquire land rights to the potential geothermal resource. Prior to acquiring land rights, we make an initial assessment that an economically feasible geothermal reservoir is probable on that land using available data and external assessments vetted through our exploration department and occasionally outside service providers. Costs incurred prior to acquiring land rights are expensed. It normally takes two to three years from the time we start active exploration of a particular geothermal resource to the time we have an operating production well, assuming we conclude the resource is commercially viable.

  In most cases, we obtain the right to conduct our geothermal development and operations on land owned by the BLM, various states or with private parties. In consideration for certain of these leases, we may pay an up-front non-refundable bonus payment which is a component of the competitive lease process. This payment and other related costs are capitalized and included in construction-in-process. Once we acquire land rights to the potential geothermal resource, we perform additional activities to assess the commercial viability of the resource. Such activities include, among others, conducting surveys and other analyses, obtaining drilling permits, creating access roads to drilling sites, and exploratory drilling which may include temperature gradient holes and/or slim holes. Such costs are capitalized and included in construction-in-process. Once our exploration activities are complete, we finalize our assessment as to the commercial viability of the geothermal resource and either proceed to the construction phase for a power plant or abandon the site. If we decide to abandon a site, all previously capitalized costs associated with the exploration project are written off.

  Our assessment of economic viability of an exploration project involves significant management judgment and uncertainties as to whether a commercially viable resource exists at the time we acquire land rights and begin to capitalize such costs. As a result, it is possible that our initial assessment of a geothermal resource may be incorrect and we will have to write off costs associated with the project that were previously capitalized. For example, during the years ended December 31, 2017 and 2016, we determined that the geothermal resource at four and three of our exploration projects, respectively, would not support commercial operations and as such, we discontinued exploration activities at those sites. As a result of this determination, we expensed $1.8 million and $3.0 million of capitalized costs during the years ended December 31, 2017 and 2016, respectively. Due to the uncertainties inherent in geothermal exploration, these historical impairments may not be indicative of future impairments. Included in construction-in-process are costs related to projects in exploration and development of $63.9 million and $54.4 million at December 31, 2017 and 2016, respectively. Included in these amounts at December 31, 2017 and 2016, respectively, are $17.0 million and $17.4 million that relate to up-front bonus payments.

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- *Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of.* We evaluate long-lived assets, such as property, plant and equipment and construction-in-process for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors which could trigger an impairment include, among others, significant underperformance relative to historical or projected future operating results, significant changes in our use of assets or our overall business strategy, negative industry or economic trends, a determination that an exploration project will not support commercial operations, a determination that a suspended project is not likely to be completed, a significant increase in costs necessary to complete a project, legal factors relating to our business or when we conclude that it is more likely than not that an asset will be disposed of or sold.

  We test our operating plants that are operated together as a complex for impairment at the complex level because the cash flows of such plants result from significant shared operating activities. For example, the operating power plants in a complex are managed under a management combined operation generally with one central control room that controls and one maintenance group that services all of the power plants in a complex. As a result, the cash flows from individual plants within a complex are not largely independent of the cash flows of other plants within the complex. We test for impairment of our operating plants which are not operated as a complex, as well as our projects under exploration, development or construction that are not part of an existing complex, at the plant or project level. To the extent an operating plant becomes part of a complex in the future, we will test for impairment at the complex level.

  Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. The significant assumptions that we use in estimating our undiscounted future cash flows include (i) projected generating capacity of the power plant and rates to be received under the respective PPA and (ii) projected operating expenses of the relevant power plant. Estimates of future cash flows used to test recoverability of a long-lived asset under development also include cash flows associated with all future expenditures necessary to develop the asset. If future cash flows are less than the assumptions we used in such estimates, we may incur impairment losses in the future that could be material to our financial condition and/or results of operations.

  If our assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. We believe that for the year ended December 31, 2017, no impairment exists for any of our long-lived assets; however, estimates as to the recoverability of such assets may change based on revised circumstances. Estimates of the fair value of assets require estimating useful lives and selecting a discount rate that reflects the risk inherent in future cash flows.

- *Obligations Associated with the Retirement of Long-Lived Assets.* We record the fair market value of legal liabilities related to the retirement of our assets in the period in which such liabilities are incurred. These liabilities include our obligation to plug wells upon termination of our operating activities, the dismantling of our power plants upon cessation of our operations, and the performance of certain remedial measures related to the land on which such operations were conducted. When a new liability for an asset retirement obligation is recorded, we capitalize the costs of such liability by increasing the carrying amount of the related long-lived asset. Such liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. At retirement, we either settle the obligation for its recorded amount or report either a gain or a loss with respect thereto. Estimates of the costs associated with asset retirement obligations are based on factors such as prior operations, the location of the assets and specific power plant characteristics. We review and update our cost estimates periodically and adjust our asset retirement obligations in the period in which the revisions are determined. If actual results are not consistent with our assumptions used in estimating our asset retirement obligations, we may incur additional losses that could be material to our financial condition or results of operations.

- *Accounting for Income Taxes.* Significant estimates are required to arrive at our consolidated income tax provision and other tax balances. This process requires us to estimate our actual current tax exposure and to make an assessment of temporary differences resulting from differing treatments of items for tax and accounting purposes. Such differences result in deferred tax assets and liabilities which are included in our consolidated balance sheets. For those jurisdictions where the projected operating results indicate that realization of our net deferred tax assets is not more likely than not, a valuation allowance is recorded.

  We evaluate our ability to utilize the deferred tax assets quarterly and assess the need for the valuation allowance. In assessing the need for a valuation allowance, we estimate future taxable income, including the impacts of the passing of the recently enacted Tax Act, considering the feasibility of ongoing tax planning strategies and the realization of tax credits and tax loss carryforwards. Valuation allowances related to deferred tax assets can be affected by changes in tax laws, statutory tax rates, and future taxable income. We have recorded a partial valuation allowance related to our U.S. deferred tax assets. In the future, if there is sufficient evidence that we will be able to generate sufficient future taxable income in the U.S., we may be required to reduce this valuation allowance, resulting in income tax benefits in our consolidated statement of operations.

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In the ordinary course of business, there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, which is greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information, we recognize between 0 to 100% of the tax benefit. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, we do not recognize any tax benefit in the consolidated financial statements. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our financial condition or results of operations.

New Accounting Pronouncements

See Note 1 to our consolidated financial statements set forth in Item 8 of this annual report for information regarding new accounting pronouncements.

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Results of Operations

Our historical operating results in dollars and as a percentage of total revenues are presented below. A comparison of the different years described below may be of limited utility due to (i) our recent construction or disposition of new power plants and enhancement of acquired power plants and (ii) fluctuation in revenues from our Product segment.

	Year Ended December 31,		
	2017	2016	2015
	(Dollars in thousands, except per share data)		
Revenues:			
Electricity	$ 468,329	$ 436,292	$ 375,920
Product	224,483	226,299	218,724
	692,812	662,591	594,644
Cost of revenues:			
Electricity	272,266	261,573	242,612
Product	152,094	130,223	133,753
	424,360	391,796	376,365
Gross profit			
Electricity	196,063	174,719	133,308
Product	72,389	96,076	84,971
	268,452	270,795	218,279
Operating expenses:			
Research and development expenses	3,157	2,762	1,780
Selling and marketing expenses	15,600	16,424	16,077
General and administrative expenses	42,881	46,710	34,782
Write-off of unsuccessful exploration activities	1,796	3,017	1,579
Operating income	205,018	201,882	164,061
Other income (expense):			
Interest income	988	971	297
Interest expense, net	(54,142)	(67,389)	(72,577)
Derivatives and foreign currency transaction gains (losses)	2,654	(5,534)	(1,622)
Income attributable to sale of tax benefits	17,878	16,503	25,431
Other non-operating expense, net	(1,666)	(5,345)	(1,991)
Income from continuing operations before income taxes and equity in losses of investees	170,730	141,088	113,599
Income tax (provision) benefit	1,411	(31,837)	15,258
Equity in earnings (losses) of investees, net	(1,957)	(7,735)	(5,508)
Net income	170,184	101,516	123,349
Net income attributable to noncontrolling interest	(14,695)	(7,586)	(3,776)
Net income attributable to the Company's stockholders	$ 155,489	$ 93,930	$ 119,573
Earnings per share attributable to the Company's stockholders:			
Basic:			
Net income	$ 3.10	$ 1.90	$ 2.46
Diluted:			
Net income	$ 3.06	$ 1.87	$ 2.43
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:			
Basic	50,110	49,469	48,562
Diluted	50,769	50,140	49,187

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	Year Ended December 31,		
	2017	2016	2015
Revenues:			
Electricity	67.6%	65.8%	63.2%
Product	32.4	34.2	36.8
	100.0	100.0	100.0
Cost of revenues:			
Electricity	58.1	60.0	64.5
Product	67.8	57.5	61.2
	61.3	59.1	63.3
Gross profit			
Electricity	41.9	40.0	35.5
Product	32.2	42.5	38.8
	38.7	40.9	36.7
Operating expenses:			
Research and development expenses	0.5	0.4	0.3
Selling and marketing expenses	2.3	2.5	2.7
General and administrative expenses	6.2	7.0	5.8
Write-off of unsuccessful exploration activities	0.3	0.5	0.3
Operating income	29.6	30.5	27.6
Other income (expense):			
Interest income	0.1	0.1	0.0
Interest expense, net	(7.8)	(10.2)	(12.2)
Derivatives and foreign currency transaction gains (losses)	0.4	(0.8)	(0.3)
Income attributable to sale of tax benefits	2.6	2.5	4.3
Other non-operating expense, net	(0.2)	(0.8)	(0.3)
Income from continuing operations before income taxes and equity in losses of investees	24.6	21.3	19.1
Income tax (provision) benefit	0.2	(4.8)	2.6
Equity in earnings (losses) of investees, net	(0.3)	(1.2)	(0.9)
Net income	24.6	15.3	20.7
Net income attributable to noncontrolling interest	(2.1)	(1.1)	(0.6)
Net income attributable to the Company's stockholders	22.4%	14.2%	20.1%

Comparison of the Year Ended December 31, 2017 and the Year Ended December 31, 2016

Total Revenues

Total revenues for the year ended December 31, 2017 were $692.8 million, compared to $662.6 million for the year ended December 31, 2016, representing a 4.6% increase from the prior period. This increase was attributable to our Electricity segment, in which revenues increased by 7.3% compared to the corresponding period in 2016.

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Electricity Segment

Revenues attributable to our Electricity segment for the year ended December 31, 2017, were $468.3 million, compared to $436.3 million for the year ended December 31, 2016, representing a 7.3% increase from the prior period. This increase was primarily attributable to: (i) the full year consolidation of our Bouillante power plant in Guadeloupe, effective July 5, 2016, with revenues of $21.7 million for the year ended December 31, 2017, compared to $8.1 million for the year ended December 31, 2016; (ii) the commencement of commercial operation of our Platanares power plant in Honduras, effective September 2017, with revenues of $10.0 million for the year ended December 31, 2017 and of our Tungsten Mountain power plant in Nevada, effective December 2017, with revenues of $2.2 million for the year ended December 31, 2017; (iii) an increase in generation at our Puna power plant attributable to successful improvement of the resource performance; and (iv) $2.7 million generated by our Viridity business from the provision of energy storage and demand response services. The increase was partially offset by a decrease in generation at some of our power plants that we had scheduled to take offline to address maintenance issues.

Power generation in our power plants increased by 1.7% from 5,396,959 MWh in the year ended December 31, 2016 to 5,489,234 MWh in the year ended December 31, 2017, primarily because of an increase in generation at our Puna power plant, the consolidation of our Bouillante power plant in Guadeloupe, and the commencement of operations of our Platanares power plant in Honduras and Tungsten Mountain power plant in Nevada, partially offset by a decrease in generation in some of our power plants mainly due to scheduled outages.

Product Segment

Revenues attributable to our Product segment for the year ended December 31, 2017 were $224.5 million, compared to $226.3 million for the year ended December 31, 2016, representing a 0.8% decrease from the prior period. The slight decrease in our Product segment revenues was primarily attributable to completion or near-completion of our contracts for the Cerro Pabellon geothermal power plant in Chile, the Sarulla geothermal power plant in Indonesia, and other projects in Turkey, which were completed during 2016. This decrease was partially offset by revenue recognition from two new geothermal projects in New Zealand and China (on which we started construction in the first quarter of 2017) and new projects in Turkey in the amounts of $31.7 million, $23.1 million and $121.3 million, respectively.

Total Cost of Revenues

Total cost of revenues for the year ended December 31, 2017 was $424.4 million, compared to $391.8 million for the year ended December 31, 2016, representing a 8.3% increase from the prior period. This increase was attributable to an increase in cost of revenues from both the Electricity and Product segments. As a percentage of total revenues, our total cost of revenues for the year ended December 31, 2017 increased to 61.3%, compared to 59.1% for the year ended December 31, 2016. This increase was mainly attributable to an increase in cost of revenues as a percentage of total revenues in our Product segment.

Electricity Segment

Total cost of revenues attributable to our Electricity segment for the year ended December 31, 2017 was $272.3 million, compared to $261.6 million for the year ended December 31, 2016, representing a 4.1% increase from the prior period. This increase was primarily attributable to additional cost of revenues from the consolidation of our Bouillante power plant in Guadeloupe, effective July 5, 2016, the commencement of commercial operation of our Platanares power plant in Honduras, effective September 2017, as well as cost of revenues in the amount of $5.4 million related to our energy storage and demand response activity of our Viridity business. As a percentage of total Electricity segment revenues, the total cost of revenues attributable to our Electricity segment for the year ended December 31, 2017 was 58.1%, compared to 60.0% for the year ended December 31, 2016. This decrease was primarily attributable to higher efficiency in some of our operating power plants.

Product Segment

Total cost of revenues attributable to our Product segment for the year ended December 31, 2017 was $152.1 million, compared to $130.2 million for the year ended December 31, 2016, representing a 16.8% increase from the prior period. This increase was primarily attributable to additional costs associated with our project in Chile, as well as a different product mix and different margins in the various sales contracts we entered into for the Product segment during these periods. As a percentage of total Product segment revenues, our total cost of revenues attributable to the Product segment for the year ended December 31, 2017 was 67.8%, compared to 57.5% for the year ended December 31, 2016.

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Research and Development Expenses

Research and development expenses for the year ended December 31, 2017 were $3.2 million, compared to $2.8 million for the year ended December 31, 2016.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended December 31, 2017 were $15.6 million, compared to $16.4 million for the year ended December 31, 2016. This decrease was primarily due to lower sales commissions related to our Product segment because of a different commissions mix. Selling and marketing expenses for the year ended December 31, 2017 constituted 2.3% of total revenues for such year, compared to 2.5% of such revenues for the year ended December 31, 2016.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2017 were $42.9 million, compared to $46.7 million for the year ended December 31, 2016. This decrease was mainly due to (i) $11.0 million of expenses in the year ended December 31, 2016 related to the settlement of a qui tam claim and (ii) a $2.1 million adjustment in respect of an earn out related to the acquisition of our Viridity business, partially offset by (i) a $2.1 million charge for stock-based compensation expense associated with the acceleration of the vesting period of the stock options previously held by our CEO and CFO and exercised in connection with ORIX's acquisition of approximately 22% of our shares of common stock; (ii) general and administrative expenses related to our Viridity business; and (iii) $2.5 million in costs associated with the ORIX transaction and other acquisitions and sales activities in the year ended December 31, 2017. General and administrative expenses for the year ended December 31, 2017, excluding the one-time charge of $2.1 million for stock-based compensation, constituted 5.9% of total revenues for the year ended December 31, 2017, compared to 5.5%, excluding the one-time charge of $11.0 million related to the settlement mentioned above, of total revenues for the year ended December 31, 2016.

Write-off of Unsuccessful Exploration Activities

Write-off of unsuccessful exploration activities for the year ended December 31, 2017 was $1.8 million, compared to $3.0 million for the year ended December 31, 2016. The write-off of unsuccessful exploration activities for the year ended December 31, 2017 included costs related to the Glass Buttes site in Oregon, which we determined in the fourth quarter of 2017 would not support commercial operations. The majority of the write-off of unsuccessful exploration activities for the year ended December 31, 2016 consisted of costs related to the Twilight site in Oregon and a concession in Chile, which we determined would not support commercial operations.

Operating Income

Operating income for the year ended December 31, 2017 was $205.0 million, compared to $201.9 million for the year ended December 31, 2016, representing a 1.6% increase from the prior period. The increase in operating income was primarily attributable to the increase in our gross margin in our Electricity segment primarily as a result of the increase in revenues and higher efficiency in some of our operating power plants, and the decrease in general and administrative expenses, as discussed above. The increase was partially offset by a decrease in our gross margin in our Product segment, also discussed above. Operating income attributable to our Electricity segment for the year ended December 31, 2017 was $154.5 million, compared to $126.8 million for the year ended December 31, 2016. Operating income attributable to our Product segment for the year ended December 31, 2017 was $50.5 million, compared to $75.1 million for the year ended December 31, 2016.

Interest Expense, Net

Interest expense, net, for the year ended December 31, 2017 was $54.1 million, compared to $67.4 million for the year ended December 31, 2016, representing a 19.7% decrease from the prior period. This decrease was primarily due to: (i) the repayment, in September 2016, of $250 million of our senior unsecured bonds which bore interest at a fixed rate of 7% per annum, through the issuance of $67 million and $137 million, respectively of two new series of senior unsecured bonds, which bear interest at a fixed rate of 3.7% and 4.45% per annum, respectively, as discussed below; (ii) lower interest expense as a result of principal payments of long term debt and revolving credit lines with banks; and (iii) a $3.9 million decrease related to an increase in interest capitalized to projects, partially offset by the December 2016 issuance of senior secured notes issued by our subsidiary that owns phase 1 of the Don A. Campbell power plant.

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Derivatives and Foreign Currency Transaction Gains (Losses)

Derivatives and foreign currency transaction gains for the year ended December 31, 2017 were $2.7 million, compared to losses of $5.5 million for the year ended December 31, 2016. Derivatives and foreign currency transaction gains for the year ended December 31, 2017 were attributable primarily to gains from foreign currency forward contracts, which were not accounted for as hedge transactions. Derivatives and foreign currency transaction losses for the year ended December 31, 2016 were primarily attributable to $2.6 million in losses from future contracts entered into to reduce our economic exposure to fluctuations in prices of natural gas and oil under our SO#4 and Puna PPAs, which were not accounted for as hedge transactions, and $1.5 million in losses due to changes in the fair value of the contract obligation in relating to the acquisition of our interest in the Bouillante power plant in Guadeloupe.

Income Attributable to Sale of Tax Benefits

Income attributable to the sale of tax benefits to institutional equity investors (as described below under “OPC Transaction”, “ORTP Transaction” and “Opal Geo Transaction”) for the year ended December 31, 2017 was $17.9 million, compared to $16.5 million for the year ended December 31, 2016. This income primarily represents the value of PTCs and taxable income or loss generated by Opal Geo and ORTP and allocated to investors in the year ended December 31, 2017 compared to PTCs and taxable income or loss generated by ORTP and OPC and allocated to investors in the year ended December 31, 2016.

Other Non-Operating Expense, Net

Other non-operating expense, net for the year ended December 31, 2017 was $1.7 million, compared to $5.4 million for the year ended December 31, 2016. Other non-operating expense, net for the year ended December 31, 2017 includes a make whole premium of $1.9 million resulting from the prepayment of $14.3 million aggregate principal amount of our OFC Senior Secured Notes and $11.8 million aggregate principal amount of our DEG Loan (as described below). Other non-operating expense, net for the year ended December 31, 2016 includes: (i) prepayment fees of approximately $5.0 million due to the repayment of our senior unsecured bonds in September 2016 and (ii) a make whole premium of $0.6 million resulting from the repurchase of $6.8 million aggregate principal amount of our OFC Senior Secured Notes.

Income from operations, before income taxes and equity in losses of investees

Income from operations, before income taxes and equity in losses of investees for the year ended December 31, 2017 was $170.7 million, compared to $141.1 million for the year ended December 31, 2016, representing a 21.0% increase from the prior period. The income is primarily attributable to our foreign operations. This increase was driven by the increase in our domestic operations resulting mainly from the $11.0 million one-time expense in the year ended December 31, 2016 related to the settlement of a qui tam claim, approximately $5.0 million due to the repayment of the senior unsecured bonds in September 2016 and the associated decrease in interest expense, as described above.

Income Taxes

Income tax benefit for the year ended December 31, 2017, was $1.4 million, compared to an income tax provision of $31.8 million for the year ended December 31, 2016. The decrease in income tax provision from $31.8 million in the year ended December 31, 2016 to income tax benefit of $1.4 million in the year ended December 31, 2017, primarily resulted from changes in valuation allowance and the impact of the U.S. tax reform legislation. Our effective tax rate for the years ended December 31, 2017 and 2016, was (0.8)% and 22.5%, respectively. Our effective tax rate is principally based upon the composition of the income in different countries, the impact of U.S. tax reform legislation and changes related to valuation allowances for certain countries. Our aggregate effective tax rate is lower than the 35% U.S federal statutory tax rate due to: (i) as a substantial portion of our income is derived in Israel which is taxed at the corporate tax rate of 16%, partially offset by taxes on earnings in Kenya which are taxed at statutory rate of 37.5%; (ii) a tax credit and tax exemption related to the Company’s subsidiaries in Guatemala and Honduras; (iii) a partial valuation allowance release against the Company's U.S. deferred tax assets offset by withholding taxes; and (iv) impacts of U.S. tax reform legislation, specifically the remeasurement of deferred taxes and the inclusion in taxable income of the amount of certain repatriated earnings of foreign subsidiaries (see Note 18 to our consolidated financial statements set forth in Item 8 of this annual report for further details regarding the Company's income tax provision and the Tax Act).

For the year ended December 31, 2017 and 2016, we recorded a valuation allowance in the amount of approximately $50.9 million and $109.6 million, respectively, against our unutilized foreign tax credits (FTCs, PTCs and ITCs) and U.S. deferred tax assets related to net operating loss (NOL) carryforwards. As of December 31, 2017, we had U.S. federal NOLs in the amount of approximately $145.0 million, state NOLs in the amount of approximately $222.2 million and unutilized tax credits of approximately $172.2 million, all of which can be carried forward for 10-20 years. The related deferred tax assets totaled approximately $133.0 million. Realization of these deferred tax assets and tax credits is dependent on generating sufficient taxable income in the U.S. prior to expiration of the NOL carryforwards and tax credits. The scheduled reversal of deferred tax liabilities, projected future taxable income, estimated impacts of tax reform and tax planning strategies were considered in determining the amount of valuation allowance. A valuation allowance in the amount of $50.9 million was recorded against the U.S. deferred tax assets as of December 31, 2017 because we believe it is more likely than not that the deferred tax assets will not be realized. If sufficient additional evidence of our ability to generate taxable income is established, we may be required to reduce or fully release the valuation allowance, resulting in income tax benefits in our consolidated statement of operations.

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Equity in losses of investees, net

Equity in losses of investees, net in the year ended December 31, 2017 was $2.0 million, compared to $7.7 million in the year ended December 31, 2016. Equity in losses of investees, net derived from our 12.75% share in the losses of the Sarulla project and from profits elimination.

Net Income

Net income for the year ended December 31, 2017 was $170.2 million, compared to $101.5 million for the year ended December 31, 2016, representing an increase of $68.7 million from the prior period. This increase in net income was primarily attributable to $11.0 million in one-time general and administrative expenses in the year ended December 31, 2016 related to the settlement of a qui tam claim, a decrease in interest expense of $13.2 million and a decrease in income taxes of $33.2 million, each as discussed above.

Comparison of the Year Ended December 31, 2016 and the Year Ended December 31, 2015

Total Revenues

Total revenues for the year ended December 31, 2016 were $662.6 million compared to $594.6 million for the year ended December 31, 2015, representing a 11.4%increase from the prior period. This increase was attributable to both our Electricity and Product segments, in which revenues increased by 16.1% and 3.5%, respectively, compared to the corresponding period in 2015.

Electricity Segment

Revenues attributable to our Electricity segment for the year ended December 31, 2016 were $436.3 million, compared to $375.9 million for the year ended December 31, 2015, representing a 16.1% increase from the prior period. This increase was primarily attributable to: (i) the commencement of operations of the second phase of the McGinness Hills and Don A. Campbell power plants in Nevada in February 2015 and September 2015, respectively, as well as the commencement of operations of our Plant 4 at the Olkaria III complex in Kenya in January 2016; (ii) higher energy rates under the Heber 1 PPA commencing in December 2015, and (iii) the consolidation of our Bouillante power plant in Guadeloupe, effective July 5, 2016, following the acquisition of an approximately 60% equity interest in GB. The increase was partially offset by a reduction in revenues generated by some of our power plants due to lower oil and natural gas prices.

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Power generation in our power plants increased by 11.6% from 4,835,109 MWh in the year ended December 31, 2015 to 5,396,959 MWh in the year ended December 31, 2016, mainly due to commencement of commercial operation of the second phase of the McGinness Hills power plant and Don A. Campbell power plant in Nevada, and the commencement of operations of our Plant 4 at the Olkaria III complex in Kenya.

Product Segment

Revenues attributable to our Product segment for the year ended December 31, 2016 were $226.3 million, compared to $218.7 million for the year ended December 31, 2015, representing a 3.5% increase from the prior period. The increase in our Product segment revenues was primarily due to the start of revenue recognition from a new geothermal project we built. We recognized approximately $58 million of revenue from this project in the year ended December 31, 2016, compared to approximately $34 million in the year ended December 31, 2015. The total contract price for the project is approximately $99.0 million and it is scheduled to be completed in the first half of 2017. The increase was partially offset by a net decrease of approximately $11 million in revenues from projects we built in Turkey, of which some were completed in the year ended December 31, 2015, and due to timing of revenue recognition and different product mix.

Total Cost of Revenues

Total cost of revenues for the year ended December 31, 2016 was $391.8 million, compared to $376.4 million for the year ended December 31, 2015, representing a 4.1% increase from the prior period. As a percentage of total revenues, our total cost of revenues for the year ended December 31, 2016 decreased to 59.1%, compared to 63.3% for the year ended December 31, 2015.

Electricity Segment

Total cost of revenues attributable to our Electricity segment for the year ended December 31, 2016 was $261.6 million, compared to $242.6 million for the year ended December 31, 2015, representing a 7.8% increase from the prior period. This increase was primarily due to: (i) additional cost of revenues from the second phase of the McGinness Hills and Don A. Campbell power plants, the commencement of operations of our Plant 4 at the Olkaria III complex, and the consolidation of our Bouillante power plant all discussed above; and (ii) reimbursement of $2.5 million of mining tax imposed on us based on an audit performed by the state of Nevada for the years ended December 31, 2008, 2009 and 2010 following our successful appeal of the audit decision in the first quarter of 2015. As a percentage of total Electricity segment revenues, the total cost of revenues attributable to our Electricity segment for the year ended December 31, 2016 was 60.0%, compared to 64.5% for the year ended December 31, 2015. This decrease was primarily due to higher efficiency in some of our operating power plants as well as lower costs of operating the three new power plants mentioned above.

Product Segment

Total cost of revenues attributable to our Product segment for the year ended December 31, 2016 was $130.2 million, compared to $133.8 million for the year ended December 31, 2015, representing a 2.6% decrease from the prior period. This decrease was primarily attributable to efficiencies, cost savings and project management, offset partially due to the increase in Product segment revenues as discussed above. As a percentage of total Product segment revenues, our total cost of revenues attributable to the Product segment for the year ended December 31, 2016 was 57.5%, compared to 61.2% for the year ended December 31, 2015. This decrease was mainly attributable to improvements made at our manufacturing facility and our project management and construction costs as well as the different product mix and different margins in the various sales contracts we entered into for this segment during these periods.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2016 were $2.8 million, compared to $1.8 million for the year ended December 31, 2015.

Selling and Marketing Expenses

Selling and marketing expenses for the year ended December 31, 2016 were $16.4 million, compared to $16.1 million for the year ended December 31, 2015. Selling and marketing expenses for the year ended December 31, 2016 constituted 2.5% of total revenues for such year, compared to 2.7% of such revenues for the year ended December 31, 2015.

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General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2016 were $46.7 million, compared to $34.8 million for the year ended December 31, 2015. This increase was mainly due to $11.0 million expenses related to a settlement with certain of our former employees to settle claims brought by such employees against us under qui tam provisions of the False Claims Act, partially offset by $3.8 million of expenses related to the share exchange with Ormat Industries, recorded in the first quarter of 2015. General and administrative expenses excluding the one-time costs and the costs related to the share exchange, constituted 5.5% and 5.2% of total revenues for the years ended December 31, 2016 and 2015, respectively.

Write-off of Unsuccessful Exploration Activities

Write-off of unsuccessful exploration activities for the year ended December 31, 2016 was $3.0 million compared to $1.6 million for the year ended December 31, 2015. The majority of the write-off of unsuccessful exploration activities for the year ended December 31, 2016 represented the costs related to the Twilight site in Oregon and concession in Chile, which we determined would not support commercial operation. The majority of the write-off of unsuccessful exploration activities for the year ended December 31, 2015 represented the costs related to the Maui prospect in Hawaii, which we determined in the fourth quarter of 2015 would not support commercial operations.

Operating Income

Operating income for the year ended December 31, 2016 was $201.9 million, compared to $164.1 million for the year ended December 31, 2015, representing a 23.1% increase from the prior period. The increase in operating income was primarily attributable to the increase in our gross margin in both our Electricity and Product segments primarily due to the increase in revenues, as discussed above, partially offset by $11.0 million one-time expenses related to a settlement with certain of our former employees of a claims brought by such employees against us under qui tam provisions of the False Claim Act. Operating income attributable to our Electricity segment for the year ended December 31, 2016 was $126.8 million, compared to $99.3 million for the year ended December 31, 2015. Operating income attributable to our Product segment for the year ended December 31, 2016 was $75.1 million, compared to $64.7 million for the year ended December 31, 2015.

Interest Expense, Net

Interest expense, net, for the year ended December 31, 2016 was $67.4 million, compared to $72.6 million for the year ended December 31, 2015, representing a 7.1% decrease from the prior period. This decrease was primarily due to: (i) the repayment, in September 2016, of the senior unsecured bonds in the amount of $250 million which bore interest at a fixed rate of 7% per annum, by issuance of new series of senior unsecured bonds in the amounts of $67 million and $137 million, respectively which bear interest at a fixed rate of 3.7% and 4.45% per annum, respectively, as discussed below; and (ii) a lower interest expense as a result of principal payments of long term debt and revolving credit lines with banks; partially offset due to $0.8 million decrease related to interest capitalized to projects.

Derivatives and Foreign Currency Transaction Losses

Derivatives and foreign currency transaction losses for the year ended December 31, 2016 were $5.5 million, compared to $1.6 million for the year ended December 31, 2015. Derivatives and foreign currency transaction losses for the year ended December 31, 2016 were attributable primarily to $2.6 million in losses from future contracts to reduce our economic exposure to fluctuations in prices of natural gas and oil under our SO#4 and Puna PPAs, which were not accounted for as hedge transactions, and $1.5 million in losses due to changes in the fair value of the contract obligation in the Guadeloupe transaction. Derivatives and foreign currency transaction losses for the year ended December 31, 2015 were attributable primarily to losses on foreign currency forward contracts, which were not accounted for as hedge transactions.

Income Attributable to Sale of Tax Benefits

Income attributable to the sale of tax benefits to institutional equity investors (as described below under “OPC Transaction” and “ORTP Transaction”) for the year ended December 31, 2016 was $16.5 million, compared to $25.4 million for the year ended December 31, 2015. This income represents mainly the value of PTCs and taxable income or loss generated by ORTP and allocated to investors. This decrease was primarily attributable to a lower taxable loss in ORTP.

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Other non-operating income (loss)

Other non-operating loss for the year ended December 31, 2016 was $5.4 million, compared to $2.0 million in the year ended December 31, 2015. Other non-operating loss for the year ended December 31, 2016 includes: (i) prepayment fees of approximately $5.0 million due to the repayment of the senior unsecured bonds in September 2016, as discussed below; and (ii) a premium of $0.6 million related to the repurchase of $6.8 million aggregate principal amount of our OFC Senior Secured Notes. Other non-operating loss for the year ended December 31, 2015 includes a capital loss of $1.7 million resulting from the repurchase of $30.6 million aggregate principal amount of our OFC Senior Secured Notes.

Income from operations, before income taxes and equity in losses of investees

Income from operations, before income taxes and equity in losses of investees for the year ended December 31, 2016 was $141.1 million, compared to $113.6 million for the year ended December 31, 2015, representing a 24.2% increase from the prior period. This income is attributable in total to our foreign operations. The increase compared to the year ending December 31, 2015 was driven by the increase in Product Segment revenues in Indonesia and Chile. The small loss in our domestic operations resulted mainly from the $11.0 million one-time expenses related to a settlement with certain of our former employees of claims brought by such employees against us under qui tam provisions of the False Claim Act and the approximately $5.0 million due to the repayment of the senior unsecured bonds in September 2016.

Income Taxes

Income tax provision for the year ended December 31, 2016 was $31.8 million, compared to income tax benefit of $15.3 million for the year ended December 31, 2015. Income tax benefit for the year ended December 31, 2015 includes a $49.4 million deferred tax asset relating to the release of the valuation allowance for the additional 50% investment deduction for our Olkaria 3 power plant based on amendments to the Kenya Income Tax Act that came into effect on September 11, 2015 and which extended the period to utilize such investment deduction from five years to ten years. Income tax provision for the year ended December 31, 2015, excluding the $49.4 million, was $34.1 million. The increase in income tax provision from $34.1 million, excluding the $49.4 million, in the year ended December 31, 2015 to $36.5 million, excluding $4.7 million of tax benefit pertaining to our operations in Kenya (see Note 18 to our consolidated financial statements set forth in Item 8 of this annual report) in the year ended December 31, 2016, primarily resulted from the increase in income before taxes in jurisdictions outside the U.S. Our effective tax rate for the years ended December 31, 2016, and 2015, excluding the $49.4 million, was 22.5% and 28.8%, respectively. Our effective tax rate is principally based upon the composition of the income in different countries and changes related to valuation allowances for certain countries. Our aggregate effective tax rate is lower than the 35% U.S federal statutory tax rate as a substantial portion of our income is derived in Israel which is taxed at the corporate tax rate of 16%, partially offset by taxes on earnings in Kenya which are taxed at statutory rate of 37.5%. There is no impact on the Company's income tax expense (benefit) related to the U.S. earnings (losses) due to the offsetting impact on the provision related to the change in the valuation allowance on the Company's U.S. net deferred tax asset position.

For the year ended December 31, 2016 and 2015, we recorded a valuation allowance in the amount of approximately $109.6 million and $70.5 million respectively, against our U.S. deferred tax assets related to net operating loss (NOL) carryforwards and unutilized tax credits (PTCs and ITCs). As of December 31, 2016 we had U.S. federal NOLs in the amount of approximately $299.6 million, state NOLs in the amount of approximately $244.7 million, and unutilized tax credits of approximately $83.8 million, all of which can be carried forward for 20 years. The related deferred tax assets totaled approximately $109.6 million. Realization of these deferred tax assets and tax credits is dependent on generating sufficient taxable income in the U.S. prior to expiration of the NOL carryforwards and tax credits. The scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies were considered in determining the amount of valuation allowance. A valuation allowance in the amount of $109.6 million was recorded against the U.S. deferred tax assets as of December 31, 2016 because we believe it is more likely than not that the deferred tax assets will not be realized. If sufficient additional evidence of our ability to generate taxable income is established, we may be required to reduce or fully release the valuation allowance, resulting in income tax benefits in our consolidated statement of operations.

Equity in losses of investees, net

Equity in losses of investees, net in the year ended December 31, 2016 was $7.7 million, compared to $5.5 million in the year ended December 31, 2015. Equity in losses of investees, net derived from our 12.75% share in the losses of the Sarulla project and from profits elimination.

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Net Income

Net income for the year ended December 31, 2016 was $101.5 million, compared to $123.3 million for the year ended December 31, 2015, representing a decrease of $21.8 million from the prior period. This decrease in net income was primarily attributable to $11.0 million in one-time general and administrative expenses related to the settlement paid in connection with the FCA claim, as discussed above, the $47.1 million increase in income tax provision, a decrease of $8.9 million in income attributable to sale of tax benefits, and $3.4 million increase in other non-operating loss, partially offset by an increase of $53.3 million in gross margin and a decrease in interest expense of $5.2 million, all as discussed above.

Liquidity and Capital Resources

Our principal sources of liquidity are cash flows from operations, proceeds from third party debt such as borrowings under our credit facilities and private offerings and issuances of debt securities, project financing, tax monetization transactions, short term borrowing under our lines of credit, and proceeds from the sale of equity interests in one or more of our projects. We have utilized this cash to develop and construct power plants, fund our acquisitions, pay down existing outstanding indebtedness, and meet our other cash and liquidity needs.

As of December 31, 2017, we had access to the following sources of funds: (i) $47.8 million in cash and cash equivalents, of which $25.0 million was held by our foreign subsidiaries; and (ii) $107.9 million of unused corporate borrowing capacity under existing lines of credit with different commercial banks.

Our estimated capital needs for 2018 include approximately $300.0 million for capital expenditures on new projects under development or construction including storage projects, exploration activity and maintenance capital expenditures for our existing projects, as well as $109.0 million for debt repayment.

We expect to finance these requirements with: (i) the sources of liquidity described above; (ii) positive cash flows from our operations; and (iii) future project financing and refinancing (including construction loans). Management believes that, based on the current stage of implementation of the new strategic plan, the sources of liquidity and capital resources described above will address our anticipated liquidity, capital expenditures, and other investment requirements.

During the second quarter of 2017, in conjunction with the final approval of the ONGP Portfolio PPA which will require us to make significant capital expenditures in the U.S., the fact that we are currently looking for acquisitions in the U.S, and the acquisition of our Viridity business for a price of $35.3 million with an additional earn-out payment expected to be made in 2021, we have re-evaluated our position with respect to a portion of the unrepatriated earnings of Ormat Systems, our wholly owned subsidiary in Israel, and determined that we can no longer maintain the permanent reinvestment position with respect to a portion of its unrepatriated earnings which will be repatriated to support our capital expenditures in the U.S. Accordingly, and as further described in Note 18 to our consolidated financial statements set forth in Item 8 of this annual report, the permanent reinvestment assertion of foreign unremitted earnings of Ormat Systems was reassessed and removed and the related deferred tax assets and liabilities as well as the estimated withholding taxes on the expected remittance of Ormat Systems earnings to the U.S. were recorded in the second quarter of 2017. The estimated U.S. deferred tax assets and liabilities were adjusted as part of the year-end provision based on changes to U.S. tax law resulting from U.S. tax reform, which is discussed further in Note 18 to our consolidated financial statements set forth in Item 8 of this annual report.

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Although we plan to repatriate undistributed earnings related to Ormat Systems to support expected capital expenditure requirements in the U.S., based upon our plans to increase operations outside of the U.S. it is our intention to reinvest undistributed earnings of its other foreign subsidiaries and thereby indefinitely postpone their remittance given that we require existing and future cash to fund our anticipated investment and development activities as well as debt service requirements in those jurisdictions. In addition, we believe that existing and anticipated cash flows as well as borrowing capacity in the U.S. and cash to be remitted to the U.S. from Ormat Systems will be sufficient to meet our needs in the U.S. If plans change, we may be required to accrue and pay U.S. taxes to repatriate these funds.

Third-Party Debt

Our third-party debt consists of (i) non-recourse and limited-recourse project finance debt or acquisition financing that we or our subsidiaries have obtained for the purpose of developing and constructing, refinancing or acquiring our various projects and (ii) full-recourse debt incurred by us or our subsidiaries for general corporate purposes.

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Non-Recourse and Limited-Recourse Third-Party Debt

OFC Senior Secured Notes — Non-Recourse

In February 2004, our subsidiary Ormat Funding Corp. ("OFC") issued $190.0 million of Senior Secured Notes ("OFC Senior Secured Notes") for the purpose of refinancing the acquisition cost of the Brady, Ormesa and Steamboat 1, 1A, 2 and 3 power plants, and the financing of the acquisition cost of 50% of the Mammoth complex. Principal and interest on the OFC Senior Secured Notes, which had a final maturity date of December 30, 2020, were payable in semi-annual installment. The OFC Senior Secured Notes were collateralized by substantially all of the assets of OFC and those of its wholly owned subsidiaries and were fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC. In September 2017, the Company fully prepaid the outstanding amount of $14.3 million of OFC Senior Secured Notes, plus an additional make-whole premium of $1.3 million.

OrCal Geothermal Senior Secured Notes — Non-Recourse

In December 2005, OrCal, one of our subsidiaries, issued $165.0 million of OrCal Senior Secured Notes for the purpose of refinancing the acquisition cost of the Heber complex. The OrCal Senior Secured Notes have been rated BBB- by Fitch Ratings. The OrCal Senior Secured Notes have a final maturity date of December 30, 2020. Principal and interest on the OrCal Senior Secured Notes are payable in semi-annual installments. The OrCal Senior Secured Notes are collateralized by substantially all of the assets of OrCal and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OrCal. There are various restrictive covenants under the OrCal Senior Secured Notes which include limitations on additional indebtedness of OrCal and its wholly owned subsidiaries. Failure to comply with these and other covenants will, subject to customary cure rights, constitute an event of default by OrCal. In addition, there are restrictions on the ability of OrCal to make distributions to its shareholders, which include a required historical and projected 12-month DSCR of not less than 1.25 (measured semi-annually as of June 30 and December 31 of each year). If OrCal fails to comply with the DSCR ratio it will be prohibited from making distributions to its shareholders. We are only required to measure these covenants on a semi-annual basis and as of December 31, 2017 (the last measurement date of the covenants) the actual historical 12-month DSCR was 1.54, and the pro-forma 12-months DSCR was 2.63. There was $32.1 million aggregate principal amount of OrCal Senior Secured Notes outstanding as of December 31, 2017.

OFC 2 Senior Secured Notes — Limited Recourse

In September 2011, our subsidiary OFC 2 LLC ("OFC 2") and its wholly owned project subsidiaries (collectively, the "OFC 2 Issuers") entered into a note purchase agreement (the "Note Purchase Agreement") with the OFC 2 Noteholder Trust, as purchaser, John Hancock Life Insurance Company (USA), as administrative agent, and the Department of Energy (DOE), as guarantor, in connection with the offer and sale of up to $350.0 million aggregate principal amount of OFC 2 Senior Secured Notes.

The OFC 2 Senior Secured Notes may be issued in up to six distinct series associated with the phased construction (Phase I and Phase II) of the Jersey Valley, McGinness Hills and Tuscarora geothermal power plants, which are owned by the OFC 2 Issuers. The OFC 2 Senior Secured Notes are rated "BBB" by Standard and Poor's. The OFC 2 Senior Secured Notes are collateralized by substantially all of the assets of OFC 2 and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC 2. There are various restrictive covenants under the OFC 2 Senior Secured Notes, which include limitations on additional indebtedness of OFC 2 and its wholly owned subsidiaries. Failure to comply with these and other covenants will, subject to customary cure rights, constitute an event of default by OFC 2. In addition, there are restrictions on the ability of OFC 2 to make distributions to its shareholders, including a historical debt service coverage ratio requirement of at least 1.2 (on a blended basis for all OFC 2 power plants), measured, at the time of any proposed distribution, over each of the two six-month periods comprised of distinct consecutive fiscal quarters immediately preceding the proposed distribution, and a projected future DSCR requirement of at least 1.5 (on a blended basis for all OFC 2 power plants), measured, at the time of any proposed distribution, over each of the two six-month periods comprised of distinct consecutive fiscal quarters immediately following such proposed distribution. As of December 31, 2017, our historical DSCR was 2.70 and 2.25, respectively, for each of the two six-month periods, and our projected future DSCR was 2.04 and 2.13, respectively, for each of the two six-month periods. The OFC 2 Senior Secured Notes mature on December 31, 2034 and the principal amount thereof is payable in equal quarterly installments. Each series of notes will bear interest at a rate calculated based on a spread over the U.S. Treasury yield curve that will be set at least ten business days prior to the issuance of such series of notes. Interest will be payable quarterly in arrears. The DOE guarantees payment of 80% of principal and interest on the OFC 2 Senior Secured Notes pursuant to Section 1705 of Title XVII of the Energy Policy Act of 2005, as amended.

In October 2011, the OFC 2 Issuers completed the sale of $151.7 million aggregate principal amount of 4.687% Series A Notes due 2032 (the "Series A Notes"). The proceeds from the sale of the Series A Notes net of transaction fees and expenses were approximately $141.1 million, and were used to finance a portion of the construction costs of Phase I of the McGinness Hills and Tuscarora power plants and to fund certain reserves. Principal and interest on the Series A Notes are payable quarterly in arrears on the last day of March, June, September and December of each year.

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On June 20, 2014, Phase I of the Tuscarora facility achieved project completion under the Note Purchase Agreement. In accordance with the terms of the Note Purchase Agreement, we made a principal payment of $4.3 million on the Series A Notes.

On August 29, 2014, OFC 2 sold $140.0 million principal amount of OFC 2 Senior Secured Notes (the "Series C Notes") to finance the construction of Phase II of the McGinness Hills project. The Series C Notes, which mature in December 2032, are the last tranche under the Note Purchase Agreement and bear interest at a rate of 4.61%, with principal to be repaid on a quarterly basis.

There were $232.5 million and $247.2 million of OFC 2 Senior Secured Notes outstanding as of December 31, 2017 and December 31, 2016, respectively.

We provided a guarantee in connection with the issuance of the Series A Notes and Series C Notes, which may be drawn upon if any loss, liability, damage, expense or cost to the Jersey Valley facility is incurred as a result of any interconnection related agreements for the Dixie Meadows project that we may develop in the future.

Olkaria III Finance Agreement with OPIC — Limited Recourse

In August 2012, OrPower 4, one of our subsidiaries, entered into a finance agreement with OPIC, an agency of the U.S. government, to provide limited-recourse senior secured debt financing in an aggregate principal amount of up to $310.0 million (the OPIC Loan) for the refinancing and financing of our Olkaria III geothermal power plant complex in Kenya. The finance agreement was amended on November 9, 2012.

The OPIC Loan is comprised of three tranches:

- Tranche I in an aggregate principal amount of $85.0 million, which matures on December 15, 2030 and bears interest at a fixed rate of 6.34%, was drawn in November 2012 and used to prepay approximately $20.5 million (plus associated prepayment penalty and breakage costs of $1.5 million) of the DEG Loan, as described below under "Full Recourse Third Party Debt". The remainder of the Tranche I proceeds were used for reimbursement of prior capital expenditures and other corporate purposes. As of December 31, 2017, Tranche I had an outstanding balance of $61.4 million.

- Tranche II in an aggregate principal amount of $180.0 million, which matures on June 15, 2030 and bears interest at a fixed rate of 6.29%, was used to fund the construction and well field drilling for Plant 2 of the Olkaria III complex. In November 2012 and February 2013, $135.0 million and the remaining $45.0 million, respectively, was drawn under this Tranche II. As of December 31, 2017, Tranche II had an outstanding balance of $132.4 million.

- Tranche III in an aggregate principal amount of $45.0 million, which matures on December 15, 2030 and bears interest at a fixed rate of 6.12%, was used to fund the construction of Plant 3 of the Olkaria III complex and was drawn down in full in November 2013. As of December 31, 2017, Tranche III had an outstanding balance of $34.9 million.

OrPower 4 may voluntarily prepay all or a portion of the OPIC Loan, subject to prior notice, minimum prepayment amounts, and a prepayment premium of 2% in the first two years after the Plant 2 commercial operation date, declining to 1% in the third year after the Plant 2 commercial operation date, and without premium thereafter, plus a redemption premium. In addition, the OPIC Loan is subject to customary mandatory prepayment in the event of certain reductions in generation capacity of the power plants in the Olkaria III complex, unless such reductions will not cause the projected ratio of cash flow to debt service to fall below 1.7.

The OPIC Loan is secured by substantially all of OrPower 4's assets and by a pledge of all of the equity interests in OrPower 4.

The finance agreement includes customary events of default, including failure to pay any principal, interest or other amounts when due, failure to comply with covenants, breach of representations and warranties, non-payment or acceleration of other debt of OrPower 4, bankruptcy of OrPower 4 or certain of its affiliates, judgments rendered against OrPower 4, expropriation, change of control, and revocation or early termination of security documents or certain project-related agreements, subject to various exceptions and notice, cure and grace periods.

There are various restrictive covenants under the OPIC Loan, which include a required historical and projected 12-month DSCR of not less than 1.4 (measured as of March 15, June 15, September 15 and December 15 of each year). If OrPower 4 fails to comply with these financial ratios it will be prohibited from making distributions to its shareholders. In addition, if the DSCR falls below 1.1, subject to certain cure rights such failure will constitute an event of default by OrPower 4. This covenant in respect of Tranche I became effective on December 15, 2014. As of December 31, 2017, the actual historical and projected 12-month DSCR was 2.64 and 3.09, respectively.

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As of December 31, 2017, $228.6 million of the OPIC Loan was outstanding.

Amatitlan Financing — Limited Recourse

On July 31, 2015, one of our indirect wholly-owned subsidiaries, Ortitlán, Limitada, obtained a 12-year secured term loan in the principal amount of $42.0 million for the 20 MW Amatitlan power plant in Guatemala. Under the credit agreement with Banco Industrial S.A. and Westrust Bank (International) Limited, we can expand the Amatitlan power plant with financing to be provided either via equity, additional debt from Banco Industrial S.A. or from other lenders, subject to certain limitations on expansion financing in the credit agreement.

The loan is payable in 48 quarterly payments commencing September 30, 2015. The loan bears interest at a rate *per annum* equal to the sum of the LIBO Rate (which cannot be lower than 1.25%) plus a margin of (i) 4.35% as long as the Company's guaranty of the loan (as described below) is outstanding or (ii) 4.75% otherwise. Interest is payable quarterly, on March 30, June 30, September 30 and December 30 of each year, on the stated maturity date of the loan and on any prepayment or payment of the loan. The loan must be prepaid upon the occurrence of certain events, such as casualty, condemnation, asset sales and expansion financing not provided by the lenders under the credit agreement, among others. The loan may be voluntarily prepaid if certain conditions are satisfied, including payment of a premium (ranging from 100-50 basis points) if prepayment occurs prior to the eighth anniversary of the loan.

There are various restrictive covenants under the Amatitlan credit agreement. These include, among others, (i) a financial covenant to maintain a Debt Service Coverage Ratio (as defined in the credit agreement) of not less than 1.15 to 1.00 as of the last day of any fiscal quarter and (ii) limitations on Restricted Payments (as defined in the credit agreement) that among other things would limit dividends that could be paid to us unless the historical and projected Debt Service Coverage Ratio is not less than 1.25 to 1.00 for the four fiscal quarterly periods (calculated as a single accounting period). As of December 31, 2017, the actual historical and projected 12-month Debt Service Coverage Ratio was 1.49 and 1.89, respectively. The credit agreement includes various events of default that would permit acceleration of the loan (subject in some cases to grace and cure periods). These include, among others, a Change of Control (as defined in the credit agreement) and failure to maintain certain required balances in debt service and maintenance reserve accounts. The credit agreement includes certain equity cure rights for failure to maintain the Debt Service Coverage Ratio and the minimum amounts required in the debt service and maintenance reserve accounts.

The loan is secured by substantially all the assets of the borrower and a pledge of all of the membership interests of the borrower.

The Company has guaranteed payment of all obligations under the credit agreement and related financing documents. The guaranty is limited in the sense that the Company is only required to pay the guaranteed obligations if a "trigger event" occurs. A trigger event is the occurrence and continuation of a default by INDE in its payment obligations under the PPA for the Amatitlán power plant or a refusal by INDE to receive capacity and energy sold under that PPA. Our obligations under the guaranty may be terminated prior to payment in full of the guaranteed obligations under certain circumstances described in the guaranty. If our guaranty is terminated early, the interest rate payable on the loan would increase as described above.

As of December 31, 2017, $33.3 million of this loan is outstanding.

Don A. Campbell Senior Secured Notes — Non-Recourse

On November 29, 2016, ORNI 47 LLC ("ORNI 47") entered into a note purchase agreement (the "ORNI 47 Note Purchase Agreement") with MUFG Union Bank, N.A., as collateral agent, Munich Reinsurance America, Inc. and Munich American Reassurance Company (the "Purchasers") pursuant to which ORNI 47 issued and sold to the Purchasers $92.5 million aggregate principal amount of its 4.03% Senior Secured Notes due September 27, 2033 (the "DAC 1 Senior Secured Notes") in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended. ORNI 47 is the owner of phase I of the Don A. Campbell ("DAC 1") geothermal power plant.

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The net proceeds to ORNI 47 from the sale of the DAC 1 Senior Secured Notes, after deducting certain transaction expenses and the funding of a debt service reserve account, were approximately $87.1 million. ORNI 47 intends to use the proceeds from the sale of the DAC 1 Senior Secured Notes to refinance the development and construction costs of the DAC 1 geothermal power plant, which were originally financed using equity.

ORNI 47 began paying a scheduled amount of principal of the DAC 1 Senior Secured Notes on December 27, 2016 and now makes principal payments quarterly, on the 27th day of each of March, June, September and December, until maturity.

The DAC 1 Senior Secured Notes constitute senior secured obligations of ORNI 47 and are secured by all of the assets of ORNI 47. Under the ORNI 47 Note Purchase Agreement, ORNI 47 may prepay at any time all, or from time to time any part of, the DAC 1 Senior Secured Notes in an amount equal to at least $2 million or such lesser amount as may remain outstanding under the DAC 1 Senior Secured Notes at 100% of the principal amount to be prepaid plus the applicable make-whole amount determined for the prepayment date with respect to such principal amount. Upon the occurrence of a Change of Control (as defined in the ORNI 47 Note Purchase Agreement), ORNI 47 must make an offer to each holder of DAC 1 Senior Secured Notes to repurchase all of the holder's DAC 1 Senior Secured Notes at 101% of the aggregate principal amount of DAC 1 Senior Secured Notes to be repurchased plus accrued and unpaid interest, if any, on the DAC 1 Senior Secured Notes to be repurchased, but not including, the date of repurchase. Each holder of DAC 1 Senior Secured Notes may accept such offer in whole or in part. In certain events, including certain asset sales outside the ordinary course of business, ORNI 47 must make mandatory prepayments of the DAC 1 Senior Secured Notes at 100% of the principal amount to be prepaid. The ORNI 47 Note Purchase Agreement requires ORNI 47 to comply with certain covenants, including, among others, restrictions on the incurrence of indebtedness or liens, amendment or modification of material project documents, the ability of ORNI 47 to merge or consolidate with another entity. The ORNI 47 Note Purchase Agreement also contains customary events of default. In addition, there are restrictions on the ability of ORNI 47 to make distributions to its shareholders, which include a required historical and projected DSCR not less than 1.20 for the four fiscal quarterly periods. As of December 31, 2017, the historical and projected DSCR were 1.47 and 1.81, respectively.

As of December 31, 2017, $88.3 million of DAC 1 Senior Secured Notes is outstanding.

Full-Recourse Third-Party Debt

Credit Agreements

Union Bank. In February 2012, Ormat Nevada, our wholly owned subsidiary, entered into an amended and restated credit agreement with Union Bank. Under the credit agreement the credit termination date is June 30, 2018. On December 31, 2016, the aggregate amount available under the credit agreement was increased by $10 million to $60.0 million. The facility is limited to the issuance, extension, modification or amendment of letters of credit. Union Bank is currently the sole lender and issuing bank under the credit agreement, but is also designated as an administrative agent on behalf of banks that may, from time to time in the future, join the credit agreement as lenders. In connection with this transaction, we entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which we agreed to guarantee Ormat Nevada's obligations under the credit agreement. Ormat Nevada's obligations under the credit agreement are otherwise unsecured.

There are various restrictive covenants under the credit agreement, including a requirement for Ormat Nevada to comply with the following financial ratios, which are measured quarterly: (i) a 12-month debt to EBITDA ratio not to exceed 4.5; (ii) 12-month DSCR of not less than 1.35; and (iii) distribution leverage ratio not to exceed 2.0. As of December 31, 2017: (i) the actual 12-month debt to EBITDA ratio was 2.17; (ii) the 12-month DSCR was 2.96; and (iii) the distribution leverage ratio was 0.99. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios, and subject to specified carve-outs and exceptions, a negative pledge on the assets of Ormat Nevada in favor of Union Bank.

As of December 31, 2017, letters of credit in the aggregate amount of $37.4 million remained issued and outstanding under this committed credit agreement with Union Bank.

HSBC. In May 2013, Ormat Nevada entered into a credit agreement with HSBC Bank USA, N.A for one year with annual renewals. The current expiration date of the credit facility is August 31, 2018. The aggregate amount available under the credit agreement was increased by $10 million to $35.0 million. Other than $10.0 million of this credit facility which may be drawn for our working capital needs, this credit facility is limited to the issuance, extension, modification or amendment of letters of credit. HSBC is currently the sole lender and issuing bank under the credit agreement, but is also designated as an administrative agent on behalf of banks that may, from time to time in the future, join the credit agreement as lenders. In connection with this transaction, we entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which we agreed to guarantee Ormat Nevada's obligations under the credit agreement. Ormat Nevada's obligations under the credit agreement are otherwise unsecured.

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There are various restrictive covenants under the credit agreement, including a requirement to comply with the following financial ratios, which are measured quarterly: (i) a 12-month debt to EBITDA ratio not to exceed 4.5; (ii) 12-month DSCR of not less than 1.35; and (iii) distribution leverage ratio not to exceed 2.0. As of December 31, 2017: (i) the actual 12-month debt to EBITDA ratio was 2.17; (ii) the 12-month DSCR was 2.96; and (iii) the distribution leverage ratio was 0.99. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios, and subject to specified carve-outs and exceptions, a negative pledge on the assets of Ormat Nevada in favor of HSBC.

As of December 31, 2017, letters of credit in the aggregate amount of $16.2 million remain issued and outstanding under this committed credit agreement.

CHUBB Surety Bond. In May 2017, the Company entered into a surety bond agreement (the "Surety Agreement") with Chubb Limited ("Chubb") pursuant to which the Company may request that Chubb issue up to an aggregate $200.0 million of surety bonds with respect to the contractual obligations of the Company and its subsidiaries in exchange for bank letters of credit or as otherwise may be required. There is no expiration date for the Surety Agreement, but it may be terminated by the Company at any time upon twenty days' prior written notice to Chubb. Delivery of such termination notice will not affect any surety bonds issued and outstanding prior to the date on which such notice is delivered. As of December 31, 2017, Chubb issued a surety bond in the amount of $106.2 million under the Surety Agreement, primarily in in respect of the Company's obligations under the PPA with SCPPA.

Other Banks. We also have committed credit agreements with five other commercial banks for an aggregate amount of $373.0 million. Under the terms of these credit agreements, we or our Israeli subsidiary, Ormat Systems, can request: (i) extensions of credit in the form of loans and/or the issuance of one or more letters of credit in the amount of up to $233.0 million; and (ii) the issuance of one or more letters of credit in the amount of up to $140.0 million. The credit agreements mature at the end of March 2018 and July 2019. We are currently negotiating the extension of the credit agreements maturing in March 2018. Loans and draws under the credit agreements or under any letters of credit will bear interest at the respective bank's cost of funds plus a margin. As of December 31, 2017, $51.5 million was outstanding under these credit agreements.

As of December 31, 2017, letters of credit with an aggregate stated amount of $224.1 million were issued and outstanding under these credit agreements.

Letters of Credits under the Credit Agreements

Some of our customers require our project subsidiaries to post letters of credit in order to guarantee their respective performance under relevant contracts. We are also required to post letters of credit to secure our obligations under various leases and licenses and may, from time to time, decide to post letters of credit in lieu of cash deposits in reserve accounts under certain financing arrangements. In addition, our subsidiary, Ormat Systems is required from time to time to post performance letters of credit in favor of our customers with respect to orders of products.

As of December 31, 2017, committed letters of credit in the aggregate amount of $277.7 million remained issued and outstanding under the credit agreements with Union Bank, HSBC and five of the commercial banks as described under "Credit Agreements".

Term Loans. We had a $20.0 million term loan with a group of institutional investors which matured on August 1, 2017. The loan was payable in 12 semi-annual installments commencing February 1, 2012 and bore interest at 6-month LIBOR plus 5.0%. On August 1, 2017, the loan was fully paid.

Senior Unsecured Bonds. We issued approximately $142.0 million aggregate principal amount of senior unsecured bonds in August 2010 and an additional $107.5 million aggregate principal amount of senior unsecured bonds in February 2011. Subject to early redemption, the principal of the bonds was repayable in a single bullet payment upon the final maturity of the bonds on August 1, 2017. The bonds bore interest at a fixed rate of 7.00%, payable semi-annually. The bonds that we issued in February 2011 were issued at a premium which reflected an effective fixed interest rate of 6.75%.

On September 8, 2016, we concluded an auction tender and accepted subscriptions for $204 million aggregate principal amount of two tranches of senior unsecured bonds comprised of approximately $67 million aggregate principal amount of Series 2 Bonds (the "Series 2 Bonds") and approximately $137 million aggregate principal amount of Series 3 Bonds (the "Series 3 Bonds"). The proceeds from the Series 2 Bonds and Series 3 Bonds were used on September 29, 2016, to prepay our $250 million senior secured bonds that were payable on August 1, 2017 described above.

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The Series 2 Bonds will mature in September 2020 and bear interest at a fixed rate of 3.7% per annum, payable semi-annually. The Series 3 Bonds will mature in September 2022 and bear interest at a fixed rate of 4.45% per annum, payable semi-annually. The Series 2 Bonds and Series 3 Bonds will be repaid at maturity in a single bullet payment, unless earlier prepaid pursuant to the terms and conditions of the trust instrument that governs such bonds. Both tranches received a rating of ilA+ from Maloot S&P in Israel with a stable outlook.

Loan Agreements with DEG (the Olkaria III Complex). OrPower 4 entered into a project financing loan (the "DEG Loan") to refinance its investment in Plant 1 of the Olkaria III complex located in Kenya with a group of European development finance institutions arranged by DEG. The DEG Loan will mature on December 15, 2018 and is payable in 19 equal semi-annual installments. Interest on the loan was variable based on 6-month LIBOR plus 4.0%. We fixed the interest rate on most of the loan at 6.90%. In September 2017, we fully prepaid the outstanding amount of $11.8 million of the DEG Loan, plus an additional prepayment fee of $0.1 million.

On October 20, 2016, OrPower 4 entered into a new $50 million subordinated loan agreement with DEG (the "DEG 2 Loan Agreement") and on December 21, 2016, OrPower 4 completed a drawdown of the full loan commitment amount of $50 million, which bears interest at a fixed rate of 6.28% for the duration of the loan (the "DEG 2 Loan"). The DEG 2 Loan, which matures on June 21, 2028, will be repaid in 20 equal semi-annual principal installments commencing December 21, 2018. Proceeds of the DEG 2 Loan were used by Orpower 4 to refinance Plant 4 of the Olkaria III Complex, which was originally financed using equity. The DEG 2 Loan is subordinated to the senior loan provided by OPIC for Plants 1-3 of the Olkaria III complex. The DEG 2 Loan is guaranteed by the Company.

Under the DEG 2 Loan Agreement, OrPower 4 may prepay at any time all, or from time to time any part of the DEG 2 Loan in an amount equal to at least $5 million or such lesser amount as may remain outstanding under the DEG 2 Loan at 100% of the principal amount to be prepaid plus the applicable make-whole amount and certain prepayment premium amount determined for the prepayment date with respect to such principal amount. In certain events, OrPower 4 must make mandatory prepayments of the DEG 2 Loan at 100% of the principal amount to be prepaid plus the applicable make-whole amount and certain prepayment premium amount determined for the prepayment date with respect to such principal amount. The DEG 2 Loan Agreement requires OrPower 4 to comply with certain covenants, including, among others, restrictions on the incurrence of indebtedness or liens. The DEG 2 Loan Agreement also contains customary events of default.

As of December 31, 2017, $50.0 million is outstanding under the DEG 2 Loan.

Restrictive covenants

Our obligations under the credit agreements, the loan agreements, and the trust instrument governing the bonds described above, are unsecured, but we are subject to a negative pledge in favor of the banks and the other lenders and certain other restrictive covenants. These include, among other things, a prohibition on: (i) creating any floating charge or any permanent pledge, charge or lien over our assets without obtaining the prior written approval of the lender; (ii) guaranteeing the liabilities of any third party without obtaining the prior written approval of the lender; and (iii) selling, assigning, transferring, conveying or disposing of all or substantially all of our assets, or a change of control in our ownership structure. Some of the credit agreements, the term loan agreements, and the trust instrument contain cross-default provisions with respect to other material indebtedness owed by us to any third party. In some cases, we have agreed to maintain certain financial ratios, which are measured quarterly, such as: (i) equity of at least $600 million and in no event less than 25% of total assets; (ii) 12-month debt, net of cash, cash equivalents, and short-term bank deposits to Adjusted EBITDA ratio not to exceed 6.0; and (iii) dividend distributions not to exceed 35% of net income in any calendar year. As of December 31, 2017: (i) total equity was $1,320.5 million and the actual equity to total assets ratio was 51.1% and (ii) the 12-month debt, net of cash, cash equivalents, to Adjusted EBITDA ratio was 2.6. During the year ended December 31, 2017, we distributed interim dividends in an aggregate amount of $20.5 million. The failure to perform or observe any of the covenants set forth in such agreements, subject to various cure periods, would result in the occurrence of an event of default and would enable the lenders to accelerate all amounts due under each such agreement.

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As described above, we are currently in compliance with our covenants with respect to the credit agreements, the loan agreements and the trust instrument, and believe that the restrictive covenants, financial ratios and other terms of any of our (or Ormat Systems') full-recourse bank credit agreements will not materially impact our business plan or operations.

Future minimum payments

Future minimum payments under long-term obligations, excluding revolving credit lines with commercial banks and lease payments under the Puna lease transaction described below, as of December 31, 2017, are as follows:

	(Dollars in thousands)
Year ending December 31:	
2018	$ 57,807
2019	55,539
2020	123,093
2021	46,579
2022	184,148
Thereafter	409,898
Total	$ 877,064

Puna Power Plant Lease Transactions

In May 2005, our Hawaiian subsidiary, PGV, entered into a transaction involving the original geothermal power plant of the Puna complex located on the Big Island (the Puna Power Plant).

Pursuant to a 31-year head lease (the Head Lease), PGV leased the Puna Power Plant to an unrelated lessor (the Puna lessor) in return for prepaid lease payments in the total amount of $83.0 million. The carrying value of the leased assets as of December 31, 2017 amounted to $25.3 million, net of accumulated depreciation of $35.6 million. The Puna Lessor simultaneously leased back the Puna Power Plant to PGV under a 23-year lease (the Project Lease). PGV's rent obligations under the Project Lease will be paid solely from revenues generated by the Puna Power Plant under a PPA that PGV has with HELCO. The Head Lease and the Project Lease are non-recourse lease obligations to the Company. PGV's rights in the geothermal resource and the related PPA have not been leased to the Puna Lessor as part of the Head Lease but are part of the Puna Lessor's security package.

The transaction was concluded with financing parties by means of a leveraged lease transaction. A secondary stage of the lease transaction relating to two new geothermal wells that PGV drilled in the second half of 2005 (for production and injection) was completed on December 30, 2005. Pursuant to a 31-year head lease, PGV leased its geothermal power plant to the abovementioned financing parties in return for payments of $83.0 million by such financing parties to PGV, which are accounted for as deferred lease income.

There are various restrictive covenants under the lease agreement, including a requirement to have certain reserve funds that need to be managed by the indenture trustee in accordance with certain balance requirements. Such reserve funds amounted to $7.9 million and $2.9 million as of December 31, 2017 and December 31, 2016, respectively, and were included in restricted cash accounts in the consolidated balance sheets and were classified as current as they were used for current payments.

Opal Geo Transaction

On December 16, 2016, Ormat Nevada entered into an equity contribution agreement (the "Equity Contribution Agreement") with OrLeaf LLC ("OrLeaf") and JPM Capital Corporation ("JPM") with respect to Opal Geo. Also on December 16, 2016, OrLeaf, a newly formed limited liability company formed by Ormat Nevada and ORPD LLC, entered into an amended and restated limited liability company agreement of Opal Geo (the "LLC Agreement") with JPM. The transactions contemplated by the Equity Contribution Agreement and LLC Agreement will allow the Company to monetize federal production tax credits ("PTCs") and certain other tax benefits relating to the operation of five geothermal power plants located in Nevada.

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In connection with the transactions contemplated by the Equity Contribution Agreement and the LLC Agreement, Ormat Nevada transferred its indirect ownership interest in the McGinness Hills (Phase I and Phase II), Tuscarora, Jersey Valley and phase 2 of the Don A. Campbell ("DAC 2") geothermal power plants to Opal Geo. Prior to such transfer, Ormat Nevada held an approximately 63.25% indirect ownership interest in DAC 2 through ORPD LLC, a joint venture between Ormat Nevada and Northleaf Geothermal Holdings LLC ("Northleaf"), an affiliate of Northleaf Capital Partners, and held, directly or indirectly, a 100% ownership interest in the remaining geothermal power plants that were transferred to Opal Geo.

Pursuant to the Equity Contribution Agreement, JPM contributed approximately $62.1 million to Opal Geo in exchange for 100% of the Class B Membership Interests of Opal Geo. JPM also agreed to make deferred capital contributions to Opal Geo based on the amount of electricity generated by the DAC 2 and McGinness Hills Phase II power plants which are eligible for the federal PTC. We expect the aggregate amount of JPM's deferred capital contributions to equal approximately $21 million and to be paid over time covering the period through December 31, 2022.

Under the LLC Agreement, until December 31, 2022, OrLeaf will receive distributions of 97.5% of any distributable cash generated by operation of the power plants while JPM will receive distributions of 2.5% of any distributable cash generated by operation of the power plants. Unless JPM has already achieved its target internal rate of return on its investment in Opal Geo, from December 31, 2022 until JPM has achieved its target internal rate of return, JPM will receive 100% of any distributable cash generated by operation of the power plants. Thereafter, OrLeaf will receive distributions of 97.5%, and JPM will receive 2.5%, of any distributable cash generated by operation of the power plants.

Under the LLC Agreement, all items of Opal Geo income and loss, gain, deduction and credit (including the federal PTCs relating to the operation of the two PTC eligible power plants) will be allocated, until JPM has achieved its target internal rate of return on its investment in Opal Geo (and for so long as the two PTC eligible power plants are generating PTCs), 99% to JPM and 1% to OrLeaf, or 5% to JPM and 95% to OrLeaf if PTCs are no longer available to either of the two PTC eligible power plants. Once JPM achieves its target internal rate of return, all items of Opal Geo income and loss, gain, deduction and credit will be allocated 5% to JPM and 95% to OrLeaf.

Under the LLC Agreement, OrLeaf, which owns 100% of the Class A Membership Interests in Opal Geo, will serve as the managing member of Opal Geo and control the day-to-day management of Opal Geo and its portfolio of five power plants. However, in certain limited circumstances (such as bankruptcy of Orleaf, fraud or gross negligence by OrLeaf) JPM may remove OrLeaf as the managing member of Opal Geo. JPM, as the Class B Member of Opal Geo, has consent and approval rights with respect to certain items that are designated as major decisions for Opal Geo and the five power plants. In addition, by virtue of certain provisions in OrLeaf's own limited liability company agreement, and consistent with the ORPD formation documents, Northleaf has similar consent and approval rights with respect to OrLeaf's determination of major decisions pertaining to the DAC 2 power plant. In both cases, these major decisions are generally equivalent to customary minority protection rights. As a result, the Company's wholly owned subsidiary, Ormat Nevada, which serves as the managing member of OrLeaf and as the managing member of ORPD, will effectively retain the day-to-day control and management of Opal Geo and its portfolio of five power plants.

The LLC Agreement contains certain customary restrictions on transfer applicable to both OrLeaf and JPM with respect to their respective membership interests in Opal Geo, and also provides OrLeaf with a right of first offer in the event JPM desires to transfer any of its Class B Membership Interests, pursuant to which OrLeaf may purchase such Class B Membership Interests. The LLC Agreement also provides OrLeaf with the option to purchase all of the Class B Membership Interests on either December 31, 2022 or the date that is 9 years after the closing date under the Equity Contribution Agreement at a price equal to the greater of (i) the fair market value of the Class B Membership Interests as of the date of purchase (subject to certain adjustments) and (ii) $3 million.

Pursuant to the Equity Contribution Agreement, the Company has provided a guaranty for the benefit of JPM of certain of OrLeaf's indemnification obligations to JPM under the LLC Agreement. In addition, Ormat Nevada also provided a guaranty for the benefit of JPM of all present and future payment and performance obligations of OrLeaf under the LLC Agreement and each ancillary document to which OrLeaf is a party.

JPM's $62.1 million capital contribution to Opal Geo was recorded as a $3.7 million allocation to noncontrolling interests and a $58.5 million allocation to Liabilities associated with sale of tax benefits as described in Note 1 to our consolidated financial statements set forth in Item 8 of this annual report.

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OPC Transaction

In June 2007, Ormat Nevada entered into agreements with affiliates of Morgan Stanley & Co. Incorporated and Lehman Brothers Inc. (Morgan Stanley Geothermal LLC and Lehman-OPC LLC, respectively), under which those investors purchased, for cash, interests in a newly formed subsidiary of Ormat Nevada, OPC, entitling the investors to certain tax benefits (such as PTCs and accelerated depreciation) and distributable cash associated with four geothermal power plants in Nevada.

The first closing under the agreements occurred in 2007 and covered our Desert Peak 2, Steamboat Hills, and Galena 2 power plants. The investors paid $71.8 million at the first closing. The second closing under the agreements occurred in 2008 and covered the Galena 3 power plant. The investors paid $63.0 million at the second closing.

Ormat Nevada continued to operate and maintain the power plants. Under the agreements, Ormat Nevada initially received all of the distributable cash flow generated by the power plants, while the investors received substantially all of the PTCs and the taxable income or loss (together, the Economic Benefits). Once Ormat Nevada recovered the capital that it invested in the power plants, which occurred in the fourth quarter of 2010, the investors received both the distributable cash flow and the Economic Benefits. Once the investors reached a target after-tax yield on their investment in OPC (the OPC Flip Date), Ormat Nevada received 95% of both distributable cash and taxable income, on a going forward basis.

The Class B membership units have a 5% residual economic interest in OPC, which commenced as of the OPC Flip Date. This residual 5% interest represented a noncontrolling interest and is not subject to mandatory redemption or guaranteed payments. As detailed under Note 13 to our consolidated financial statements set forth in Item 8 of this annual report, the OPC Flip Date occurred on May 31, 2017 and Ormat Nevada purchased all of the Class B membership units from JP Morgan and Morgan Stanley on October 31, 2017 for $1.9 million. As a result, Ormat Nevada is now the sole owner of all the economic and voting interests in OPC and continues to consolidate OPC in its financial statements.

ORTP Transaction

On January 24, 2013, Ormat Nevada entered into agreements with JPM under which JPM purchased interests in a newly formed subsidiary of Ormat Nevada, ORTP, entitling JPM to certain tax benefits (such as PTCs and accelerated depreciation) associated with certain geothermal power plants in California and Nevada.

Under the terms of the transaction, Ormat Nevada transferred the Heber complex, the Mammoth complex, the Ormesa complex, and the Steamboat 2 and 3, Burdette (Galena 1) and Brady power plants to ORTP, and sold Class B membership units in ORTP to JPM. In connection with the closing, JPM paid approximately $35.7 million to Ormat Nevada and made additional payments to Ormat Nevada of 25% of the value of PTCs generated by the portfolio over time.

Ormat Nevada continued to operate and maintain the power plants. Under the agreements, Ormat Nevada initially received all of the distributable cash flow generated by the power plants, while JPM will received substantially all the Economic Benefits. JPM's return was limited by the terms of the transaction. Once JPM reached a target after-tax yield on its investment in ORTP (the ORTP Flip Date), Ormat Nevada received 97.5% of the distributable cash and 95.0% of the taxable income, on a going forward basis. At any time during the twelve-month period after the end of the fiscal year in which the ORTP Flip Date occurs (but no earlier than the expiration of five years following the date that the last of the power plants was placed in service for purposes of federal income taxes), Ormat Nevada had the option to purchase JPM's remaining interest in ORTP at the then-current fair market value. As detailed under Note 13 to our consolidated financial statements set forth in Item 8 of this annual report, the ORTP Flip Date occurred on March 30, 2017 and Ormat Nevada purchased all of the Class B membership units from JP Morgan as discussed below.

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The Class B membership units entitled the holder to a 5.0% (allocation of income and loss) and 2.5% (allocation of cash) residual economic interest in ORTP. The 5.0% and 2.5% residual interest commences on achievement by JPM of a contractually stipulated return that triggers the ORTP Flip Date, which occurred on March 30, 2017. On July 10, 2017, Ormat Nevada purchased all of the Class B membership interests in ORTP from JPM for $2.4 million. As a result, Ormat Nevada is now the sole owner of all economic and voting interests in ORTP and we continue to consolidate ORTP in our consolidated financial statements.

Liquidity Impact of Uncertain Tax Positions

As discussed in Note 19 to our consolidated financial statements set forth in Item 8 of this annual report, we have a liability associated with unrecognized tax benefits and related interest and penalties in the amount of approximately $8.9 million as of December 31, 2017. This liability is included in long-term liabilities in our consolidated balance sheet, because we generally do not anticipate that settlement of the liability will require payment of cash within the next twelve months. We are not able to reasonably estimate when we will make any cash payments required to settle this liability.

Dividend

The following are the dividends declared by us during the past two years:

Date Declared	Dividend Amount per Share	Record Date	Payment Date
February 23, 2016	$ 0.31	March 15, 2016	March 29, 2016
May 4, 2016	$ 0.07	May 18, 2016	May 24, 2016
August 2, 2016	$ 0.07	August 16, 2016	August 30, 2016
November 7, 2016	$ 0.07	November 21, 2016	December 6, 2016
February 28, 2017	$ 0.17	March 15, 2017	March 29, 2017
May 8, 2017	$ 0.08	May 22, 2017	May 31, 2017
August 3, 2017	$ 0.08	August 15, 2017	August 29, 2017
November 7, 2017	$ 0.08	November 21, 2017	December 5, 2017
March 1, 2018	$ 0.23	March 14, 2018	March 29, 2018

Historical Cash Flows

The following table sets forth the components of our cash flows for the relevant periods indicated:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Net cash provided by operating activities	$ 245,575	$ 159,285	$ 190,025
Net cash used in investing activities	(368,121)	(158,531)	(90,971)
Net cash provided by (used in) financing activities	(59,850)	43,541	46,635
Net change in cash and cash equivalents	(182,396)	44,295	145,689

For the Year Ended December 31, 2017

Net cash provided by operating activities for the year ended December 31, 2017 was $245.6 million, compared to $159.3 million for the year ended December 31, 2016. This increase of $86.3 million resulted primarily from (i) an increase in receivables of $24.0 million in the year ended December 31, 2017, compared to $33.3 million in the year ended December 31, 2016, as a result of timing of collections from our customers; and (ii) a decrease in billing in excess of costs and estimated earnings on uncompleted contracts, net of $0.1 million in our Product segment in the year ended December 31, 2017, compared to $29.3 million in the year ended December 31, 2016, as a result of timing in billing of our customers; and (iii) an increase in accounts payable and accrued expenses of $51.6 million in the year ended December 31, 2017, compared to a decrease of $1.4 million in the year ended December 31, 2016, as a result of timing of payments to our suppliers.

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Net cash used in investing activities for the year ended December 31, 2017 was $368.1 million, compared to $158.5 million for the year ended December 31, 2016. The principal factors that affected our net cash used in investing activities during the year ended December 31, 2017 were: (i) capital expenditures of $259.2 million, primarily for our facilities under construction; (ii) $35.3 million net cash paid for the acquisition of our Viridity business; (iii) a net increase of $14.6 million in restricted cash and cash equivalents, due to timing of debt repayments; and (iv) an investment in an unconsolidated company of $46.3 million.

Net cash used in financing activities for the year ended December 31, 2017 was $59.9 million, compared to $43.5 million provided by for the year ended December 31, 2016. The principal factors that affected the net cash used in financing activities during the year ended December 31, 2017 were: (i) the repayment of long-term debt in the amount of $66.2 million; (ii) a $20.5 million cash dividend paid; (iii) $21.3 million of cash paid to noncontrolling interests; (iv) $14.3 million of cash paid to repurchase our OFC Senior Secured Notes, partially offset by a net increase of $51.5 million against our revolving lines of credit with commercial banks.

For the Year Ended December 31, 2016

Net cash provided by operating activities for the year ended December 31, 2016 was $159.3 million, compared to $190.0 million for the year ended December 31, 2015. This decrease of $30.7 million resulted primarily from (i) an increase in receivables of $33.3 million in the year ended December 31, 2016, compared to $3.8 million in the year ended December 31, 2015, as a result of timing of collections from our customers; and (ii) a decrease in billing in excess of costs and estimated earnings on uncompleted contracts, net of $29.3 million in our Product segment in the year ended December 31, 2016, compared to an increase of $11.8 million in the year ended December 31, 2015, as a result of timing in billing of our customers.

Net cash used in investing activities for the year ended December 31, 2016 was $158.5 million, compared to $91.0 million for the year ended December 31, 2015. The principal factors that affected our net cash used in investing activities during the year ended December 31, 2016 were capital expenditures of $151.9 million, primarily for our facilities under construction, and $20.1 million net cash paid for the acquisition of GB, reduced by a net decrease of $15.2 million in restricted cash and cash equivalents, due to timing of debt repayments.

Net cash provided by financing activities for the year ended December 31, 2016 was $43.5 million, compared to $46.6 million used for the year ended December 31, 2015. The principal factors that affected the net cash provided by financing activities during the year ended December 31, 2016 were: (i) $203.5 million net proceeds from issuance of two new series of Senior Unsecured Bonds; (ii) net proceeds from issuance of shares to a noncontrolling interest in the amount of $44.1 million; (iii) $59.9 million of net proceed from the Opal Geo transaction; (iv) $92.5 million of proceeds from a term loan for our Don A. Campbell power plant and (v) $50.0 million of proceeds from a term loan for our Olkaria 3 Complex plant 4, reduced by: (i) early repayment of $249.5 million of Senior Unsecured Bonds; $6.8 million of cash paid to repurchase our OFC Senior Secured Notes; (ii) the repayment of long-term debt in the amount of $62.1 million; (iii) $63.7 million of cash paid to noncontrolling interests; and (iv) a $26.0 million cash dividend paid.

EBITDA and Adjusted EBITDA

We calculate EBITDA as net income before interest, taxes, depreciation and amortization. We calculate Adjusted EBITDA as net income before interest, taxes, depreciation and amortization, adjusted for (i) termination fees, (ii) impairment of long-lived assets, (iii) write-off of unsuccessful exploration activities, (iv) any mark-to-market gains or losses from accounting for derivatives, (v) merger and acquisition transaction costs (vi) stock-based compensation, (vii) gain or loss from extinguishment of liabilities (viii) gain or loss on sale of subsidiary and property, plant and equipment and (ix) other unusual or non-recurring items. EBITDA and Adjusted EBITDA are not measurements of financial performance or liquidity under accounting principles generally accepted in the U.S., or U.S. GAAP, and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net earnings as indicators of our operating performance or any other measures of performance derived in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA are presented because we believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of a company's ability to service and/or incur debt. However, other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do.

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This information should not be considered in isolation from, or as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP or other non-GAAP financial measures.

Adjusted EBITDA for the year ended December 31, 2017 was $343.8 million, compared to $323.8 million for the year ended December 31, 2016 and $291.3 million for the year ended December 31, 2015.

The following table reconciles net cash provided by operating activities to EBITDA and adjusted EBITDA, for the years ended December 31, 2017, 2016, and 2015:

	Year Ended December 31,		
	2017	2016	2015
		(in thousands)	
Net cash provided by operating activities	$ 245,575	$ 159,285	$ 190,025
Adjusted for:			
Interest expense, net (excluding amortization of deferred financing costs)	47,689	60,553	63,802
Interest income	(988)	(971)	(297)
Income tax provision (benefit)	(1,411)	31,837	(15,258)
Adjustment to investment in an unconsolidated company: our proportionate share in interest expense, tax and depreciation and amortization in Sarulla	(265)	-	-
Adjustments to reconcile net income to net cash provided by operating activities (excluding depreciation and amortization)	39,755	48,208	40,530
EBITDA	330,355	298,912	278,802
Mark-to-market on derivative instruments	(1,500)	319	1,409
Stock-based compensation	8,760	5,157	3,955
Gain on sale of subsidiary and property, plant and equipment	-	(686)	-
Termination fee	-	-	-
Impairment of long-lived assets	-	-	-
Loss from extinguishment of liability	1,950	5,780	1,710
Merger and acquisition transaction costs	2,460	335	3,800
Settlement expenses	-	11,000	-
Write-off of unsuccessful exploration activities	1,796	3,017	1,579
Adjusted EBITDA	$ 343,821	$ 323,834	$ 291,255
Net cash used in investing activities	$ (368,121)	$ (158,531)	$ (90,971)
Net cash used in (provided by) financing activities	$ (59,850)	$ 43,541	$ 46,635

EBITDA includes the proportionate share (12.75%) of net depreciation, interest and tax expenses from our unconsolidated investment in the Sarulla project that is accounted for under the equity method.

On May 2014, the Sarulla consortium ("SOL") closed $1,170 million in financing. As of December 31, 2017, the credit facility has an outstanding balance of $1,042.7 million. Our proportionate share in SOL credit facility is $132.9 million.

Capital Expenditures

Our capital expenditures primarily relate to the enhancement of our existing power plants and the exploration, development and construction of new power plants.

We have budgeted approximately $366.0 million in capital expenditures for construction of new projects and enhancements to our existing power plants, of which we have invested approximately $142.0 million as of December 31, 2017. We expect to invest $156.0 million in 2018 and the remaining $68.0 million thereafter.

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In addition, we estimate approximately $144.0 million in additional capital expenditures in 2018 to be allocated as follows: (i) $21.0 million for development of new projects; (ii) $51.0 million for maintenance of capital expenditures to our operating power plants including $18 million investment for stand by wells that we plan to drill at our Puna power plant; (iii) $20.0 million for continued exploration activity under various leases for geothermal resources where we have already started exploration activity; (iv) $40 million for the construction and development of storage projects; and (v) $12.0 million for enhancements to our production facilities.

In the aggregate, we estimate our total capital expenditures for 2018 to be approximately $300.0 million.

Based on current conditions, we believe that we have sufficient financial resources to fund our activities and execute our business plans. However, the cost of obtaining financing for our project needs may increase significantly or such financing may be difficult to obtain.

Exposure to Market Risks

We, like other power plant operators, are exposed to electricity price volatility risk. Our exposure to such market risk is currently limited because many of our long-term PPAs (except for the 25 MW PPA for the Puna complex and the aggregate of between 30 MW and 40 MW PPAs for the Heber 2 power plant in the Heber complex and the G2 power plant in the Mammoth complex) have fixed or escalating rate provisions that limit our exposure to changes in electricity prices. The energy payments under the PPAs of the Heber 2 power plant in the Heber complex and the G2 power plant in Mammoth complex are determined by reference to the relevant power purchaser's SRAC. A decline in the price of natural gas will result in a decrease in the incremental cost that the power purchaser avoids by not generating its electrical energy needs from natural gas, or by reducing the price of purchasing its electrical energy needs from natural gas power plants, which in turn will reduce the energy payments that we may charge under the relevant PPA for these power plants. The Puna complex is currently benefiting from energy prices which are higher than the floor under the 25 MW PPA for the Puna complex as a result of the high fuel costs that impact HELCO's avoided costs.

As of December 31, 2017, 95.4% of our consolidated long-term debt was fixed rate debt and therefore was not subject to interest rate volatility risk and 4.6% of our long-term debt was floating rate debt, exposing us to interest rate risk in connection therewith. As of December 31, 2017, $40.5 million of our long-term debt remained subject to some interest rate risk.

We currently maintain our surplus cash in short-term, interest-bearing bank deposits, money market securities and commercial paper with a minimum investment grade rating of AA by Standard & Poor's Ratings Services.

Our cash equivalents are subject to interest rate risk. Fixed rate securities may have their market value adversely impacted by a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. As a result of these factors, our future investment income may fall short of expectations because of changes in interest rates, or we may suffer losses in principal if we are forced to sell securities that decline in market value because of changes in interest rates.

We are also exposed to foreign currency exchange risk, in particular the fluctuation of the U.S. dollar versus the NIS. Risks attributable to fluctuations in currency exchange rates can arise when we or any of our foreign subsidiaries borrow funds or incur operating or other expenses in one type of currency but receive revenues in another. In such cases, an adverse change in exchange rates can reduce such subsidiary's ability to meet its debt service obligations, reduce the amount of cash and income we receive from such foreign subsidiary, or increase such subsidiary's overall expenses. Risks attributable to fluctuations in foreign currency exchange rates can also arise when the currency denomination of a particular contract is not the U.S. dollar. Substantially all of our PPAs in the international markets are either U.S. dollar-denominated or linked to the U.S. dollar. Our construction contracts from time to time contemplate costs which are incurred in local currencies. The way we often mitigate such risk is to receive part of the proceeds from the contract in the currency in which the expenses are incurred. Currently, we have forward contracts in place to reduce our foreign currency exposure, and expect to continue to use currency exchange and other derivative instruments to the extent we deem such instruments to be the appropriate tool for managing such exposure. We do not believe that our exchange rate exposure has or will have a material adverse effect on our financial condition, results of operations or cash flows.

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We performed a sensitivity analysis on the fair values of our long-term debt obligations and foreign currency exchange forward contracts. The foreign currency exchange forward contracts listed below principally relate to trading activities. The sensitivity analysis involved increasing and decreasing forward rates at December 31, 2017 and 2016 by a hypothetical 10% and calculating the resulting change in the fair values.

At this time, the development of our new strategic plan has not exposed us to any additional market risk. However, as the implementation of the plan progresses, we may be exposed to additional or different market risks.

The results of the sensitivity analysis calculations as of December 31, 2017 and 2016 are presented below:

	Assuming a 10% Increase in Rates		Assuming a 10% Decrease in Rates		
	As of December 31,		As of December 31,		
Risk	2017	2016	2017	2016	Change in the Fair Value of
	(In thousands)				
Foreign Currency	$ (5,181)	$ (4,665)	$ 6,332	$ 4,632	Foreign Currency Forward Contracts
Interest Rate	$ -	$ (254)	$ -	$ 260	OFC Senior Secured Notes
Interest Rate	$ (193)	$ (281)	$ 195	$ 284	OrCal Senior Secured Notes
Interest Rate	$ (6,393)	$ (7,174)	$ 6,662	$ 7,496	OFC 2 Senior Secured Notes
Interest Rate	$ -	$ (64)	$ -	$ 65	DEG Loan
Interest Rate	$ (6,710)	$ (7,667)	$ 7,015	$ 8,039	OPIC Loan
Interest Rate	$ -(1)	$ -(1)	$ -(1)	$ -(1)	Amatitlan loan
Interest Rate	$ (3,678)	$ (4,351)	$ 3,766	$ 4,472	Senior Unsecured Bonds
Interest Rate	$ (1,384)	$ (1,568)	$ 1,442	$ 1,639	DEG 2 Loan
Interest Rate	$ (2,476)	$ (2,749)	$ 2,596	$ 2,890	DAC 1 Senior Secured Notes
Interest Rate	$ (171)	$ (161)	$ 177	$ 167	Other long-term loans

(1) The application of a 10% increase and/or decrease to the interest rate did not exceed the minimum rate as set forth in the loan agreement.

Effect of Inflation

We do not expect that inflation will be a significant risk in the near term, given the current global economic conditions, however, that could change in the future. To address rising inflation, some of our contracts include certain provisions that mitigate inflation risk.

In connection with the Electricity segment, none of our U.S. PPAs, including the SCPPA Portfolio PPA, are directly linked to the CPI. Inflation may directly impact an expense we incur for the operation of our projects, thereby increasing our overall operating costs and reduce our profit and gross margin. The negative impact of inflation may be partially offset by price adjustments built into some of our PPAs that could be triggered upon such occurrences. The energy payments pursuant to our PPAs for some of our power plants such as the Brady power plant, the Steamboat 2 and 3 power plants and the McGinness complex, increase every year through the end of the relevant terms of such agreements, though such increases are not directly linked to the CPI or any other inflationary index. Lease payments are generally fixed, while royalty payments are generally calculated as a percentage of revenues and therefore are not significantly impacted by inflation. In our Product segment, inflation may directly impact fixed and variable costs incurred in the construction of our power plants, thereby increasing our operating costs in the Product segment. We are more likely to be able to offset all or part of this inflationary impact through our project pricing. With respect to power plants that we build for our own electricity production, inflationary pricing may impact our operating costs which may be partially offset in the pricing of the new long-term PPAs that we negotiate.

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Contractual Obligations and Commercial Commitments

The following tables set forth our material contractual obligations as of December 31, 2017 (in thousands):

		Payments Due By Period					
	Remaining Total	2018	2019	2020	2021	2022	Thereafter
Long-term liabilities principal	$ 877,064	$ 57,807	$ 55,539	$ 123,093	$ 46,579	$ 184,148	$ 409,898
Interest on long-term liabilities [1]	276,540	44,193	40,198	37,094	31,598	29,054	94,403
Future minimum operating lease	26,249	13,317	6,018	2,450	1,723	824	1,917
Benefits upon retirement [2]	15,171	4,258	1,803	1,242	1,418	2,112	4,338
Asset retirement obligation	27,110	—	—	—	—	—	27,110
Purchase commitments [3]	113,406	113,406	—	—	—	—	—
	$ 1,335,540	$ 232,981	$ 103,558	$ 163,879	$ 81,318	$ 216,138	$ 537,666

(1) Interest on the OrCal Senior Secured Notes due in 2020 is fixed at a rate of 6.21%. Interest on the OFC 2 Senior Secured Notes Series A due in 2032 is fixed at a rate of 4.687%. Interest on the DAC 1 Senior Secured Notes due in 2033 is fixed at a rate of 4.03%. Interest on the OPIC Loan due in 2030 is fixed at an average rate of 6.29%. Interest on the DEG 2 Loan due in 2028 is fixed at a rate of 6.28%. Interest on the Senior Unsecured Bonds due in 2020 is fixed at a rate of 3.7%. Interest on the Senior Unsecured Bonds due in 2022 is fixed at a rate of 4.45%. Interest on the remaining debt is variable (based primarily on changes in LIBOR rates). For purposes of the above calculation of interest payments pertaining to variable rate debt, future LIBOR rates were based on constant maturity swaps.

(2) The above amounts were determined based on the employees' current salary rates and the number of years' service that will have been accumulated at their expected retirement date. These amounts do not include amounts that might be paid to employees that will cease working with us before reaching their expected retirement age.

(3) We purchase raw materials for inventories, construction-in-process and services from a variety of vendors. During the normal course of business, in order to manage manufacturing lead times and help assure adequate supply, we enter into agreements with contract manufacturers and suppliers that either allow them to procure goods and services based upon specifications defined by us, or that establish parameters defining our requirements. At December 31, 2017, total obligations related to such supplier agreements were approximately $113.4 million (approximately $54.2 million of which relate to construction-in-process). All such obligations are payable in 2018.

The table above does not reflect unrecognized tax benefits of $8.9 million, the timing of which is uncertain. Refer to Note 18 to our consolidated financial statements set forth in Item 8 of this annual report for additional discussion of unrecognized tax benefits. The above table also does not reflect a liability associated with the sale of tax benefits of $44.6 million, the timing of which is uncertain. Refer to Note 13 to our consolidated financial statements as set forth in Item 8 of this annual report for additional discussion of our liability associated with the sale of tax benefits.

Concentration of Credit Risk

Our credit risk is currently concentrated with the following major customers: Southern California Edison, Sierra Pacific Power Company and Nevada Power Company (subsidiaries of NV Energy), KPLC, SCPPA and Hyundai. If any of these customers fails to make payments under its PPAs with us, such failure would have a material adverse impact on our financial condition. Also, by implementing our multi-year strategic plan we may be exposed, by expanding our customer base, to different credit profile customers than our current customers.

Southern California Edison accounted for 4.3%, 5.1%, and 9.4% of our total revenues for the three years ended December 31, 2017, 2016, and 2015, respectively. Southern California Edison is also the power purchaser and revenues source for our Mammoth project, which we accounted for separately under the equity method of accounting through August 1, 2010.

Sierra Pacific Power Company and Nevada Power Company accounted for 18.1%, 19.2%, and 19.5% of our total revenues for the three years ended December 31, 2017, 2016, and 2015, respectively.

KPLC accounted for 15.9%, 16.5%, and 14.6% of our total revenues for the three years ended December 31, 2017, 2016, and 2015, respectively.

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SCPPA accounted for 10.1%, 10.2% and 5.2% of our total revenues for the three years ended December 31, 2017, 2016 and 2015, respectively.

Hyundai (Sarulla geothermal power project) accounted for 4.2%, 15.2% and 15.7% of our total revenues for the three years ended December 31, 2017, 2016 and 2015, respectively.

We have historically been able to collect on substantially all of our receivable balances. Recently, we have been receiving late payments from KPLC in Kenya related to our Olkaria Complex and from ENNE in Honduras related to our Platanares power plant. As we believe we will be able to collect all past due amounts, no provision for doubtful accounts has been recorded.

Tax Benefits

The federal government encourages production of electricity from geothermal resources or solar energy through certain tax subsidies. For a new geothermal power plant in the U.S. that started construction by December 31, 2017, we are permitted to claim an investment tax credit for 30 percent of the project cost in the year the project is put in service or production tax credits over time on the power produced. The production-based credits, which in 2017 were 2.4 cents per kWh, are adjusted annually for inflation and may be claimed for 10 years on the net electricity output sold to third parties after the project is first placed in service. Any project that started construction by December 2017 must ordinarily be put in service within four years after the end of the year in which construction started to qualify for tax credits at these rates. For a new geothermal power plant in the U.S. that started construction after 2017, we are permitted to claim an investment tax credit of 10 percent of the project cost.

New solar projects that are under construction by December 2019 will qualify for a 30 percent investment tax credit. The credit will fall to 26 percent for projects starting construction in 2020 and 22 percent for projects starting construction in 2021. Projects that are under construction before these deadlines must be placed in service by December, 31 2023 to qualify for investment tax credits at these rates. Solar projects placed in service after December, 31, 2023 will only qualify for a 10 percent investment tax credit, on par with the permanent credit provided to geothermal. Under current tax rules, any unused tax credit has a one-year carry back and a twenty-year carry forward.

We are also permitted to depreciate, or write off, most of the cost of the plant. In cases where we claim the one-time 30% (or 10%) tax credit, our tax basis in the plant that we can recover through depreciation is reduced by one-half of the tax credit. In cases where we claim the production tax credit, there is no reduction in the tax basis for depreciation. Projects that are placed in service in 2016 and 2017 are eligible for "bonus" depreciation and we will be permitted to write off 50% of the cost of that equipment in the year the power plant is placed in service. Projects placed in service in 2018 would qualify for a 40% bonus and Projects placed in service in 2019 would qualify for a 30% bonus. After applying any depreciation bonus that is available, we can write off the remainder of our tax basis in the plant, if any, over five years on an accelerated basis, meaning that more of the cost may be deducted in the first few years than during the remainder of the depreciation period. The Tax Act, as further discussed in the MD&A section allows full expensing for certain assets acquired and placed in service after September 27, 2017. The Company will continue to analyze this new provision under the Act and determine if an election is appropriate as it relates to their business needs**.**

Ormat Systems received "Benefited Enterprise" status under Israel's Law for Encouragement of Capital Investments, 1959 (the Investment Law), with respect to two of its investment programs through 2011. In January 2011, new legislation amending the Investment Law was enacted. Under the new legislation, a uniform rate of corporate tax will apply to all qualified income of certain industrial companies, as opposed to the previous law's incentives that are limited to income from a "Benefited Enterprise" during their benefits period. As a result, we now pay a uniform corporate tax rate of 16% with respect to that qualified income.

Ormat Systems tax assessment for fiscal years 2010-2014 was finalized and settled in January 2017. The settlement resulted in no impact to income statement due to release of the related uncertain tax position liability.

As previously reported by the Company, the Kenya Revenue Authority ("KRA") conducted an audit related to the Company's operations in Kenya for fiscal years 2012 - 2013. In January 2017, KRA concluded its audit for the subject period and issued a demand letter to the Company for additional tax payments of approximately $16.1 million, including interest and penalties. KRA's assessment, among other points, rejected the Company's income tax deduction of 150% of its investment in geothermal well drilling during the relevant period, on the basis that such work falls under mining activities (and not geothermal activities) which have a different allowable deduction under the Kenya Income Tax Act. The KRA audit and assessment is not final and is subject to objection by the Company. The Company's operations in Kenya utilize a geothermal resource license from the Ministry of Energy and Petroleum. The Company does not conduct and is not involved in any mining activity under applicable Kenyan law. Therefore, the Company believes that its original tax position was and remains correct under Kenyan tax law and regulations, and has submitted a notice of objection to the KRA which it intends to pursue vigorously. If the KRA position prevails and is applied to subsequent periods, the Company's deferred tax asset of $49.4 million recorded in 2015 may be impacted. At present, the Company has recorded a provision based on its assessment of its reasonably expected potential exposure.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Information responding to Item 7A is included in Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this annual report.

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ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Ormat Technologies, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Ormat Technologies, Inc. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), of equity and of cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO because a material weakness in internal control over financial reporting existed as of that date related to ineffective risk assessment over accounting for income taxes.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control over Financial Reporting appearing in Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2017 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Francisco, California
March 16, 2018

We have served as the Company's auditor since 1988.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2017	2016
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 47,818	$ 230,214
Restricted cash and cash equivalents (primarily related to VIEs)	48,825	34,262
Receivables:		
Trade	110,410	80,807
Other	13,828	17,482
Inventories	19,551	12,000
Costs and estimated earnings in excess of billings on uncompleted contracts	40,945	52,198
Prepaid expenses and other	40,269	45,867
Total current assets	321,646	472,830
Investment in an unconsolidated company	34,084	—
Deposits and other	21,599	18,553
Deferred income taxes	20,135	—
Deferred charges	49,834	43,773
Property, plant and equipment, net ($1,631,900 and $1,483,224 related to VIEs, respectively)	1,734,691	1,556,378
Construction-in-process ($142,717 and $120,853 related to VIEs, respectively)	293,542	306,709
Deferred financing and lease costs, net	4,674	3,923
Intangible assets, net	85,420	52,753
Goodwill	21,037	6,650
Total assets	$ 2,586,662	$ 2,461,569
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 153,796	$ 91,650
Short term revolving credit lines with banks (full recourse)	51,500	—
Billings in excess of costs and estimated earnings on uncompleted contracts	20,241	31,630
Current portion of long-term debt:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes	33,226	32,234
Other loans	21,495	21,495
Full recourse	3,087	12,242
Total current liabilities	283,345	189,251
Long-term debt, net of current portion:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes (less deferred financing costs of $8,113 and $9,177, respectively)	311,668	350,388
Other loans (less deferred financing costs of $5,258 and $6,409, respectively)	242,385	261,845
Full recourse:		
Senior unsecured bonds (less deferred financing costs of $580 and $755, respectively)	203,752	203,577
Other loans (less deferred financing costs of $1,011 and $1,346, respectively)	46,489	57,063
Investment in an unconsolidated company	—	11,081
Liability associated with sale of tax benefits	44,634	54,662
Deferred lease income	51,520	54,561
Deferred income taxes	—	35,382
Liability for unrecognized tax benefits	8,890	5,738
Liabilities for severance pay	21,141	18,600
Asset retirement obligation	27,110	23,348
Other long-term liabilities	18,853	21,294
Total liabilities	1,259,787	1,286,790
Commitments and contingencies (Note 22)		
Redeemable noncontrolling interest	6,416	4,772
Equity:		
The Company's stockholders' equity:		
Common stock, par value $0.001 per share; 200,000,000 shares authorized; 50,609,051 and 49,667,340 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	51	50
Additional paid-in capital	888,778	869,463
Retained earnings	351,622	216,644
Accumulated other comprehensive income (loss)	(4,314)	(7,732)
Total equity attributable to Company's stockholders	1,236,137	1,078,425
Noncontrolling interest	84,322	91,582
Total equity	1,320,459	1,170,007
Total liabilities, redeemable noncontrolling interest and equity	$ 2,586,662	$ 2,461,569

The accompanying notes are an integral part of the consolidated financial statements.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2017	2016	2015
	(Dollars in thousands, except per share data)		
Revenues:			
Electricity	$ 468,329	$ 436,292	$ 375,920
Product	224,483	226,299	218,724
Total revenues	692,812	662,591	594,644
Cost of revenues:			
Electricity	272,266	261,573	242,612
Product	152,094	130,223	133,753
Total cost of revenues	424,360	391,796	376,365
Gross profit	268,452	270,795	218,279
Operating expenses:			
Research and development expenses	3,157	2,762	1,780
Selling and marketing expenses	15,600	16,424	16,077
General and administrative expenses	42,881	46,710	34,782
Write-off of unsuccessful exploration activities	1,796	3,017	1,579
Operating income	205,018	201,882	164,061
Other income (expense):			
Interest income	988	971	297
Interest expense, net	(54,142)	(67,389)	(72,577)
Derivatives and foreign currency transaction gains (losses)	2,654	(5,534)	(1,622)
Income attributable to sale of tax benefits	17,878	16,503	25,431
Other non-operating expense, net	(1,666)	(5,345)	(1,991)
Income from continuing operations before income taxes and equity in losses of investees	170,730	141,088	113,599
Income tax (provision) benefit	1,411	(31,837)	15,258
Equity in earnings (losses) of investees, net	(1,957)	(7,735)	(5,508)
Income from continuing operations	170,184	101,516	123,349
Net income attributable to noncontrolling interest	(14,695)	(7,586)	(3,776)
Net income attributable to the Company's stockholders	$ 155,489	$ 93,930	$ 119,573
Comprehensive income:			
Net income	170,184	101,516	123,349
Other comprehensive income (loss), net of related taxes:			
Currency translation adjustments	3,440	(1,648)	—
Change in unrealized gains or losses in respect of the Company's share in derivatives instruments of unconsolidated investment	804	1,185	1,028
Loss in respect of derivative instruments designated for cash flow hedge	84	87	91
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge	(73)	(96)	(118)
Comprehensive income	174,439	101,044	124,350
Comprehensive income attributable to noncontrolling interest	(15,532)	(7,179)	(3,776)
Comprehensive income attributable to the Company's stockholders	$ 158,907	$ 93,865	$ 120,574
Earnings per share attributable to the Company's stockholders:			
Basic:			
Net income	$ 3.10	$ 1.90	$ 2.46
Diluted:			
Net income	$ 3.06	$ 1.87	$ 2.43
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:			
Basic	50,110	49,469	48,562
Diluted	50,769	50,140	49,187
Dividend per share declared	$ 0.41	$ 0.52	$ 0.26

The accompanying notes are an integral part of the consolidated financial statements.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

	The Company's Stockholders' Equity							
	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total	Noncontrolling Interest	Total Equity
	Shares	Amount						
	(Dollars in thousands, except per share data)							
Balance at December 31, 2014	45,537	$ 46	$ 742,006	$ 41,539	$ (8,668)	$ 774,923	$ 11,823	$ 786,746
Stock-based compensation	—	—	3,955	—	—	3,955	—	3,955
Exercise of options by employees and directors	574	—	6,085	—	—	6,085	—	6,085
Share exchange with Parent	2,996	3	26,012	—	—	26,015	—	26,015
Cash paid to non controlling interest	—	—	—	—	—	—	(7,196)	(7,196)
Cash dividend declared, $0.26 per share	—	—	—	(12,716)	—	(12,716)	—	(12,716)
Issuance of shares to noncontrolling interest, net of transaction costs	—	—	71,165	—	—	71,165	85,470	156,635
Net income	—	—	—	119,573	—	119,573	3,776	123,349
Other comprehensive income (loss), net of related taxes:								
Loss in respect of derivative instruments designated for cash flow hedge (net of related tax of $56)	—	—	—	—	91	91	—	91
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment (net of related tax of $0)	—	—	—	—	1,028	1,028	—	1,028
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of $73)	—	—	—	—	(118)	(118)	—	(118)
Balance at December 31, 2015	49,107	$ 49	$ 849,223	$ 148,396	$ (7,667)	$ 990,001	$ 93,873	$ 1,083,874
Stock-based compensation	—	—	5,157	—	—	5,157	—	5,157
Exercise of options by employees and directors	560	1	7,249	—	—	7,250	—	7,250
Cash paid to non controlling interest	—	—	—	—	—	—	(57,391)	(57,391)
Cash dividend declared, $0.52 per share	—	—	—	(25,682)	—	(25,682)	—	(25,682)
Increase in noncontrolling interest in Guadeloupe	—	—	—	—	—	—	8,240	8,240
Increase in noncontrolling interest in Opal Geo	—	—	—	—	—	—	3,697	3,697
Issuance of shares to noncontrolling interest, net of transaction costs	—	—	7,834	—	—	7,834	36,268	44,102
Net income	—	—	—	93,930	—	93,930	7,302	101,232
Other comprehensive income (loss), net of related taxes:								
Currency translation adjustment	—	—	—	—	(1,241)	(1,241)	(407)	(1,648)
Loss in respect of derivative instruments designated for cash flow hedge (net of related tax of $54)	—	—	—	—	87	87	—	87
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment (net of related tax of $0)	—	—	—	—	1,185	1,185	—	1,185
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of $57)	—	—	—	—	(96)	(96)	—	(96)
Balance at December 31, 2016	49,667	$ 50	$ 869,463	$ 216,644	$ (7,732)	$ 1,078,425	$ 91,582	$ 1,170,007
Stock-based compensation	—	—	8,760	—	—	8,760	—	8,760
Exercise of options by employees and directors	942	1	16,111	—	—	16,112	—	16,112
Cash paid to noncontrolling interest	—	—	—	—	—	—	(21,313)	(21,313)
Cash dividend declared, $0.41 per share	—	—	—	(20,511)	—	(20,511)	—	(20,511)
Buyout of Class B membership in ORTP	—	—	2,913	—	—	2,913	(6,964)	(4,051)
Buyout of Class B membership in OPC	—	—	(8,469)	—	—	(8,469)	6,537	(1,932)
Net income	—	—	—	155,489	—	155,489	13,643	169,132
Other comprehensive income (loss), net of related taxes:								
Currency translation adjustment	—	—	—	—	2,603	2,603	837	3,440
Loss in respect of derivative instruments designated for cash flow hedge (net of related tax of $51)	—	—	—	—	84	84	—	84
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment (net of related tax of $0)	—	—	—	—	804	804	—	804
	—	—	—	—	(73)	(73)	—	(73)

Amortization of unrealized gains in respect flow hedge (net of related tax of $46)								
Balance at December 31, 2017	50,609	$ 51	$ 888,778	$ 351,622	$ (4,314)	$ 1,236,137	$ 84,322	$ 1,320,459

The accompanying notes are an integral part of the consolidated financial statements.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 170,184	$ 101,516	$ 123,349
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	115,146	105,977	107,206
Amortization of premium from senior unsecured bonds	—	(513)	(306)
Accretion of asset retirement obligation	1,874	1,778	1,198
Stock-based compensation	8,760	5,157	3,955
Amortization of deferred lease income	(2,685)	(2,685)	(2,685)
Income attributable to sale of tax benefits, net of interest expense	(11,956)	(6,962)	(17,467)
Equity in losses of investees	1,957	7,735	5,508
Mark-to-market of derivative instruments	(1,473)	319	4,129
Write-off of unsuccessful exploration activities	1,796	3,017	1,579
Gain on severance pay fund asset	(1,746)	(304)	(119)
Deferred income tax provision	(64,104)	18,473	(39,530)
Liability for unrecognized tax benefits	3,152	(4,647)	2,874
Deferred lease revenues	(356)	(853)	224
Other	737	—	484
Changes in operating assets and liabilities, net of amounts acquired:			
Receivables	(24,040)	(33,280)	(3,806)
Costs and estimated earnings in excess of billings on uncompleted contracts	11,253	(27,078)	2,673
Inventories	(1,070)	6,297	(1,144)
Prepaid expenses and other	208	(12,540)	(2,579)
Deposits and other	(2,570)	(1,009)	(648)
Accounts payable and accrued expenses	51,641	(1,375)	(339)
Due from/to related entities, net	—	—	451
Billings in excess of costs and estimated earnings on uncompleted contracts	(11,389)	(2,262)	9,168
Liabilities for severance pay	2,541	(786)	(1,076)
Other long-term liabilities	(2,285)	3,310	(2,561)
Due from/to Parent	—	—	(513)
Net cash provided by operating activities	245,575	159,285	190,025
Cash flows from investing activities:			
Cash acquired in organizational restructuring and share exchange with parent	—	—	15,391
Net change in restricted cash, cash equivalents and marketable securities	(14,563)	15,241	43,745
Capital expenditures	(259,234)	(151,930)	(152,450)
Investment in unconsolidated companies	(46,318)	(3,569)	—
Buyout of Class B membership in ORTP	(2,400)	—	—
Buyout of Class B membership in OPC	(1,932)	—	—
Cash paid for acquisition of controlling interest in a subsidiary, net of cash acquired	(35,300)	(20,135)	—
Cash paid for achievement of production threshold in Guadeloupe	(8,032)	—	—
Intangible assets acquired	(868)	—	(500)
Decrease (increase) in severance pay fund asset, net of payments made to retired employees	526	1,862	2,843
Net cash used in investing activities	(368,121)	(158,531)	(90,971)
Cash flows from financing activities:			
Proceeds from sale of membership interests to noncontrolling interest, net of transaction costs	—	44,102	156,635
Proceeds from long-term loans, net of transaction costs	—	142,500	42,000
Proceeds from exercise of options by employees	16,111	7,249	6,085
Proceeds from issuance of senior unsecured notes, net of transaction costs	—	203,483	—
Purchase of Senior unsecured notes	—	(249,468)	—
Proceeds from the sale of limited liability company interest in Opal Geo LLC, net of transaction costs	—	59,897	—
Purchase of OFC Senior Secured Notes	(14,270)	(6,815)	(30,638)
Proceeds from revolving credit lines with banks	1,097,500	309,400	598,800
Repayment of revolving credit lines with banks	(1,046,000)	(309,400)	(619,100)
Cash received from noncontrolling interest	2,017	1,972	1,654
Repayments of long-term debt	(66,223)	(62,052)	(71,701)
Cash paid to noncontrolling interest	(21,313)	(64,065)	(19,068)
Payments of capital leases	(1,871)	(1,178)	—
Deferred debt issuance costs	(5,290)	(6,402)	(5,316)
Cash dividends paid	(20,511)	(25,682)	(12,716)
Net cash provided by (used in) financing activities	(59,850)	43,541	46,635
Net change in cash and cash equivalents	(182,396)	44,295	145,689
Cash and cash equivalents at beginning of period	230,214	185,919	40,230
Cash and cash equivalents at end of period	$ 47,818	$ 230,214	$ 185,919
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of interest capitalized	$ 40,484	$ 55,366	$ 55,492
Income taxes, net	$ 21,878	$ 18,490	$ 10,419
Supplemental non-cash investing and financing activities:			
Increase (decrease) in accounts payable related to purchases of property, plant and equipment	$ 4,484	$ (2,219)	$ 3,810
Accrued liabilities related to financing activities	$ —	$ 6,291	$ 1,665
Increase (decrease) in asset retirement cost and asset retirement obligation	$ 1,888	$ 714	$ 516

The accompanying notes are an integral part of the consolidated financial statements.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Business

Ormat Technologies, Inc. (the "Company") is primarily engaged in the geothermal and recovered energy business, including the supply of equipment that is manufactured by the Company and the design and construction of power plants for projects owned by the Company or for third parties. The Company owns and operates geothermal and recovered energy-based power plants in various countries, including the United States of America ("U.S."), Kenya, Guatemala, Guadeloupe and Honduras. The Company's equipment manufacturing operations are located in Israel.

Most of the Company's domestic power plant facilities are Qualifying Facilities under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The power purchase agreements ("PPAs") for certain of such facilities are dependent upon their maintaining Qualifying Facility status. Management believes that all of the facilities located in the U.S. were in compliance with Qualifying Facility status requirements as of December 31, 2017.

Cash dividends

During the years ended December 31, 2017, 2016, and 2015, the Company's Board of Directors (the "Board") declared, approved, and authorized the payment of cash dividends in the aggregate amount of $20.5 million ($0.41 per share), $25.7 million ($0.52 per share), and $12.7 million ($0.26 per share), respectively. Such dividends were paid in the years declared.

Rounding

Dollar amounts, except per share data, in the notes to these financial statements are rounded to the closest $1,000, unless otherwise indicated.

Basis of presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of the Company and of all majority-owned subsidiaries in which the Company exercises control over operating and financial policies, and variable interest entities in which the Company has an interest and is the primary beneficiary. Intercompany accounts and transactions have been eliminated in consolidation.

Investments in less-than-majority-owned entities or other entities in which the Company exercises significant influence over operating and financial policies are accounted for using the equity method of accounting or consolidated if they are a variable interest entity in which the Company has an interest and is the primary beneficiary. Under the equity method, original investments are recorded at cost and adjusted by the Company's share of undistributed earnings or losses of such companies. The Company's earnings or losses in investments accounted for under the equity method have been reflected as "equity in earnings (losses) of investees, net" on the Company's consolidated statements of operations and comprehensive income (loss).

Cash and cash equivalents

The Company considers all highly liquid instruments, with an original maturity of three months or less, to be cash equivalents.

Restricted cash, cash equivalents, and marketable securities

Under the terms of certain long-term debt agreements, the Company is required to maintain certain debt service reserves, cash collateral and operating fund accounts that have been classified as restricted cash and cash equivalents. Funds that will be used to satisfy obligations due during the next twelve months are classified as current restricted cash and cash equivalents, with the remainder classified as non-current restricted cash and cash equivalents. Such amounts were invested primarily in money market accounts and commercial paper with a minimum investment grade of "AA".

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Concentration of credit risk

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments and accounts receivable.

The Company places its temporary cash investments with high credit quality financial institutions located in the U.S. and in foreign countries. At December 31, 2017 and 2016, the Company had deposits totaling $21.2 million and $72.5 million, respectively, in seven U.S. financial institutions that were federally insured up to $250,000 per account. At December 31, 2017 and 2016, the Company's deposits in foreign countries of approximately $32.8 million and $166.2 million, respectively, were not insured.

At December 31, 2017 and 2016, accounts receivable related to operations in foreign countries amounted to approximately $78.1 million and $53.3 million, respectively. At December 31, 2017, and 2016, accounts receivable from the Company's major customers (see Note 19) amounted to approximately 57% and 60%, respectively, of the Company's accounts receivable.

The Company has historically been able to collect on substantially all of its receivable balances, and believes it will continue to be able to collect all amounts due. Accordingly, no provision for doubtful accounts has been made.

Inventories

Inventories consist primarily of raw material parts and sub-assemblies for power units, and are stated at the lower of cost or net realizable value, using the weighted-average cost method. Inventories are reduced by a provision for slow-moving and obsolete inventories. This provision was not material at December 31, 2017 and 2016.

Deposits and other

Deposits and other consist primarily of performance bonds for construction projects, long-term insurance contract and receivables, and derivative instruments.

Deferred charges

Deferred charges represent prepaid income taxes on intercompany sales. Such amounts are amortized using the straight-line method and included in income tax provision over the life of the related property, plant and equipment. The Company has not elected to adopt Accounting Standards Update 2016-16, Income Taxes on Intercompany Transfers early. For additional information on the new accounting standard related to tax effects associated with intercompany transfers of assets please see "New accounting pronouncements effective in future periods" in Note 1 to our consolidated financial statements set forth in Item 8 of this annual report.

Property, plant and equipment, net

Property, plant and equipment are stated at cost. All costs associated with the acquisition, development and construction of power plants operated by the Company are capitalized. Major improvements are capitalized and repairs and maintenance (including major maintenance) costs are expensed. Power plants operated by the Company, which include geothermal wells and exploration and resource development costs, are depreciated using the straight-line method over their estimated useful lives, which range from 15 to 30 years. The other assets are depreciated using the straight-line method over the following estimated useful lives of the assets:

Buildings (in years)	25
Leasehold improvements (in years)	15 - 20
Machinery and equipment — manufacturing and drilling (in years)	10
Machinery and equipment — computers (in years)	3 - 5
Office equipment — furniture and fixtures (in years)	5 - 15
Office equipment — other (in years)	5 - 10
Automobiles (in years)	5 - 7

The cost and accumulated depreciation of items sold or retired are removed from the accounts. Any resulting gain or loss recognized currently and is recorded in the accompanying statements of operations.

The Company capitalizes interest costs as part of constructing power plant facilities. Such capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Capitalized interest costs amounted to $7.2 million, $3.3 million, and $4.1 million for the years ended December 31, 2017, 2016, and 2015, respectively.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exploration and development costs

The Company capitalizes costs incurred in connection with the exploration and development of geothermal resources once it acquires land rights to the potential geothermal resource. Prior to acquiring land rights, the Company makes an initial assessment that an economically feasible geothermal reservoir is probable on that land. The Company determines the economic feasibility of potential geothermal resources internally, with all available data and external assessments vetted through the exploration department and occasionally using outside service providers. Costs associated with the initial assessment are expensed and included in cost of electricity revenues in the consolidated statements of operations and comprehensive income (loss). Such costs were immaterial during the years ended December 31, 2017, 2016, and 2015. It normally takes two to three years from the time active exploration of a particular geothermal resource begins to the time a production well is in operation, assuming the resource is commercially viable. However, in certain sites the process may take longer due to permitting delays, transmission constrains or any other commercial milestones that are required to be reached in order to pursue the development process.

In most cases, the Company obtains the right to conduct the geothermal development and operations on land owned by the Bureau of Land Management ("BLM"), various states or with private parties. In consideration for certain of these leases, the Company may pay an up-front bonus payment which is a component of the competitive lease process. The up-front bonus payments and other related costs, such as legal fees, are capitalized and included in construction-in-process. The annual land lease payments made during the exploration, development and construction phase are expensed as incurred and included in "electricity cost of revenues" in the consolidated statements of operations and comprehensive income (loss). Upon commencement of power generation on the leased land, the Company begins to pay to the lessors long-term royalty payments based on the utilization of the geothermal resources as defined in the respective agreements. Such payments are expensed when the related revenues are earned and included in "electricity cost of revenues" in the consolidated statements of operations and comprehensive income (loss).

Following the acquisition of land rights to the potential geothermal resource, the Company conducts further studies and surveys, including water and soil analyses among others, and augments its database with the results of these studies. The Company then initiates a suite of geophysical surveys to assess the resource and determine drilling locations. If the results of these activities support the initial assessment of the feasibility of the geothermal resource, the Company then proceeds to exploratory drilling and other related activities which may include drilling of temperature gradient holes, drilling of slim holes, building access roads to drilling locations, drilling full size production and/or injection wells and flow tests. If the slim hole supports a conclusion that the geothermal resource will support a commercially viable power plant, it may be converted to a full-size commercial well, used either for extraction or re-injection or geothermal fluids, or be used as an observation well to monitor and define the geothermal resource. Costs associated with these activities and other directly attributable costs, including interest once physical exploration activities begin and permitting costs are capitalized and included in "construction-in-process". If the Company concludes that a geothermal resource will not support commercial operations, capitalized costs are expensed in the period such determination is made.

When deciding whether to continue holding lease rights and/or to pursue exploration activity, we diligently prioritize our prospective investments, taking into account resource and probability assessments in order to make informed decisions about whether a particular project will support commercial operation. As a result, write-off of unsuccessful activities for the year ended December 31, 2017, 2016 and 2015 was $1.8 million, $3.0 million, and $1.6 million. In 2017, the write-offs included exploration costs related to the Company's exploration activities in Oregon, and in 2016, the write-offs included the exploration costs related to the Company's exploration activities in Nevada and Chile, after which the Company determined that the applicable sites would no longer support commercial operation.

Grants received from the U.S. Department of Energy ("DOE") are offset against the related exploration and development costs. Such grants amounted to $0.0 million, $0.3 million, and $0.8 million for the years ended December 31, 2017, 2016, and 2015, respectively.

All exploration and development costs that are being capitalized, including the up-front bonus payments made to secure land leases, will be depreciated over their estimated useful lives when the related geothermal power plant is substantially complete and ready for use. A geothermal power plant is substantially complete and ready for use when electricity generation commences.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Asset retirement obligation

The Company records the fair value of a legal liability for an asset retirement obligation in the period in which it is incurred. The Company's legal liabilities include plugging wells and post-closure costs of power producing sites. When a new liability for asset retirement obligations is recorded, the Company capitalizes the costs of the liability by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. At retirement, the obligation is settled for its recorded amount at a gain or loss.

Deferred financing and lease transaction costs

Deferred financing costs are amortized over the term of the related obligation using the effective interest method. Amortization of deferred financing costs is presented as interest expense in the consolidated statements of operations and comprehensive income (loss). Accumulated amortization related to deferred financing costs amounted to $31.0 million and $31.1 million at December 31, 2017 and 2016, respectively. Amortization expense for the years ended December 31, 2017, 2016, and 2015 amounted to $5.7 million, $6.9 million, and $8.8 million, respectively. During the years ended December 31, 2017, 2016 and 2015, amounts of $0.6 million, $0.1 million and $0.5 million, respectively, were written-off as a result of the extinguishment of liability.

Deferred transaction costs relating to the Puna operating lease (see Note 12) in the amount of $4.2 million are amortized using the straight-line method over the 23-year term of the lease. Amortization of deferred transaction costs is presented in cost of revenues in the consolidated statements of operations and comprehensive income (loss). Accumulated amortization related to deferred lease costs amounted to $2.3 million and $2.1 million at December 31, 2017 and 2016, respectively. Amortization expense for each of the years ended December 31, 2017, 2016, and 2015 amounted to $0.2 million.

Goodwill

Goodwill represents the excess of the fair value of consideration transferred in the business combination transactions of Guadeloupe and Viridity over the fair value of tangible and intangible assets acquired, net of the fair value of liabilities assumed and the fair value of any noncontrolling interest in the acquisitions. Goodwill is not amortized but rather subject to a periodic impairment testing on an annual basis or if an event occurs or circumstances change that would more likely than not reduce the fair value of reporting unit below its carrying amount. Additionally, an entity is permitted to first assess qualitative factors to determine whether a quantitative goodwill impairment test is necessary. Further testing is only required if the entity determines, based on the qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying amount. Otherwise, no further impairment testing is required. An entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the quantitative goodwill impairment test. This would not preclude the entity from performing the qualitative assessment in any subsequent period. The first step compares the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is less than its carrying amount, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that good will. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill. For the years 2017 and 2016, our impairment analysis did not result of impairment to goodwill.

Intangible assets

Intangible assets consist of allocated acquisition costs of PPAs, which are amortized using the straight-line method over the 13 to 25-year terms of the agreements (see Note 9) as well as acquisition cost allocation related to Viridity's storage activities that are amortized over a weighted average amortization period of 19 years. Intangible assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In case there is no such event or change in circumstances, there is no need to perform the impairment testing. The recoverability is tested by comparing the net carrying value of the intangible assets to the undiscounted net cash flows to be generated from the use and eventual disposition of that asset. If the carrying amount of a long-lived asset (or asset group) is not recoverable, the fair value of the asset (asset group) is measured and if the carrying amount exceeds the fair value, an impairment loss is recognized.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Impairment of long-lived assets and long-lived assets to be disposed of

The Company evaluates long-lived assets, such as property, plant and equipment and construction-in-process for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors which could trigger an impairment include, among others, significant underperformance relative to historical or projected future operating results, significant changes in the Company's use of assets or its overall business strategy, negative industry or economic trends, a determination that an exploration project will not support commercial operations, a determination that a suspended project is not likely to be completed, a significant increase in costs necessary to complete a project, legal factors relating to its business or when it concludes that it is more likely than not that an asset will be disposed of or sold.

The Company tests its operating plants that are operated together as a complex for impairment at the complex level because the cash flows of such plants result from significant shared operating activities. For example, the operating power plants in a complex are managed under a combined operation management generally with one central control room that controls all of the power plants in a complex and one maintenance group that services all of the power plants in a complex. As a result, the cash flows from individual plants within a complex are not largely independent of the cash flows of other plants within the complex. The Company tests for impairment its operating plants which are not operated as a complex as well as its projects under exploration, development or construction that are not part of an existing complex at the plant or project level. To the extent an operating plant becomes part of a complex, the Company will test for impairment at the complex level.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. The significant assumptions that the Company uses in estimating its undiscounted future cash flows include: (i) projected generating capacity of the complex or power plant and rates to be received under the respective PPA(s) and expected market rates thereafter and (ii) projected operating expenses of the relevant complex or power plant. Estimates of future cash flows used to test recoverability of a long-lived asset under development also include cash flows associated with all future expenditures necessary to develop the asset.

If the assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no impairment exists for long-lived assets; however, estimates as to the recoverability of such assets may change based on revised circumstances. If actual cash flows differ significantly from the Company's current estimates, a material impairment charge may be required in the future.

Derivative instruments

Derivative instruments (including certain derivative instruments embedded in other contracts) are measured at their fair value and recorded as either assets or liabilities unless exempted from derivative treatment as a normal purchase and sale. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires a company to formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The Company maintains a risk management strategy that incorporates the use of swap contracts and put options on oil and natural gas prices, forward exchange contracts, interest rate swaps, and interest rate caps to minimize significant fluctuation in cash flows and/or earnings that are caused by oil and natural gas prices, exchange rate or interest rate volatility. Gains or losses on contracts that initially qualify for cash flow hedge accounting, net of related taxes, are included as a component of other comprehensive income or loss and accumulated other comprehensive income or loss are subsequently reclassified into earnings when the hedged forecasted transaction affects earnings. Gains or losses on contracts that are not designated as a cash flow hedge are included currently in earnings.

Foreign currency translation

The U.S. dollar is the functional currency for all of the Company's consolidated operations and those of its equity affiliates except for the Guadeloupe power plant. For those entities, all gains and losses from currency translations are included within the line item "Derivatives and foreign currency transaction gains (losses)" within the consolidated statements of operations and comprehensive income (loss). The Euro is the functional currency of the Guadeloupe power plant and thus gains and losses from currency translation adjustments related to Guadeloupe are included as currency translation adjustments in accumulated other comprehensive income in the consolidated statements of equity and in comprehensive income. The accumulated currency translation adjustments amounted to $1.4 million and $1.2 million as of December 31, 2017 and 2016, respectively.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Comprehensive income (loss) reporting

Comprehensive income (loss) includes net income or loss plus other comprehensive income (loss), which for the Company consists of changes in unrealized gains or losses in respect of the Company's share in derivatives instruments of unconsolidated investment, foreign currency translation adjustments and amortization of unrealized gains in respect of derivative instruments designated as a cash flow hedge. For the years ended December 31, 2017, 2016 and 2015, the Company reclassified $11,000, $9,000 and $27,000, respectively, from other comprehensive income, of which $16,000, $12,000 and $44,000, respectively, were recorded to reduce interest expense and $5,000, $3,000 and $17,000, respectively, were recorded against the income tax provision, in the consolidated statements of operations and comprehensive income (loss).

Revenues and cost of revenues

Revenues are primarily related to: (i) sale of electricity from geothermal and recovered energy-based power plants owned and operated by the Company and (ii) geothermal and recovered energy-based power plant equipment engineering, sale, construction and installation, and operating services.

Revenues related to the sale of electricity from geothermal and recovered energy-based power plants and capacity payments are recorded based upon output delivered and capacity provided at rates specified under relevant contract terms. For PPAs agreed to, modified, or acquired in business combinations on or after July 1, 2003, the Company determines whether such PPAs contain a lease element requiring lease accounting. Revenue from such PPAs are accounted for in electricity revenues. The lease element of the PPAs is also assessed in accordance with the revenue arrangements with multiple deliverables guidance, which requires that revenues be allocated to the separate earnings processes based on their relative fair value. PPAs with minimum lease rentals which vary over time are generally recognized on the straight-line basis over the term of the PPAs. PPAs with contingent rentals are recognized when earned. In the electricity segment, revenues for all but two power plants are accounted for under ASC 840 (Leases) as operating leases, and therefore equipment related to geothermal and recovered energy generation power plants as described in Note 8 is considered held for leasing.

Revenues from engineering, operating services, and parts and product sales are recorded upon providing the service or delivery of the products and parts and when collectability is reasonably assured. Revenues from the supply and/or construction of geothermal and recovered energy-based power plant equipment and other equipment to third parties are recognized using the percentage-of-completion method. Revenue is recognized based on the percentage relationship that incurred costs bear to total estimated costs. Costs include direct material, labor, and indirect costs. Selling, marketing, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined.

In specific instances where there is a lack of dependable estimates or inherent risks cause forecast to be doubtful, then the completed-contract method is followed. Revenue is recognized when the contract is substantially complete and when collectability is reasonably assured. Costs that are closely associated with the project are deferred as contract costs and recognized similarly to the associated revenues.

Warranty on products sold

The Company generally provides a one-year warranty against defects in workmanship and materials related to the sale of products for electricity generation. Estimated future warranty obligations are included in operating expenses in the period in which the related revenue is recognized. Such charges are immaterial for the years ended December 31, 2017, 2016, and 2015.

Research and development

Research and development costs incurred by the Company for the development of existing and new geothermal, recovered energy and remote power technologies are expensed as incurred. Grants received from the DOE are offset against the related research and development expenses. There were no such grants for the years ended December 31, 2017, 2016, and 2015.

Stock-based compensation

The Company accounts for stock-based compensation using the fair value method whereby compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). Prior to 2016, the Company used the Black-Scholes formula to estimate the fair value of the stock-based compensation. Starting 2016, the Company used the Exercise Multiple-Based Lattice SAR-Pricing Model to value the stock-based compensation awards to reflect accumulated historic data retained of behavioral parameters.

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Tax monetization Transactions

The Company had three tax monetization transactions, OPC, ORTP and Opal Geo, of which OPC and ORTP closed during 2017 upon the Company's partners reaching their target after-tax yield on their investment, as further described in Note 13. The purpose of these transactions is to form tax partnerships, whereby investors provide cash in exchange for equity interests that provide the holder a right to the majority of tax benefits associated with a renewable energy project. We account for a portion of the proceeds from the transaction as debt under ASC 470. Given that a portion of these transactions is structured as a purchase of an equity interest we also classify a portion as noncontrolling interest consistent with guidance in ASC 810. The portion recorded to noncontrolling interest is initially measured as the fair value of the discounted Tax Attributes and cash distributions which represents the partner's residual economic interest. The residual proceeds are recognized as the initial carrying value of the debt which is classified as a liability associated with sale tax benefits. We apply the effective interest rate method to the liability associated with the tax monetization transaction component as described by ASC 835 and CON 7. The tax benefits and cash distributions realized by the partner each period are treated as the debt servicing amounts, giving rise to income attributable to the sale of tax benefits. The deferred transaction costs have been capitalized and amortized using the effective interest method.

Income taxes

Income taxes are accounted for using the asset and liability approach, which requires the recognition of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The measurement of current and deferred tax assets and liabilities are based on provisions of the enacted tax law. On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) requiring companies to include in taxable income an amount on certain repatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax (BEAT), a new minimum tax; (7) creating a new limitation on deductible interest expense; and (8) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017. See Note 18 to the consolidated financial statements for further details regarding the Company's income tax provision and the Tax Cuts and Jobs Act. The Company accounts for investment tax credits and production tax credits as a reduction to income taxes in the year in which the credit arises. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not, more likely than not expected to be realized. A partial valuation allowance has been established to offset the Company's U.S. deferred tax assets. Tax benefits from uncertain tax positions are recognized only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Interest and penalties assessed by taxing authorities on an underpayment of income taxes are included as a component of income tax provision in the consolidated statements of operations and comprehensive income.

Earnings (loss) per share

Basic earnings (loss) per share attributable to the Company's stockholders ("earnings (loss) per share") is computed by dividing net income or loss attributable to the Company's stockholders by the weighted average number of shares of common stock outstanding for the period. The Company does not have any equity instruments that are dilutive, except for stock-based awards.

The table below shows the reconciliation of the number of shares used in the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	2017	2016	2015
		(In thousands)	
Weighted average number of shares used in computation of basic earnings per share	50,110	49,469	48,562
Add:			
Additional shares from the assumed exercise of employee stock options	659	671	625
Weighted average number of shares used in computation of diluted earnings per share	50,769	50,140	49,187

The number of stock-based awards that could potentially dilute future earnings per share and were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive was 42,896, 102,793, and 467,766, respectively, for the years ended December 31, 2017, 2016, and 2015.

Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of such financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The most significant estimates with regard to the Company's consolidated financial statements relate to the useful lives of property, plant and equipment, impairment of goodwill and long-lived assets, including intangible assets, and assets to be disposed of, revenue recognition of product sales using the percentage of completion method, asset retirement obligations, and the provision for income taxes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

New Accounting Pronouncements

***New accounting pronouncements effective in the year ended* December 31, 2017**

Improvement to Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-09, Improvement to Employee Share-Based Payment Accounting, an update to the guidance on stock-based compensation. Under the new guidance, all excess tax benefits and tax deficiencies will be recognized in the income statement as they occur. This will replace previous guidance, which required tax benefits that exceed compensation cost (windfalls) to be recognized in equity. It also eliminated the need to maintain a "windfall pool," and removed the requirement to delay recognizing a windfall until it reduces current taxes payable. The new guidance also changed the cash flow presentation of excess tax benefits, classifying them as operating inflows, consistent with other cash flows related to income taxes. Previously, windfalls were classified as financing activities. This guidance affects the dilutive effects in earnings per share, as there will no longer be excess tax benefits recognized in additional paid in capital. Previously those excess tax benefits were included in assumed proceeds from applying the treasury stock method when computing diluted EPS. Under the amended guidance, companies are able to make an accounting policy election to either (1) continue to estimate forfeitures or (2) account for forfeitures as they occur. This updated guidance is effective for annual and interim periods beginning after December 15, 2016. The Company elected to continue to estimate forfeitures. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Interests Held through Related Parties that are under Common Control

In October 2016, the FASB issued ASU 2016-17, Consolidation (Topic 810): Interests held through Related Parties that are under Common Control. The amendments in this update require that if a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party. The amendments in this update should be applied retrospectively for each period presented and are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Simplifying the Measurement of Inventory

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory, Topic 330. The update contains no amendments to disclosure requirements, but replaces the concept of 'lower of cost or market' with that of 'lower of cost and net realizable value'. The amendments in this update are effective for annual reporting periods beginning after December 15, 2016, including interim periods within those reporting periods. The amendments should be applied prospectively with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

New accounting pronouncements effective in future periods

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities. The amendments in this Update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments in this Update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early application is permitted in any interim period after issuance of the Update. The Company is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements.

Intangibles –Goodwill and Other

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350). The amendments in this Update require the entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider the income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This Update, eliminated Step 2 from the goodwill impairment test under the current guidance. Step 2 measures a goodwill impairment loss by comparing the implied fair value of reporting unit's goodwill with the carrying amount of that goodwill. The amendments in this Update should be applied on a prospective basis. An entity is also required to disclose the nature of and the reason for the change in accounting principal upon transition. That disclosure should be provided in the first annual period and the interim period within the first annual period when the entity initially adopts the amendments in this Update. The amendments in this Update are effective for the annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements.

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Compensation - Stock Compensation

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718). The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this update require that an entity should account for the effects of a modification unless all of the following are met: (1) The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this Update. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The amendments in this Update should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements, however, such impact, if any, is not expected to be material.

Business Combinations

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805). The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this update primarily provide a screen to determine when a set of assets and activities is not a business and by that reduces the number of transactions that need to be further evaluated. The amendments in this update should be applied prospectively and are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements, however, such impact, if any, is not expected to be material.

Statement of Cash Flow

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) – Restricted Cash. The amendments in this update require that a statement of cash flows explain the changes during the period in total cash, cash equivalents, and the amounts generally described as restricted cash or cash equivalents. Therefore, amounts of restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update should be applied retrospectively for each period presented and are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements, however, such impact, if any, is not expected to be material.

Intra-Entity Transfers of Assets Other than Inventory

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. The amendments in this update require that the entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. The new guidance does not apply to intra-entity transfers on inventory. The amendments in this update should be applied for each period presented and are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The modified retrospective approach will be required for transition to the new guidance, with cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements and while the evaluation is in progress, the Company expects to record a net cumulative-effect adjustment to retained earnings by approximately $9.5 million with a corresponding adjustment to deferred charges and deferred income taxes on the consolidated balance sheet of approximately $49.8 million and $59.3 million, respectively.

Statement of Cash Flows: Classification of Certain Cash Receipts and Cash payments (Topic 230)

In August 2016, the FASB ASU 2016-15, Statement of Cash-Flows (Topic 230). This Update addresses eight specific cash flow classification issues with the objective of reducing diversity in practice. One of the issues addressed in this Update is debt prepayment or debt extinguishment costs which under the new guidance should be classified as cash outflows for financing activities. Additionally, the Updated addressed contingent consideration payments made after a business combination. Such cash payments made soon after the acquisition date to settle a contingent consideration liability should be classified as cash outflows for investing activities. Payments made thereafter should be classified as cash outflows for financing activities up to the amount of the original contingent consideration liability. Payments made in excess of the amount of the original contingent consideration liability should be classified as cash outflows for operating activities. The amendments in this Update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements, however, such impact, if any, is not expected to be material.

Revenues from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenues from Contracts with Customers, Topic 606, which was a joint project of the FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The update provides that an entity should recognize revenue in connection with the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, an entity is required to apply each of the following steps: (1) identify the contract(s) with the customer; (2) identify the performance obligations in the contracts; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 also prescribes additional financial presentations and disclosures. The amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. In March 2016, the FASB issued ASU 2016-08, Principal versus Agent Considerations. This update does not change the core principles of the guidance and is intended to clarify the implementation guidance on principal versus agent considerations. When another entity is involved in providing goods or services to a customer, an entity is required to determine if the nature of its promise is to provide the specific good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). The guidance includes indicators to assist an entity in determining whether it acts as a principal or agent in a specified transaction. The amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods.

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To date, we have made substantial progress in our assessment of the impact of adopting this new guidance, and we have taken steps towards implementation. We have utilized internal resources to lead the implementation efforts and supplemented them with external resources. Our approach to implementation has consisted of (1) performing a bottom-up analysis of the impact of the standard on our portfolio of contracts, (2) reviewing our current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standard to our existing revenue contracts, (3) meeting with key stakeholders across the organization to discuss the impact of the standard on our existing contracts, and (4) participating in professional trainings as well as consulting with other accounting professionals to assist with the interpretation of the amended guidance. The Company has substantially completed its preliminary assessment of the potential impact that the implementation of this updated standard will have on its consolidated financial statements and continues to finalize its efforts relative to the adoption of this standard which is effective for the Company at January 1, 2018. While our current evaluation and conclusions are subject to change as our assessment continues to progress, the Company expects material impacts to the content and structure of our financial statements in the form of enhanced disclosures. Additionally, the Company expects the adoption of this standard to have an immaterial impact on its Electricity segment revenue recognition policies, as it accounts for the majority of its PPA's under ASC 840, Leases, as well as an immaterial impact on its Product segment revenue recognition policies. The Company also reviewed the potential impact of the adoption of this standard on its investment in an unconsolidated company and concluded that the impact is expected to amount to approximately $24.1 million at January 1, 2018. This impact is a result of the unconsolidated company's variable consideration related to the construction of its power plant for which, under the new guidance, is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty resolved. As a result of the expected impact as aforementioned, the Company concluded that it would adopt the new standard using the modified retrospective approach with one-time cumulative adjustment to the opening balance of retained earnings of approximately $24.1 million at January 1, 2018, the date of initial application. As such, the comparative information will not be restated and shall continue to be reported under the accounting standards in effect for those periods.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases, Topic 842. This update introduces a number of changes and simplifies previous guidance, primarily the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The Update retains the distinction between finance leases and operating leases and the classification criteria between the two types remains substantially similar. Also, lessor accounting remains largely unchanged from previous guidance. However, key aspects of the Update were aligned with the revenue recognition guidance in Topic 606. Additionally, the Update defines a lease as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset means that the customer has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. This update requires the modified retrospective transition approach, which requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented. The modified retrospective approach includes a number of optional practical expedients related to identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. An entity that elects to apply the practical expedients will, in effect, continue to account for leases that commenced before the effective date in accordance with the previous GAAP unless the lease is modified, except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The amendments in this update are effective for annual reporting periods beginning after December 15, 2018, including interim periods within those reporting periods. Early adoption is permitted. The Company is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The update primarily requires that an entity present separately, in other comprehensive income, the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk if the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The application of this update should be by means of cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of the fiscal year of adoption. The Company is currently evaluating the potential impact, if any, of the adoption of this update on its consolidated financial statements, however, such impact, if any, is not expected to be material.

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NOTE 2 —BUSINESS ACQUISITIONS AND OTHERS

ORIX transaction

On July 26, 2017, the Company announced that ORIX Corporation ("ORIX") closed its acquisition of approximately 11 million shares of the Company's common stock, representing an approximately 22% ownership stake in the Company, from FIMI ENRG Limited Partnership, FIMI ENRG, L.P., Bronicki Investments, Ltd. and certain senior members of the Company's management team pursuant to a stock purchase agreement entered into by ORIX and the selling stockholders on May 4, 2017. In connection with the acquisition, on May 4, 2017, the Company entered into certain related agreements with ORIX, including a Governance Agreement, a Commercial Cooperation Agreement and a Registration Rights Agreement, following the unanimous recommendation of a special committee of the Board that was formed to evaluate and negotiate the stockholder arrangements proposed by ORIX, and following approval by the full Board. The closing of the transactions contemplated by the related agreements between ORIX and the Company also occurred on July 26, 2017.

Under the Governance Agreement, ORIX has the right to designate three persons to the Board, which was expanded to nine directors, and also propose a fourth person to be mutually agreed by the Company and ORIX to serve as a new independent director on the Board. In addition, for so long as ORIX is entitled to board representation pursuant to the Governance Agreement, ORIX will be subject to certain customary standstill restrictions, including an effective 25% cap on its voting rights. Pursuant to the Registration Rights Agreement, ORIX also has certain customary registration rights with respect to the shares of the Company's common stock that it owns.

Under the Commercial Cooperation Agreement, the Company has exclusive rights to develop, own, operate and provide equipment for ORIX geothermal energy projects in all markets outside of Japan. In addition, the Company has certain rights to serve as technical partner and co-invest in ORIX geothermal energy projects in Japan. ORIX will also assist the Company in obtaining project financing for its geothermal energy projects from a variety of leading providers of renewable energy debt financing with which ORIX has relationships in Asia and around the world.

Viridity transaction

On March 15, 2017, the Company completed the acquisition of substantially all of the business and assets of Viridity Energy, Inc., a privately held Philadelphia-based company formerly engaged in the provision of demand response, energy management and energy storage services. At closing, Viridity Energy Solutions Inc. ("Viridity"), a wholly owned subsidiary of the Company, paid initial consideration of $35.3 million. Additional contingent consideration with an estimated fair value of $12.4 million may be payable upon the achievement of certain performance milestones to be measured at the end of fiscal years 2017 and 2020. The first performance milestone measured at the end of 2017 was not achieved and as a result, the Company reversed the related liability in the amount of $0.6 million which was recorded under general and administrative expenses. Additionally, as of December 31, 2017, the contingent consideration amounted to $10.3 million.

Using proprietary software and solutions, Viridity serves primarily retail energy providers, utilities, and large commercial and industrial customers. Viridity's offerings enable its customers to optimize and monetize their energy management, demand response and storage facilities potential by interacting on their behalf with regional transmission organizations and independent system operators.

The Company accounted for the transaction in accordance with Accounting Standard Codification 805, Business Combinations, and consequently recorded intangible assets of $34.7 million primarily relating to Viridity's storage activities with a weighted-average amortization period of 19 years, approximately $0.4 million of working capital and fixed assets and $13.4 million of goodwill. Following the transaction, the Company consolidated Viridity in accordance with Accounting Standard Codification 810, Consolidation. The acquisition enabled the Company to enter the growing energy storage and demand response markets and expand its market presence.

The revenues of Viridity for the period from March 15, 2017 to December 31, 2017 were included in the Company's consolidated statements of operations and comprehensive income for the year ended December 31, 2017.

Guadeloupe power plant transaction

In July 2016, the Company closed its acquisition of Geothermie Bouillante SA ("GB"). GB owns and operates the 14.75 MW Bouillante geothermal power plant located in Guadeloupe, a French island territory in the Caribbean.

Pursuant to the terms of an Amended and Restated Investment Agreement ("Investment Agreement") and Shareholders Agreement with Sageos Holding ("Sageos"), a wholly owned subsidiary of Bureau de Recherches Géologiques et Minières ("BRGM"), the Company together with Caisse des Dépôts et Consignations ("CDC"), a French state-owned financial organization, acquired an approximately 80% interest in GB, allocated 75% to the Company and 25% to CDC.

Pursuant to the agreements, the Company paid approximately $20.6 million to Sageos for its approximately 60% interest in GB and committed to further invest $8.4 million (approximately €7.5 million) in the two years following the acquisition, which will increase its interest to 63.75%. Under the Investment Agreement, the Company may pay Sageos an additional amount of up to $13.4 million (linked to the Euro-U.S. Dollar exchange rate) subject to the achievement of agreed production thresholds and capacity expansion within a defined time period. During fiscal year 2017, the Company paid approximately $8.0 million dollars, net, for achieving certain production thresholds and may pay additional amounts of up to $3.6 million

The Bouillante power plant sells its electricity under a 15-year PPA that was entered into in February 2016 with Électricité de France S.A. ("EDF"), the French electric utility.

The Company accounted for the transaction based on the provision of Accounting Standard Codification 805, Business Combinations, and consequently recorded intangible asset of $33.0 million pertaining to the 15-year PPA with EDF and $7.1 million of goodwill. Additionally, following the transaction, the Company gained control over GB effective July 5, 2016 and consolidated the entity with redeemable noncontrolling interest of $5.0 million and noncontrolling interest of $8.3 million being recorded. The redeemable noncontrolling interest pertains to Sageos right to sell its equity interest in GB to the Company for cash considerations. The noncontrolling interest pertains to CDC and was included under noncontrolling interest in the consolidated statements of equity.

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NOTE 3 — INVENTORIES

Inventories consist of the following:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Raw materials and purchased parts for assembly	$ 12,007	$ 5,429
Self-manufactured assembly parts and finished products	7,544	6,571
Total	$ 19,551	$ 12,000

NOTE 4 — COST AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Cost and estimated earnings on uncompleted contracts consist of the following:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Costs and estimated earnings incurred on uncompleted contracts	$ 550,823	$ 402,357
Less billings to date	(530,119)	(381,789)
Total	$ 20,704	$ 20,568

These amounts are included in the consolidated balance sheets under the following captions:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 40,945	$ 52,198
Billings in excess of costs and estimated earnings on uncompleted contracts	(20,241)	(31,630)
Total	$ 20,704	$ 20,568

The completion costs of the Company’s construction contracts are subject to estimation. Due to uncertainties inherent in the estimation process, it is reasonably possible that estimated contract earnings will be further revised in the near term.

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NOTE 5 — INVESMENT IN AN UNCONSOLIDATED COMPANY

Investment in an unconsolidated company mainly consist of the following:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Sarulla	$ 34,084	$ (11,081)

The Sarulla Project

The Company holds a 12.75% equity interest in a consortium which is in the process of developing the Sarulla geothermal power project in Indonesia with an expected generating capacity of approximately 330 MW. The Sarulla project is located in Tapanuli Utara, North Sumatra, Indonesia and is owned and operated by the consortium members under the framework of a JOC and ESC that were signed on April 4, 2013. Under the JOC, PT Pertamina Geothermal Energy ("PGE"), the concession holder for the project, has provided the consortium with the right to use the geothermal field, and under the ESC, PLN, the state electric utility, is the off-taker at Sarulla for a period of 30 years. In addition to its equity holdings in the consortium, the Company designed the Sarulla plant and has and will supply its OECs to the power plant, as further described below.

The project is being constructed in three phases of approximately 110 MW each, utilizing both steam and brine extracted from the geothermal field to increase the power plant's efficiency. The first phase of the power plant commenced commercial operation on March 17, 2017 and is performing well, demonstrating its ability to produce geothermal power in excess of its design capacity. The second phase of the power plant commenced commercial operation on October 2, 2017. Construction work on the third phase of the power plant is progressing and on schedule although the gathering piping system may face some delays. The Company has achieved all of its contractual milestones under the Supply Agreement. Drilling for the third phase of the power plant is ongoing and the project has achieved to date, based on preliminary estimates, 100% of the required injection capacity and approximately 85% of the required production capacity.

On May 16, 2014, the consortium closed $1.17 billion in financing for the development of the Sarulla project with a consortium of lenders comprised of JBIC, the Asian Development Bank and six commercial banks and obtained construction and term loans on a limited recourse basis backed by a political risk guarantee from JBIC. Of the $1.17 billion, $0.1 billion (which was drawn down by the Sarulla project company on May 23, 2014) bears a fixed interest rate and $1.07 billion bears interest at a rate linked to LIBOR. The project experienced delays in field development and cost overruns resulting from delays and excess drilling costs. Due to the cost overruns in drilling, the lenders may request that the project sponsors contribute additional equity to the project.

The Sarulla consortium entered into interest rate swap agreements with various international banks in order to fix the LIBOR interest rate on up to $0.96 billion of the $1.07 billion credit facility at a rate of 3.4565%. The interest rate swap became effective as of June 4, 2014 along with the second draw-down by the project company of $50.0 million.

The Sarulla project company accounted for the interest rate swap as a cash flow hedge upon which changes in the fair value of the hedging instrument, relative to the effective portion, will be recorded in other comprehensive income. As such, during the years ended December 31, 2017 and 2016, the project recorded a gain of $6.3 million and $9.3 million, respectively, net of deferred tax, of which the Company's share was $0.8 million and $1.2 million, respectively, which was recorded in other comprehensive income. The related accumulated loss recorded by the Company in other comprehensive income (loss) as of December 31, 2017 is $5.1 million.

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Pursuant to a supply agreement that was signed in October 2013, the Company is supplying its OECs to the power plant and has added the $255.6 million supply contract to its Product segment backlog. The Company started to recognize revenue from the project during the third quarter of 2014 and will continue to recognize revenue over the course of the next year.

During the year ended December 31, 2017, the Company made an additional cash equity investment contribution to the Sarulla project in the amount of $46.3 million for a total of $58.2 million since inception.

NOTE 6 — VARIABLE INTEREST ENTITIES

The Company's overall methodology for evaluating transactions and relationships under the variable interest entity ("VIE") accounting and disclosure requirements includes the following two steps: (i) determining whether the entity meets the criteria to qualify as a VIE; and (ii) determining whether the Company is the primary beneficiary of the VIE.

In performing the first step, the significant factors and judgments that the Company considers in making the determination as to whether an entity is a VIE include:

- The design of the entity, including the nature of its risks and the purpose for which the entity was created, to determine the variability that the entity was designed to create and distribute to its interest holders;
- The nature of the Company's involvement with the entity;
- Whether control of the entity may be achieved through arrangements that do not involve voting equity;
- Whether there is sufficient equity investment at risk to finance the activities of the entity; and
- Whether parties other than the equity holders have the obligation to absorb expected losses or the right to receive residual returns.

If the Company identifies a VIE based on the above considerations, it then performs the second step and evaluates whether it is the primary beneficiary of the VIE by considering the following significant factors and judgments:

- Whether the Company has the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- Whether the Company has the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Company's VIEs include certain of its wholly owned subsidiaries that own one or more power plants with long-term PPAs. In most cases, the PPAs require the utility to purchase substantially all of the plant's electrical output over a significant portion of its estimated useful life. Most of the VIEs have associated project financing debt that is non-recourse to the general creditors of the Company, is collateralized by substantially all of the assets of the VIE and those of its wholly owned subsidiaries (also VIEs) and is fully and unconditionally guaranteed by such subsidiaries. The Company has concluded that such entities are VIEs primarily because the entities do not have sufficient equity at risk and/or subordinated financial support is provided through the long-term PPAs. The Company has evaluated each of its VIEs to determine the primary beneficiary by considering the party that has the power to direct the most significant activities of the entity. Such activities include, among others, construction of the power plant, operations and maintenance, dispatch of electricity, financing and strategy. Except for power plants that it acquired, the Company is responsible for the construction of its power plants and generally provides operation and maintenance services. Primarily due to its involvement in these and other activities, the Company has concluded that it directs the most significant activities at each of its VIEs and, therefore, is considered the primary beneficiary. The Company performs an ongoing reassessment of the VIEs to determine the primary beneficiary and may be required to deconsolidate certain of its VIEs in the future. The Company has aggregated its consolidated VIEs into the following categories: (i) wholly owned subsidiaries with project debt; and (ii) wholly owned subsidiaries with PPAs.

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The tables below detail the assets and liabilities (excluding intercompany balances which are eliminated in consolidation) for the Company's VIEs, combined by VIE classifications, that were included in the consolidated balance sheets as of December 31, 2017 and 2016:

	December 31, 2017	
	Project Debt	PPAs
	(Dollars in thousands)	
Assets:		
Restricted cash and cash equivalents	$ 48,676	$ —
Other current assets	124,322	18,010
Property, plant and equipment, net	1,252,623	379,277
Construction-in-process	129,832	12,885
Other long-term assets	63,667	276
Total assets	$ 1,619,120	$ 410,448
Liabilities:		
Accounts payable and accrued expenses	$ 24,887	$ 6,863
Long-term debt	658,726	—
Other long-term liabilities	93,682	6,757
Total liabilities	$ 777,295	$ 13,620

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	December 31, 2016	
	Project Debt	PPAs
	(Dollars in thousands)	
Assets:		
Restricted cash, cash equivalents and marketable securities	$ 34,262	$ —
Other current assets	157,351	7,482
Property, plant and equipment, net	1,305,254	177,970
Construction-in-process	48,128	72,725
Other long-term assets	24,802	—
Total assets	$ 1,569,797	$ 258,177
Liabilities:		
Accounts payable and accrued expenses	$ 10,900	$ 3,992
Long-term debt	668,815	—
Other long-term liabilities	126,879	5,779
Total liabilities	$ 806,594	$ 9,771

NOTE 7— FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement guidance clarifies that fair value is an exit price, representing the amount that would be received upon selling an asset or paid upon transferring a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement guidance are described below:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 — Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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The following table sets forth certain fair value information at December 31, 2017 and 2016 for financial assets and liabilities measured at fair value by level within the fair value hierarchy, as well as cost or amortized cost. As required by the fair value measurement guidance, assets and liabilities are classified in their entirety based on the lowest level of inputs that is significant to the fair value measurement.

		December 31, 2017			
		Fair Value			
	Carrying Value at December 31, 2017	Total	Level 1	Level 2	Level 3
			(Dollars in thousands)		
Assets:					
Current assets:					
Cash equivalents (including restricted cash accounts)	$ 18,359	$ 18,359	$ 18,359	$ —	$ —
Derivatives:					
Contingent receivable [1]	108	108	—	—	108
Currency forward contracts [2]	992	992	—	992	—
Liabilities:					
Current liabilities:					
Derivatives:					
Contingent payables [1]	(13,904)	(13,904)	—	—	(13,904)
Warrants [1]	(3,967)	(3,967)	—	—	(3,967)
	$ 1,588	$ 1,588	$ 18,359	$ 992	$ (17,763)

		December 31, 2016			
		Fair Value			
	Carrying Value at December 31, 2016	Total	Level 1	Level 2	Level 3
			(Dollars in thousands)		
Assets					
Current assets:					
Cash equivalents (including restricted cash accounts)	$ 14,922	$ 14,922	$ 14,922	$ —	$ —
Derivatives:					
Contingent receivable [1]	1,443	1,443	—	—	1,443
Liabilities:					
Current liabilities:					
Derivatives:					
Contingent payables [1]	(11,581)	(11,581)	—	—	(11,581)
Warrants [1]	(3,429)	(3,429)	—	—	(3,429)
Currency forward contracts [2]	(481)	(481)	—	(481)	—
	$ 874	$ 874	$ 14,922	$ (481)	$ (13,567)

[1] These amounts relate to contingent receivables and payables and warrants pertaining to the Viridity acquisition and Guadeloupe power plant purchase transaction, valued primarily based on unobservable inputs and are included within "Prepaid expenses and other", "Accounts Payable and accrued expenses" and "Other long-term liabilities" on December 31, 2017 and within ”Prepaid expenses and other and “Other long-term liabilities” on December 31, 2016 in the consolidated balance sheets with the corresponding gain or loss being recognized within "Derivatives and foreign currency transaction gains (losses)" in the consolidated statement of operations and comprehensive income.

[2] These amounts relate to currency forward contracts valued primarily based on observable inputs, including forward and spot prices for currencies, net of contracted rates and then multiplied by notional amounts, and are included within "Prepaid expenses and other" and "Accounts payable and accrued expenses", as applicable, on December 31, 2017 and December 31, 2016, in the consolidated balance sheet with the corresponding gain or loss being recognized within "Derivatives and foreign currency transaction gains (losses)" in the consolidated statement of operations and comprehensive income.

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The amounts set forth in the tables above include investments in debt instruments and money market funds (which are included in cash equivalents). Those securities and deposits are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in an active market.

The following table presents the amounts of gain (loss) recognized in the consolidated statements of operations and comprehensive income (loss) on derivative instruments not designated as hedges:

Derivatives not designated as hedging instruments	Location of recognized gain (loss)	Amount of recognized gain (loss)		
		2017	2016	2015
		(Dollars in thousands)		
Put options on natural gas price	Derivative and foreign currency transaction gains (losses)	(350)	—	—
Call options on natural gas price	Derivative and foreign currency transaction gains (losses)	—	(1,340)	—
Call and put options on oil price	Derivative and foreign currency transaction gains (losses)	—	(1,313)	—
Swap transactions on natural gas price	Electricity revenues	—	—	1,158
Contingent considerations	Derivative and foreign currency transaction gains (losses)	(129)	(1,527)	—
Contingent considerations	General and administrative expenses	2,048	—	—
Currency forward contracts	Derivative and foreign currency transaction gains (losses)	3,699	238	(1,206)
		$ 5,268	$ (3,942)	$ (48)

In January 2017, the Company entered into Henry Hub Natural Gas Future contracts under which it has bought a number of put options covering a notional quantity of approximately 4.1 million British Thermal Units (“MMBtu”) with exercise prices of $3 and expiration dates ranging from January 26, 2017 until November 27, 2017 in order to reduce its exposure to fluctuations in natural gas prices under its PPAs with Southern California Edison. The Company paid an aggregate amount of approximately $0.7 million for these put options. The put option contracts have monthly expiration dates at which the options can be called and the transaction would be settled on a net cash basis.

On February 2, 2016, the Company entered into Henry Hub Natural Gas Future contracts under which it has written a number of call options covering a notional quantity of approximately 4.1 MMBtu with exercise prices of $2 and expiration dates ranging from February 24, 2016 until December 27, 2016 in order to reduce its exposure to fluctuations in natural gas prices under its PPAs with Southern California Edison. The Company received an aggregate premium of approximately $1.9 million from these call options. The call option contracts have monthly expiration dates at which the options can be called and the Company would have to settle its liability on a cash basis.

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On February 24, 2016, the Company entered into Brent Oil Future contracts under which it has written a number of call options covering a notional quantity of approximately 185,000 barrels ("BBL") of Brent with exercise prices of $32.80 to $35.50 and expiration dates ranging from March 24, 2016 until December 22, 2016 in order to reduce its exposure to fluctuations in Brent prices under its PPA with HELCO. The Company received an aggregate premium of approximately $1.1 million from these call options. The call option contracts have monthly expiration dates whereby the options can be called and the Company would have to settle its liability on a cash basis. Moreover, during March 2016, the Company rolled 2 existing call options covering a total notional quantity of 31,800 BBL of Brent in order to limit its exposure to $41 to $42.50 instead of $32.80 to $33.50. In addition, the Company entered into short risk reversal transactions (sell call and buy put options) by rolling existing call options covering notional quantities of 16,500 BBL and 17,000 BBL in order to limit its exposure from the outstanding call options originally entered into in February 2016 to a range of $28.50 to $37.50 and $28 to $38.50, respectively.

On March 6, 2014, and on May 14, 2015, the Company entered into NGI swap contracts with a bank covering a notional quantity of approximately 2.2 MMBtu for settlement effective January 1, 2015 until March 31, 2015, and covering a notional quantity of approximately 2.4 MMBtu for settlement effective June 1, 2015 until December 31, 2015, respectively, in order to reduce its exposure to fluctuations in natural gas prices under its PPAs with Southern California Edison to below $4.95 per MMBtu and below $3.00 per MMBtu, respectively. The contracts did not have any up-front costs. Under the terms of these contracts, the Company made, and will make, floating rate payments to the bank and received, and will receive, fixed rate payments from the bank on each settlement date. The swap contracts have monthly settlements whereby the difference between the fixed price and the market price on the first commodity business day on which the relevant commodity reference price is published in the relevant calculation period (January 1, 2015 to March 1, 2015 and June 1, 2015 to December 31, 2015) are settled on a cash basis.

The foregoing future, forward and swap transactions have not been designated as hedge transactions and are marked to market with the corresponding gains or losses recognized within "Derivatives and foreign currency transaction gains (losses)" in the consolidated statements of operations and comprehensive income.

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during the year ended December 31, 2017.

The fair value of the Company's long-term debt is as follows:

	Fair Value		Carrying Amount	
	2017	2016	2017	2016
	(Dollars in millions)		(Dollars in millions)	
Olkaria III Loan - DEG	$ —	$ 16.3	$ —	$ 15.8
Olkaria III Loan - OPIC	234.6	253.4	228.6	246.6
Olkaria IV Loan - DEG 2	50.7	50.9	50.0	50.0
Amatitlan Loan	32.8	37.3	33.3	36.8
Senior Secured Notes:				
Ormat Funding Corp. ("OFC")	—	17.0	—	17.0
OrCal Geothermal Inc. ("OrCal")	34.2	37.4	32.1	35.2
OFC 2 LLC ("OFC 2")	234.6	249.0	232.5	247.2
Don A. Campbell 1 ("DAC 1")	85.5	88.9	88.3	92.4
Senior Unsecured Bonds	200.3	200.1	204.3	204.3
Other long-term debt	7.0	10.4	7.9	11.2

The fair value of the OFC Senior Secured Notes was determined using observable market prices as these securities are traded. The fair value of all the long-term debt is determined by a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates. The fair value of revolving lines of credit is determined using a comparison of market-based price sources that are reflective of similar credit ratings to those of the Company.

The carrying value of other financial instruments, such as revolving lines of credit and deposits approximates fair value.

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The following table presents the fair value of financial instruments as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Olkaria III - OPIC	$ —	$ —	$ 234.6	$ 234.6
Olkaria IV - DEG 2	—	—	50.7	50.7
Amatitlan Loan	—	32.8	—	32.8
Senior Secured Notes:				
OrCal Senior Secured Notes	—	—	34.2	34.2
OFC 2 Senior Secured Notes	—	—	234.6	234.6
DAC 1 Senior Secured Notes	—	—	85.5	85.5
Senior Unsecured Bonds	—	—	200.3	200.3
Other long-term debt	—	—	7.0	7.0
Revolving lines of credit	—	51.5	—	51.5
Deposits	15.6	—	—	15.6

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The following table presents the fair value of financial instruments as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Olkaria III Loan - DEG	$ —	$ —	$ 16.3	$ 16.3
Olkaria III Loan - OPIC	—	—	253.4	253.4
Olkaria IV - DEG 2			50.9	50.9
Amatitlan Loan	—	37.3	—	37.3
Senior Secured Notes:				
OFC Senior Secured Notes	—	17.0	—	17.0
OrCal Senior Secured Notes	—	—	37.4	37.4
OFC 2 Senior Secured Notes	—	—	249.0	249.0
DAC 1 Senior Secured Notes	—	—	88.9	88.9
Senior Unsecured Bonds	—	—	200.1	200.1
Other long-term debt	—	3.3	7.1	10.4
Revolving lines of credit	—	—	—	—
Deposits	14.4	—	—	14.4

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 — PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROCESS

Property, plant and equipment

Property, plant and equipment, net, consist of the following:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Land owned by the Company where the geothermal resource is located	$ 32,178	$ 31,904
Leasehold improvements	3,984	3,848
Machinery and equipment	182,121	152,821
Land, buildings and office equipment	31,128	28,634
Automobiles	12,596	11,161
Geothermal and recovered energy generation power plants, including geothermal wells and exploration and resource development costs:		
United States of America, net of cash grants and impairment charges	1,744,728	1,658,195
Foreign countries	700,498	541,626
Asset retirement cost	10,563	8,669
	2,717,797	2,436,858
Less accumulated depreciation	(983,106)	(880,480)
Property, plant and equipment, net	$ 1,734,691	$ 1,556,378

Depreciation expense for the years ended December 31, 2017, 2016, and 2015 amounted to $98.8 million, $94.8 million and $95.2 million, respectively. Depreciation expense for the years ended December 31, 2017, 2016 and 2015 is net of the impact of the cash grant in the amount of $5.5 million for each of those years.

U.S. Operations

The net book value of the property, plant and equipment, including construction-in-process, located in the U.S. was approximately $1,447.4 million and $1,376.1 million as of December 31, 2017 and 2016, respectively. These amounts as of December 31, 2017 and 2016 are net of cash grants in the amount of $133.2 million and $138.7 million, respectively.

Foreign Operations

The net book value of property, plant and equipment, including construction-in-process, located outside of the U.S. was approximately $580.8 million and $487.0 million as of December 31, 2017 and 2016, respectively.

The Company, through its wholly owned subsidiary, OrPower 4, Inc. (“OrPower 4”), owns and operates geothermal power plants in Kenya. The net book value of assets associated with the power plants was $326.1 million and $315.0 million as of December 31, 2017 and 2016, respectively. The Company sells the electricity produced by the power plants to Kenya Power and Lighting Co. Ltd. (“KPLC”) under a 20-year PPA.

The Company, through its wholly owned subsidiary, Orzunil I de Electricidad, Limitada (“Orzunil”), owns a power plant in Guatemala. On January 22, 2014, Orzunil signed an amendment to the PPA with Instituto Nacional de Electrificacion (“INDE”), a Guatemalan power company, for its Zunil geothermal power plant in Guatemala. The amendment extends the term of the PPA from 2019 to 2034. The PPA amendment also transfers operation and management responsibilities of the Zunil geothermal field from INDE to the Company for the term of the amended PPA in exchange for a tariff increase. Additionally, INDE exercised its right under the PPA to become a partner in the Zunil power plant with a 3% equity interest. The net book value of the assets related to the power plant was $9.9 million and $12.2 million at December 31, 2017 and 2016, respectively.

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The Company, through its wholly owned subsidiary, Ortitlan, Limitada ("Ortitlan"), owns a power plant in Guatemala. The net book value of the assets related to the power plant was $40.7 million and $40.3 million at December 31, 2017 and 2016, respectively.

The Company, through its wholly owned subsidiary, GeoPlatanares, signed a Build, Operate and Transfer (BOT) contract for the Platanares geothermal project in Honduras with ELCOSA, a privately owned Honduran energy company, for 15 years from the commercial operation date. Platanares sells the electricity produced by the power plants to ENEE, the national utility of Honduras under a 30-year PPA. The net book value of the assets related to the power plant was $140.3 million and $67.5 million at December 31, 2017 and 2016, respectively.

The Company, through its subsidiary, GB, owns a power plant in Guadeloupe. The net book value of the assets related to the power plant was $24.9 million and $20.3 million at December 31, 2017 and 2016, respectively. GB sells the electricity produced by the power plants to EDF, the French electric utility, under a 15-year PPA.

Construction-in-process

Construction-in-process consists of the following:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Projects under exploration and development:		
Up-front bonus lease costs	$ 17,018	$ 17,385
Exploration and development costs	46,154	36,359
Interest capitalized	703	703
	63,875	54,447
Projects under construction:		
Up-front bonus lease costs	27,473	37,713
Drilling and construction costs	198,943	202,211
Interest capitalized	3,251	12,338
	229,667	252,262
Total	$ 293,542	$ 306,709

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	Projects under Exploration and Development			
	Up-front Bonus Lease Costs	Exploration and Development Costs	Interest Capitalized	Total
	(Dollars in thousands)			
Balance at December 31, 2014	$ 26,618	$ 45,977	$ 836	$ 73,431
Cost incurred during the year	37	10,104	869	11,010
Write off of unsuccessful exploration costs	(164)	(1,415)	—	(1,579)
Transfer of projects under exploration and development to projects under construction	—	(18,940)	(1,002)	(19,942)
Balance at December 31, 2015	26,491	35,726	703	62,920
Cost incurred during the year	1,514	25,165	—	26,679
Write off of unsuccessful exploration costs	(380)	(2,637)	—	(3,017)
Transfer of projects under exploration and development to projects under construction	(10,240)	(21,895)	—	(32,135)
Balance at December 31, 2016	17,385	36,359	703	54,447
Cost incurred during the year	—	11,224	—	11,224
Write off of unsuccessful exploration costs	(367)	(1,429)	—	(1,796)
Balance at December 31, 2017	$ 17,018	$ 46,154	$ 703	$ 63,875

	Projects under Construction			
	Up-front Bonus Lease Costs	Drilling and Construction Costs	Interest Capitalized	Total
	(Dollars in thousands)			
Balance at December 31, 2014	$ 27,473	$ 187,545	$ 8,273	$ 223,291
Cost incurred during the year	—	140,977	3,556	144,533
Transfer of projects under exploration and development to projects under construction	—	18,940	1,002	19,942
Transfer of completed projects to property, plant and equipment	—	(196,995)	(4,856)	(201,851)
Balance at December 31, 2015	27,473	150,467	7,975	185,915
Cost incurred during the year	—	116,247	6,510	122,757
Transfer of exploration and development projects to projects under construction	10,240	21,895	—	32,135
Transfer of completed projects to property, plant and equipment	—	(86,398)	(2,147)	(88,545)
Balance at December 31, 2016	37,713	202,211	12,338	252,262
Cost incurred during the year	—	231,926	7,300	239,226
Transfer of completed projects to property, plant and equipment	(10,240)	(235,194)	(16,387)	(261,821)
Balance at December 31, 2017	$ 27,473	$ 198,943	$ 3,251	$ 229,667

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 — INTANGIBLE ASSETS AND GOODWILL

Intangible assets amounting to $85.4 million and $52.8 million consist mainly of the Company's PPAs acquired in business combinations and Viridity's storage activities, net of accumulated amortization of $50.0 million and $42.8 million as of December 31, 2017 and 2016, respectively. Intangible assets relating to our storage activities, as of December 31, 2017, amounted to $33.8 million, net of accumulated amortization of $1.7 million. Amortization expense for the years ended December 31, 2017, 2016, and 2015 amounted to $6.9 million, $4.4 million, and $3.3 million, respectively. Additions to intangible assets for the years ended December 31, 2017, 2016 and 2015, amounted to $35.6 million, $33.0 million and $0.5 million, respectively. The additions to intangible assets in 2017 and 2016 primarily relate to the Viridity acquisition and the purchase of the Guadeloupe plant, respectively. There were no disposals of intangible assets in 2017, 2016 and 2015.

Estimated future amortization expense for the intangible assets as of December 31, 2017 is as follows:

	(Dollars in thousands)
Year ending December 31:	
2018	$ 7,129
2019	7,056
2020	6,739
2021	6,739
2022	6,483
Thereafter	51,274
Total	$ 85,420

Goodwill

Goodwill amounting to $21.0 million and $6.7 million as of December 31, 2017 and 2016, respectively, represents the excess of the fair value of considerations transferred in the Guadeloupe and Viridity business combination transactions over the fair value of tangible and intangible assets acquired, net of the fair value of liabilities assumed and non-controlling interest (as applicable) in the acquisitions. During 2017 and 2016, the Company recorded an increase to the carrying value of Goodwill in the amount of $13.5 million and $7.1 million as a result of the Viridity and Guadeloupe business combination transactions, respectively. Except for the additions mentioned above, there were no additions or adjustments to the carrying value of goodwill except for the impact of currency translation adjustments.

NOTE 10 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Trade payables	$ 64,289	$ 48,309
Salaries and other payroll costs	19,888	17,977
Customer advances	1,177	576
Accrued interest	4,462	3,524
Income tax payable	43,682	8,824
Property tax payable	1,860	1,884
Scheduling and transmission	531	964
Royalty accrual	2,909	1,639
Other	14,998	7,953
Total	$ 153,796	$ 91,650

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NOTE 11 — LONG-TERM DEBT AND CREDIT AGREEMENTS

Long-term debt consists of notes payable under the following agreements:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Limited and non-recourse agreements:		
Loans:		
Non-recourse:		
Other loans	$ 7,252	$ 6,368
Limited recourse:		
Loan agreement with OPIC (the Olkaria III power plant)	228,635	246,630
Loan agreement with Banco Industrial S.A. and Westrust Bank (International) Limited	33,251	36,750
Senior Secured Notes:		
Non-recourse:		
OFC Senior Secured Notes	-	17,026
OrCal Senior Secured Notes	32,142	35,181
DAC 1 Senior Secured Notes	88,339	92,361
Limited recourse:		
OFC 2 Senior Secured Notes	232,526	247,232
	622,145	681,548
Less current portion	(54,720)	(53,729)
Non current portion	$ 567,425	$ 627,819
Full recourse agreements:		
Senior Unsecured Bonds	$ 204,332	$ 204,332
Loans from institutional investors	-	3,333
Loan agreements with DEG (the Olkaria III and IV power plants)	50,000	65,789
Loan from a commercial bank	587	1,529
Revolving credit lines with banks	51,500	-
	306,419	274,983
Less current portion	(54,587)	(12,242)
Non current portion	$ 251,832	$ 262,741

Loan Agreement with Banco Industrial S.A. and Westrust Bank (International) Limited

On July 31, 2015, Ortitlán, Limitada, the Company's wholly owned subsidiary, obtained a 12-year secured term loan in the principal amount of $42.0 million for the 20 MW Amatitlan power plant in Guatemala. Under the credit agreement with Banco Industrial S.A. and Westrust Bank (International) Limited, we can expand the Amatitlan power plant with financing to be provided either via equity, additional debt from Banco Industrial S.A. or from other lenders, subject to certain limitations on expansion financing in the credit agreement.

The loan is payable in 48 quarterly payments commencing September 30, 2015. The loan bears interest at a rate *per annum* equal to of the sum of the LIBO Rate (which cannot be lower than 1.25%) plus a margin of (i) 4.35% as long as the Company's guaranty of the loan (as described below) is outstanding or (ii) 4.75% otherwise. Interest is payable quarterly, on March 30, June 30, September 30 and December 30 of each year, on the stated maturity date of the loan and on any prepayment or payment of the loan. The loan must be prepaid on the occurrence of certain events, such as casualty, condemnation, asset sales and expansion financing not provided by the lenders under the credit agreement, among others. The loan may be voluntarily prepaid if certain conditions are satisfied, including payment of a premium (ranging from 100-50 basis points) if prepayment occurs prior to the eighth anniversary of the loan.

There are various restrictive covenants under the Amatitlan credit agreement. These include, among others, (i) a financial covenant to maintain a Debt Service Coverage Ratio (as defined in the credit agreement) of not less than 1.15 to 1.00 as of the last day of any fiscal quarter and (ii) limitations on Restricted Payments (as defined in the credit agreement) that among other things would limit dividends that could be paid to us unless the historical and projected Debt Service Coverage Ratio is not less than 1.25 to 1.00 for the four fiscal quarterly periods (calculated as a single accounting period). As of December 31, 2017, the actual historical and projected 12-month Debt Service Coverage Ratio was 1.49 and 1.89, respectively. The credit agreement includes various events of default that would permit acceleration of the loan (subject in some cases to grace and cure periods). These include, among others, a Change of Control (as defined in the credit agreement) and failure to maintain certain required balances in debt service and maintenance reserve accounts. The credit agreement includes certain equity cure rights for failure to maintain the Debt Service Coverage Ratio and the minimum amounts required in the debt service and maintenance reserve accounts.

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The loan is collateralized by substantially all the assets of the borrower and a pledge of all of the membership interests of the borrower.

The Company has guaranteed payment of all obligations under the credit agreement and related financing documents. The guaranty is limited in the sense that the Company is only required to pay the guaranteed obligations if a "trigger event" occurs. A trigger event is the occurrence and continuation of a default by INDE in its payment obligations under the PPA for the Amatitlàn power plant or a refusal by INDE to receive capacity and energy sold under that PPA. The Company's obligations under the guaranty may be terminated prior to payment in full of the guaranteed obligations under certain circumstances described in the guaranty. If the guaranty is terminated early, the interest rate payable on the loan would increase as described above.

As of December 31, 2017, $33.3 million of this loan is outstanding.

Finance Agreement with OPIC (the Olkaria III Complex)

On August 23, 2012, OrPower 4, the Company's wholly owned subsidiary, entered into a Finance Agreement with Overseas Private Investment Corporation ("OPIC"), an agency of the U.S. government, to provide limited-recourse senior secured debt financing in an aggregate principal amount of up to $310.0 million (the "OPIC Loan") for the refinancing and financing of the Olkaria III geothermal power complex in Kenya. The Finance Agreement was amended on November 9, 2012.

The OPIC Loan is comprised of up to three tranches:

- Tranche I in an aggregate principal amount of $85.0 million, which was drawn in November 2012, was used to prepay approximately $20.5 million (plus associated prepayment penalty and breakage costs of $1.5 million) of the DEG Loan, as described below. The remainder of the Tranche I proceeds were used for reimbursement of prior capital costs and other corporate purposes.

- Tranche II in an aggregate principal amount of $180.0 million was used to fund the construction and well field drilling for the expansion of the Olkaria III geothermal power complex ("Plant 2"). In November 2012, $135.0 million was disbursed under this Tranche II, and in February 2013, the remaining $45.0 million was distributed under this Tranche II.

- Tranche III in an aggregate principal amount of $45.0 million was used to fund the construction of Plant 3 of the Olkaria III complex. In November 2013, an amount of $45.0 million was disbursed under this Tranche.

In July 2013, we completed the conversion of the interest rate applicable to both Tranche I and Tranche II from a floating interest rate to a fixed interest rate. The average fixed interest rate for Tranche I, which has an outstanding balance as of December 31, 2017 of $61.4 million and matures on December 15, 2030, and Tranche II, which has an outstanding balance as of December 31, 2017 of $132.4 million and matures on June 15, 2030, is 6.31%. In November 2013, we fixed the interest rate for Tranche III. The fixed interest rate for Tranche III, which has an outstanding balance as of December 31, 2017 of $34.9 million and matures on December 15, 2030, is 6.12%.

OrPower 4 has a right to make voluntary prepayments of all or a portion of the OPIC Loan subject to prior notice, minimum prepayment amounts, and a prepayment premium of 2.0% in the first two years after the Plant 2 commercial operation date, declining to 1% in the third year after the Plant 2 commercial operation date, and without premium thereafter, plus a redemption premium. In addition, the OPIC Loan is subject to customary mandatory prepayment in the event of certain reductions in generation capacity of the power plants, unless such reductions will not cause the projected ratio of cash flow to debt service to fall below 1.7.

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The OPIC Loan is collateralized by substantially all of OrPower 4's assets and by a pledge of all of the equity interests in OrPower 4.

The finance agreement includes customary events of default, including failure to pay any principal, interest or other amounts when due, failure to comply with covenants, breach of representations and warranties, non-payment or acceleration of other debt of OrPower 4, bankruptcy of OrPower 4 or certain of its affiliates, judgments rendered against OrPower 4, expropriation, change of control, and revocation or early termination of security documents or certain project-related agreements, subject to various exceptions and notice, cure and grace periods.

There are various restrictive covenants under the OPIC Loan, which include a required historical and projected 12-month DSCR of not less than 1.4 (measured as of March 15, June 15, September 15 and December 15 of each year). If OrPower 4 fails to comply with these financial ratios it will be prohibited from making distributions to its shareholders. In addition, if the DSCR falls below 1.1, subject to certain cure rights, such failure will constitute an event of default by OrPower 4. This covenant in respect of Tranche I became effective on December 15, 2014. As of December 31, 2017, the actual historical and projected 12-month DSCR was 2.64 and 3.09, respectively.

As of December 31, 2017, $228.6 million of the OPIC Loan was outstanding.

Debt service reserve

As required under the terms of the OPIC Loan, OrPower 4 maintains an account which may be funded by cash or backed by letters of credit in an amount sufficient to pay scheduled debt service amounts, including principal and interest, due under the terms of the OPIC Loan in the following six months. This restricted cash account is classified as current in the consolidated balance sheets. As of December 31, 2017 and 2016, the balance of the account was $3.7 million and $4.3 million, respectively. In addition, as of December 31, 2017, part of the required debt service reserve was backed by a letter of credit in the amount of $16.7 million (see Note 22).

Well drilling reserve

As required under the terms of the OPIC Loan, OrPower 4 may be required to maintain an account which may be funded by cash or backed by letters of credit to reserve funds for future well drilling, based on determination upon the completion of the expansion work.

OFC Senior Secured Notes

In February 2004, OFC, the Company's wholly owned subsidiary, issued $190.0 million of 8.25% Senior Secured Notes ("OFC Senior Secured Notes") and received net cash proceeds of approximately $179.7 million, after deduction of issuance costs of approximately $10.3 million. The OFC Senior Secured Notes had a final maturity date of December 30, 2020. Principal and interest on the OFC Senior Secured Notes were payable in semi-annual payments. The OFC Senior Secured Notes were collateralized by substantially all of the assets of OFC and those of its wholly owned subsidiaries and were fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC.

In June 2015, the Company repurchased $30.6 million aggregate principal amount of OFC Senior Secured Notes from the OFC noteholders and recognized a loss of approximately $1.7 million in the second quarter of 2015.

In September 2016, the Company repurchased $6.8 million aggregate principal amount of OFC Senior Secured Notes from the OFC noteholders and recognized a loss of $0.6 million, in the third quarter of 2016.

In September 2017, the Company fully prepaid the outstanding amount of $14.3 million of OFC Senior Secured Notes, plus an additional make-whole premium of $1.3 million.

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OrCal Senior Secured Notes

In December 2005, OrCal, the Company's wholly owned subsidiary, issued $165.0 million, 6.21% Senior Secured Notes ("OrCal Senior Secured Notes") and received net cash proceeds of approximately $161.1 million, after deduction of issuance costs of approximately $3.9 million, which have been included in deferred financing costs in the consolidated balance sheet. The OrCal Senior Secured Notes have been rated BBB- by Fitch Ratings. The OrCal Senior Secured Notes have a final maturity date of December 30, 2020. Principal and interest on the OrCal Senior Secured Notes are payable in semi-annual payments. The OrCal Senior Secured Notes are collateralized by substantially all of the assets of OrCal, and those of its subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OrCal. There are various restrictive covenants under the OrCal Senior Secured Notes, which include limitations on additional indebtedness of OrCal and its wholly owned subsidiaries. Failure to comply with these and other covenants will, subject to customary cure rights, constitute an event of default by OrCal. In addition, there are restrictions on the ability of OrCal to make distributions to its shareholders, which include a required historical and projected 12-month debt service coverage ratio ("DSCR") of not less than 1.25 (measured semi-annually as of June 30 and December 31 of each year). If OrCal fails to comply with the DSCR ratio it will be prohibited from making distributions to its shareholders. OrCal is only required to measure these covenants on a semi-annual basis and as of December 31, 2017, the last measurement date of the covenants, the actual historical 12-month DSCR was 1.54 and the pro-forma 12-month DSCR was 2.63. There was $32.1 million and $35.2 million of OrCal Senior Secured Notes outstanding as of December 31, 2017 and December 31, 2016, respectively.

OrCal may redeem the OrCal Senior Secured Notes, in whole or in part, at any time at a redemption price equal to the principal amount of the OrCal Senior Secured Notes to be redeemed plus accrued interest, and a "make-whole" premium. Upon certain events, as defined in the indenture governing the OrCal Senior Secured Notes, OrCal may be required to redeem a portion of the OrCal Senior Secured Notes at a redemption price of 100% of the principal amount of the OrCal Senior Secured Notes being redeemed plus accrued interest.

Debt service reserve

As required under the terms of the OrCal Senior Secured Notes, OrCal maintains an account which may be funded by cash or backed by letters of credit (see below) in an amount sufficient to pay scheduled debt service amounts, including principal and interest, due under the terms of the OrCal Senior Secured Notes in the following six months. This restricted cash account is classified as current in the consolidated balance sheets. As of each of December 31, 2017 and 2016, the balance of such account was $1.9 million. In addition, as of each of December 31, 2017 and 2016, part of the required debt service reserve was backed by a letter of credit in the amount of $4.6 million (see Note 22).

OFC 2 Senior Secured Notes

In September 2011, OFC 2, the Company's wholly owned subsidiary, and OFC 2's wholly owned project subsidiaries (collectively, the "OFC 2 Issuers") entered into a note purchase agreement (the "Note Purchase Agreement") with OFC 2 Noteholder Trust, as purchaser, John Hancock Life Insurance Company (U.S.A.), as administrative agent, and the DOE, as guarantor, in connection with the offer and sale of up to $350.0 million aggregate principal amount of OFC 2 Senior Secured Notes ("OFC 2 Senior Secured Notes") due December 31, 2034.

Subject to the fulfillment of customary and other specified conditions precedent, the OFC 2 Senior Secured Notes may be issued in up to six distinct series associated with the phased construction (Phase I and Phase II) of the Jersey Valley, McGinness Hills and Tuscarora geothermal power plants, which are owned by the OFC 2 Issuers. The OFC 2 Senior Secured Notes will mature and the principal amount of the OFC 2 Senior Secured Notes will be payable in equal quarterly installments and in any event not later than December 31, 2034. Each series of notes will bear interest at a rate calculated based on a spread over the Treasury yield curve that will be set at least ten business days prior to the issuance of such series of notes. Interest will be payable quarterly in arrears. The DOE will guarantee payment of 80% of principal and interest on the OFC 2 Senior Secured Notes pursuant to Section 1705 of Title XVII of the Energy Policy Act of 2005, as amended. The conditions precedent to the issuance of the OFC 2 Senior Secured Notes includes certain specified conditions required by the DOE in connection with its guarantee of the OFC 2 Senior Secured Notes.

On October 31, 2011, the OFC 2 Issuers completed the sale of $151.7 million in aggregate principal amount of 4.687% Series A Notes due 2032 (the "Series A Notes"). The net proceeds from the sale of the Series A Notes, after deducting transaction fees and expenses, were approximately $141.1 million, and were used to finance a portion of the construction costs of Phase I of the McGinness Hills and Tuscarora power plants and to fund certain reserves. Principal and interest on the Series A Notes are payable quarterly in arrears on the last day of March, June, September and December of each year.

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On June 20, 2014, Phase 1 of Tuscarora Facility achieved Project Completion under the Note Purchase Agreement. In accordance with the terms of the Note Purchase Agreement and following recalibration of the financing assumptions, the loan amount was adjusted through a principal prepayment of $4.3 million.

On August 29, 2014, OFC 2 sold $140.0 million of OFC 2 Senior Secured Notes (the "Series C Notes") to finance the construction of the second phase of the McGinness Hills project. The Series C Notes are the last tranche under the Note Purchase Agreement with John Hancock Life Insurance Company and are guaranteed by the DOE's Loan Programs Office in accordance with and subject to the DOE's Loan Guarantee Program under Section 1705 of Title XVII of the Energy Policy Act of 2005. The Series C Notes, which mature in December 2032, carry a 4.61% coupon with principal to be repaid on a quarterly basis. The OFC 2 Senior Secured Notes, which include loans for the Tuscarora, Jersey Valley and McGinness Hills complexes, are rated "BBB" by Standard & Poor's.

In connection with the anticipated sale of the Series C Notes, on August 13, 2014, the Company entered into an on-the-run interest rate lock agreement with a financial institution with a termination date of August 15, 2014. This on-the-run interest rate lock agreement had a notional amount of $140.0 million and was designated as a cash flow hedge. The objective of this cash flow hedge was to eliminate the variability in the changes in the 10-year U.S. Treasury rate as that is one of the components in the annual interest rate of the OFC 2 Senior Secured Notes that was forecasted to be fixed on August 15, 2014. The Company hedged the variability in total proceeds attributable to changes in the 10-year U.S. Treasury rate for the forecasted sale of Series C Notes. On August 18, 2014, the settlement date, the Company paid $1.5 million to the counterparty of the on-the-run interest rate lock agreement.

The Company concluded that the cash flow hedge was fully effective with no ineffective portion and no amounts excluded from the effectiveness testing, thus, in 2014, the total loss from the cash flow hedge was fully recognized in "Loss in respect of derivatives instruments designated for cash flow hedge" under other comprehensive income of $0.9 million noted above, which was net of related taxes of $0.6 million. The cash flow hedge loss recorded is amortized over the life of the OFC 2 Senior Secured Notes using the effective interest method. In 2016 and 2015, the Company reclassified $0.1 million, each year, of the loss from "Accumulated other comprehensive income (loss)" into interest expense.

The OFC 2 Senior Secured Notes are collateralized by substantially all of the assets of OFC 2 and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC 2. There are various restrictive covenants under the OFC 2 Senior Secured Notes, which include limitations on additional indebtedness of OFC 2 and its wholly owned subsidiaries. Failure to comply with these and other covenants will, subject to customary cure rights, constitute an event of default by OFC 2. In addition, there are restrictions on the ability of OFC 2 to make distributions to its shareholders.

Among other things, the distribution restrictions include a historical debt service coverage ratio requirement of at least 1.2 (on a blended basis for all OFC 2 power plants), measured, at the time of any proposed distribution, over each of the two six-months periods comprised of distinct consecutive fiscal quarters immediately preceding the proposed distribution, and a projected future DSCR requirement of at least 1.5 (on a blended basis for all OFC 2 power plants), measured, at the time of any proposed distribution, over each of the two six-months periods comprised of distinct consecutive fiscal quarters immediately following such proposed distribution. As of December 31, 2017, our historical DSCR was 2.70 and 2.25, respectively, for each of the two six-month periods, and our projected future DSCR was 2.04 and 2.13, respectively, for each of the two six-month periods.

There were $232.5 million and $247.2 million of OFC 2 Senior Secured Notes outstanding as of December 31, 2017 and December 31, 2016, respectively.

The Company provided a guaranty in connection with the issuance of the Series A Notes and Series C Notes. The guaranty may be drawn in the event of, among other things, the failure of any facility financed by the relevant series of OFC 2 Senior Secured Notes to reach completion and meet certain operational performance levels (the "non-performance trigger") which gives rise to a prepayment obligation on the OFC 2 Senior Secured Notes. The guarantee may also be drawn if there is a payment default on the OFC 2 Senior Secured Notes or upon the occurrence of certain fundamental defaults that result in the acceleration of the OFC 2 Senior Secured Notes, in each case, prior to the date that the relevant facility(ies) financed by such OFC 2 Senior Secured Notes reaches completion and meets the applicable operational performance levels. The Company's liability under the guaranty with respect to the non-performance trigger is limited to an amount equal to the prepayment amount on the OFC 2 Senior Secured Notes necessary to bring the OFC 2 Issuers into compliance with certain coverage ratios. The Company's liability under the guarantee with respect to the other trigger event described above is not so limited.

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Debt service reserve; other restricted funds

Under the terms of the OFC 2 Senior Secured Notes, OFC 2 is required to maintain a debt service reserve and certain other reserves, as follows:

(i) A debt service reserve account which may be funded by cash or backed by letters of credit (see below) in an amount sufficient to pay scheduled debt service amounts, including principal and interest, due under the terms of the OFC 2 Senior Secured Notes in the following six months. This restricted cash account is classified as current in the consolidated balance sheet. As of December 31, 2017, part of the required debt service reserve was backed by a letter of credit in the amount of $18.7 million (see Note 22).

(ii) A performance level reserve account, intended to provide additional security for the OFC 2 Senior Secured Notes, which may be funded by cash or backed by letters of credit. This reserve builds up over time and reduces gradually each time the project achieves certain milestones. Upon issuance of the Series A Notes, this reserve was funded in the amount of $28.0 million. As of December 31, 2017, the balance of such account was zero million, and no letter of credit was required to be issued.

(iii) Under the terms of the OFC 2 Senior Secured Notes, OFC 2 is also required to maintain a well field drilling and maintenance reserve that builds up over time and is dedicated to costs and expenses associated with drilling and maintenance of the project's well field, which may be funded by cash or backed by letters of credit.

(iv) A performance level reserve account for McGinness Hills Phase II, intended to provide additional security for the OFC 2 Senior Secured Notes, which may be funded by cash or backed by letters of credit. As of December 31, 2017, there was no requirement for an additional security to be issued as the project was completed.

Don A. Campbell Senior Secured Notes — Non-Recourse

On November 29, 2016, ORNI 47 LLC ("ORNI 47"), the Company's subsidiary, entered into a note purchase agreement (the "ORNI 47 Note Purchase Agreement") with MUFG Union Bank, N.A., as collateral agent, Munich Reinsurance America, Inc. and Munich American Reassurance Company (the "Purchasers") pursuant to which ORNI 47 issued and sold to the Purchasers $92.5 million aggregate principal amount of its 4.03% Senior Secured Notes due September 27, 2033 (the "DAC 1 Senior Secured Notes") in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended. ORNI 47 is the owner of the first phase of the Don A. Campbell geothermal power plant ("DAC 1"), and part of the ORPD LLC ("ORPD") portfolio.

The net proceeds from the sale of the DAC 1 Senior Secured Notes, after deducting certain transaction expenses and the funding of a debt service reserve account, were approximately $87.1 million and ORNI 47 used the proceeds from the sale of the Notes to refinance the development and construction costs of the DAC 1 geothermal power plant, which were originally financed using equity.

ORNI 47 began paying a scheduled amount of principal of the DAC 1 Senior Secured Notes on December 27, 2016 and now makes principal payments quarterly, on the 27th day of each March, June, September and December, until the DAC 1 Senior Secured Notes mature.

The DAC 1 Senior Secured Notes constitute senior secured obligations of ORNI 47 and are secured by all of the assets of ORNI 47. Under the ORNI 47 Note Purchase Agreement, ORNI 47 may prepay at any time all, or from time to time any part of, the DAC 1 Senior Secured Notes in an amount equal to at least $2 million or such lesser amount as may remain outstanding under the DAC 1 Senior Secured Notes at 100% of the principal amount to be prepaid plus the applicable make-whole amount determined for the prepayment date with respect to such principal amount. Upon the occurrence of a Change of Control (as defined in the ORNI 47 Note Purchase Agreement), ORNI 47 must make an offer to each holder of DAC 1 Senior Secured Notes to repurchase all of the holder's notes at 101% of the aggregate principal amount of such notes to be repurchased plus accrued and unpaid interest, if any, on such notes to, but not including, the date of repurchase. Each holder of DAC 1 Senior Secured Notes may accept such offer in whole or in part. In certain events, including certain asset sales outside the ordinary course of business, ORNI 47 must make mandatory prepayments of the DAC 1 Senior Secured Notes at 100% of the principal amount to be prepaid. The ORNI 47 Note Purchase Agreement requires ORNI 47 to comply with certain covenants, including, among others, restrictions on the incurrence of indebtedness or liens, amendment or modification of material project documents, the ability of ORNI 47 to merge or consolidate with another entity. The ORNI 47 Note Purchase Agreement also contains customary events of default. In addition, there are restrictions on the ability of ORNI 47 to make distributions to its shareholders, which include a required historical and projected DSCR of not less than 1.20 for the four fiscal quarterly periods. As of December 31, 2017, the historical and projected DSCR were 1.47 and 1.81, respectively.

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As of December 31, 2017, $88.3 million is outstanding under the DAC 1 Senior Secured Notes.

Senior Unsecured Bonds

In August 2010, the Company entered into a trust instrument governing the issuance of, and accepted subscriptions for, an aggregate principal amount of approximately $142.0 million of senior unsecured bonds (the "Bonds"). Subject to early redemption, the principal of the Bonds was repayable in a single bullet payment upon the final maturity of the Bonds on August 1, 2017. The Bonds bore interest at a fixed rate of 7%, payable semi-annually. In February 2011, the Company accepted subscription for an aggregate principal amount of approximately $107.5 million of additional senior unsecured bonds (the "Additional Bonds") under two addendums to the trust instrument. The terms and conditions of the Additional Bonds were identical to the original Bonds. The Additional Bonds were issued at a premium which reflects an effective fixed interest of 6.75%.

In September 2016, the Company concluded an auction tender and accepted subscriptions for two series of senior unsecured bonds comprised of approximately $67 million aggregate principal amount of senior unsecured bonds (the "Series 2 Bonds") and approximately $137 million aggregate principal amount of senior unsecured bonds (the "Series 3 Bonds", and, together with the Series 2 Bonds, the "Senior Unsecured Bonds"). The proceeds from the Series 2 Bonds and Series 3 Bonds were used on September 29, 2016 to prepay the Company's $250 million aggregate principal amount of Bonds and Additional Bonds that were payable on August 1, 2017.

The Series 2 Bonds will mature in September 2020 and bear interest at a fixed rate of 3.7% per annum, payable semi-annually. The Series 3 Bonds will mature in September 2022 and bear interest at a fixed rate of 4.45% per annum, payable semi-annually. The Series 2 Bonds and Series 3 Bonds will be repaid at maturity in a single bullet payment, unless earlier prepaid by the Company pursuant to the terms and conditions of the trust instrument that governs such Senior Unsecured Bonds. Both tranches received a rating of ilA+ from Maloot S&P in Israel with a stable outlook.

Loans from institutional investors

In July 2009, the Company entered into an 8-year loan agreement of $20.0 million with a group of institutional investors (the "Second Loan"). The Second Loan matured on August 1, 2017, was payable in 12 semi-annual installments, which commenced on February 1, 2012, and bore interest at 6-month LIBOR plus 5.0%.

Loan Agreements with DEG (the Olkaria III Complex)

In March 2009, OrPower 4, the Company's wholly owned subsidiary, entered into a project financing loan of $105.0 million to refinance its investment in Phase I of the Olkaria III complex located in Kenya (the "DEG Loan"). The DEG Loan was provided by a group of European Development Finance Institutions ("DFIs") arranged by DEG — Deutsche Investitions — und Entwicklungsgesellschaft mbH ("DEG"). The DEG Loan was to mature on December 15, 2018, and payable in 19 equal semi-annual installments. Interest on the loan was variable based on 6-month LIBOR plus 4.0%. We fixed the interest rate on most of the loan at 6.90%. In September 2017, the Company prepaid the outstanding amount of $11.8 million of the DEG Loan, plus an additional prepayment fee of $0.1 million.

On October 20, 2016, OrPower 4 entered into a new $50 million subordinated loan agreement with DEG (the "DEG 2 Loan Agreement") and on December 21, 2016, OrPower 4 completed a drawdown of the full loan amount of $50 million, with a fixed interest rate of 6.28% for the duration of the loan (the "DEG 2 Loan"). The DEG 2 Loan will be repaid in 20 equal semi-annual principal installments commencing December 21, 2018, with a final maturity date of June 21, 2028. Proceeds of the DEG 2 Loan were used by OrPower 4 to refinance Plant 4 of the Olkaria III Complex, which was originally financed using equity. The DEG 2 Loan is subordinated to the senior loan provided by OPIC for Plants 1-3 of the Olkaria III Complex. The DEG 2 Loan is guaranteed by the Company.

Under the DEG 2 Loan Agreement, OrPower 4 may prepay at any time all, or from time to time any part of the DEG 2 Loan in an amount equal to at least $5 million or such lesser amount as may remain outstanding under the DEG 2 Loan at 100% of the principal amount to be prepaid plus the applicable make-whole amount and certain prepayment premium amount determined for the prepayment date with respect to such principal amount. In certain events, OrPower 4 must make mandatory prepayments of the DEG 2 Loan at 100% of the principal amount to be prepaid plus the applicable make-whole amount and certain prepayment premium amount determined for the prepayment date with respect to such principal amount. The DEG 2 Loan Agreement requires OrPower 4 to comply with certain covenants, including, among others, restrictions on the incurrence of indebtedness or liens. The DEG 2 Loan Agreement also contains customary events of default.

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As of December 31, 2017, $50.0 million is outstanding under the DEG 2 Loan.

Revolving credit lines with commercial banks

As of December 31, 2017, the Company has credit agreements with eight commercial banks for an aggregate amount of $468.0 million (including $60.0 million from Union Bank, N.A. ("Union Bank") and $35.0 million from HSBC), as described below. Under the terms of these credit agreements, the Company, or its Israeli subsidiary, Ormat Systems Ltd. ("Ormat Systems), can request: (i) extensions of credit in the form of loans and/or the issuance of one or more letters of credit in the amount of up to $233.0 million; and (ii) the issuance of one or more letters of credit in the amount of up to $235.0 million. The credit agreements mature between end of March 2018 and July 2019. Loans and draws under the credit agreements or under any letters of credit will bear interest at the respective bank's cost of funds plus a margin.

As of December 31, 2017, $51.5 million in loans were outstanding, and letters of credit with an aggregate stated amount of $277.7 million were issued and outstanding under such credit agreements.

Credit Agreements

Credit agreement with Union Bank

In February 2012, Ormat Nevada Inc. ("Ormat Nevada"), the Company's wholly owned subsidiary, entered into an amended and restated credit agreement with Union Bank. Under the credit agreement, the credit termination date is June 30, 2018. On December 31. 2017, the aggregate amount available under the credit agreement was $60 million. The facility is limited to the issuance, extension, modification or amendment of letters of credit. Union Bank is currently the sole lender and issuing bank under the credit agreement, but is also designated as an administrative agent on behalf of banks that may, from time to time in the future, join the credit agreement as lenders. In connection with this transaction, the Company entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which the Company agreed to guarantee Ormat Nevada's obligations under the credit agreement. Ormat Nevada's obligations under the credit agreement are otherwise unsecured.

There are various restrictive covenants under the credit agreement, which include a requirement to comply with the following financial ratios, which are measured quarterly: (i) a 12-month debt to EBITDA ratio not to exceed 4.5; (ii) 12-month DSCR of not less than 1.35; and (iii) distribution leverage ratio not to exceed 2.0. As of December 31, 2017: (i) the actual 12-month debt to EBITDA ratio was 2.17; (ii) the 12-month DSCR was 2.96; and (iii) the distribution leverage ratio was 0.99. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios, and subject to specified carve-outs and exceptions, a negative pledge on the assets of Ormat Nevada in favor of Union Bank.

As of December 31, 2017, letters of credit in the aggregate amount of $37.4 million remain issued and outstanding under this credit agreement with Union Bank.

Credit agreement with HSBC

In May 2013, Ormat Nevada, entered into a credit agreement with HSBC Bank USA, N.A for one year with annual renewals. The current expiration date of the facility under this credit agreement is August 31, 2018. The aggregate amount available under the credit agreement was increased by $10 million to $35 million. Other than the $10 million of this credit facility which may be drawn for our working capital needs, this credit line is limited to the issuance, extension, modification or amendment of letters of credit. HSBC is currently the sole lender and issuing bank under the credit agreement, but is also designated as an administrative agent on behalf of banks that may, from time to time in the future, join the credit agreement as parties thereto. In connection with this transaction, we entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which we agreed to guarantee Ormat Nevada's obligations under the credit agreement. Ormat Nevada's obligations under the credit agreement are otherwise unsecured.

There are various restrictive covenants under the credit agreement, including a requirement to comply with the following financial ratios, which are measured quarterly: (i) a 12-month debt to EBITDA ratio not to exceed 4.5; (ii) 12-month DSCR of not less than 1.35; and (iii) distribution leverage ratio not to exceed 2.0. As of December 31, 2017: (i) the actual 12-month debt to EBITDA ratio was 2.17; (ii) the 12-month DSCR was 2.96; and (iii) the distribution leverage ratio was 0.99. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios, and subject to specified carve-outs and exceptions, a negative pledge on the assets of Ormat Nevada in favor of HSBC.

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As of December 31, 2017, letters of credit in the aggregate amount of $16.2 million remain issued and outstanding under this credit agreement.

Chubb Surety Bond

In May 2017, the Company entered into a surety bond agreement (the "Surety Agreement") with Chubb Limited ("Chubb") pursuant to which the Company may request that Chubb issue up to an aggregate $200.0 million of surety bonds with respect to the contractual obligations of the Company and its subsidiaries in exchange for bank letters of credit or as otherwise may be required. There is no expiration date for the Surety Agreement, but it may be terminated by the Company at any time upon twenty days' prior written notice to Chubb. Delivery of such termination notice will not affect any surety bonds issued and outstanding prior to the date on which such notice is delivered. As of December 31, 2017, Chubb issued a surety bond in the amount of $106.2 million under the Surety Agreement.

Restrictive covenants

The Company's obligations under the credit agreements, the loan agreements, and the trust instrument governing the bonds, described above, are unsecured, but are subject to a negative pledge in favor of the banks and the other lenders and certain other restrictive covenants. These include, among other things, a prohibition on: (i) creating any floating charge or any permanent pledge, charge or lien over our assets without obtaining the prior written approval of the lender; (ii) guaranteeing the liabilities of any third party without obtaining the prior written approval of the lender; and (iii) selling, assigning, transferring, conveying or disposing of all or substantially all of our assets, or a change of control in our ownership structure. Some of the credit agreements, the term loan agreements, as well as the trust instrument contain cross-default provisions with respect to other material indebtedness owed by us to any third party. In some cases, the Company has agreed to maintain certain financial ratios, which are measured quarterly, such as: (i) equity of at least $600.0 million and in no event less than 25% of total assets; (ii) 12-month debt, net of cash, cash equivalents marketable securities and short-term bank deposits to Adjusted EBITDA ratio not to exceed 6; and (iii) dividend distribution not to exceed 35% of net income for that year. As of December 31, 2017: (i) total equity was $1,320.5 million and the actual equity to total assets ratio was 51.1%, and (ii) the 12-month debt, net of cash, cash equivalents marketable securities and short-term bank deposits to Adjusted EBITDA ratio was 2.58. During the year ended December 31, 2017, the Company distributed interim dividends in an aggregate amount of $20.5 million.

Future minimum payments

Future minimum payments under long-term obligations, excluding revolving credit lines with commercial banks, as of December 31, 2017 are as follows:

		(Dollars in thousands)
Year ending December 31:		
2018	$	57,807
2019		55,539
2020		123,093
2021		46,579
2022		184,148
Thereafter		409,898
Total	$	877,064

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NOTE 12 — PUNA POWER PLANT LEASE TRANSACTIONS

In 2005, the Company's wholly owned subsidiary in Hawaii, Puna Geothermal Ventures ("PGV"), entered into transactions involving the original geothermal power plant of the Puna complex located on the Big Island (the "Puna Power Plant").

Pursuant to a 31-year head lease (the "Head Lease"), PGV leased the Puna Power Plant to an unrelated company in return for prepaid lease payments in the total amount of $83.0 million (the "Deferred Lease Income"). The carrying value of the leased assets as of December 31, 2017 and 2016 amounted to $25.3 million and $28.0 million, net of accumulated depreciation of $35.6 million and $32.9 million, respectively. The unrelated company (the "Lessor") simultaneously leased back the Puna Power Plant to PGV under a 23-year lease (the "Project Lease"). PGV's rent obligations under the Project Lease will be paid solely from revenues generated by the Puna Power Plant under a PPA that PGV has with Hawaii Electric Light Company ("HELCO"). The Head Lease and the Project Lease are non-recourse lease obligations to the Company. PGV's rights in the geothermal resource and the related PPA have not been leased to the Lessor as part of the Head Lease but are part of the Lessor's security package.

The Head Lease and the Project Lease are being accounted for separately. Each was classified as an operating lease in accordance with the accounting standards for leases. The Deferred Lease Income is amortized into revenue, using the straight-line method, over the 31-year term of the Head Lease. Deferred transaction costs amounting to $4.2 million are being amortized, using the straight-line method, over the 23-year term of the Project Lease.

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Future minimum lease payments under the Project Lease, as of December 31, 2017, are as follows:

	(Dollars in thousands)
Year ending December 31:	
2018	$ 13,317
2019	6,018
2020	2,450
2021	1,723
2022	824
Thereafter	1,917
Total	$ 26,249

Depository accounts

As required under the terms of the lease agreements, there are certain reserve funds that need to be managed by the indenture trustee in accordance with certain balance requirements. Such reserve funds amounted to $7.9 million and $2.9 million as of December 31, 2017 and 2016, respectively, and were included in restricted cash accounts in the consolidated balance sheets and were classified as current as they were used for current payments.

Distribution account

PGV maintains an account to deposit its remaining cash, after making all of the necessary payments and transfers as provided for in the lease agreements, in order to make distributions to Ormat Nevada. The distributions are allowed only if PGV maintains various restrictive covenants under the lease agreements, which include limitations on additional indebtedness. As of December 31, 2017 and 2016, the balance of such account was $0.

NOTE 13 —TAX MONETIZATION TRANSACTIONS

Opal Geo Transaction

On December 16, 2016, Ormat Nevada entered into an equity contribution agreement (the "Equity Contribution Agreement") with OrLeaf LLC ("OrLeaf") and JPM Capital Corporation ("JPM") with respect to Opal Geo LLC ("Opal Geo"). Also on December 16, 2016, OrLeaf, a newly formed limited liability company formed by Ormat Nevada and ORPD LLC, entered into an amended and restated limited liability company agreement of Opal Geo (the "LLC Agreement") with JPM. The transactions contemplated by the Equity Contribution Agreement and LLC Agreement will allow the Company to monetize federal production tax credits ("PTCs") and certain other tax benefits relating to the operation of five geothermal power plants located in Nevada.

In connection with the transactions contemplated by the Equity Contribution Agreement and the LLC Agreement, Ormat Nevada transferred its indirect ownership interest in the McGinness Hills (Phase I and Phase II), Tuscarora, Jersey Valley and second phase of the Don A. Campbell ("DAC 2") geothermal power plants to Opal Geo. Prior to such transfer, Ormat Nevada held an approximately 63.25% indirect ownership interest in DAC 2 through ORPD LLC, a joint venture between Ormat Nevada and Northleaf Geothermal Holdings LLC ("Northleaf"), an affiliate of Northleaf Capital Partners, and held, directly or indirectly, a 100% ownership interest in the remaining geothermal power plants that were transferred to Opal Geo.

Pursuant to the Equity Contribution Agreement, JPM contributed approximately $62.1 million to Opal Geo in exchange for 100% of the Class B Membership Interests of Opal Geo. JPM also agreed to make deferred capital contributions to Opal Geo based on the amount of electricity generated by the DAC 2 and McGinness Hills Phase II power plants which are eligible for the federal PTC. The Company expects the aggregate amount of JPM's deferred capital contributions to equal approximately $21 million and to be paid over time covering the period through December 31, 2022.

Under the LLC Agreement, until December 31, 2022, OrLeaf will receive distributions of 97.5% of any distributable cash generated by operation of the power plants while JPM will receive distributions of 2.5% of any distributable cash generated by operation of the power plants. Unless JPM has already achieved its target internal rate of return on its investment in Opal Geo, from December 31, 2022 until JPM has achieved its target internal rate of return, JPM will receive 100% of any distributable cash generated by operation of the power plants. Thereafter, OrLeaf will receive distributions of 97.5%, and JPM will receive 2.5%, of any distributable cash generated by operation of the power plants.

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Under the LLC Agreement, all items of Opal Geo income and loss, gain, deduction and credit (including the federal production tax credits relating to the operation of the two PTC eligible power plants) will be allocated, until JPM has achieved its target internal rate of return on its investment in Opal Geo (and for so long as the two PTC eligible power plants are generating PTCs), 99% to JPM and 1% to OrLeaf, or 5% to JPM and 95% to OrLeaf if PTCs are no longer available to either of the two PTC eligible power plants. Once JPM achieves its target internal rate of return, all items of Opal Geo income and loss, gain, deduction and credit will be allocated 5% to JPM and 95% to OrLeaf.

Under the LLC Agreement, OrLeaf, which owns 100% of the Class A Membership Interests in Opal Geo, will serve as the managing member of Opal Geo and control the day-to-day management of Opal Geo and its portfolio of five power plants. However, in certain limited circumstances (such as bankruptcy of Orleaf, fraud or gross negligence by OrLeaf) JPM may remove OrLeaf as the managing member of Opal Geo. JPM, as the Class B Member of Opal Geo, has consent and approval rights with respect to certain items that are designated as major decisions for Opal Geo and the five power plants. In addition, by virtue of certain provisions in OrLeaf's own limited liability company agreement, and consistent with the ORPD LLC formation documents, Northleaf has similar consent and approval rights with respect to OrLeaf's determination of major decisions pertaining to the DAC 2 power plant. In both cases, these major decisions are generally equivalent to customary minority protection rights. As a result, the Company's wholly owned subsidiary, Ormat Nevada, which serves as the managing member of OrLeaf and as the managing member of ORPD LLC, will effectively retain the day-to-day control and management of Opal Geo and its portfolio of five power plants.

The LLC Agreement contains certain customary restrictions on transfer applicable to both OrLeaf and JPM with respect to their respective Membership Interests in Opal Geo, and also provides OrLeaf with a right of first offer in the event JPM desires to transfer any of its Class B Membership Interests, pursuant to which OrLeaf may purchase such Class B Membership Interests. The LLC Agreement also provides OrLeaf with the option to purchase all of the Class B Membership Interests on either December 31, 2022 or the date that is 9 years after the closing date under the Equity Contribution Agreement at a price equal to the greater of (i) the fair market value of the Class B Membership Interests as of the date of purchase (subject to certain adjustments) and (ii) $3 million.

Pursuant to the Equity Contribution Agreement, the Company has provided a guaranty for the benefit of JPM of certain of OrLeaf's indemnification obligations to JPM under the LLC Agreement. In addition, Ormat Nevada also provided a guaranty for the benefit of JPM of all present and future payment and performance obligations of OrLeaf under the LLC Agreement and each ancillary document to which OrLeaf is a party.

JPM's approximately $62.1 million capital contribution to Opal Geo was recorded as a $3.7 million allocation to noncontrolling interests and a $58.5 million allocation to liability associated with sale of tax benefits as described in Note 1. JPM also agreed to make deferred capital contributions to Opal Geo based on the amount of electricity generated by the DAC 2 and McGinness Hills Phase II power plants which are eligible for the federal PTC.

OPC TRANSACTION

In June 2007, Ormat Nevada entered into agreements with affiliates of Morgan Stanley & Co. Incorporated and Lehman Brothers Inc. (Morgan Stanley Geothermal LLC and Lehman-OPC LLC), under which those investors purchased, for cash, interests in a newly formed subsidiary of Ormat Nevada, OPC LLC ("OPC"), entitling the investors to certain tax benefits (such as PTCs and accelerated depreciation) and distributable cash associated with four geothermal power plants.

The first closing under the agreements occurred in 2007 and covered the Company's Desert Peak 2, Steamboat Hills, and Galena 2 power plants. The investors paid $71.8 million at the first closing. The second closing under the agreements occurred in 2008 and covered the Galena 3 power plant. The investors paid $63.0 million at the second closing.

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Ormat Nevada continued to operate and maintain the power plants. Under the agreements, Ormat Nevada initially received all of the distributable cash flow generated by the power plants, while the investors received substantially all of the production tax credits and taxable income or loss (together, the "Economic Benefits"). Once Ormat Nevada recovered the capital that it has invested in the power plants, which occurred in the fourth quarter of 2010, the investors received both the distributable cash flow and the Economic Benefits. The investors' return was limited by the term of the transaction. Once the investors reached a target after-tax yield on their investment in OPC (the "OPC Flip Date"), Ormat Nevada received 95% of both distributable cash and taxable income, on a going forward basis.

On October 30, 2009, Ormat Nevada acquired from Lehman-OPC LLC all of the Class B membership units of OPC held by Lehman-OPC pursuant to a right of first offer for a price of $18.5 million. A substantial portion of the initial sale of the Class B membership units by Ormat Nevada was accounted for as a financing transaction. As a result, the repurchase of these interests at a discount resulted in a pre-tax gain of $13.3 million in the year ended December 31, 2009. In addition, an amount of approximately $1.1 million has been reclassified from noncontrolling interest to additional paid-in capital representing the 1.5% residual interest of Lehman-OPC's Class B membership units.

On February 3, 2011, Ormat Nevada sold to JPM all of the Class B membership units of OPC for a sale price of $24.9 million in cash. The Company did not record any gain from the sale of its Class B membership interests in OPC to JPM. A substantial portion of the Class B membership units were accounted for as a financing transaction. As a result, the majority of these proceeds were recorded as a liability. In addition, $2.3 million was reclassified from additional paid-in capital to noncontrolling interest representing the 1.5% residual interest of JPM's Class B membership units.

On May 31, 2017, the Company's partners JPM and Morgan Stanley achieved their target after-tax yield on its investment in OPC and on October 31, 2017, Ormat Nevada purchased all of the Class B membership units in OPC from JPM and Morgan Stanley for $1.9 million. As a result, Ormat Nevada is now the sole owner of all of the economic and voting interests in OPC and continues to consolidate OPC in its financial statements. The purchase of Class B membership units of OPC was recorded in equity as a reduction of $6.5 million to Noncontrolling Interest with the surplus of $8.5 million charged to Additional Paid-in Capital.

ORTP TRANSACTION

In January 2013, Ormat Nevada entered into agreements with JP Morgan ("JPM") under which JPM purchased interests in a newly formed subsidiary of Ormat Nevada, ORTP, LLC ("ORTP"), entitling JPM to certain tax benefits (such as PTCs and accelerated depreciation) associated with certain geothermal power plants in California and Nevada.

Under the terms of the transaction, Ormat Nevada transferred the Heber complex, the Mammoth complex, the Ormesa complex, and the Steamboat 2 and 3, Burdette (Galena 1) and Brady power plants to ORTP, and sold class B membership units in ORTP to JPM. In connection with the closing, JPM paid approximately $35.7 million to Ormat Nevada and made additional payments to Ormat Nevada of 25% of the value of PTCs generated by the portfolio over time. The additional payments that were made until July 2017 totaled to approximately $7.9 million over time.

In March 2017, JPM achieved its target after-tax yield on its investment in ORTP and on July 10, 2017, Ormat Nevada purchased all of the Class B membership units in ORTP from JPM for $2.4 million. As a result, Ormat Nevada is now the sole owner of all of the economic and voting interests in ORTP and continues to consolidate ORTP in its financial statements. The purchase of Class B membership units of ORTP was recorded in equity as a reduction to Noncontrolling Interest of $7.0 million with the surplus of $ $2.9 million charged to Additional Paid-in Capital.

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NOTE 14 — ASSET RETIREMENT OBLIGATION

The following table presents a reconciliation of the beginning and ending aggregate carrying amount of asset retirement obligation for the years presented below:

	Year Ended December 31,	
	2017	2016
	(Dollars in thousands)	
Balance at beginning of year	$ 23,348	$ 20,856
Revision in estimated cash flows	1,888	303
Liabilities incurred	—	540
Accretion expense	1,874	1,649
Balance at end of year	$ 27,110	$ 23,348

NOTE 15 — STOCK-BASED COMPENSATION

The Company makes an estimate of expected forfeitures and recognizes compensation costs only for those stock-based awards expected to vest. As of December 31, 2017, the total future compensation cost related to unvested stock-based awards that are expected to vest is $7.7 million, which will be recognized over a weighted average period of 1.2 years.

During the years ended December 31, 2017, 2016 and 2015, the Company recorded compensation related to stock-based awards as follows:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands, except per share data)	
Cost of revenues	$ 3,369	$ 2,400	$ 1,753
Selling and marketing expenses	452	247	123
General and administrative expenses	4,939	2,510	2,079
Total stock-based compensation expense	8,760	5,157	3,955
Tax effect on stock-based compensation expense	604	617	440
Net effect of stock-based compensation expense	$ 8,156	$ 4,540	$ 3,515

During the fourth quarters of 2017, 2016 and 2015, the Company evaluated the trends in the stock-based award forfeiture rate and determined that the actual rates are 1.1%, 10.3% and 9.66%, respectively. This represents a decrease of 89.3%, and an increase of 7% and 20%, respectively, from prior estimates. As a result of the change in the estimated forfeiture rate, there was an immaterial impact on stock-based compensation expense for each of the respective periods.

Valuation assumptions

Prior to 2016, the fair value of each grant of stock-based awards was estimated using the Black-Scholes valuation model and the assumptions noted in the following table. The Company's expected term represented the period that the Company's stock-based awards were expected to be outstanding. In the absence of enough historical information, the expected term was determined using the simplified method giving consideration to the contractual term and vesting schedule. Starting in 2016, the Company estimated the fair value of the stock-based awards using the Exercise Multiple-Based Lattice Model as it enables a degree of accounting for the complexities of option valuation and reduces the probability of a measurement error. The dividend yield forecast is expected to be 20% of the Company's yearly net profit, which is equivalent to a 0.6% yearly weighted average dividend rate in the year ended December 31, 2017. The risk-free interest rate was based on the yield from U.S. constant treasury maturities bonds with an equivalent term. The forfeiture rate is based on trends in actual stock-based awards forfeitures.

The Company calculated the fair value of each stock-based award on the date of grant based on the following assumptions:

	Year Ended December 31,		
	2017	2016	2015
For stock options issued by the Company:			
Risk-free interest rates	1.9%	1.3%	1.4%
Expected lives (in weighted average years)	3.1	4.5	4.0
Dividend yield	0.62%	1.10%	0.70%
Expected volatility (weighted average)	27.2%	30.7%	29.2%
Forfeiture rate (weighted average)	0.0%	8.4%	0.0%

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Stock-based awards

The 2004 *Incentive Compensation Plan*

In 2004, the Company's Board of Directors adopted the 2004 Incentive Compensation Plan ("2004 Incentive Plan"), which provides for the grant of the following types of awards: incentive stock options, non-qualified stock options, restricted stock, stock appreciation rights ("SARs"), stock units, performance awards, phantom stock, incentive bonuses, and other possible related dividend equivalents to employees of the Company, directors and independent contractors. Under the 2004 Incentive Plan, a total of 3,750,000 shares of the Company's common stock have been reserved for issuance, all of which could be issued as options or as other forms of awards. Options and SARs granted to employees under the 2004 Incentive Plan cliff vest and are exercisable from the grant date as follows: 25% after 24 months, 25% after 36 months, and the remaining 50% after 48 months. Options granted to non-employee directors under the 2004 Incentive Plan cliff vest and are exercisable one year after the grant date. Vested shares may be exercised for up to ten years from the date of grant. The shares of common stock will be issued upon exercise of options or SARs from the Company's authorized share capital. The 2004 Incentive Plan expired in May 2012 upon adoption of the 2012 Incentive Plan, except as to share based awards outstanding on that date.

The 2012 *Incentive Compensation Plan*

In May 2012, the Company's shareholders adopted the 2012 Incentive Compensation Plan ("2012 Incentive Plan"), which provides for the grant of the following types of awards: incentive stock options, non-qualified stock options, restricted stock, SARs, stock units, performance awards, phantom stock, incentive bonuses, and other possible related dividend equivalents to employees of the Company, directors and independent contractors. Under the 2012 Incentive Plan, a total of 4,000,000 shares of the Company's common stock have been reserved for issuance, all of which could be issued as options or as other forms of awards. Options and SARs granted to employees under the 2012 Incentive Plan will vest and become exercisable as follows: 25% vest 24 months after the grant date, an additional 25% vest 36 months after the grant date, and the remaining 50% vest 48 months after the grant date. Options granted to non-employee directors under the 2012 Incentive Plan will vest and become exercisable one year after the grant date. Vested stock-based awards may be exercised for up to ten years from the date of grant. The shares of common stock will be issued upon exercise of options or SARs from the Company's authorized share capital.

The 2012 Incentive Plan empowers our Board of Directors, in its discretion, to amend the 2012 Incentive Plan in certain respects. Consistent with its authority to amend the Incentive Plan, in February 2014 the Board adopted and approved certain amendments to the 2012 Incentive Plan. The key amendments are as follows:

Increase of per grant limit: Section 15(a) of the 2012 Incentive Plan was amended to allow the grant of up to 400,000 shares of our common stock with respect to the initial grant of an equity award to newly hired executive officers in any calendar year. This amendment was adopted by our stockholders on May 31, 2014; and

Acceleration of vesting: Section 15(l) of the 2012 Incentive Plan was amended to clarify our ability to provide in the applicable award agreement that part and/or all of the award will be accelerated upon the occurrence of certain pre-determined events and/or conditions, such as a "change in control" (as defined in the 2012 Incentive Plan, as amended).

On February 11, 2014, the Company granted its Chief Financial Officer options to purchase 32,500 shares of common stock under the 2012 Incentive Plan. The exercise price of each option is $24.57, which represented the fair market value of the Company's common stock on the grant date. Such options will expire five years from the date of grant and will vest in equal annual installments over a period of three years from the grant date, subject to acceleration upon a change of control.

The fair value of each stock option on the grant date was $5.78. The Company calculated the fair value of each stock option on the date of grant using the Black-Scholes valuation model based on the following assumptions:

Risk-free interest rates	0.81%
Expected life (in years)	3.375
Dividend yield	0.80%
Expected volatility	33.50%
Forfeiture rate	0.00%

On April 2, 2014, the Company granted its newly appointed Chief Executive Officer options to purchase up to an aggregate of 400,000 shares of common stock under the 2012 Incentive Plan. The exercise price of each option is $29.52 per share, which represented the fair market value of the Company's common stock on the date of the grant. Options to purchase 300,000 shares of common stock will expire six years following the date of grant and will vest in equal annual installments over four years from the grant date, subject to acceleration in the event of a change of control. The remaining options to purchase 100,000 shares of common stock will vest on March 31, 2021, subject to acceleration associated with a change of control, and will expire seven and a half years from the date of grant.

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The fair value of each option on the grant date was $12.88 for grant of options to purchase 300,000 shares of common stock, and $8.33 for the grant of options to purchase 100,000 shares of common stock. The Company calculated the fair value of each stock option on the date of grant using the Black-Scholes valuation model based on the following assumptions:

	Grant of options to purchase 100,000 shares of common stock	Grant of options to purchase 300,000 shares of common stock
Risk-free interest rates	2.36%	1.64%
Expected life (in years)	7.25	4.75
Dividend yield	0.90%	0.90%
Expected volatility	42.80%	33.10%

On November 5, 2014, the Company granted its directors options to purchase 52,500 shares of common stock under the 2012 Incentive Plan. The exercise price of each option is $28.23, which represented the fair market value of the Company's common stock on the grant date. Such options will expire seven years from the date of grant and will fully vest one year from the grant date.

The fair value of each stock option on the grant date was $7.01. The Company calculated the fair value of each stock option on the date of grant using the Black-Scholes valuation model based on the following assumptions:

Risk-free interest rates	1.30%
Expected life (in years)	4.0
Dividend yield	0.70%
Expected volatility	32.40%
Forfeiture rate	0.00%

On November 3, 2015, the Company granted its directors options to purchase 45,000 shares of common stock under the 2012 Incentive Plan. The exercise price of each option is $38.24, which represented the fair market value of the Company's common stock on the grant date. Such options will expire seven years from the date of grant and will fully vest one year from the grant date.

The fair value of each stock option on the grant date was $8.68. The Company calculated the fair value of each stock option on the date of grant using the Black-Scholes valuation model based on the following assumptions:

Risk-free interest rates	1.35%
Expected life (in years)	4.0
Dividend yield	0.70%
Expected volatility	29.20%
Forfeiture rate	0.00%

On June 13, 2016, the Company granted its employees, an aggregate of 1,080,000 SARs under the Company's 2012 Incentive Plan. The exercise price of each SAR is $42.87, which represented the fair market value of the Company's common stock on the grant date. Such SARs will expire six years from the date of the grant and will vest over 4 years as follows: 50% after two years; an additional 25% after three years and the remaining 25% after four years from the grant date.

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The fair value of each SAR on the grant date was $11.98 for senior management and $11.42 for other employees. The Company calculated the fair value of each SAR on the grant date using the Exercise Multiple-Based Lattice SAR-Pricing model based on the following assumptions:

Risk-free interest rate	1.29%
Expected life (in years)	6
Dividend yield	1.14%
Expected volatility	30.7%
Forfeiture rate:	
Senior management	0.0%
Other employees	10.5%
Sub-Optimal Exercise Factor:	
Senior management	2.5
Other employees	2.0

On November 8, 2016, the Company granted its directors, an aggregate of 60,000 SARs under the Company's 2012 Incentive Plan. The exercise price of each SAR is $47.46, which represented the fair market value of the Company's common stock on the grant date. Such SARs will expire seven years from the date of the grant and will vest at the end of the first year from the grant date.

The fair value of each SAR on the grant date was $14.51. The Company calculated the fair value of each SAR on the grant date using the Exercise Multiple-Based Lattice SAR-Pricing model based on the following assumptions:

Risk-free interest rate	1.65%
Expected life (in years)	7
Dividend yield	1.1%
Expected volatility	30.6%
Forfeiture rate	0.0%
Sub-Optimal Exercise Factor	2.5

On June 7, 2017, the Company granted its employees, an aggregate of 23,200 SAR's under the Company's 2012 Incentive Plan. The exercise price of each SAR is $58.79, which represented the fair market value of the Company's common stock on the grant date. Such SARs will expire five years from the date of the grant. Such SARs will vest according to a vesting schedule as follows: 50% on the first anniversary of the grant date and 25% on each of the third and fourth anniversaries of the grant date.

The fair value of each SAR on the grant date was $13.67. The Company calculated the fair value of each SAR on the grant date using the Exercise Multiple-Based Lattice SAR-Pricing model based on the following assumptions:

Risk-free interest rate	1.74%
Expected life (in years)	5
Dividend yield	0.66%
Expected volatility	26.3%
Forfeiture rate	10.3%
Sub-Optimal Exercise Factor	2

On August 4, 2017, the Company granted its directors, an aggregate of 30,000 options under the Company's 2012 Incentive Plan. The exercise price of each option is $57.97, which represented the fair market value of the Company's common stock on the grant date. Such options will expire seven years from the date of the grant and will fully vest one year from the grant date.

The fair value of each option on the grant date was $18.42. The Company calculated the fair value of each option on the grant date using the Exercise Multiple-Based Lattice SAR-Pricing model based on the following assumptions:

Risk-free interest rate	2.08%
Expected life (in years)	7
Dividend yield	0.69%
Expected volatility	29.4%
Forfeiture rate	0.0%
Sub-Optimal Exercise Factor	2.5

On November 8, 2017, the Company granted its directors and members of its senior management an aggregate of 108,771 SARs and 22,742 Restricted Stock Units ("RSUs") under the Company's 2012 Incentive Plan. The exercise price of each SAR is $63.35, which represented the fair market value of the Company's common stock on the grant date. Such SARs and RSUs will expire in six years and will vest according to a vesting schedule as follows: for the directors, 100% on the first anniversary of the grant date and for members of senior management, 25% on each of the first, second, third and fourth anniversaries of the grant date.

The fair value of each SAR for the directors and members of senior management on the grant date was $17.6 and $17.7, respectively. The fair value of each RSU for the directors and members of senior management on the grant date was $62.9 and $62.3, respectively. The Company calculated the fair value of each SAR and RSU on the grant date using the Exercise Multiple-Based Lattice Pricing model based on the following assumptions:

Risk-free interest rate	2.1%
Expected life (in years)	6
Dividend yield	0.6%
Expected volatility	26.9%
Forfeiture rate	0.0%
Sub-Optimal Exercise Factor	2.5

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	Year Ended December 31,					
	2017		2016		2015	
	Shares (In thousands)	Weighted Average Exercise Price	Shares (In thousands)	Weighted Average Exercise Price	Shares (In thousands)	Weighted Average Exercise Price
Outstanding at beginning of year	2,565	$ 33.36	2,438	$ 25.38	4,477	$ 27.48
Granted, at fair value:						
Stock Options	30	57.97	1,155	43.01	45	38.24
SARs*	132	62.55	—	—	—	—
RSUs**	23	—				
Exercised	(1,181)	25.92	(967)	25.33	(1,589)	26.77
Forfeited	(21)	46.15	(57)	24.12	(125)	27.33
Expired	—	—	(4)	26.84	(370)	45.78
Outstanding at end of year	1,548	41.35	2,565	33.36	2,438	25.38
Options and SARs exercisable at end of year	431	32.61	557	25.22	858	26.75
Weighted-average fair value of options and SARs granted during the year		$ 22.82		$ 11.61		$ 8.68

* Upon exercise, SARs entitle the recipient to receive shares of common stock with a value equal to the increase in value of the award between the grant date and the exercise date.
** An RSU represents the right to receive one share of common stock once certain vesting conditions are met. The value of an RSU is identical to the value of the underlying stock.

As of December 31, 2017, 894,437 shares of the Company's common stock are available for future grants under the 2012 Incentive Plan. No shares of the Company's common stock are available for future grants under the 2004 Incentive Plan as of such date.

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The following table summarizes information about stock-based awards outstanding at December 31, 2017 (shares in thousands):

	Options Outstanding			Options Exercisable		
Exercise Price	Number of Stock-based Awards Outstanding	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value	Number of Stock-based Awards Exercisable	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
$ -	23	3.9	1,455	-	-	-
20.13	35	1.3	1,533	35	1.3	1,533
23.34	176	1.4	7,150	176	1.4	7,150
25.65	10	0.3	398	10	0.3	398
35.15	15	5.1	432	15	5.1	432
38.24	15	4.8	386	15	4.8	386
42.87	1,074	4.5	22,651	143	4.5	3,005
47.46	38	5.9	619	38	5.9	619
57.97	30	6.6	180	-	-	-
58.79	23	4.5	120	-	-	-
63.35	109	5.9	66	-	-	-
	1,548	4.2	$ 34,990	432	3.0	$ 13,523

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The following table summarizes information about stock-based awards outstanding at December 31, 2016 (shares in thousands):

	Options Outstanding			Options Exercisable		
Exercise Price	Number of Stock-based Awards Outstanding	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value	Number of Stock-based Awards Exercisable	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
$ 18.56	15	2.8	526	15	2.8	526
19.69	15	2.6	509	15	2.6	509
20.13	108	2.3	3,608	108	2.3	3,608
20.54	53	2.3	1,761	28	2.3	934
23.34	635	2.4	19,226	140	2.4	4,247
24.57	9	2.1	269	1	2.1	33
25.65	68	1.3	1,905	68	1.3	1,905
26.70	15	3.8	404	15	3.8	404
28.23	30	4.8	762	30	4.8	762
29.52	400	3.6	9,640	75	3.6	1,807
29.95	17	0.3	400	17	0.3	400
35.15	15	6.1	277	-	-	-
38.24	45	5.8	692	45	5.8	692
42.87	1,080	5.5	11,610	-	-	-
47.46	60	6.9	370	-	-	-
	2,565	4.1	$ 51,959	557	2.7	$ 15,827

The aggregate intrinsic value in the above tables represents the total pretax intrinsic value, based on the Company's stock price of $63.96 and $53.62 as of December 31, 2017 and 2016, respectively, which would have potentially been received by the stock-based award holders had all stock-based award holders exercised their stock-based award as of those dates. The total number of in-the-money stock-based awards exercisable as of December 31, 2017 and 2016 was 431,387 and 557,350, respectively.

The total pretax intrinsic value of options exercised during the year ended December 31, 2017 and 2016 was $38.9 million and $18.0 million, respectively, based on the average stock price of $58.82 and $43.99 during the years ended December 31, 2017 and 2016, respectively.

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NOTE 16 — POWER PURCHASE AGREEMENTS

Substantially all of the Company's electricity revenues are recognized pursuant to PPAs in the U.S. and in various foreign countries, including Kenya and Guatemala. These PPAs generally provide for the payment of energy payments or both energy and capacity payments through their respective terms which expire in varying periods from 2018 to 2043. Generally, capacity payments are calculated based on the amount of time that the power plants are available to generate electricity. The energy payments are calculated based on the amount of electrical energy delivered at a designated delivery point. The price terms are customary in the industry and include, among others, a fixed price, short-run avoided cost ("SRAC") (the incremental cost that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others), and a fixed price with an escalation clause that includes the value for environmental attributes, known as renewable energy credits. Certain of the PPAs provide for bonus payments in the event that the Company is able to exceed certain target levels and potential payments by the Company if it fails to meet minimum target levels. One PPA gives the power purchaser or its designee the right of first refusal to acquire the geothermal power plants at fair market value. Upon satisfaction of certain conditions specified in this PPA, and subject to receipt of requisite approvals and negotiations between the parties, the Company has the right to demand that the power purchaser acquire the power plant at fair market value. The Company's subsidiaries in Guatemala sell power at an agreed upon price subject to terms of a "take or pay" PPA.

Pursuant to the terms of certain of the PPAs, the Company may be required to make payments to the relevant power purchaser under certain conditions, such as shortfall in delivery of renewable energy and energy credits, and not meeting certain performance threshold requirements, as defined in the relevant PPA. The amount of payment required is dependent upon the level of shortfall in delivery or performance requirements and is recorded in the period the shortfall occurs. In addition, if the Company does not meet certain minimum performance requirements, the capacity of the power plant may be permanently reduced.

As discussed in Note 1, the Company assessed all PPAs agreed to, modified or acquired in business combinations on or after July 1, 2003, and evaluated whether such PPAs contained a lease element requiring lease accounting. Future lease revenues under PPAs which contain a lease element as of December 31, 2017 including the PPAs that provide for minimum production or performance guarantees are accounted for as contingent lease revenues as they are production-based payments and contingent on generation levels that are impacted by climatic variables that are inherently uncertain including geological conditions and ambient temperature.

The PPAs considered to be leases were also assessed for inclusion of embedded derivatives, which required that they be separately accounted for at fair value. However, none of such PPAs were determined to include embedded derivatives.

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NOTE 17 — INTEREST EXPENSE, NET

The components of interest expense are as follows:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Interest related to sale of tax benefits	$ 6,985	$ 9,349	$ 9,620
Interest expense	54,381	61,327	67,032
Less — amount capitalized	(7,224)	(3,287)	(4,075)
	$ 54,142	$ 67,389	$ 72,577

NOTE 18 — INCOME TAXES

U.S. and foreign components of income from continuing operations, before income taxes and equity in income (losses) of investees consisted of:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
U.S.	$ 13,680	$ (7,109)	$ (236)
Non-U.S. (foreign)	157,050	148,197	113,835
Total income from continuing operations, before income taxes and equity in losses of investees	$ 170,730	$ 141,088	$ 113,599

The components of the provision (benefit) for income taxes, net are as follows:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Current:			
Federal	$ 43,850	$ —	$ 51
State	108	(276)	252
Foreign	10,816	14,040	19,175
Total current income tax expense	$ 54,774	$ 13,764	$ 19,478
Deferred:			
Federal	(78,220)	—	—
State	(4,544)	—	—
Foreign	26,579	18,073	(34,736)
Total deferred tax benefit	(56,185)	18,073	(34,736)
Total provision (benefit) for income taxes	$ (1,411)	$ 31,837	$ (15,258)

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The significant components of the deferred income tax expense (benefit) are as follows:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Other deferred tax expense (exclusive of the effect of other components listed below)	$ 1,833	$ (1,105)	$ 541
Usage (benefit) of operating loss carryforwards - U.S.	73,049	(14,072)	(30,596)
Change in valuation allowance	(58,757)	16,411	(14,324)
Change in foreign valuation allowance	—	—	(49,701)
Change in foreign income tax	26,579	18,073	14,965
Change in lease transaction	—	—	(452)
Change in tax monetization transaction	(23,234)	48,000	16,386
Change in depreciation	129,408	(55,462)	28,370
Change in foreign tax credits	(86,206)	—	—
Change in withholding tax	14,400	—	—
Change in state and investment tax credits	(144)	—	—
Change in intangible drilling costs	(118,610)	10,227	10,335
Change in production tax credits and alternative minimum tax credit	(2,070)	(11,659)	610
Basis difference in partnership interests	(12,433)	7,660	(10,870)
	$ (56,185)	$ 18,073	$ (34,736)

Reconciliation of the U.S. federal statutory tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,		
	2017	2016	2015
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Impact of federal tax reform	(13.2)	-	-
Transition tax inclusion	42.1	-	-
Foreign tax credits	(50.4)	-	-
Tax basis adjustment	(4.7)	-	-
Withholding tax	34.1	-	-
Valuation allowance - U.S.	(30.3)	11.1	(1.4)
Valuation allowance - foreign	-	-	(43.8)
State income tax, net of federal benefit	(2.2)	(0.2)	0.6
Effect of foreign income tax, net	(10.3)	(14.1)	(5.1)
Production tax credits	(1.2)	(8.3)	(0.1)
Subpart F income	1.7	0.3	1.3
Other, net	(1.4)	(1.3)	-
Effective tax rate	(0.8%)	22.5%	(13.5%)

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The net deferred tax assets and liabilities consist of the following:

	December 31,	
	2017	2016
	(Dollars in thousands)	
Deferred tax assets (liabilities):		
Net foreign deferred taxes, primarily depreciation	$ (61,961)	$ (35,382)
Depreciation	(65,312)	148,419
Intangible drilling costs	12,934	(112,762)
Net capital loss carryforward - U.S.	44,619	117,924
Tax monetization transaction	(6,465)	(105,789)
State and Investment tax credits	813	1,341
Production tax credits	85,193	82,451
Foreign tax credits	86,206	-
Withholding tax	(14,400)	-
Stock options amortization	1,166	3,241
Basis difference in partnership interest	(14,731)	(24,462)
Accrued liabilities and other	2,931	(752)
	70,993	74,229
Less - valuation allowance	(50,858)	(109,611)
Total	$ 20,135	$ (35,382)

The following table presents a reconciliation of the beginning and ending valuation allowance:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Balance at beginning of the year	$ 109,611	$ 70,536	$ 111,280
Additions to valuation allowance	46,560	39,075	-
Release of valuation allowance	(105,313)	-	(40,744)
Balance at end of the year	$ 50,858	$ 109,611	$ 70,536

At December 31, 2017, the Company had U.S. federal net operating loss ("NOL") carryforwards of approximately $145.0 million and state NOL carryforwards of approximately $222.2 million, available to reduce future taxable income, which expire between 2029 and 2037 for federal NOLs and between 2018 and 2037 for state NOLs. The state tax credits in the amount of $0.8 million at December 31, 2017 are available for an indefinite period. The PTCs in the amount of $85.2 million at December 31, 2017 are available for a 20-year period and expire between 2026 and 2037. The Foreign Tax Credits ("FTCs") in the amount of $86.2 million at December 31, 2017 are available for a 10-year period and begin to expire in 2027.

The Company has recorded notable deferred tax assets for net operating losses, foreign tax credits, and production tax credits. Realization of the deferred tax assets and tax credits is dependent on generating sufficient taxable income in appropriate jurisdictions prior to expiration of the NOL carryforwards and tax credits. Based upon available evidence of the Company's ability to generate additional taxable income in the future and historical losses in prior years, a valuation allowance in the amount of $50.9 million and $109.6 million is recorded against the U.S. deferred tax assets as of December 31, 2017 and 2016, respectively, as it is more likely than not that the deferred tax assets will not be realized. The decrease in the valuation allowance of $58.7 million is based upon new available evidence of the Company's ability to generate additional taxable income in the U.S. due to the closing of the SCPPA portfolio and the taxable income impacts of the recently enacted Tax Act, discussed further below. The Company is maintaining a valuation allowance of $50.9 million against a portion of the U.S. foreign tax credits, production tax credits, state tax credits and state NOLs that are expected to expire before they can be utilized in future periods.

In October 2016, the FASB issued Accounting Standards Update 2016-16, Income Taxes on Intercompany Transfers (ASU 2016- 16), effective in fiscal years beginning after December 15, 2017, for public companies. In general, the new guidance requires a reporting entity to recognize the tax expense from intra-entity transfers of assets other than inventory in the selling entity's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buying entity's jurisdiction would also be recognized at the time of the transfer. For additional information on the new accounting standard related to tax effects associated with intercompany transfers of assets please see "New accounting pronouncements effective in future periods" in Note 1 to our consolidated financial statements set forth in Item 8 of this annual report.

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The following table presents the deferred taxes on the balance sheet as of the dates indicated:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Non-current deferred tax assets	$ 107,605	$ —	$ —
Non-current deferred tax liabilities	(87,470)	(35,382)	(32,654)
Total Non-current deferred tax assets, net	20,135	(35,382)	(32,654)
Uncertain tax benefit offset [1]	(95)	—	—
	$ 20,040	$ (35,382)	$ (32,654)

(1) The non-current deferred tax asset has been reduced by the uncertain tax benefit of $0.1 million in accordance with ASU 2013-11, Income Taxes.

During 2017, the Company changed its intention to reinvest certain undistributed earnings of Ormat Systems Ltd., a wholly owned subsidiary in Israel. The decision was made to distribute $396.0 million, of which $300.0 million was received in December 2017 and the remaining $96.0 million is expected to be received during 2018. The Company recorded the tax impact of this change in the income tax provision, notable a withholding tax of approximately $58.3 million. The Company recorded a foreign tax credit deferred tax asset for the withholding tax and an associated valuation allowance based on the Company's ability to utilize foreign tax credits in the U.S. prior to the expiration period.

The total amount of undistributed earnings of all other foreign subsidiaries for income tax purposes was approximately $401 million at December 31, 2017. It is the Company's intention to reinvest undistributed earnings of its foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for foreign withholding taxes which may become payable if undistributed earnings of foreign subsidiaries were paid as dividends to the Company. The U.S. tax associated with the undistributed earnings were included as part of the Transition Tax. The additional taxes on that portion of undistributed earnings which is available for dividends are not practicably determinable.

Uncertain tax positions

We are subject to income taxes in the U.S. (federal and state) and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which additional taxes will be due. These reserves are established when we believe that certain positions might be challenged despite. We adjust these reserves in light of changing facts and circumstances, such as the outcome of tax audits. The provision for income taxes includes the impact of reserve positions and changes to reserves that are considered probable.

At December 31, 2017 and 2016, there are $9.0 million and $5.7 million of unrecognized tax benefits that if recognized would affect the annual effective tax rate. Interest and penalties assessed by taxing authorities on an underpayment of income taxes are included as a component of income tax provision in the consolidated statements of operations and comprehensive income.

A reconciliation of our unrecognized tax benefits is as follows:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Balance at beginning of year	$ 5,738	$ 10,385	$ 7,511
Additions based on tax positions taken in prior years	798	675	(198)
Additions based on tax positions taken in the current year	2,367	1,059	4,386
Reduction based on tax positions taken in prior years	(13)	(6,381)	(1,314)
Balance at end of year	$ 8,890	$ 5,738	$ 10,385

The Company and its U.S. subsidiaries file consolidated income tax returns for federal and state purposes. As of December 31, 2017, the Company has not been subject to U.S. federal or state income tax examinations. The Company remains open to examination by the Internal Revenue Service for the years 2000-2017 and by local state jurisdictions for the years 2002-2017. These examinations may lead to ordinary course adjustments or proposed adjustments to our taxes or our net operating losses with respect to years under examination as well as subsequent periods.

The reduction of $0.0 million, $6.4 million and $1.3 million in 2017, 2016 and 2015, respectively, was due to the statute of limitations expiration on certain tax positions as well as Ormat System's tax settlement as detailed below.

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The Company's foreign subsidiaries remain open to examination by the local income tax authorities in the following countries for the years indicated:

Israel	2015 — 2017
Kenya	2012 — 2017
Guatemala	2013 — 2017
Honduras	2012 — 2017
Guadeloupe	2015 — 2017
Philippines	2010 — 2017
New Zealand	2012 — 2017

Management believes that the liability for unrecognized tax benefits is adequate for all open tax years based on its assessment of many factors, including among others, past experience and interpretations of local income tax regulations. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. As a result, it is possible that federal, state and foreign tax examinations will result in assessments in future periods. To the extent any such assessments occur, the Company will adjust its liability for unrecognized tax benefits.

Tax benefits in the U.S.

The U.S. government encourages production of electricity from geothermal resources through certain tax subsidies under the ARRA which has been extended by the Consolidated Appropriations Act, 2016 (CAA). On February 9, 2018 the Bipartisan Budget Act of 2018 was enacted extending the production tax credit (PTC) and investment tax credit (ITC) in lieu of PTCs for geothermal projects that begin construction before 2018. Geothermal projects that begin construction before 2018 and meet certain other "begun construction" rules qualify for 2.4 cents per kilowatt hour of PTCs for their first 10-years of operations; alternatively, the owner of the project may elect a 30% ITC in lieu of PTCs. For projects that do not satisfy the begun construction rules, the ITC is reduced to 10%. The owner of the power plant must choose between the PTC and the 30% ITC described above. In either case, under current tax rules for tax credits generated before January 1, 2018, any unused tax credit has a 1-year carry back and a 20-year carry forward. Whether the Company claims the PTC or the ITC, for assets acquired and placed in service after September 27, 2017, the Company is permitted to fully expense the cost of qualified property ("bonus depreciation"). In later years, the first-year bonus depreciation deduction phases down, as follows:

- 80% for property placed in service after Dec. 31, 2022 and before Jan. 1, 2024.
- 60% for property placed in service after Dec. 31, 2023 and before Jan. 1, 2025.
- 40% for property placed in service after Dec. 31, 2024 and before Jan. 1, 2026.
- 20% for property placed in service after Dec. 31, 2025 and before Jan. 1, 2027.

The Company could also elect in lieu of bonus deprecation to depreciate most of the plant for tax purposes over five years on an accelerated basis, meaning that more of the cost may be deducted in the first few years than during the remainder of the depreciation period.

If the Company claims the ITC, the Company's "tax base" in the plant that it can recover through bonus or accelerated depreciation (if elected) must be reduced by half of the ITC. If the Company claims the PTC, there is no reduction in the tax basis for depreciation. Companies that place qualifying renewable energy facilities in service, during 2010, 2011, or 2012, or that begin construction of qualifying renewable energy facilities during 2013, 2014, 2015, or 2016 and place them in service by December 31, 2017, may choose to apply for a cash grant from the U.S. Department of the Treasury ("U.S. Treasury") in an amount equal to the ITC. Likewise, the tax base for depreciation will be reduced by 50% of the cash grant received. Under the ARRA revised by the CAA, the U.S. Treasury is instructed to pay the cash grant within 60 governmental business days of the application or the date on which the qualifying facility is placed in service.

Income taxes related to foreign operations

Guatemala — The enacted tax rate is 25%. Orzunil, a wholly owned subsidiary, was granted a benefit under a law which promotes development of renewable power sources. The law allows Orzunil to reduce the investment made in its geothermal power plant from income tax payable, which reduces the effective tax rate to zero. Ortitlan, another wholly owned subsidiary, was granted a tax exemption for a period of ten years ending August 2017. Starting August 2017, Ortitlan pays income tax of 7% on its Electricity revenues. The effect of the tax exemption in the years ended December 31, 2017, 2016, and 2015 is $2.6 million, $3.3 million, and $3.6 million, respectively ($0.05, $0.07, and $0.08 per share of common stock, respectively).

Israel — The Company's operations in Israel through its wholly owned Israeli subsidiary, Ormat Systems Ltd. ("Ormat Systems"), are taxed at the regular corporate tax rate of 26.5% in 2015, 25% in 2016, 24% in 2017 and 23% in 2018 and thereafter. Ormat Systems received "Benefited Enterprise" status under Israel's Law for Encouragement of Capital Investments, 1959 (the "Investment Law"), with respect to two of its investment programs. In January 2011, new legislation amending the Investment Law was enacted. Under the new legislation, a uniform rate of corporate tax would apply to all qualified income of certain industrial companies, as opposed to the current law's incentives that are limited to income from a "Benefited Enterprise" during their benefits period. According to the amendment, the uniform tax rate applicable to the zone where the production facilities of Ormat Systems are located would be 16% in 2014 and thereafter. Ormat Systems decided to irrevocably comply with the new law starting in 2011.

In the event of distribution of a cash dividend out of retained earnings which were tax exempt due to prior benefits, Ormat Systems would have to pay tax in respect of the amount distributed. Since the exemptions are contingent upon nondistribution of dividends and since upon liquidation the Company will have to pay a 25% tax on exempt income, Ormat Systems recorded deferred tax liability at the rate of 25% in respect of the tax exempt income in 2004-2008. In the event that Ormat Systems fails to comply with the program terms, the tax benefits may be canceled and it may be required to refund the amount of the benefits utilized, in whole or in part, with the addition of linkage differences and interest.

Ormat Systems tax assessment for fiscal years 2010-2014 was finalized and settled in January 2017. The settlement resulted in no impact to income statement due to release of the related uncertain tax position liability.

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Kenya - The Company's operations in Kenya are taxed at the rate of 37.5%. On September 11, 2015, Kenya's Income Tax Act was amended pursuant to certain provisions of the recently adopted Finance Act, 2015. Among other matters, these amendments retain the enhanced investment deduction of 150% under Section 17B of the Income Tax Act, extend the period for deduction of tax losses from 5 years to 10 years under Sections 15(4) and 15(5) of the Income Tax Act, and amend the effective date from January 1, 2016 to January 1, 2015 under Sections 15(4) and 15(5) of the Income Tax Act. Previously, the Company had a valuation allowance for the additional 50% investment deduction reducing its deferred tax asset in Kenya as the utilization of the related tax losses was not probable within the original five year carryforward period. As a result of the change in legislation and the expected continued profitability during the extended carryforward period, the Company expects that it will be able to fully utilize the carryforward tax losses within the ten year period and as such released the valuation allowance in Kenya resulting in a $49.4 million of tax benefits in the year ended December 31, 2015.

During the fourth quarter of 2016, the Company determined that its income statement tax provision and deferred tax liabilities in Kenya in prior periods were overstated by approximately $4.7 million as a result of misstatements in the determination of the exchange rate impact used in the calculation of taxable income at its Kenya operations, which principally related to fiscal years prior to 2015. The Company recorded an adjustment to reduce income tax expense and deferred tax liabilities by $4.7 million in the fourth quarter of 2016 to correct this misstatement.

As previously reported by the Company, the Kenya Revenue Authority ("KRA") conducted an audit related to the Company's operations in Kenya for fiscal years 2012 and 2013. On June 20, 2017, the Company has signed a Settlement Agreement with the KRA under which it paid approximately $2.6 million in principal for full settlement of all claims raised by the KRA during the audit. The principal amount that was paid in June 2017 was recorded as an addition to the cost of the power plants and is qualified for investment deduction at 150% under the terms of the settlement agreement. Additionally, as per the Settlement Agreement, the Company submitted a request for waiver on the applied interest in the amount of approximately $1.2 million, for which the Company recorded a provision to cover such a potential exposure.

Guadeloupe - The Company's operations in Guadeloupe are taxed at a rate of 34.43% in 2017, a rate of 28% up to a taxable income of €0.5 million and 33.3% on taxable income exceeding €0.5 million in 2018, a rate of 28% up to taxable income of €0.5 million and 31% on taxable income higher than €0.5 million in 2019, a rate of 28% in 2020, 26.5% in 2021 and 25% in 2022.

Honduras - The Company's operations in Honduras are exempt from income taxes for the first ten years starting at the commercial operation date of the power plant.

Other significant foreign countries — The Company's operations in New Zealand are taxed at the rate of 28% in 2015, 2014 and 2013.

Income taxes related to U.S. tax legislation commonly referred to as the Tax Cuts and Jobs Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) requiring companies to include in taxable income a one-time tax on certain repatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) a new provision designed to tax global intangible low-taxed income (GILTI); (5) eliminating the corporate alternative minimum tax (AMT) and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax (BEAT), a new minimum tax; (7) creating a new limitation on deductible interest expense; and (8) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

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The SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provision of the tax laws that were in effect immediately before the enactment of the Tax Act.

Our accounting for the following elements of the Tax Act is incomplete and the Company may materially adjust these amounts for related administrative guidance, notices, implementing regulations, potential legislative amendments and interpretations as the new tax law evolves. However, we are able to make reasonable estimates of certain effects and, therefore, recorded provisional adjustments as follows:

Reduction in U.S. federal corporate tax rate: The Tax Act reduces the corporate tax rate of 35 percent to 21 percent, effective January 1, 2018. Consequently, we have recorded a provision increase related to deferred taxes of $22.6 million with a corresponding net adjustment to deferred income tax benefit for the year ended December 31, 2018. While we are able to make a reasonable estimate of the impact of the reduction in corporate rate, it may be affected by other analyses related to the Tax Act, including, but not limited to, our calculation of deemed repatriation of deferred foreign income and the state tax effect of adjustments made to federal temporary differences.

Deemed Repatriation Transition Tax: The Deemed Repatriation Tax (Transition Tax) is a one-time tax on previously untaxed accumulated and current earnings and profits (E&P) of certain foreign subsidiaries. To determine the amount of the Transition Tax, we must determine, in addition to other factors, the amount of post-1986 E&P of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. We are able to make a reasonable estimate of the Transition Tax and recorded a provisional Transition Tax income inclusion of $71.9 million. The Company has sufficient NOLs to offset such tax inclusions to taxable income, therefore there is no resulting obligation due for such amount. We are continuing to gather additional information to refine the amount computed for Transition Tax.

Global intangible low taxed income (GILTI): The Tax Act creates a new requirement that certain income (i.e. GILTI) earned by controlled foreign corporations (CFCs) must be included currently in gross income of the CFC's U.S. Shareholder. GILTI is the excess of the shareholder's "net CFC tested income" over the net deemed tangible income return, which is currently defined as the excess of (1) 10 percent of the aggregate of the U.S. shareholder's pro rata share of the qualified business asset investment of each CFC with respect to which it is a U.S. shareholder over (2) the amount of certain interest expense taken into account in the determination of net CFC-texted income.

Because of the complexity of the new GILTI rules, we are continuing to evaluate this provision of the Tax Act and the application of ASC 740. As discussed further below, for valuation allowance purposes, GILTI inclusions were determined using estimates of book income, but the Company will calculate the impact of GILTI as a period cost.

Valuation Allowance: The Company must assess whether its valuation allowance analyses are affected by various aspects of the Tax Act (e.g. deemed repatriation of deferred foreign income, GILTI inclusions, new categories of FTCs, interest expense limitations). Since, as discussed herein, the Company has recorded provisional amounts related to certain portions of the Tax Act, any corresponding determination of the need for or change in a valuation allowance is provisional.

Uncertain Tax Positions: The Company must assess whether its uncertain tax positions analyses are affected by various aspects of the Tax Act (e.g. deemed repatriation of deferred foreign income, GILTI inclusions, new categories of FTCs, interest expense limitations). Since, as discussed herein, the Company has recorded provisional amounts related to certain portions of the Tax Act, any corresponding determination of the need for or change in an uncertain tax position is provisional.

NOTE 19 — BUSINESS SEGMENTS

The Company has two reporting segments: the Electricity and Product segments. These segments are managed and reported separately as each offers different products and serves different markets. The Electricity segment is engaged in the sale of electricity from the Company's power plants pursuant to PPAs. The Product segment is engaged in the manufacture, including design and development, of turbines and power units for the supply of electrical energy and in the associated construction of power plants utilizing the power units manufactured by the Company to supply energy from geothermal fields and other alternative energy sources. Transfer prices between the operating segments were determined on current market values or cost plus markup of the seller's business segment.

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Summarized financial information concerning the Company's reportable segments is shown in the following tables:

	Electricity	Product	Consolidated
		(Dollars in thousands)	
Year Ended December 31, 2017:			
Net revenues from external customers	$ 468,329	$ 224,483	$ 692,812
Intersegment revenues	—	109,040	109,040
Depreciation and amortization expense	111,676	3,470	115,146
Operating income	154,475	50,543	205,018
Segment assets at period end (*) (1)	2,470,949	115,713	2,586,662
Expenditures for long-lived assets	252,581	6,653	259,234
* Including unconsolidated investments	—	34,084	34,084
Year Ended December 31, 2016:			
Net revenues from external customers	$ 436,292	$ 226,299	$ 662,591
Intersegment revenues	—	56,075	56,075
Depreciation and amortization expense	102,698	3,279	105,977
Operating income	126,828	75,054	201,882
Segment assets at period end (1)	2,204,444	257,125	2,461,569
Expenditures for long-lived assets	147,211	4,719	151,930
Year Ended December 31, 2015 :			
Net revenues from external customers	$ 375,920	$ 218,724	$ 594,644
Intersegment revenues	—	48,559	48,559
Depreciation and amortization expense	103,892	3,314	107,206
Operating income	99,345	64,716	164,061
Segment assets at period end	2,044,346	229,636	2,273,982
Expenditures for long-lived assets	149,666	2,784	152,450

(1) Electricity segment assets include goodwill in the amount of $21.0 million and $6.7 million as of December 31, 2017 and 2016, respectively.

Reconciling information between reportable segments and the Company's consolidated totals is shown in the following table:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Revenues:			
Total segment revenues	$ 692,812	$ 662,591	$ 594,644
Intersegment revenues	109,040	56,075	48,559
Elimination of intersegment revenues	(109,040)	(56,075)	(48,559)
Total consolidated revenues	$ 692,812	$ 662,591	$ 594,644
Operating income:			
Operating income	$ 205,018	$ 201,882	$ 164,061
Interest income	988	971	297
Interest expense, net	(54,142)	(67,389)	(72,577)
Foreign currency translation and transaction losses	2,654	(5,534)	(1,622)
Income attributable to sale of equity interest	17,878	16,503	25,431
Other non-operating income, net	(1,666)	(5,345)	(1,991)
Total consolidated income before income taxes and equity in income of investees	$ 170,730	$ 141,088	$ 113,599

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The Company sells electricity and products for power plants and others, mainly to the geographical areas according to location of the customers, as detailed below. The following tables present certain data by geographic area:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Revenues from external customers attributable to: [1]			
United States	$ 301,132	$ 307,025	$ 286,509
Indonesia	28,968	100,856	93,191
Kenya	110,243	109,270	86,545
Turkey	125,166	46,270	57,356
Chile	8,895	58,032	34,478
Guatemala	27,991	30,086	27,897
New Zealand	33,395	—	—
Other foreign countries	57,022	11,052	8,668
Consolidated total	$ 692,812	$ 662,591	$ 594,644

[1]Revenues as reported in the geographic area in which they originate.

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Long-lived assets (primarily power plants and related assets) located in:			
United States	$ 1,510,986	$ 1,414,523	$ 1,374,465
Kenya	340,970	327,157	375,257
Other foreign countries	281,333	199,559	107,407
Consolidated total	$ 2,133,289	$ 1,941,239	$ 1,857,129

The following table presents revenues from major customers:

	Year Ended December 31,					
	2017		2016		2015	
	Revenues (Dollars in thousands)	%	Revenues (Dollars in thousands)	%	Revenues (Dollars in thousands)	%
Southern California Edison [1]	$ 29,714	4.3	$ 33,552	5.1	$ 56,026	9.4
Southern California Public Power Authority [1]	70,100	10.1	67,566	10.2	30,947	5.2
Sierra Pacific Power Company and Nevada Power Company [1][2]	125,424	18.1	127,226	19.2	115,876	19.5
Hyundai ([3])	28,968	4.2	100,856	15.2	93,131	15.7
KPLC [1]	110,243	15.9	109,270	16.5	86,545	14.6

[1]Revenues reported in Electricity segment.
[2]Subsidiaries of NV Energy, Inc.
[3]Revenues related to the Sarulla project that are reported in Product segment.

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NOTE 20 — TRANSACTIONS WITH RELATED ENTITIES

Transactions between the Company and related entities, other than those disclosed elsewhere in these financial are summarized below:

	Year Ended December 31,		
	2017	2016	2015
		(Dollars in thousands)	
Property rental fee expense paid to the Parent	$ —	$ —	$ 303
Corporate financial, administrative, executive services, and research and development services provided to the Parent	$ —	$ —	$ 148
Services rendered by an indirect shareholder of the Parent	$ —	$ —	$ 15

Restructuring with the Parent

On February 5, 2015, the Tel Aviv Stock Exchange (“TASE”) approved the listing of the Company’s common stock on the TASE. On February 10, 2015, the Company's common stock was successfully listed on the TASE. The TASE also confirmed that the Company will be included in the TA-25 Index, which is the TASE flagship index that tracks the share prices of the 25 companies with the highest market capitalization on the exchange. The Company will remain subject to the rules and regulations of the New York Stock Exchange (“NYSE”) and of the U.S. Securities and Exchange Commission (“SEC”). Under the local regime for dual listing, the Company will use the same periodic reports, financial and other relevant disclosure information that the Company submits to the SEC and NYSE.

On February 12, 2015, the Company completed the share exchange transaction with its then-Parent entity, Ormat Industries Ltd. ("OIL" or "Parent") following which, the Company became a noncontrolled public company and its public float increased from approximately 40% to approximately 76% of its total shares outstanding. Under the terms of the share exchange, OIL shareholders received 0.2592 shares in the Company for each share in OIL, or an aggregate of approximately 30.2 million shares, reflecting a net issuance of approximately 3.0 million shares (after deducting the 27.2 million shares that OIL held in the Company). Consequently, the number of total shares of the Company outstanding increased from approximately 45.5 million shares to approximately 48.5 million shares as of the closing of the share exchange.

In exchange, the Company also received $15.4 million in cash, $0.6 million in other assets and $12.1 million in land and buildings and assumed $0.5 million in liabilities. OIL's principal business purpose was to hold its interest in the Company and the transaction resulted in a transfer of non-material assets from OIL to the Company. Therefore, there was no change in the reporting entity as a result of the transaction and the Company recognized the transfer of net assets at their carrying value as presented in OIL's financial statements. Any activities of OIL will be accounted for prospectively by the Company

Corporate and administrative services agreement with the Parent

Ormat Systems and the Parent had agreements whereby Ormat Systems provided to the Parent, for a monthly fee of $10,000 (adjusted annually, in part based on changes in the Israeli Consumer Price Index), certain corporate administrative services, including the services of executive officers. In addition, Ormat Systems agreed to provide the Parent with services of certain skilled engineers and other research and development employees at Ormat Systems’ cost plus 10%.

Lease agreements with the Parent

Ormat Systems had a rental agreement with the Parent entered into in July 2004 for the sublease of office and manufacturing facilities in Yavne, Israel, for a monthly rent of $52,000, adjusted annually for changes in the Israeli Consumer Price Index, plus taxes and other costs to maintain the properties.

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Effective April 1, 2009, Ormat Systems entered into an additional rental agreement with the Parent for the sublease of additional manufacturing facilities adjacent to the current manufacturing facilities in Yavne, Israel. The term of the additional rent agreement was to expire on the same day as the abovementioned lease agreement entered into in July 2004. Pursuant to the additional lease agreement, Ormat Systems paid a monthly rent of $77,000, adjusted annually for changes in the Israeli Consumer Price Index, plus tax and other costs to maintain the properties.

As of February 12, 2015, the above-mentioned agreements are no longer effective as a result of the restructuring transaction described above.

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NOTE 21 — EMPLOYEE BENEFIT PLAN

401(k) Plan

The Company has a 401(k) Plan (the "Plan") for the benefit of its U.S. employees. Employees of the Company and its U.S. subsidiaries who have completed one year of service or who had one year of service upon establishment of the Plan are eligible to participate in the Plan. Contributions are made by employees through pretax deductions up to 60% of their annual salary. In 2017, 2016 and 2015, contributions made by the Company were matched up to a maximum of 4%, 3% and 2% of the employee's annual salary, respectively. The Company's contributions to the Plan were $1.4 million, $1.0 million, and $0.6 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Severance plan

The Company, through Ormat Systems, provides limited non-pension benefits to all current employees in Israel who are entitled to benefits in the event of termination or retirement in accordance with the Israeli Government sponsored programs. These plans generally obligate the Company to pay one month's salary per year of service to employees in the event of involuntary termination. There is no limit on the number of years of service in the calculation of the benefit obligation. The liabilities for these plans are recorded at each balance sheet date by determining the undiscounted obligation as if it were payable at that point in time. Such liabilities have been presented in the consolidated balance sheets as "liabilities for severance pay". The Company has an obligation to partially fund the liabilities through regular deposits in pension funds and severance pay funds. The amounts funded amounted to $13.9 million and $12.8 million at December 31, 2017 and 2016, respectively, and have been presented in the consolidated balance sheets as part of "deposits and other". The severance pay liability covered by the pension funds is not reflected in the financial statements as the severance pay risks have been irrevocably transferred to the pension funds. Under the Israeli severance pay law, restricted funds may not be withdrawn or pledged until the respective severance pay obligations have been met. As allowed under the program, earnings from the investment are used to offset severance pay costs. Severance pay expenses for the years ended December 31, 2017, 2016, and 2015 were $3.2 million, $2.3 million, and $2.5 million, respectively, which are net of income (including loss) amounting to $1.8 million, $0.3 million, and $0.1 million, respectively, generated from the regular deposits and amounts accrued in severance funds.

The Company expects to pay the following future benefits to its employees upon their reaching normal retirement age:

	(Dollars in thousands)
Year ending December 31:	
2018	$ 4,258
2019	1,803
2020	1,242
2021	1,418
2022	2,112
2023-2027	4,338
	$ 15,171

The above amounts were determined based on the employees' current salary rates and the number of years' service that will have been accumulated at their retirement date. These amounts do not include amounts that might be paid to employees that will cease working with the Company before reaching their normal retirement age.

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NOTE 22 — COMMITMENTS AND CONTINGENCIES

Geothermal resources

The Company, through its project subsidiaries in the U.S., controls certain rights to geothermal fluids through certain leases with the Bureau of Land Management ("BLM") or through private leases. Royalties on the utilization of the geothermal resources are computed and paid to the lessors as defined in the respective agreements. Royalty expense under the geothermal resource agreements were $19.4 million, $17.1 million, and $15.4 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Letters of credit

In the ordinary course of business with customers, vendors, and lenders, the Company is contingently liable for performance under letters of credit totaling $277.7 million at December 31, 2017. Management does not expect any material losses to result from these letters of credit because performance is not expected to be required, and, therefore, is of the opinion that the fair value of these instruments is zero.

Purchase commitments

The Company purchases raw materials for inventories, construction-in-process and services from a variety of vendors. During the normal course of business, in order to manage manufacturing lead times and help assure adequate supply, the Company enters into agreements with contract manufacturers and suppliers that either allow them to procure goods and services based upon specifications defined by the Company, or that establish parameters defining the Company's requirements.

At December 31, 2017, total obligations related to such supplier agreements were approximately $113.4 million (out of which approximately $54.2 million relate to construction-in-process). All such obligations are payable in 2018.

Grants and royalties

The Company, through Ormat Systems, had historically, through December 31, 2003, requested and received grants for research and development from the Office of the Chief Scientist of the Israeli Government. Ormat Systems is required to pay royalties to the Israeli Government at a rate of 3.5% to 5.0% of the revenues derived from products and services developed using these grants. No royalties were paid for the years ended December 31, 2017, 2016, and 2015. The Company is not liable for royalties if the Company does not sell such products and services. Such royalties are capped at the amount of the grants received plus interest at LIBOR. The cap at December 31, 2017 and 2016, amounted to $1.9 million and $1.8 million, respectively, of which approximately $0.9 million and $0.8 million, respectively, represents interest based on the LIBOR rate, as defined above.

Lease commitments

At December 31, 2017, 2016 and 2015, total lease expenses for leasing of land, building and equipment outside of the Puna lease (separately described in Note 12) amounted to $0.5 million, $0.4 million and $0.4 million respectively. The related future minimum lease payments are immaterial for each year.

In 2015, the Company entered into a lease transaction for a fleet of vehicles. The lease transaction was classified as a capital lease and the leased vehicles were classified under Property, Plant and Equipment in total amount of $7.6 million, representing vehicles that were received during 2015, 2016 and 2017. The terms of the lease are monthly payments in equal installments over 5 years. The related future minimum lease payments are immaterial for each year.

Contingencies

- Jon Olson and Hilary Wilt, together with Puna Pono Alliance filed a complaint on February 17, 2015 in the Third Circuit Court for the State of Hawaii, requesting declaratory and injunctive relief requiring that Puna Geothermal Venture comply with an ordinance that the plaintiffs allege will prohibit PGV from engaging in night drilling operations at its KS-16 well site. On May 17, 2015, the original complaint was amended to add the County of Hawaii and the State of Hawaii Department of Land and Natural Resources as defendants to the case. On October 10, 2016, the court issued its decision in response to each of the plaintiffs' and defendants' motions for summary judgment, denying plaintiffs' motion and granting defendant PGV's and the County of Hawaii's cross motions for summary judgment, effectively rendering the plaintiffs' action moot. On January 23, 2017, the plaintiffs filed a motion requesting that the Intermediate Court of Appeals address appellate jurisdiction, which was denied by the court on April 20, 2017 as premature. The Company believes that it has valid defenses under law, and intends to defend itself vigorously.

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- On July 8, 2014, Global Community Monitor, LiUNA, and two residents of Bishop, California filed a complaint in the U.S. District Court for the Eastern District of California, alleging that Mammoth Pacific, L.P., the Company and Ormat Nevada are operating three geothermal generating plants in Mammoth Lakes, California (MP-1, MP-II and PLES-I) in violation of the federal Clean Air Act and Great Basin Unified Air Pollution Control District rules. On June 26, 2015, in response to a motion by the defendants, the court dismissed all but one of the plaintiffs' causes of action. On January 6, 2017, the court issued its order regarding several pending motions, including plaintiffs' motion for partial summary judgment, defendants' motion for summary judgment, defendants' motion to exclude and defendants' motion for leave to file a sur-reply. The impact of the court's January 6, 2017 order is to deny the plaintiffs' sole remaining cause of action. No appeal by the plaintiffs is expected and the company considers this case to be effectively closed.

- On March 29, 2016, a former local sales representative in Chile, Aquavant, S.A., filed a claim against Ormat's subsidiaries in the 27th Civil Court of Santiago, Chile on the basis of unjust enrichment. The claim requests that the court order Ormat to pay Aquavant $4.8 million in connection with its activities in Chile, including the EPC contract for the Cerro Pabellon project and various geothermal concessions, plus 3.75% of Ormat geothermal products sales in Chile over the next 10 years. Pursuant to various motions submitted by the defendants and the plaintiffs to various courts, including the Court of Appeals, the case was removed from the original court and then refiled before the 11th Civil Court of Santiago. In February 2018 preliminary defenses, filed by the Company, were denied by the lower court and are pending on appeal. The Company timely filed its answer to the claim on the merits, and the plaintiff filed its response (replication). The Company believes that it has valid defenses under law and intends to defend itself vigorously.

- On August 5, 2016, George Douvris, Stephanie Douvris, Michael Hale, Cheryl Cacocci, Hillary E. Wilt and Christina Bryan, acting for themselves and on behalf of all other similarly situated residents of the lower Puna District, filed a complaint in the Third Circuit Court for the State of Hawaii seeking certification of a class action for preliminary and permanent injunctive relief, consequential and punitive damages, attorney's fees and statutory interest against PGV and other presently unknown defendants. On December 12, 2016, the federal district court granted plaintiffs' motion for joinder of HELCO as a co-defendant, and the case, which had previously been removed to the U.S. District Court for the District of Hawaii, was remanded back to the Third Circuit Court. The amended complaint alleged that injuries and other damages in an undisclosed amount were caused to the plaintiffs as a result of an alleged toxic release by PGV in the wake of Hurricane Iselle in August 2014. On June 14, 2017, the Third Circuit Court denied HELCO's motion to dismiss the complaint against HELCO. Discovery is underway. The Company believes that it has valid defenses under law, and intends to defend itself vigorously.

- On June 20, 2016, Nadia Garcia, individually and as successor in interest to Thomas Garcia Valenzuela, and as guardian ad litem to Emerie Garcia, Khamilla Garcia and Reyene Adam, filed a complaint against Ormat Technologies, Ormat Nevada and Ormesa LLC in the Superior Court of Imperial County seeking unspecified monetary damages. The complaint alleges that the Ormat defendants caused the wrongful death, personal injury and other harm to Thomas Garcia when he was employed by Martin Hydroblasting Services, Inc. and suffered injuries leading to his death while performing work at the Ormesa plant site on or around March 31, 2016. The plaintiffs and the deceased's employer's insurer reached an out of court settlement that was approved by the US District Court, Southern District of California, and executed on May 25, 2017. The case has been dismissed, without liability to the Company.

- On February 18, 2018, Western Watersheds Project filed a notice of appeal and petition for standing with respect to the January 16, 2018 BLM decision approving Addendum 2 to Operation Plan & Utilization Plan for the McGinness Hills Geothermal Project. The appeal alleges that the January 2018 BLM decision authorizing construction and operation of Phase 3 of McGinness Hills causes harm to WWP and its members by allowing degradation of the wildlife habitat of the Greater sage-grouse in that area. The Company has filed a motion to intervene as an interested party in support of the BLM.

In addition, from time to time, the Company is named as a party to various other lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of our business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings, the Company accrues reserves when a loss is probable and the amount of such loss can be reasonably estimated. It is the opinion of the Company's management that the outcome of these proceedings, individually and collectively, will not be material to the Company's consolidated financial statements as a whole.

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Three Months Ended							
	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sept. 30, 2017	Dec. 31, 2017
	(Dollars in thousands, except per share amounts)							
Revenues:								
Electricity	$ 107,868	$ 104,001	$ 109,795	$ 114,628	$ 115,776	$ 111,777	$ 112,273	$ 128,503
Product	43,726	55,860	74,822	51,891	74,122	67,587	44,912	37,862
Total revenues	151,594	159,861	184,617	166,519	189,898	179,364	157,185	166,365
Cost of revenues:								
Electricity	63,686	62,243	66,481	69,163	66,036	65,439	65,774	75,017
Product	24,035	31,822	43,647	30,719	49,452	43,432	32,218	26,992
Total cost of revenues	87,721	94,065	110,128	99,882	115,488	108,871	97,992	102,009
Gross margin	63,873	65,796	74,489	66,637	74,410	70,493	59,193	64,356
Operating expenses:								
Research and development expenses	349	595	1,086	732	602	1,050	716	789
Selling and marketing expenses	3,675	3,668	4,793	4,288	4,363	4,090	3,630	3,517
General and administrative expenses	8,749	8,783	19,093	10,085	9,949	12,201	10,877	9,854
Write-off of unsuccessful exploration activities	557	863	1,294	303	--	--	--	1,796
Operating income	50,543	51,887	48,223	51,229	59,496	53,152	43,970	48,400
Other income (expense):								
Interest income	320	245	266	140	244	362	255	127
Interest expense, net	(16,023)	(18,401)	(17,137)	(15,828)	(14,923)	(14,540)	(11,692)	(12,987)
Derivatives and foreign currency transaction gains (losses)	1,962	(4,332)	(222)	(2,942)	1,338	1,703	(1,001)	614
Income attributable to sale of tax benefits	4,398	4,519	3,463	4,123	6,157	4,356	3,506	3,859
Other non-operating income (expense), net	191	49	(5,546)	(39)	(92)	6	(1,592)	12
Income (loss) from continuing operations, before income taxes and equity in income of investees	41,391	33,967	29,047	36,683	52,220	45,039	33,446	40,025
Income tax benefit (provision)	(9,509)	(7,890)	(11,988)	(2,450)	(10,886)	(6,369)	(11,003)	29,669
Equity in income (losses) of investees	(937)	(1,144)	(2,653)	(3,001)	(1,599)	(428)	337	(267)
Net income (loss)	30,945	24,933	14,406	31,232	39,735	38,242	22,780	69,427
Net loss (income) attributable to noncontrolling interest	(1,674)	(584)	(2,326)	(3,002)	(4,423)	(3,206)	(3,599)	(3,467)
Net income (loss) attributable to the Company's stockholders	$ 29,271	$ 24,349	$ 12,080	$ 28,230	$ 35,312	$ 35,036	$ 19,181	$ 65,960
Earnings (loss) per share attributable to the Company's stockholders								
Basic:								
Net income	$ 0.60	$ 0.49	$ 0.24	$ 0.57	$ 0.71	$ 0.70	$ 0.38	$ 1.30
Diluted:								
Net income	$ 0.59	$ 0.48	$ 0.21	$ 0.56	$ 0.70	$ 0.69	$ 0.38	$ 1.29
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:								
Basic	49,173	49,456	49,599	49,647	49,680	49,771	50,367	50,607
Diluted	49,782	50,137	50,289	50,293	50,491	50,624	50,867	51,053

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ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 — SUBSEQUENT EVENTS

Cash dividend

On March 1, 2018, the Company's Board of Directors declared, approved and authorized payment of a quarterly dividend of $11.5 million ($0.23 per share) to all holders of the Company's issued and outstanding shares of common stock on March 14, 2018, payable on March 29, 2018.

U.S. Geothermal transaction

On January 24, 2018 the Company entered into a definitive agreement to acquire U.S. Geothermal Inc. ("U.S. Geothermal"), a renewable energy company focused on the development, production and sale of electricity from geothermal energy. Under the terms of the merger agreement, holders of U.S. Geothermal common stock will receive $5.45 per share in cash. On a fully diluted basis, including payment to U.S. Geothermal's option holders, the Company will pay total consideration of approximately $109.9 million. The closing of the merger is subject to customary conditions, including receipt of regulatory approvals and approval by persons holding a majority of the outstanding shares of U.S. Geothermal common stock. The transaction is expected to close in the second quarter of 2018.

U.S. Geothermal is currently operating geothermal power projects at Neal Hot Springs, Oregon, San Emidio, Nevada and Raft River, Idaho for a total designed net output of 45 MW that currently generate approximately 38 MW, net.

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ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND* FINANCIAL DISCLOSURE

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures. Our management, including our Chief Executive Officer and Chief Financial Officer, have conducted the evaluation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) required by Rules 13a-15(b) or 15d-15(b) under the Exchange Act, as amended. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of December 31, 2017 as a result of the material weakness in our internal control over financial reporting discussed below.

Management's Report on Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as described in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Internal control over financial reporting is defined as a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer, (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in our conditions, or that the degree of compliance with our policies or procedures may deteriorate.

Evaluation of effectiveness of internal control over financial reporting. Our management, under the supervision and participation of our Chief Executive Officer and our Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017 using criteria established in *Internal Control — Integrated Framework (2013)* issued by the COSO and, based on this evaluation, concluded that our internal control over financial reporting was not effective as of December 31, 2017 as a result of the material weakness in our internal control over financial reporting discussed below. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Material weakness. In connection with the change in our repatriation strategy and the related release of the US income tax valuation allowance in the second quarter of 2017, we did not perform an effective risk assessment related to our internal controls over the accounting for income taxes. As a result, we identified a deficiency in the design of our internal control over financial reporting related to our accounting for income taxes, which affected the recording of income tax accounts by us in our interim and annual consolidated financial statements during 2017, including audit adjustments to the income tax accounts. This deficiency resulted in immaterial adjustments to income tax expense and deferred tax liabilities, but did not result in a material misstatement in our previously issued interim or annual consolidated financial statements nor does it require a restatement of or change in our consolidated financial statements for any prior interim or annual period. However, this control deficiency could result in a misstatement of the aforementioned balances and disclosures that would result in a material misstatement to the interim or annual consolidated financial statements that would not be prevented or detected. Our management has concluded that this deficiency constitutes a material weakness in our internal control over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

Remediation Plan

In response to the identified material weakness, our management, with the oversight of the Audit Committee of the Board of Directors, will update its risk assessment process related to income taxes and intends to implement additional control procedures. While certain remedial actions have been completed in the first quarter of 2018 and management has dedicated significant resources and efforts to implement a remediation plan, we continue to actively plan to implement additional control procedures. The remediation efforts, outlined below, are intended both to address the identified material weakness and to enhance our overall financial control environment. However, our management may amend this plan to include additional remedial action in light of its continuing evaluation of the identified deficiency in internal control over financial reporting.

We have:

- implemented specific enhanced controls procedures for the review, analysis and reporting of our income tax accounts, including control procedures of projections that support the deferred tax assets and liabilities;
- engaged an external tax and accounting firm to prepare and review our annual and quarterly income tax provision including to review and recommend additional control enhancements;
- recruited additional tax personnel; and
- enhanced our income tax controls with improved documentation.

We intend to:

- evaluate the need to recruit additional tax or accounting personnel during 2018; and
- continue to strengthen our income tax controls with improved documentation, communication and oversight.

We have commenced our remediation plan, with the goal of remediating this material weakness as soon as possible, subject to the conclusion by our management that our enhanced internal control over financial reporting is operating effectively following appropriate testing.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, identified during the Company's fourth fiscal quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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ITEM 9B. *OTHER INFORMATION*

None.

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PART III

ITEM 10. ***DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

Information required by this Item and not set forth below is incorporated herein by reference to the Company's definitive proxy statement for the 2018 annual meeting.

The following table sets forth the name, age and positions of our directors, executive officers and persons who are executive officers of certain of our subsidiaries who perform policy making functions for us:

Name	Age	Position
Stanley B. Stern	60	Independent Director [1]
Yuichi Nishigori	61	Independent Director [1]
David Granot	70	Independent Director [1]
Ravit Barniv	54	Independent Director [2]
Robert F. Clarke	75	Independent Director [2]
Stan H. Koyanagi	57	Independent Director [2]
Todd C. Freeland	51	Chairman of the Board of Directors [3]
Byron G. Wong	66	Independent Director [3]
Dan Falk	73	Independent Director [3]
Isaac Angel	61	Chief Executive Officer*
Doron Blachar	50	Chief Financial Officer*
Zvi Krieger	62	Executive Vice President—Electricity Segment*
Shlomi Argas	53	Executive Vice President—Product Segment and Operations*
Bob Sullivan	55	Executive Vice President - Business Development Sales & Marketing

* Performs the functions described in the table, but is employed by Ormat Systems

1) Denotes Class I Director – Term expiring at 2020 Annual Shareholders Meeting
2) Denotes Class II Director – Term expiring at 2018 Annual Shareholders Meeting
3) Denotes Class III Director – Term expiring at 2019 Annual Shareholders Meeting

Audit Committee

Information required by this Item and not set forth below is incorporated herein by reference to the Company's definitive proxy statement for the 2018 annual meeting.

ITEM 11. ***EXECUTIVE COMPENSATION***

Information required by this item and not set forth below is incorporated herein by reference to the Company's definitive proxy statement for the 2018 annual meeting.

ITEM 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***

Information required by this item and not set forth below is incorporated herein by reference to the Company's definitive proxy statement for the 2018 annual meeting.

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ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

Information required by this item and not set forth below is incorporated herein by reference to the Company's definitive proxy statement for the 2018 annual meeting.

ITEM 14. ***PRINCIPAL ACCOUNTANT FEES AND SERVICES***

Information required by this item is incorporated herein by reference to the Company's definitive proxy statement for the 2018 annual meeting.

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PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

(a) *(1) List of Financial Statements*

See Index to Financial Statements in Part II, Item 8 of this annual report.

(2) List of Financial Statement Schedules

All applicable schedule information is included in our Financial Statements in Part II, Item 8 of this annual report.

(b) Exhibit Index. We hereby file, as exhibits to this Annual Report, those exhibits listed on the Exhibit Index immediately following the signature page hereto.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORMAT TECHNOLOGIES, INC.

By: /s/ Isaac Angel
Name: Isaac Angel
Title: Chief Executive Officer

Date: March 16, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on March 16, 2018.

Signature	Capacity
/s/ Isaac Angel Isaac Angel	Chief Executive Officer (Principal Executive Officer)
/s/ Doron Blachar Doron Blachar	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Todd Freeland Todd Freeland	Chairman of the Board of Directors
/s/ Stan Koyanagi Stan Koyanagi	Director
/s/ Dan Falk Dan Falk	Director
/s/ David Granot David Granot	Director
/s/ Ravit Bar Niv Ravit Bar Niv	Director
/s/ Yuichi Nishigori Yuichi Nishigori	Director
/s/ Robert F. Clarke Robert F. Clarke	Director
/s/ Stanley B. Stern Stanley B. Stern	Director
/s/ Byron Wong Byron Wong	Director

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(C) EXHIBIT INDEX

Exhibit No.	Document
2.1+	Agreement and Plan of Merger, dated January 24, 2018, by and among Ormat Nevada Inc., OGP Holding Corp. and U.S. Geothermal Inc. ^
3.1	Third Amended and Restated Certificate of Incorporation, incorporated by reference to Appendix A to Ormat Technologies, Inc.'s Proxy Statement on Form DEF 14 filed with the Securities and Exchange Commission on April 10, 2017.
3.2	Fourth Amended and Restated By-laws, incorporated by reference to Exhibit 3.2 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 2, 2013.
3.3	Amended and Restated Limited Liability Company Agreement of OPC LLC dated June 7, 2007, by and among Ormat Nevada Inc., Morgan Stanley Geothermal LLC, and Lehman-OPC LLC, incorporated by reference to Exhibit 3.1 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on June 13, 2007.
3.4	Amended and Restated Limited Liability Company Agreement of ORPD LLC, dated April 30, 2015, by and among Ormat Nevada Inc., Northleaf Geothermal Holdings LLC, and ORPD Holding LLC incorporated by reference to Exhibit 3.5 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2015.
4.1	Form of Common Share Stock Certificate, incorporated by reference to Exhibit 4.1 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
4.2	Form of Preferred Share Stock Certificate, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
4.3	Form of Rights Agreement by and between Ormat Technologies, Inc. and American Stock Transfer & Trust Company, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on October 22, 2004.
4.4	Indenture for Senior Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.2 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) filed with the Securities and Exchange Commission on January 6, 2006.
4.5	Indenture for Subordinated Debt Securities, dated as of January 16, 2006, between Ormat Technologies, Inc. and Union Bank of California, incorporated by reference to Exhibit 4.3 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-3 (File No. 333-131064) filed with the Securities and Exchange Commission on January 6, 2006.
4.6	Indenture of Trust and Security Agreement, dated September 23, 2011, among OFC 2 LLC, ORNI 15 LLC, ORNI 39 LLC, ORNI 42 LLC, HSS II, LLC, and Wilmington Trust Company, as Trustee and Depository, incorporated by reference to Exhibit 4.8 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 4, 2011.
10.1.1	Indenture, dated February 13, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.7 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.2	First Supplemental Indenture, dated May 14, 2004, among Ormat Funding Corp., Brady Power Partners, Steamboat Development Corp., Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC, ORNI 7 LLC, Ormesa LLC and Union Bank of California, incorporated by reference to Exhibit 10.1.8 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.1.3	Fifth Supplemental Indenture, dated April 26, 2006, among Ormat Funding Corp. and Union Bank of California, N.A., incorporated by reference to Exhibit 10.1.6 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q (File No 001-32347) to the Securities and Exchange Commission on August 7, 2006.
10.1.9	Agreement for Purchase of Membership Interests in OPC LLC dated June 7, 2007, by and among Ormat Nevada Inc., Morgan Stanley Geothermal LLC and Lehman-OPC LLC, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on June 13, 2007.
10.1.10	First Amendment to Agreement for Purchase of Membership Interests in OPC LLC, dated as of April 17, 2008, by and among Ormat Nevada Inc., Morgan Stanley Geothermal LLC, and Lehman-OPC LLC, incorporated by reference to Exhibit 10.1.18 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q to the Securities and Exchange Commission on May 7, 2008.

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Exhibit No.	Document
10.1.11	Membership Interest Purchase Agreement, dated as of October 30, 2009, by and among Lehman-OPC LLC, Ormat Nevada Inc. and OPC LLC, incorporated by reference to Exhibit 10.1.13 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 3, 2009.
10.1.12	Agreement for Purchase of Membership Interests in ORPD LLC, dated as of February 5, 2015, by and between Ormat Nevada Inc. and Northleaf Geothermal Holdings LLC is incorporated by reference to Exhibit 3.5 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2015.
10.1.13	Agreement for Purchase of Membership Interests in ORNI 37 LLC, dated as of November 22, 2016, by and between Northleaf Geothermal Holdings LLC and Ormat Nevada Inc., incorporated by reference to Exhibit 10.1.13 to Ormat Technologies, Inc.'s Form 10-K filed with the Securities and Exchange Commission on March 1, 2017.
10.1.14	Amended and Restated Limited Liability Company Agreement of Opal Geo LLC, dated as of December 16, 2016, by and between OrLeaf LLC and JPM Capital Corporation, incorporated by reference to Exhibit 10.1.14 to Ormat Technologies, Inc.'s Form 10-K filed with the Securities and Exchange Commission on March 1, 2017.
10.1.15	Equity Contribution Agreement, dated as of December 16, 2016, by and among JPM Capital Corporation, Ormat Nevada Inc. and OrLeaf LLC, incorporated by reference to Exhibit 10.1.15 to Ormat Technologies, Inc.'s Form 10-K filed with the Securities and Exchange Commission on March 1, 2017.
10.2.1	Power Purchase Contract, dated July 18, 1984, between Southern California Edison Company and Republic Geothermal, Inc., incorporated by reference to Exhibit 10.3.1 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.2	Amendment No. 1, to the Power Purchase Contract, dated December 23, 1988, between Southern California Edison Company and Ormesa Geothermal, incorporated by reference to Exhibit 10.3.2 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.2.3	Power Purchase Contract, dated June 13, 1984, between Southern California Edison Company and Ormat Systems, Inc., incorporated by reference to Exhibit 10.3.3 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.4	Power Purchase and Sales Agreement, dated as of August 26, 1983, between Chevron U.S.A. Inc. and Southern California Edison Company, incorporated by reference to Exhibit 10.3.4 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.2.5	Amendment No. 1, to Power Purchase and Sale Agreement, dated as of December 11, 1984, between Chevron U.S.A. Inc., HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.5 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004
10.2.6	Settlement Agreement and Amendment No. 2, to Power Purchase Contract, dated August 7, 1995, between HGC and Southern California Edison Company, incorporated by reference to Exhibit 10.3.6 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.2.7	Power Purchase Contract dated, April 16, 1985, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.7 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.8	Amendment No. 1, dated as of October 23, 1987, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.8 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.2.9	Amendment No. 2, dated as of July 27, 1990, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.9 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.2.10	Amendment No. 3, dated as of November 24, 1992, between Southern California Edison Company and Second Imperial Geothermal Company, incorporated by reference to Exhibit 10.3.10 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.2.11	Amended and Restated Power Purchase and Sales Agreement, dated December 2, 1986, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit10.3.11 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.2.12	Amendment No. 1, to Amended and Restated Power Purchase and Sale Agreement, dated May 18, 1990, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.12 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.2.13	Power Purchase Contract, dated April 15, 1985, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.13 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.2.14	Amendment No. 1, dated as of October 27, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.14 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.2.15	Amendment No. 2, dated as of December 20, 1989, between Mammoth Pacific and Southern California Edison Company, incorporated by reference to Exhibit 10.3.15 to Ormat Technologies, Inc. Registration Statement on Form S-1 (File No. 333-117527) to the Securities and Exchange Commission on July 20, 2004.
10.2.16	Power Purchase Contract, dated April 16, 1985, between Southern California Edison Company and Santa Fe Geothermal, Inc., incorporated by reference to Exhibit 10.3.16 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004
10.2.17	Amendment No. 1, to Power Purchase Contract, dated October 25, 1985, between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.17 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.18	Amendment No. 2, to Power Purchase Contract, dated December 20, 1989, between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.18 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.19	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Mammoth Pacific, incorporated by reference to Exhibit 10.3.19 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.20	Interconnection Facilities Agreement, dated October 13, 1985, by and between Southern California Edison Company and Mammoth Pacific (II), incorporated by reference to Exhibit 10.3.20 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.21	Interconnection Facilities Agreement, dated October 20, 1989, by and between Southern California Edison Company and Pacific Lighting Energy Systems, incorporated by reference to Exhibit 10.3.21 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.22	Interconnection Agreement, dated August 12, 1985, by and between Southern California Edison Company and Heber Geothermal Company incorporated by reference to Exhibit 10.3.22 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.23	Plant Connection Agreement for the Heber Geothermal Plant No. 1, dated, July 31, 1985, by and between Imperial Irrigation District and Heber Geothermal Company incorporated by reference to Exhibit 10.3.23 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.24	Plant Connection Agreement for the Second Imperial Geothermal Company Power Plant No. 1, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.24 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.25	IID-SIGC Transmission Service Agreement for Alternative Resources, dated, October 27, 1992, by and between Imperial Irrigation District and Second Imperial Geothermal Company incorporated by reference to Exhibit 10.3.25 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.

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Exhibit No.	Document
10.2.26	Plant Connection Agreement for the Ormesa Geothermal Plant, dated October 1, 1985, by and between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.26 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.27	Plant Connection Agreement for the Ormesa IE Geothermal Plant, dated, October 21, 1988, by and between Imperial Irrigation District and Ormesa IE incorporated by reference to Exhibit 10.3.27 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.28	Plant Connection Agreement for the Ormesa IH Geothermal Plant, dated, October 3, 1989, by and between Imperial Irrigation District and Ormesa IH incorporated by reference to Exhibit 10.3.28 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.29	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.29 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.30	Plant Connection Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.30 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.31	Transmission Service Agreement for the Ormesa I, Ormesa IE and Ormesa IH Geothermal Power Plants, dated, October 3, 1989, between Imperial Irrigation District and Ormesa Geothermal incorporated by reference to Exhibit 10.3.31 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.32	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 2, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.32 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.33	Transmission Service Agreement for the Geo East Mesa Limited Partnership Unit No. 3, dated, March 21, 1989, by and between Imperial Irrigation District and Geo East Mesa Limited Partnership incorporated by reference to Exhibit 10.3.33 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.34	IID-Edison Transmission Service Agreement for Alternative Resources, dated, September 26, 1985, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.34 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.35	Plant Amendment No. 1, to IID-Edison Transmission Service Agreement for Alternative Resources, dated, August 25, 1987, by and between Imperial Irrigation District and Southern California Edison Company incorporated by reference to Exhibit 10.3.35 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.36	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.39 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.37	Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Second Imperial Geothermal Company QFID No. 3021 and Southern California Edison Company incorporated by reference to Exhibit 10.3.40 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.38	Agreement Addressing Renewable Energy Pricing and Payment Issues, dated June 15, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.41 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.2.39	Amendment No. 1 to Agreement Addressing Renewable Energy Pricing and Payment Issues, dated November 30, 2001, by and between Heber Geothermal Company QFID No. 3001 and Southern California Edison Company incorporated by reference to Exhibit 10.3.42 to Ormat Technologies, Inc. Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) to the Securities and Exchange Commission on September 28, 2004.
10.2.40	Energy Services Agreement, dated February 2003, by and between Imperial Irrigation District and ORMESA, LLC incorporated by reference to Exhibit 10.3.43 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.41	Purchase Power Contract, dated March 24, 1986, by and between Hawaii Electric Light Company and Thermal Power Company incorporated by reference to Exhibit 10.3.44 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.42	Firm Capacity Amendment to Purchase Power Contract, dated July 28, 1989, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.45 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.43	Amendment to Purchase Power Contract, dated October 19, 1993, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.46 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.44	Third Amendment to the Purchase Power Contract, dated March 7, 1995, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.47 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.45	Performance Agreement and Fourth Amendment to the Purchase Power Contract, dated February 12, 1996, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.48 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.46	Agreement to Design 69 KV Transmission Lines, a Substation at Pohoiki, Modifications to Substations at Puna and Kaumana, and a Temporary 34.5 Facility to Interconnect PGV's Geothermal Electric Plant with HELCO's System Grid (Phase II and III), dated June 7, 1990, by and between Hawaii Electric Light Company and Puna Geothermal Venture incorporated by reference to Exhibit 10.3.49 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.2.47	Power Purchase Agreement, dated October 20, 2016, between ONGP, LLC and Southern California Public Power Authority, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities Exchange Commission on June 1, 2017.
10.3.1	Ormesa BLM Geothermal Resources Lease CA 966 incorporated by reference to Exhibit 10.4.1 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.2	Ormesa BLM License for Electric Power Plant Site CA 24678 incorporated by reference to Exhibit 10.4.2 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.3	Geothermal Resources Mining Lease, dated February 20, 1981, by and between the State of Hawaii, as Lessor, and Kapoho Land Partnership, as Lessee incorporated by reference to Exhibit 10.4.3 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.4	Geothermal Lease Agreement, dated October 20, 1975, by and between Ruth Walker Cox and Betty M. Smith, as Lessor, and Gulf Oil Corporation, as Lessee incorporated by reference to Exhibit 10.4.4 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.5	Geothermal Lease Agreement, dated August 1, 1976, by and between Southern Pacific Land Company, as Lessor, and Phillips Petroleum Company, as Lessee incorporated by reference to Exhibit 10.4.5 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.6	Geothermal Resources Lease, dated November 18, 1983, by and between Sierra Pacific Power Company, as Lessor, and Geothermal Development Associates, as Lessee incorporated by reference to Exhibit 10.4.6 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.3.7	Lease Agreement, dated November 1, 1969, by and between Chrisman B. Jackson and Sharon Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.7 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.8	Lease Agreement, dated September 22, 1976, by and between El Toro Land & Cattle Co., as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.8 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.9	Lease Agreement, dated February 17, 1977, by and between Joseph L. Holtz, as Lessor, and Chevron U.S.A. Inc., as Lessee incorporated by reference to Exhibit 10.4.9 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.10	Lease Agreement, dated March 11, 1964, by and between John D. Jackson and Frances Jones Jackson, also known as Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.10 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.11	Lease Agreement, dated February 16, 1964, by and between John D. Jackson, conservator for the estate of Aphia Jackson Wallan, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.11 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.12	Lease Agreement, dated March 17, 1964, by and between Helen S. Fugate, a widow, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.12 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.13	Lease Agreement, dated February 16, 1964, by and between John D. Jackson and Frances J. Jackson, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.13 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.14	Lease Agreement, dated February 20, 1964, by and between John A. Straub and Edith D. Straub, also known as John A. Straub and Edythe D. Straub, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.14 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.15	Lease Agreement, dated July 1, 1971, by and between Marie L. Gisler and Harry R. Gisler, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.15 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.16	Lease Agreement, dated February 28, 1964, by and between Gus Kurupas and Guadalupe Kurupas, husband and wife, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.16 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.17	Lease Agreement, dated April 7, 1972, by and between Nowlin Partnership, as Lessor, and Standard Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.17 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.18	Geothermal Lease Agreement, dated July 18, 1979, by and between Charles K. Corfman, an unmarried man as his sole and separate property, and Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.18 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.19	Lease Agreement, dated January 1, 1972, by and between Holly Oberly Thomson, also known as Holly F. Oberly Thomson, also known as Holly Felicia Thomson, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.19 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.

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Exhibit No.	Document
10.3.20	Lease Agreement, dated June 14, 1971, by and between Fitzhugh Lee Brewer, Jr., a married man as his separate property, Donna Hawk, a married woman as her separate property, and Ted Draper and Helen Draper, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.20 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.21	Lease Agreement, dated May 13, 1971, by and between Mathew J. La Brucherie and Jane E. La Brucherie, husband and wife, and Robert T. O'Dell and Phyllis M. O'Dell, husband and wife, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.21 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
10.3.22	Lease Agreement, dated June 2, 1971, by and between Dorothy Gisler, a widow, Joan C. Hill, and Jean C. Browning, as Lessor, and Union Oil Company of California, as Lessee incorporated by reference to Exhibit 10.4.22 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.23	Geothermal Lease Agreement, dated February 15, 1977, by and between Walter J. Holtz, as Lessor, and Magma Energy Inc., as Lessee incorporated by reference to Exhibit 10.4.23 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.24	Geothermal Lease, dated August 31, 1983, by and between Magma Energy Inc., as Lessor, and Holt Geothermal Company, as Lessee incorporated by reference to Exhibit 10.4.24 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.25	Geothermal Resources Lease, dated June 27, 1988, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.26 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.26	Amendment to Geothermal Resources Lease, dated January, 1992, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.27 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.27	Second Amendment to Geothermal Resources Lease, dated June 25, 1993, by and between Bernice Guisti, Judith Harvey and Karen Thompson, Trustees and Beneficiaries of the Guisti Trust, as Lessor, and Far West Capital, Inc. and its Assignee, Steamboat Development Corp., as Lessee incorporated by reference to Exhibit 10.4.28 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.28	Geothermal Resources Sublease, dated May 31, 1991, by and between Fleetwood Corporation, as Lessor, and Far West Capital, Inc., as Lessee incorporated by reference to Exhibit 10.4.29 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.29	KLP Lease and Agreement, dated March 1, 1981, by and between Kapoho Land Partnership, as Lessor, and Thermal Power Company, as Lessee incorporated by reference to Exhibit 10.4.30 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.30	Amendment to KLP Lease and Agreement, dated July 9, 1990, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.31 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.31	Second Amendment to KLP Lease and Agreement, dated December 31, 1996, by and between Kapoho Land Partnership, as Lessor, and Puna Geothermal Venture, as Lessee incorporated by reference to Exhibit 10.4.32 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 1 on Form S-1/A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
10.3.32	Participation Agreement, dated May 18, 2005, by and among Puna Geothermal Venture, SE Puna, L.L.C., Wilmington Trust Company, S.E. Puna Lease, L.L.C., AIG Annuity Insurance Company, American General Life Insurance Company, Allstate Life Insurance Company and Union Bank of California, incorporated by reference to Exhibit 10.4.33 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q/A filed with the Securities and Exchange Commission on December 22, 2005.
10.3.33	Project Lease Agreement, dated May 18, 2005, by and between SE Puna, L.L.C. and Puna Geothermal Venture, incorporated by reference to Exhibit 10.4.34 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q/A filed with the Securities and Exchange Commission on December 22, 2005.
10.4.1	Ormat Technologies, Inc. 2004 Incentive Compensation Plan incorporated by reference to Exhibit 10.6.1 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on October 22, 2004.
10.4.2	Form of Incentive Stock Option Agreement incorporated by reference to Exhibit 10.6.2 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on October 22, 2004.

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Exhibit No.	Document
10.4.3	Form of Nonqualified Stock Option Agreement incorporated by reference to Exhibit 10.6.3 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on October 22, 2004.
10.4.4	Amended and Restated Ormat Technologies, Inc. 2012 Incentive Compensation Plan, incorporated by reference to Exhibit 10.2 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2014.
10.4.5	Form of Incentive Stock Option Agreement to Ormat Technologies, Inc.'s 2012 Incentive Compensation Plan, incorporated by reference to Exhibit 10.31.2 to Ormat Technologies, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2014
10.4.6	Form of Freestanding Stock Appreciation Right Agreement to Amended and Restated Ormat Technologies, Inc.'s 2012 Incentive Compensation Plan, , incorporated by reference to Exhibit 10.31.3 to Ormat Technologies, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2014.
10.4.7	Form of Restricted Stock Unit Agreement under the Amended and Restated Ormat Technologies, Inc. 2012 Incentive Compensation Plan, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities Exchange Commission on November 9, 2017.
10.4.8	Ormat Technologies, Inc.'s Annual Management Incentive Plan, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 29, 2016.
10.5	Form of Indemnification Agreement incorporated by reference to Exhibit 10.11 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on October 20, 2004.
10.6.1	Note Purchase Agreement, dated December 2, 2005, among Lehman Brothers Inc., OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company, incorporated by reference to Exhibit 10.12 to Ormat Technologies, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2006.
10.6.2	Note Purchase Agreement, dated November 29, 2016, among ORNI 47 LLC, MUFG Union Bank, N.A., Munich Reinsurance America, Inc. and Munich American Reassurance Company, incorporated by reference to Exhibit 4.1 to Ormat Technologies Inc.'s Current Report on Form 8-K/A filed with the Securities and Exchange Commission on December 6, 2016.
10.7.1	Indenture dated as of December 8, 2005 among OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company and Union Bank of California, incorporated by reference to Exhibit 10.13 to Ormat Technologies, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2006.
10.7.2	First Supplemental Indenture dated as of June 14, 2006 amending the Indenture dated as of December 8, 2005 among OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company and Union Bank of California, incorporated by reference to Exhibit 10.13.2 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q (File No 001-32347) filed with the Securities and Exchange Commission on August 7, 2006.
10.8	Guarantee dated as of December 8, 2005 among OrCal Geothermal Inc., OrHeber 1 Inc., OrHeber 2 Inc., Second Imperial Geothermal Company, Heber Field Company and Heber Geothermal Company, incorporated by reference to Exhibit 10.14 to Ormat Technologies, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2006.
10.9	Note Purchase Agreement, dated February 6, 2004, among Lehman Brothers Inc., Ormat Funding Corp., Brady Power Partners, Steamboat Geothermal LLC, OrMammoth Inc., ORNI 1 LLC, ORNI 2 LLC and ORNI 7 LLC, incorporated by reference to Exhibit 10.15 to Ormat Technologies, Inc. Annual Report on Form 10-K to the Securities and Exchange Commission on March 28, 2006.
10.10	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Ormesa LLC and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.11	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Ormesa LLC and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.12	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Heber Geothermal Company and Southern California Edison Company, incorporated by reference to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on May 16, 2006.
10.13	Agreement No. 2 Addressing Renewable Energy Pricing Issues, dated May 10, 2006, between Second Imperial Geothermal Company and Southern California Edison Company, incorporated by reference to Exhibit 10.4 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 16, 2006.
10.14.1	Amended and Restated Power Purchase Agreement for Olkaria III Geothermal Plant, dated January 19, 2007, between OrPower 4 Inc. and The Kenya Power and Lighting Company Limited, incorporated by reference to Exhibit 10.20.1 to Ormat Technologies, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 12, 2007.
10.14.2	Olkaria III Project Security Agreement, dated January 19, 2007, between OrPower 4 Inc. and The Kenya Power and Lighting Company Limited, incorporated by reference to Exhibit 10.20.2 to Ormat Technologies, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 12, 2007.

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Exhibit No.	Document
10.15	Amendment No. 2 to the Power Purchase Contract between Ormesa LLC and Ormat Technologies, Inc., and Southern California Edison Company (RAP ID 3012) dated April 23, 2006, incorporated by reference to Exhibit 10.21.2 to Ormat Technologies, Inc. Quarterly Report on Form 10-Q to the Securities and Exchange Commission on August 8, 2007.
10.16	Joint Ownership Agreement for the Carson Lake Project, dated as of March 12, 2008, by and between Nevada Power Company and ORNI 16 LLC, incorporated by reference to Exhibit 10.24 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2008.
10.17	Sale and Purchase Agreement dated August 2, 2010, between ORNI 44 LLC and CD Mammoth Lakes I, Inc. and CD Mammoth Lakes II, Inc., incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 4, 2010.
10.18	Note Purchase Agreement, dated September 23, 2011, among OFC 2 LLC, ORNI 15 LLC, ORNI 39 LLC, ORNI 42 LLC, and HSS II, LLC, as Issuers, OFC 2 Noteholder Trust, as Purchaser, John Hancock Life Insurance Company (U.S.A.), as Administrative Agent, and the United States Department of Energy (DOE), as Guarantor, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 4, 2011.
10.19.1	Finance Agreement, dated as of August 23, 2012, between OrPower 4, Inc., an indirect wholly-owned subsidiary of Ormat Technologies, Inc., and Overseas Private Investment Corporation, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 8, 2012.
10.19.2	Amendment No. 1 to the Finance Agreement, dated as of August 23, 2012, between OrPower 4, Inc., an indirect wholly-owned subsidiary of Ormat Technologies, Inc., and Overseas Private Investment Corporation, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 8, 2012.
10.20	Equity Contribution Agreement with respect to ORTP, dated as of January 24, 2013, between Ormat Nevada, Inc., a wholly-owned subsidiary of Ormat Technologies, Inc., and JPM Capital Corporation, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on January 30, 2013.
10.21	Limited Liability Company Agreement of ORTP, LLC dated as of January 24, 2013, between Ormat Nevada, Inc., a wholly-owned subsidiary of Ormat Technologies, Inc., and JPM Capital Corporation, incorporated by reference to Exhibit 3.1 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on January 30, 2013.
10.22.1	Employment Agreement, dated as of February 11, 2014, between Ormat Technologies, Inc. and Isaac Angel, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2014.
10.22.2	Employment Agreement, dated as of January 6, 2013, between Ormat Systems, Ltd. and Doron Blachar, incorporated by reference to Exhibit 10.30.2 to Ormat Technologies, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange on February 28, 2014.
10.22.3	Lock-up Agreement, dated May 4, 2017, between Isaac Angel and Ormat Technologies, Inc., incorporated by reference to Exhibit 10.4 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2017.
10.22.4	Letter of Undertaking, dated May 4, 2017, between Doron Blachar and Ormat Technologies, Inc., incorporated by reference to Exhibit 10.5 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2017.
10.24.1	JBIC Facility Agreement, dated March 28, 2014, by and among Kyuden Sarulla Pte. Ltd., OrSarulla Inc., PT Medco Geopower Sarulla, Sarulla Operations Ltd, Sarulla Power Asset Limited, Japan Bank for International Cooperation and Mizuho Bank, Ltd., dated March 28, 2014, incorporated by reference to Exhibit 10.7 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 9, 2014.
10.22.2	Common Terms Agreement, dated March 28, 2014, by and among Kyuden Sarulla Pte. Ltd., OrSarulla Inc., PT Medco Geopower Sarulla, Sarulla Operations Ltd, Sarulla Power Asset Limited, Japan Bank for International Cooperation, Asian Development Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., ING Bank N.V., Tokyo Branch, National Australia Bank Limited, Mizuho Bank, Ltd., Mizuho Bank (USA), Pt. Bank Mizuho Indonesia, Société Générale, Société Générale Tokyo Branch, and Sumitomo Mitsui Banking Corporation, dated March 28, 2014, incorporated by reference to Exhibit 10.8 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 9, 2014.
10.22.3	Covered Lenders Facility Agreement, dated March 28, 2014, by and among Kyuden Sarulla Pte. Ltd., Orsarulla Inc., PT Medco Geopower Sarulla, Sarulla Operations Ltd, Sarulla Power Asset Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd., ING Bank N.V., Tokyo Branch, National Australia Bank Limited, Société Générale, Tokyo Branch, and Sumitomo Mitsui Banking Corporation, dated March 28, 2014, incorporated by reference to Exhibit 10.9 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 9, 2014.
10.23.4	ADB Facility Agreement, dated March 28, 2014, by and among Kyuden Sarulla Pte. Ltd., OrSarulla Inc., PT Medco Geopower Sarulla, Sarulla Operations Ltd, Sarulla Power Asset Limited and Asian Development Bank, dated March 28, 2014, incorporated by reference to Exhibit 10.10 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 9, 2014.
10.23.5	Ormat Equity Support Deed, dated March 28, 2014, by and among Ormat International, Inc., Ormat Holding Corp., OrPower 11 Inc., OrSarulla Inc., Sarulla Operations Ltd, Mizuho Bank, Ltd. and Mizuho Bank (USA), dated March 28, 2014, incorporated by reference to Exhibit 10.11 to Ormat Technologies, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 9, 2014.
10.24.1	Share Exchange Agreement and Plan of Merger dated as of November 10, 2014 by and among Ormat Technologies, Inc., Ormat Industries Ltd. and Ormat Systems Ltd., incorporated by reference to Exhibit 2 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on November 17, 2014.

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Exhibit No.	Document
10.24.2	Voting Agreement dated as of November 10, 2014 by and between Ormat Technologies, Inc. and Ormat Industries Ltd., incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on November 17, 2014.
10.24.3	Voting and Undertaking Agreement dated as of November 10, 2014 by and between Ormat Technologies, Inc. and FIMI ENRG, Limited Partnership and FIMI ENRG, L.P., incorporated by reference to Exhibit 10.2 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on November 17, 2014.
10.24.4	Voting and Undertaking Agreement dated as of November 10, 2014 by and between Ormat Technologies, Inc. and Bronicki Investments Ltd., incorporated by reference to Exhibit 10.3 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on November 17, 2014.
10.24.5	Voting Neutralization Agreement dated as of November 10, 2014 among Ormat Technologies, Inc. and FIMI ENRG, Limited Partnership and FIMI ENRG, L.P., incorporated by reference to Exhibit 10.4 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on November 17, 2014.
10.24.6	Voting Neutralization Agreement dated as of November 10, 2014 between Ormat Technologies, Inc. and Bronicki Investments Ltd., incorporated by reference to Exhibit 10.5 to Ormat Technologies, Inc. Current Report on Form 8-K to the Securities and Exchange Commission on November 17, 2014.
10.25.1	Commercial Cooperation Agreement, dated May 4, 2017, between Ormat Technologies, Inc. and ORIX Corporation, incorporated by reference to Exhibit 10.1 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2017.
10.25.2	Governance Agreement, dated May 4, 2017, between Ormat Technologies, Inc. and ORIX Corporation, incorporated by reference to Exhibit 10.2 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2017.
10.25.3	Registration Rights Agreement, dated May 4, 2017, between Ormat Technologies, Inc. and ORIX Corporation, incorporated by reference to Exhibit 10.3 to Ormat Technologies, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 4, 2017.
21.1	Subsidiaries of Ormat Technologies, Inc., incorporated by reference to Exhibit 21.1 to Ormat Technologies, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2006.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
99.1	Material terms with respect to BLM geothermal resources leases incorporated by reference to Exhibit 99.1 to Ormat Technologies, Inc.'s Registration Statement Amendment No. 2 on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 21, 2004.
99.2	Material terms with respect to BLM site leases incorporated by reference to Exhibit 99.2 to Ormat Technologies, Inc.'s Registration Statement on Form S-1 (File No. 333-117527) filed with the Securities and Exchange Commission on July 20, 2004.
99.3	Material terms with respect to agreements addressing renewable energy pricing and payment issues incorporated by reference to Exhibit 99.3 to Ormat Technologies, Inc.'s Registration Statement on Form S-1A (File No. 333-117527) filed with the Securities and Exchange Commission on September 28, 2004.
101.INS*	XBRL Instance Document.*
101.SCH*	XBRL Taxonomy Extension Schema Document.*
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.*

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates such information by reference.

\+ Filed herewith.

^ Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. We will furnish the omitted schedules to the SEC upon request.

EX-23.1 3 ex_105413.htm EXHIBIT 23.1

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration Nos. 333-129583, 333-143488 and 333-181509) of Ormat Technologies, Inc. of our report dated March 16, 2018 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Francisco, California
March 16, 2018

EX-31.1 4 ex_105415.htm EXHIBIT 31.1

Exhibit 31.1

Ormat Technologies, Inc.
Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Isaac Angel, certify that:

1. I have reviewed this annual report on Form 10-K of Ormat Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Isaac Angel
Name: Isaac Angel
Title: Chief Executive Officer

Date: March 16, 2018

EX-31.2 5 ex_105416.htm EXHIBIT 31.2

Exhibit 31.2

Ormat Technologies, Inc.
Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Doron Blachar, certify that:

1. I have reviewed this annual report on Form 10-K of Ormat Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ DORON BLACHAR
Name: Doron Blachar
Title: Chief Financial Officer

Date: March 16, 2018

EX-32.1 6 ex_105414.htm EXHIBIT 32.1

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Isaac Angel, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the annual report of Ormat Technologies, Inc. on Form 10-K for the year ended December 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such annual report on Form 10-K fairly presents in all material respects the financial condition, results of operations and cash flows of Ormat Technologies, Inc. as of and for the periods presented in such annual report on Form 10-K. This written statement is being furnished to the Securities and Exchange Commission as an exhibit accompanying such annual report and shall not be deemed filed pursuant to the Securities Exchange Act of 1934.

By: /s/ Isaac Angel
Name: Isaac Angel
Title: Chief Executive Officer

Date: March 16, 2018

EX-32.2 7 ex_105417.htm EXHIBIT 32.2

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Doron Blachar, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the annual report of Ormat Technologies, Inc. on Form 10-K for the year ended December 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such annual report on Form 10-K fairly presents in all material respects the financial condition, results of operations and cash flows of Ormat Technologies, Inc. as of and for the periods presented in such annual report on Form 10-K. This written statement is being furnished to the Securities and Exchange Commission as an exhibit accompanying such annual report and shall not be deemed filed pursuant to the Securities Exchange Act of 1934.

By: /s/ DORON BLACHAR
Name: Doron Blachar
Title: Chief Financial Officer

Date: March 16, 2018

EX-2.1 2 ex_105491.htm EXHIBIT 2.1

Exhibit 2.1

AGREEMENT AND PLAN OF MERGER

among

ORMAT NEVADA INC.,

OGP HOLDING CORP.

and

U.S. GEOTHERMAL INC.

dated as of

January 24, 2018

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Exhibit A – Form of Voting Agreement

Exhibit B – Certificate of Incorporation of the Surviving Corporation

Exhibit C – Form of Option Holder Acknowledgement, with spousal consents

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of January 24, 2018 (this "**Agreement**"), is by and among Ormat Nevada Inc., a Delaware corporation ("**Parent**"), OGP Holding Corp., a Delaware corporation and a wholly owned Subsidiary of Parent ("**Merger Sub**"), and U.S. Geothermal Inc., a Delaware corporation (the "**Company**"). Each of Parent, Merger Sub and the Company is referred to herein individually as a "**party**" and collectively as the "**parties**". Certain capitalized terms used in this Agreement are used as defined in Section 8.01.

RECITALS

WHEREAS, the parties intend that Merger Sub be merged with and into the Company, with the Company surviving that merger on the terms and subject to the conditions set forth herein;

WHEREAS, in the Merger, upon the terms and subject to the conditions of this Agreement, each outstanding share of common stock, par value $0.001 per share, of the Company (the "**Company Shares**") will be converted into the right to receive the Merger Consideration except as otherwise provided in this Agreement;

WHEREAS, the Board of Directors of the Company (the "**Company Board**") has unanimously: (a) determined that it is in the best interests of the Company and its stockholders, and declared it advisable, to enter into this Agreement with Parent and Merger Sub; (b) approved the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Merger (the "**Transactions**"); and (c) resolved, subject to the terms and conditions set forth in this Agreement, to recommend adoption of this Agreement by the stockholders of the Company (the "**Company Board Recommendation**"); in each case, in accordance with the Delaware General Corporation Law (the "**DGCL**");

WHEREAS, the Board of Directors of Merger Sub has unanimously: (a) determined that it is in the best interests of Merger Sub, and declared it advisable, to enter into this Agreement; and (b) approved the execution, delivery, and performance of this Agreement and the consummation of the Transactions, including the Merger; in each case, in accordance with the DGCL;

WHEREAS, the Board of Directors of Parent, as the sole stockholder of Merger Sub, has unanimously approved and adopted this Agreement in accordance with the DGCL;

WHEREAS, the parties desire to make certain representations, warranties, covenants, and agreements in connection with the Merger and the Transactions and also to prescribe certain conditions to the Merger;

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to Parent's and Merger Sub's willingness to enter into this Agreement, each Person listed in Section 1.01 of the Company Disclosure Schedule is entering into a Voting Agreement in the form attached as Exhibit A hereto (collectively, the "**Voting Agreements**") pursuant to which those shareholders, among other things, will agree to vote all securities in the Company beneficially owned by them in favor of the approval of this Agreement, the Merger and each other Transaction; and

NOW, THEREFORE, in consideration of the foregoing and of the representations, warranties, covenants, and agreements contained in this Agreement, the parties, intending to be legally bound, agree as follows:

ARTICLE I

THE MERGER

Section 1.01 The Merger. On the terms and subject to the conditions set forth in this Agreement, and in accordance with the DGCL, at the Effective Time: (a) Merger Sub will merge with and into the Company (the "**Merger**"); (b) the separate corporate existence of Merger Sub will cease; and (c) the Company will continue its corporate existence under the DGCL as the surviving corporation in the Merger and a Subsidiary of Parent (sometimes referred to herein as the "**Surviving Corporation**").

Section 1.02 Closing. Upon the terms and subject to the conditions set forth herein, the closing of the Merger (the "**Closing**") will take place at 10:00 am, Eastern time, as soon as practicable (and, in any event, within three Business Days) after the satisfaction or, to the extent permitted hereunder, waiver of all conditions to the Merger set forth in ARTICLE VI (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted hereunder, waiver of all such conditions), unless this Agreement has been terminated pursuant to its terms or unless another time or date is agreed to in writing by the parties hereto. The Closing shall be held at Norton Rose Fulbright US LLP, 1301 Avenue of the Americas, New York, NY 10019, unless another place is agreed to in writing by the parties hereto, or by electronic exchange and release of documents, and the actual date of the Closing is hereinafter referred to as the "**Closing Date**."

Section 1.03 Effective Time. Subject to the provisions of this Agreement, at the Closing, the Company, Parent, and Merger Sub will cause a certificate of merger (the "**Certificate of Merger**") to be executed, acknowledged, and filed with the Secretary of State of the State of Delaware in accordance with the relevant provisions of the DGCL and shall make all other filings or recordings required under the DGCL. The Merger will become effective at such time as the Certificate of Merger has been duly filed with the Secretary of State of the State of Delaware or at such later date or time as may be agreed by the Company and Parent in writing and specified in the Certificate of Merger in accordance with the DGCL (the effective time of the Merger being hereinafter referred to as the "**Effective Time**").

Section 1.04 Effects of the Merger. The Merger shall have the effects set forth herein and in the applicable provisions of the DGCL. Without limiting the generality of the foregoing, and subject thereto, from and after the Effective Time, all property, rights, privileges, immunities, powers, franchises, licenses, and authority of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities, obligations, restrictions, and duties of each of the Company and Merger Sub shall become the debts, liabilities, obligations, restrictions, and duties of the Surviving Corporation.

Section 1.05 Certificate of Incorporation; Bylaws. At the Effective Time: (a) the certificate of incorporation of the Surviving Corporation shall be amended and restated so as to read in its entirety as set forth in Exhibit B, and, as so amended and restated, shall be the certificate of incorporation of the Surviving Corporation until thereafter amended in accordance with the terms thereof or as provided by applicable Law; and (b) the bylaws of Merger Sub as in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation, except that references to Merger Sub's name shall be replaced with references to the Surviving Corporation's name, until thereafter amended in accordance with the terms thereof, the certificate of incorporation of the Surviving Corporation, or as provided by applicable Law (and subject to Section 5.08).

Section 1.06 Directors and Officers.

(a) The directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation, as of and immediately following the Effective Time, until their respective successors are duly elected or appointed and qualified or their earlier death, resignation or removal in accordance with the certificate of incorporation and bylaws of the Surviving Corporation.

(b) The officers of Merger Sub immediately prior to the Effective Time shall be the officers of the Surviving Corporation, as of and immediately following the Effective Time, until their respective successors are duly appointed and qualified or their earlier death, resignation or removal in accordance with the certificate of incorporation and bylaws of the Surviving Corporation.

ARTICLE II

EFFECT OF THE MERGER ON CAPITAL STOCK

Section 2.01 Effect of the Merger on Capital Stock. At the Effective Time, as a result of the Merger and without any action on the part of Parent, Merger Sub, or the Company or the holder of any capital stock of Parent, Merger Sub, or the Company:

(a) Cancellation of Certain Company Shares; Treatment of Stock Held by Company Subsidiaries. Each Company Share that is owned by Parent, Merger Sub, or the Company (as treasury stock or otherwise) or any of their respective direct or indirect wholly-owned Subsidiaries as of immediately prior to the Effective Time will automatically be cancelled and retired and will cease to exist, and no consideration will be delivered in exchange therefor. Any Company Shares owned by any direct or indirect wholly-owned Subsidiary of the Company shall not represent the right to receive the Merger Consideration and shall be cancelled.

(b) Conversion of Company Shares. Each Company Share issued and outstanding immediately prior to the Effective Time (other than: (i) shares to be cancelled and retired in accordance with Section 2.01 (a); and (ii) Dissenting Shares) will be automatically converted into the right to receive an amount in cash equal to the Offer Price (as defined herein), without interest (the "**Merger Consideration**").

(c) Cancellation of Shares. At the Effective Time, all Company Shares will no longer be outstanding and all Company Shares will be cancelled and retired and will cease to exist, and, subject to Section 2.03, each holder of: (i) a certificate formerly representing any Company Shares (each, a "**Certificate**"); or (ii) any book-entry shares which immediately prior to the Effective Time represented Company Shares (each, a "**Book-Entry Share**") will cease to have any rights with respect thereto, except the right to receive the Merger Consideration in accordance with Section 2.02 hereof (or in the case of any Dissenting Shares, as otherwise provided in Section 2.03).

(d) Conversion of Merger Sub Capital Stock. Each issued and outstanding share of capital stock of Merger Sub shall be converted into and become one validly issued, fully paid and non-assessable share of common stock, par value $0.001 per share, of the Surviving Corporation with the same rights, powers, and privileges as the shares so converted and shall constitute the only outstanding shares of capital stock of the Surviving Corporation. From and after the Effective Time, all certificates representing shares of Merger Sub common stock shall be deemed for all purposes to represent the number of shares of common stock of the Surviving Corporation into which they were converted in accordance with the immediately preceding sentence.

Section 2.02 Surrender and Payment.

(a) Paying Agent; Payment Fund. Prior to the Effective Time, Parent shall appoint a paying agent reasonably acceptable to the Company (the "**Paying Agent**") to act as the agent for the purpose of paying the Merger Consideration for: (i) the Certificates; and (ii) Book-Entry Shares. In connection therewith, the parties shall enter into an agreement with the Paying Agent in a form reasonably acceptable to Parent and the Company. On or before the Effective Time, Parent shall deposit, or cause Merger Sub to deposit, with the Paying Agent, sufficient funds to pay the aggregate Merger Consideration that is payable in respect of all of the Company Shares represented by the Certificates and the Book-Entry Shares (other than: (A) shares to be cancelled and retired in accordance with Section 2.01(a); and (B) Dissenting Shares) (the "**Payment Fund**") in amounts and at the times necessary for such payments. If for any reason (including losses) the Payment Fund is inadequate to pay the amounts to which holders of shares shall be entitled under Section 2.01(b), Parent shall take all steps necessary to enable or cause the Surviving Corporation promptly to deposit in trust additional cash with the Paying Agent sufficient to make all payments required under this Agreement. The Payment Fund shall not be used for any other purpose. The Surviving Corporation shall pay all charges and expenses, including those of the Paying Agent, in connection with the exchange of Company Shares for the Merger Consideration. Promptly after the Effective Time (but in any event not later than three Business Days after the Effective Time), Parent shall send, or shall cause the Paying Agent to send, to each record holder of Company Shares at the Effective Time, a letter of transmittal and instructions (which shall specify that the delivery shall be effected, and risk of loss and title shall pass, only upon proper delivery of the Certificates (or affidavits of loss in lieu thereof pursuant to Section 2.06) or transfer of the Book-Entry Shares to the Paying Agent, and which letter of transmittal will be in customary form and have such other provisions as Parent and the Surviving Corporation may reasonably specify) for use in such exchange (the "**Letter of Transmittal**").

(b) Procedures for Surrender; No Interest. Each holder of Company Shares that have been converted into the right to receive the Merger Consideration shall be entitled to receive the Merger Consideration in respect of the Company Shares represented by a Certificate or Book-Entry Share upon: (i) surrender to the Paying Agent of a Certificate (or an affidavit of loss in lieu thereof pursuant to Section 2.06), together with a duly completed and validly executed Letter of Transmittal and such other documents as may reasonably be requested by the Paying Agent; or (ii) receipt of an "agent's message" by the Paying Agent (or such other evidence, if any, of transfer as the Paying Agent may reasonably request) in the case of Book-Entry Shares. Until so surrendered or transferred, as the case may be, and subject to the terms set forth in Section 2.03, each such Certificate or Book-Entry Share, as applicable, shall represent after the Effective Time for all purposes only the right to receive the Merger Consideration payable in respect thereof. No interest shall be paid or accrued on the Merger Consideration payable upon the surrender of any Certificate (or an affidavit of loss in lieu thereof pursuant to Section 2.06) or transfer of any Book-Entry Share. Upon payment of the Merger Consideration pursuant to the provisions of this ARTICLE II, each Certificate or Certificates or Book-Entry Share or Book-Entry Shares so surrendered or transferred, as the case may be, shall immediately be cancelled.

(c) Investment of Payment Fund. Until disbursed in accordance with the terms and conditions of this Agreement, the cash in the Payment Fund will be invested by the Paying Agent, as directed by Parent or the Surviving Corporation, in: (i) obligations of or fully guaranteed by the United States or any agency or instrumentality thereof and backed by the full faith and credit of the United States with a maturity of no more than 30 days; (ii) commercial paper obligations rated A-1 or P-1 or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively; or (iii) certificates of deposit, bank repurchase agreements, or banker's acceptances of commercial banks with capital exceeding $1,000,000,000 (based on the most recent financial statements of such bank that are then publicly available). No losses with respect to any investments of the Payment Fund will affect the amounts payable to the holders of Certificates or Book-Entry Shares. Any income from investment of the Payment Fund will be payable to Parent or the Surviving Corporation, as Parent directs.

(d) Payments to Non-Registered Holders. If any portion of the Merger Consideration is to be paid to a Person other than the Person in whose name the surrendered Certificate or the transferred Book-Entry Share, as applicable, is registered, it shall be a condition to such payment that: (i) such Certificate shall be properly endorsed or shall otherwise be in proper form for transfer or such Book-Entry Share shall be properly transferred; and (ii) the Person requesting such payment shall pay to the Paying Agent any transfer or other Tax required as a result of such payment to a Person other than the registered holder of such Certificate or Book-Entry Share, as applicable, or establish to the reasonable satisfaction of the Paying Agent that such Tax has been paid or is not payable.

(e) Full Satisfaction. All Merger Consideration paid upon the surrender of Certificates or transfer of Book-Entry Shares in accordance with the terms hereof shall be deemed to have been paid in full satisfaction of all rights pertaining to the Company Shares formerly represented by such Certificate or Book-Entry Shares, and from and after the Effective Time, there shall be no further registration of transfers of Company Shares on the stock transfer books of the Surviving Corporation. If, after the Effective Time, Certificates or Book-Entry Shares are presented to the Surviving Corporation, they shall be cancelled and exchanged for the Merger Consideration provided for, and in accordance with the procedures set forth, in this ARTICLE II.

(f) Termination of Payment Fund. Any portion of the Payment Fund that remains unclaimed by the holders of Company Shares nine (9) months after the Effective Time shall be returned to Parent, upon demand, and any such holder who has not exchanged Company Shares for the Merger Consideration in accordance with this Section 2.02 prior to that time shall thereafter look only to Parent (subject to abandoned property, escheat, or other similar Laws), as general creditors thereof, for payment of the Merger Consideration without any interest. Notwithstanding the foregoing, Parent shall not be liable to any holder of Company Shares for any amounts paid to a public official pursuant to applicable abandoned property, escheat, or similar Laws.

(g) Dissenting Shares Merger Consideration. Any portion of the Merger Consideration made available to the Paying Agent in respect of any Dissenting Shares shall be returned to Parent, upon demand.

Section 2.03 Dissenting Shares. Notwithstanding any provision of this Agreement to the contrary, including Section 2.01, Company Shares issued and outstanding immediately prior to the Effective Time (other than shares cancelled in accordance with Section 2.01(a)) and held by a holder who has not voted in favor of adoption of this Agreement or consented thereto in writing and who is entitled to demand and has properly exercised appraisal rights of such shares in accordance with Section 262 of the DGCL (such Company Shares being referred to collectively as the "**Dissenting Shares**" until such time as such holder fails to perfect or otherwise waives, withdraws, or loses such holder's appraisal rights under the DGCL with respect to such shares) shall not be converted into a right to receive the Merger Consideration, but instead shall be entitled to only such rights as are granted by Section 262 of the DGCL; *provided, however*, that if, after the Effective Time, such holder fails to perfect, waives, withdraws, or loses such holder's right to appraisal pursuant to Section 262 of the DGCL or if a court of competent jurisdiction shall determine that such holder is not entitled to the relief provided by Section 262 of the DGCL, such Company Shares shall be treated as if they had been converted as of the Effective Time into the right to receive the Merger Consideration in accordance with Section 2.01(b), without interest thereon, upon surrender of such Certificate formerly representing such share or transfer of such Book-Entry Share, as the case may be. The Company shall provide Parent prompt written notice of any demands received by the Company for appraisal of Company Shares, any waiver or withdrawal of any such demand, and any other demand, notice, or instrument delivered to the Company prior to the Effective Time that relates to such demand, and Parent shall have the opportunity and right to direct all negotiations and proceedings with respect to such demands. Except with the prior written consent of Parent, the Company shall not make any payment with respect to, or settle, or offer to settle, any such demands.

Section 2.04 Adjustments. Without limiting the other provisions of this Agreement, if at any time during the period between the date of this Agreement and the Effective Time, any change in the outstanding shares of capital stock of the Company shall occur (other than the issuance of additional shares of capital stock of the Company as permitted by this Agreement), including by reason of any reclassification, recapitalization, stock split (including reverse stock split), or combination, exchange, readjustment of shares, or similar transaction, or any stock dividend or distribution paid in stock, the Merger Consideration and any other amounts payable pursuant to this Agreement shall be appropriately adjusted to reflect such change; *provided, however*, that this sentence shall not be construed to permit the Company to take any action with respect to its securities that is prohibited by the terms of this Agreement.

Section 2.05 Withholding Rights. Each of the Paying Agent, Parent, Merger Sub, and the Surviving Corporation shall be entitled to deduct and withhold from the consideration otherwise payable to any Person pursuant to this Agreement such amounts as may be required to be deducted and withheld with respect to the making of such payment under any Tax Laws and to require the delivery of necessary Tax forms and any other required information. To the extent that amounts are so deducted and withheld by the Paying Agent, Parent, Merger Sub, or the Surviving Corporation, as the case may be, such amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which the Paying Agent, Parent, Merger Sub, or the Surviving Corporation, as the case may be, made such deduction and withholding. Notwithstanding the foregoing, the Parties agree that no amounts shall be withheld from the consideration payable to any Person pursuant to this Agreement under Section 1445 of the Code.

Section 2.06 Lost Certificates. If any Certificate shall have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen, or destroyed and, if required by Parent, the posting by such Person of a bond, in such reasonable amount as Parent may direct, as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent will issue, in exchange for such lost, stolen, or destroyed Certificate, the Merger Consideration to be paid in respect of the Company Shares formerly represented by such Certificate as contemplated under this ARTICLE II.

Section 2.07 Treatment of Stock Options.

(a) At or prior to the Effective Time, the Company shall take all actions necessary (including obtaining any necessary determinations and/or resolutions of the Company Board or a committee thereof and amending the Company Stock Plan) to:

(i) terminate the Company Stock Plan;

(ii) provide that each outstanding option to purchase Company Shares granted under the Company Stock Plan (each, an "**Option**") that is outstanding and unexercised (without regard to the exercise price of such Option) as of immediately prior to the Effective Time, whether vested or unvested, shall become fully vested and exercisable immediately prior to and contingent on the Closing; and

(iii) cancel, as of the Effective Time, each Option that is outstanding and unexercised (without regard to the exercise price of such Option), as of immediately prior to the Effective Time (in each case, without the creation of additional liability to the Company or any of its Subsidiaries), subject, if applicable, to payment pursuant to Section 2.07(b).

(b) Each holder of an Option that is outstanding and unexercised as of immediately prior to the Effective Time and has an exercise price per share that is less than the per share Merger Consideration shall be entitled to receive as soon as reasonably practicable after the Effective Time, a cash amount equal to the Designated Consideration for each Company Share then subject to the Option (less all applicable Tax deductions and withholdings required by Law to be withheld in respect of such payment and without interest). Holders of Options listed on Section 2.07(b) of the Company Disclosure Schedule are required to execute and deliver an Option Holder Acknowledgement prior to and as a pre-condition to receiving the Designated Consideration. For purposes of this Agreement, "**Designated Consideration**" means, with respect to any Company Share issuable under a particular Option, an amount equal to the excess, if any, of (i) the Merger Consideration per Company Share over (ii) the exercise price payable in respect of such Company Share issuable under such Option.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Merger Sub that the statements contained in this ARTICLE III are true and correct as of the date hereof and as of the Closing (or, if a specific date is indicated in any such statement, as of such specified date), except as set forth (a) in such statement or in the corresponding Section of the definitive disclosure schedule delivered by the Company to Parent and Merger Sub on the date of this Agreement (the "**Company Disclosure Schedule**") or, to the extent that the relevance of such disclosure to the applicable representation or warranty is reasonably apparent on the face of such disclosure, in other Sections of the Company Disclosure Schedule, or (b) in any Company SEC Document or other forms, documents, statements, schedules and reports filed or furnished by the Company with or to the SEC (and that are publicly available) on or after October 1, 2015 and prior to the date hereof (collectively, the "**Filed SEC Documents**"), other than (i) the exhibits and schedules to the Filed SEC Documents or (ii) disclosures in such Filed SEC Documents referred to in the "Risk Factors" and "Forward Looking Statements" sections thereof (it being acknowledged and agreed that nothing disclosed in the Filed SEC Documents shall be deemed to qualify or modify the representations and warranties set forth in Section 3.01, Section 3.02, Section 3.03, Section 3.10, Section 3.14 and Section 3.21). No reference to or disclosure of any item or other matter in the Company Disclosure Schedule shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in the Company Disclosure Schedule. The information set forth in the Company Disclosure Schedule is disclosed solely for the purposes of this Agreement, and no information set forth therein shall be deemed to be an admission by any party to any third party of any matter whatsoever, including of any violation of law or breach of any agreement.

Section 3.01 Organization, Standing and Corporate Power.

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority necessary to own, lease and operate all of its properties and assets and to carry on its business as it is now being conducted. The Company is duly licensed or qualified to do business and is in good standing in each jurisdiction in

which the nature of the business conducted by it or the character or location of the properties and assets owned, leased or operated by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing has not had and would not reasonably be expected to have a Company Material Adverse Effect.

(b) Each of the Company's Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization except where the failure to be in good standing has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Each of the Company's Subsidiaries has all requisite corporate, limited liability company or similar power and authority necessary to own, lease and operate all of its properties and assets and to carry on its business as it is now being conducted.

Section 3.02 Capitalization.

(a) The authorized capital stock of the Company consists of 250,000,000 Company Shares and no other classes of stock. At the close of business on December 31, 2017 (the "**Capitalization Date**"), (i) 19,449,984 Company Shares were issued and outstanding (with no restricted Company Shares outstanding under the Company Stock Plan), (ii) no Company Shares were held by the Company in its treasury, and (iii) 2,082,763 Company Shares were reserved for issuance pursuant to outstanding Options under the Company Stock Plan.

(b) Section 3.02(b) of the Company Disclosure Schedule sets forth, as of the Capitalization Date, a list of all holders of Options under the Company Stock Plan, the date of grant, the number of Company Shares subject to such Option and the price per share at which such Option may be exercised. Each Option (i) was granted in compliance with all applicable Laws and all of the terms and conditions of the Company Stock Plan pursuant to which it was issued, (ii) has an exercise price per Company Share equal to or greater than the fair market value of a Company Share as of the market close on the day prior to the date of such grant, (iii) has a grant date identical to the date on which the Company Board or a committee thereof actually awarded such Option, except for any adjustment pursuant to a share consolidation and (iv) has not been repriced through amendment, cancellation and reissuance or any other means, other than by way of any duly and validly authorized and approved share consolidation, stock split or reverse stock split. All Company Shares subject to issuance under the Company Stock Plan, upon issuance in accordance with the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid, and non-assessable.

(c) Except as described in this Section 3.02, as of the Capitalization Date, there were (i) no outstanding shares of capital stock of the Company and (ii) no other outstanding Equity Securities issued by the Company (the items in clauses (i) and (ii) being referred to collectively as "**Company Securities**"). There are no outstanding Contracts, commitments or other arrangements of any kind which obligate the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any Company Securities, or obligating the Company to grant, extend or enter into any such Contracts, commitments or other arrangements relating to any Company Securities, including any agreements granting any preemptive rights, subscription rights, anti-dilutive rights, rights of first refusal or similar rights with respect to any Company Securities. No direct or indirect Subsidiary of the Company owns any Company Securities. None of the Company or any Subsidiary of the Company is a party to or bound by any stockholders' agreement, voting trust agreement, registration rights agreement, proxy or other similar agreement or understanding relating to any Company Securities or any other agreement relating to the registration, disposition, voting or dividends with respect to any Company Securities. All outstanding Company Shares have been duly authorized and validly issued and are fully paid, non-assessable and free of preemptive rights. From the Capitalization Date to the execution of this Agreement, neither the Company nor any of its Subsidiaries has (A) issued any Equity Securities, other than pursuant to the Options referred to above that were outstanding as of the Capitalization Date or (B) established a record date for, declared, set aside for payment or paid any dividend on, or made any other distribution in respect of, any of its Equity Securities.

(d) Section 3.02(d) of the Company Disclosure Schedule sets forth the name and jurisdiction of organization of each Subsidiary of the Company and sets forth a complete and accurate list of all outstanding Equity Securities of each Subsidiary and the registered and beneficial owner(s) thereof. Except as set forth in Section 3.02(d) of the Company Disclosure Schedule, all of the outstanding Equity Securities of each Subsidiary of the Company (except for directors' qualifying shares or the like) are owned directly or indirectly, beneficially and of record, by the Company free and clear of all Liens, except for such transfer restrictions of general applicability as may be provided under the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the "**Securities Act**") or other applicable securities Laws. Except as set forth in Section 3.02(d) of the Company Disclosure Schedule, each outstanding Equity Security of each Subsidiary of the Company, which is held, directly or indirectly, by the Company, is duly authorized, validly issued, fully paid, non-assessable and free of preemptive rights, and there are no subscriptions, options, warrants, rights, calls, contracts or other commitments, understandings, restrictions or arrangements relating to the issuance, acquisition, redemption, repurchase or sale of any Equity Security of any Subsidiary of the Company, including any right of conversion or exchange under any outstanding security, instrument or agreement, any agreements granting any preemptive rights, subscription rights, anti-dilutive rights, rights of first refusal or similar rights with respect to any securities of any Subsidiary. None of the Subsidiaries has any outstanding equity compensation plans or policies relating to any Equity Security of the Company or any Subsidiary of the Company. Neither the Company nor any Subsidiary thereof owns, directly or indirectly, any Equity Security in any Person other than the Subsidiaries of the Company. Except as set forth in Section 3.02(d) of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries has any obligation to make any payments based on the price or value of any Equity Security of any Subsidiary of the Company or dividends paid thereon or revenues, earnings or financial performance or any other attribute of any Subsidiary of the Company.

(e) As of the date of this Agreement, there was no outstanding Indebtedness of the Company or its Subsidiaries other than Indebtedness identified in Section 3.02(e) of the Company Disclosure Schedule.

(f) Since the Capitalization Date, neither the Company nor any of its Subsidiaries has issued, granted, awarded, authorized, redeemed, repurchased or reserved for issuance any Equity Securities of the Company or any of its Subsidiaries, except for any issuance of Company Shares pursuant to the Options referred to in Section 3.02(a)(iii).

Section 3.03 Authority; Non-contravention; Voting Requirements.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the Transactions, subject to adoption of this Agreement by the stockholders of the Company. The execution, delivery and performance by the Company of this Agreement, and the consummation by it of the Transactions, have been duly and validly authorized and approved by the Company Board, and no other corporate action on the part of the Company is necessary to authorize the execution, delivery and performance by the Company of this Agreement and the consummation by it of the Transactions, subject only, in the case of consummation of the Transactions, to the receipt of stockholder approval. This Agreement has been duly and validly executed and delivered by the Company and, assuming the due and valid authorization, execution and delivery hereof by the other parties, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general application affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity, whether considered in a proceeding at law or in equity (the "**Bankruptcy and Equity Exception**").

(b) The Company Board has, at a meeting duly called and held, unanimously adopted resolutions (i) determining that the Transactions are fair to, and in the best interests of, the Company and its stockholders, (ii) declaring advisable entry into this Agreement and the Transactions, including the Merger, (iii) approving the Company's execution, delivery and performance of this Agreement and the consummation of the Transactions, including the Merger, (iv) resolving, subject to Section 5.04, to make the Company Board Recommendation, and (v) directing that the adoption of this Agreement be submitted to a vote at a meeting of the Company's stockholders. As of immediately prior to the execution of this Agreement, such resolutions have not been rescinded, modified or withdrawn.

(c) The execution and delivery of this Agreement by the Company do not, and the consummation by the Company of the Transactions and the performance of or compliance by the Company with any of the terms or provisions hereof will not (i) conflict with or violate any provision of the Company Charter Documents or of the similar organizational documents of any of the Company's Subsidiaries or (ii) assuming that the authorizations, consents and approvals referred to in Section 3.04, and adoption of this Agreement by the stockholders of the Company, are obtained and the filings referred to in Section 3.04 are made, (A) violate or conflict with any Law or Order applicable to the Company or any of its Subsidiaries, (B) result in a violation or breach of or constitute a default (with or without notice or lapse of time, or both) under, or give rise to any right of termination, cancellation, payment, acceleration or revocation ("**Default**") under, any Material Contract to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound, except as set forth in Section 3.03(c) of the Company Disclosure Schedule or (C) result in the creation of any Lien on any properties or assets of the Company or any of its Subsidiaries, other than any such event described in items (B) or (C) of clause (ii) which has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) Assuming the accuracy of the representations and warranties set forth in Section 4.09, the affirmative vote of the holders of a majority of the outstanding Company Shares (the "**Requisite Company Vote**") is the only vote or approval of the holders of any Equity Security of the Company necessary to adopt this Agreement and approve and consummate the Transactions under applicable Law and the Company Charter Documents.

Section 3.04 Governmental Approvals. Except for (i) any filings required under, and in compliance with applicable requirements of the Exchange Act and the rules of the NYSE American, (ii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware pursuant to the DGCL, (iii) filings required under, and compliance with other applicable requirements of, the HSR Act and any other applicable Antitrust Laws, (iv) filings with, and the consent of, FERC under Section 203 of the FPA and (v) the approvals set forth in of the Company Disclosure Schedule (the "**Company Approvals**"), no consent, approval, authorization, order, license, permit or waiver (each a "**Consent**") of, or filing, declaration, registration or notice (each, a "**Filing**") with or to, any Governmental Authority or any stock market or stock exchange on which Company Shares are listed for trading are necessary for the execution and delivery of this Agreement by the Company, the performance by the Company of its obligations hereunder and the consummation by the Company of the Transactions, except where the failure to obtain any Consent or make any Filing is immaterial to the Company and its Subsidiaries (which, for the avoidance of doubt, shall not include any Consents or Filings pursuant to the foregoing subparts (i) through (v)).

Section 3.05 Company SEC Documents; Reporting Issuer; Undisclosed Liabilities.

(a) Since October 1, 2015, the Company has filed with or furnished to the United States Securities and Exchange Commission (the "**SEC**"), on a timely basis, all required registration statements, certifications, reports and proxy statements (collectively, and in each case including all exhibits and schedules thereto and documents incorporated by reference therein, the "**Company SEC Documents**"). As of their respective effective dates (in the case of Company SEC Documents that are registration statements filed pursuant to the requirements of the Securities Act) and as of their respective SEC filing dates (in the case of all other Company SEC Documents) (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), the Company SEC Documents complied in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act of 2002 (as amended and including the rules and regulations promulgated thereunder, the "**Sarbanes-Oxley Act**"), as the case may be, applicable to such Company SEC Documents, and none of the Company SEC Documents as of such respective dates (or, if amended prior to the date of this Agreement, the date of the filing of such amendment, with respect to the disclosures that are amended) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the date of this Agreement, there are no outstanding or unresolved comments in comment letters received from the SEC or its staff. There has been no material written correspondence between the SEC and the Company since October 1, 2015 that is not available on the SEC's Electronic Data Gathering, Analysis and Retrieval (EDGAR) database. To the Knowledge of the Company, none of the Company SEC Documents is the subject of ongoing SEC review. None of the Company's Subsidiaries is required to file any forms or reports under Section 13(a) or 15(d) under the Exchange Act.

(b) The Company is a "reporting issuer" (or its equivalent) under applicable Canadian securities Laws of each of the Provinces of British Columbia, Alberta and Ontario. The Company is not currently in default in any material respect of any requirement of such Canadian securities Laws and the Company is not included on a list of defaulting reporting issuers maintained by any of the securities commissions or similar regulatory authorities in each of such Provinces and has not filed any confidential material change reports which continue to be confidential. No suspension of trading in or cease trading order with respect to the Company's Equity Securities is pending or, to the Knowledge of the Company, threatened. Since December 31, 2016, the Company has not received any correspondence or notice from a securities commission or similar regulatory authority concerning a review of any of the Company's continuous disclosure documents in respect of which any matters remain outstanding, except as disclosed in Section 3.05(b) of the Company Disclosure Schedule.

(c) The consolidated financial statements of the Company (including all related notes or schedules) included or incorporated by reference in the Company SEC Documents (i) have been prepared from, and are in accordance with, the books and records of the Company and its Subsidiaries, (ii) have complied as to form, as of their respective dates of filing with the SEC, in all material respects with all applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC), (iii) have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except, with respect to financial statements included in Company SEC Documents filed as of the date of this Agreement, as may be indicated in the notes thereto to the extent permitted by Regulation S-X) and (iv) fairly present in all material respects, in accordance with GAAP, the consolidated financial position of the Company and its Subsidiaries as of the dates thereof and the consolidated results of their operations and changes in shareholders' equity and cash flows of such companies as of the dates and for the periods shown (subject, in the case of unaudited quarterly financial statements, to normal year-end adjustments that will not be material). The books and records of the Company and its Subsidiaries relevant to the preparation of financial statements of the Company and its Subsidiaries have been and are being maintained in all material respects in accordance with GAAP. Since October 1, 2015, there has been no material change in the Company's accounting methods or principles that would be required to be disclosed in the Company's financial statements in accordance with GAAP, except as described in the notes thereto.

(d) Neither the Company nor any of its Subsidiaries has any Liabilities except for Liabilities: (i) disclosed in the balance sheet of the Company and its Subsidiaries as of September 30, 2017 (the "**Balance Sheet Date**") or in the notes thereto included in the Filed SEC Documents (the "**Company Balance Sheet**"), (ii) incurred after the Balance Sheet Date in the ordinary course of business consistent with past practices, (iii) incurred pursuant to this Agreement or in connection with the Transactions, (iv) that have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet arrangement or any similar Contract (including any Contract or arrangement relating to any transaction or relationship between or among the Company and any of its Subsidiaries, on the one hand, and any unconsolidated affiliate, on the other hand), including any structured finance, special purpose or limited purpose entity or Person, or any "off-balance sheet arrangement" (as defined in Item 303(a) of Regulation S-K under the Securities Act), where the purpose, result or effect of such Contract or arrangement is to avoid disclosure of any material transaction involving, or any material Liabilities of, the Company or any of its Subsidiaries in the Company SEC Documents (including any audited financial statements and unaudited interim financial statements included therein).

(e) Since October 1, 2015, subject to any applicable grace periods, the Company has been and is in compliance in all material respects with (A) the applicable provisions of the Sarbanes-Oxley Act and (B) the applicable listing and corporate governance rules and regulations of the NYSE American.

(ii) The Company has established and maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) and internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) as required under Rule 13a-15 and Rule 15d-15 of the Exchange Act.

(iii) The Company has implemented disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) that are reasonably designed to ensure that all material information relating to the Company, including its Subsidiaries, required to be included in reports filed or furnished under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that all such material information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure and for the Company's principal executive officer and principal financial officer to make the certifications required to be made pursuant to Section 302 and 906 of the Sarbanes-Oxley Act.

(iv) The Company maintains (in accordance with Rule 13a-15(f) of the Exchange Act) a system of internal control over financial reporting designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in conformity with GAAP. The Company has evaluated the effectiveness of the Company's internal control over financial reporting and presented in any applicable Company SEC Document its conclusions about the effectiveness of the internal control over financial reporting as of the end of the period covered by such Company SEC Document based on such evaluation. Since December 31, 2012, none of the Company, the Company Board or audit committee nor, to the Knowledge of the Company, the Company's auditors have been advised of, and the Company's principal executive officer and its principal financial officer have not disclosed, based on their evaluation of the Company's internal controls referred to above, to the Company's auditors or the Company Board or audit committee (i) any significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information or (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

(v) No executive officer of the Company has failed to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act. Neither the Company nor any of its executive officers has received notice from any Governmental Authority challenging or questioning the accuracy, completeness, form or manner of filing of such certifications. To the Company's Knowledge, there are no facts or circumstances that would prevent its principal executive officer and principal financial officer from giving the certifications and attestations required pursuant to the rules and regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act, without qualification, when next due.

(vi) Neither the Company nor any of its Subsidiaries has outstanding, "extensions of credit" to directors or executive officers of the Company within the meaning of Section 402 of the Sarbanes-Oxley Act of 2002.

(vii) Since October 1, 2015, (A) there have been no material internal investigations regarding accounting, auditing or revenue recognition discussed with, reviewed by or initiated at the direction of the Company's management or the Company Board, (B) neither the Company nor any of its Subsidiaries has received any written or, to the Knowledge of the Company, oral complaint, allegation, assertion or claim regarding accounting, internal accounting controls, auditing practices, procedures, methodologies or methods of the Company or any of its Subsidiaries, or unlawful account or auditing matters with respect to the Company or any of its Subsidiaries and (C) no attorney representing the Company or any of its Subsidiaries, whether or not employed by the Company or any of its Subsidiaries, has reported evidence of a violation of securities Laws, breach of fiduciary duty or similar violation by the Company or any of its Subsidiaries or any of their respective Representatives to the Company's management or the

Company Board pursuant to SEC rules adopted under Section 307 of the Sarbanes-Oxley Act, except, in each case, as has not been, and would not reasonably be expected to be, individually or in the aggregate, materially adverse to the Company and its Subsidiaries taken as a whole.

(f) None of the information included or incorporated by reference in the letter to the stockholders, notice of meeting, proxy statement, and forms of proxy (collectively, the "**Company Proxy Statement**") to be filed with the SEC in connection with the Merger, will, at the date it is first mailed to the Company's stockholders or at the time of the Company Stockholders Meeting or at the time of any amendment or supplement thereof, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, no representation or warranty is made by the Company with respect to statements made or incorporated by reference therein based on information supplied by Parent or Merger Sub expressly for inclusion or incorporation by reference in the Company Proxy Statement. The Company Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act.

Section 3.06 Absence of Certain Changes. Since the Balance Sheet Date through the date of this Agreement (a) except for the execution and performance of this Agreement and the discussions and negotiations related thereto, the business of the Company and its Subsidiaries has been carried on and conducted in all material respects, in the ordinary course of business consistent with past practice, (b) there has not been any effect, change, event, state of fact, development, circumstance or occurrence that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect and (c) there has not occurred any action or event that, had such action or event occurred after the date of this Agreement and prior to the Effective Time, would have breached any of the covenants contained in Section 5.01(b)(i)(B), (C) or (D), (iii), (v), (viii), (x), (xi), (xii), (xiv) (A) or (B), (xv), (xvi), (xix) or (xx) (but only as it relates to any of the foregoing clauses of Section 5.01(b)).

Section 3.07 Legal Proceedings. Except as disclosed in Section 3.07 of the Company Disclosure Schedule, as of the date of this Agreement, there is no pending or, to the Knowledge of the Company, threatened, material Legal Action against the Company or any of its Subsidiaries, nor is there any injunction, order, judgment, ruling, determination, decision, condition, verdict, sentence, award, decree, writ, stipulation, arbitration award or other legal requirement, restraint or prohibition (each, an "**Order**") imposed upon the Company or any of its Subsidiaries, in each case, by or before any Governmental Authority. As of the date of this Agreement, to the Knowledge of the Company, no director or officer of the Company or any of its Subsidiaries is a defendant in any suit, action or proceeding to which the Company or any of its Subsidiaries is not also a defendant, including as a nominal defendant, in connection with his or her status as a director or officer of the Company or any of its Subsidiaries. As of the date of this Agreement, there are no material Orders outstanding against the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries are subject.

Section 3.08 Compliance With Laws; Permits; Regulations.

(a) The Company and its Subsidiaries are and, since October 1, 2015 have been, in compliance with all, and have not breached or violated any, Laws or Order applicable to the Company or any of its Subsidiaries, except where the failure to comply with such Laws or Orders has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Neither the Company nor any of its Subsidiaries has received any written notice or, to the Knowledge of the Company, any other communication regarding any actual or alleged violation of, or failure to comply with, any such Law or Order.

(b) The Company and each of its Subsidiaries hold all Permits necessary for the lawful conduct of their respective businesses as such businesses are being operated as of the date hereof, except for any Permits for which the failure to obtain or hold would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. All such Permits are valid and in full force and effect. The Company and its Subsidiaries are, and since October 1, 2015 have been, in compliance with the terms of all such Permits, except where the failure to comply has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. No suspension, cancellation, revocation, limitation or other change of any such Permit is pending or threatened by the applicable Governmental Authority or other issuing Person except as disclosed in Section 3.08(b) of the Company Disclosure Schedule. The Company has made available to Parent true, correct and complete copies of all such Permits currently held by the Company or any of its Subsidiaries.

(c) None of the Company, its Subsidiaries or, to the Knowledge of the Company, their respective Representatives or any other Person acting on behalf of the Company or its Subsidiaries has at any time (i) directly or indirectly through its Representatives or any other Person, given, loaned, paid, promised, offered or authorized the payment of anything of value to any Government Official for the purpose of (A) influencing any official act or decision, (B) inducing a Government Official to use his or her position to influence any official act or decision or (C) otherwise persuading a Government Official to take an action (or fail to take an action) in order to help the Company or its Subsidiaries, or any other Person, obtain or keep business, or to secure some other improper advantage, (ii) used any Company funds or assets to make any bribe or other unlawful contribution, gift, expense or payment to any Government Official or (iii) otherwise violated or engaged in any activity that would violate in any material respect, any Anti-Corruption Laws.

(d) The Company and its Subsidiaries have at all times (i) made and kept books, records and accounts that accurately and fairly reflect the character and amount of all transactions and the distribution of the Company's and its Subsidiaries' assets, (ii) devised and maintained a system of internal accounting controls sufficient to provide reasonable assurances that transactions are taken in accordance with management's directives and are properly recorded, in each case, in accordance with the Anti-Corruption Laws and (iii) maintained effective controls and procedures and an internal controls system that is sufficient to provide reasonable assurances that violations of the Anti-Corruption Laws would be prevented, detected and deterred.

(e) During the past five (5) years, none of the Company, its Subsidiaries or, to the Knowledge of the Company, any other Person acting on behalf of the Company or its Subsidiaries (i) has been or is currently the subject of any Legal Action regarding any alleged violation of any Anti-Corruption Laws, (ii) has conducted or initiated any internal investigation or made a voluntary, directed or involuntary disclosure to any Governmental Authority regarding any alleged violation of any Anti-Corruption Laws or with respect to any alleged act or omission arising under or relating to any material noncompliance with any Anti-Corruption Laws, (iii) has received any written notice, request or citation for any actual or potential noncompliance with any Anti-Corruption Laws or (iv) is aware of any threatened Legal Action or any circumstances likely to give rise to a Legal Action regarding any alleged violation of any Anti-Corruption Laws.

(f) Except as set forth in Section 3.08(f) of the Company Disclosure Schedule, no transfers, replacements or notifications are required by any Governmental Authority for, or in connection with, any Permit, Water Right, bond or other financial surety to remain valid and in full force and effect.

(g) Compliance with Anti-Terrorism Laws.

(i) To the extent applicable, the Company and its Subsidiaries are in compliance with (A) each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (B) the USA PATRIOT Act.

(ii) None of the Company or its Subsidiaries, and, to the Knowledge of the Company, no Representative of the Company or any of its Subsidiaries, (A) is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**"), or (B) is designated a "Blocked Person" by OFAC.

Section 3.09 Affiliate Transactions. Since October 1, 2015, there have been no transactions, or series of related transactions, agreements, arrangements or understandings, nor are there any currently proposed transactions, or series of related transactions, agreements, arrangements or understandings that would be required to be disclosed under Item 404 of Regulation S-K promulgated under the Securities Act in the Company's Form 10-K or a proxy statement relating to the Company's annual meeting of shareholders.

Section 3.10 Tax Matters.

(a) All income and all other material Tax Returns required to be filed by or with respect to the Company and each of its Subsidiaries have been timely filed (taking into account valid extensions of time within which to file) and all such Tax Returns (taking into account any filed amendments thereto) are true, correct and complete in all material respects.

(b) The Company and each of its Subsidiaries have timely paid all Taxes that are due and payable (whether or not shown to be payable on the Tax Returns described in Section 3.10(a)) and all Taxes and Tax Liabilities of the Company and its Subsidiaries that have accrued under GAAP as of the Balance Sheet Date but that are not yet due and payable are accrued on the Company Balance Sheet in accordance with GAAP. Since the Balance Sheet Date, neither the Company nor any of its Subsidiaries has incurred any Liability for Taxes arising from any transactions outside of the ordinary course of business.

(c) As of the date of this Agreement, there are no pending audits, examinations, investigations or other Legal Actions in respect of income Taxes for which the Company has received a written notice from a Governmental Authority or, to the Knowledge of the Company, in respect of a material amount of any other Taxes, in each case with respect to either the Company or any of its Subsidiaries.

(d) No jurisdiction where the Company and its Subsidiaries do not file a Tax Return has made a claim in writing that the Company or any of its Subsidiaries is or may be required to file a Tax Return or is subject to Tax in such jurisdiction.

(e) Other than the Permitted Liens, there are no Liens for Taxes on any of the assets of the Company or any of its Subsidiaries.

(f) None of the Company or any of its Subsidiaries has been a "controlled corporation" or a "distributing corporation" in any distribution occurring during the two-year period ending on the date of this Agreement that was purported or intended to be governed by Section 355 of the Code (or any similar provision of state, local or foreign Law).

(g) For tax years of the Company or any of its Subsidiaries that remain open either by operation of Law or by agreement with a relevant taxing authority, to the Knowledge of the Company, all material amounts of Tax required to be withheld by the Company and each of its Subsidiaries have been timely withheld, and all such withheld amounts have been timely paid over to the appropriate Governmental Authority in accordance with applicable Law.

(h) Neither the Company nor any of its Subsidiaries (A) has been a member of an affiliated group filing a U.S. consolidated federal income Tax Return (other than a group the common parent of which was the Company), (B) has any actual or potential liability for the Taxes of any person (other than the Company or any of its Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or non-U.S. Law) or as a transferee or successor, or (C) is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement relating to Taxes (other than (1) such an agreement or arrangement the parties to which consist exclusively of the Company and its Subsidiaries and (2) customary Tax indemnifications contained in credit or other commercial agreements the primary purpose of which agreements does not relate to Taxes).

(i) Neither the Company nor any of its Subsidiaries has participated in any "listed transaction" or "transaction of interest" within the meaning of Treasury Regulation Section 1.6011-4(b).

(j) As of January 16, 2018, the Company Shares are regularly quoted on an established securities market located in the United States by two or more brokers or dealers making a market in such interests as described in Treasury Regulation Section 1.897-9T(d)(2).

(k) Neither the Company nor its Subsidiaries will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any period or portion thereof beginning after the Closing Date as a result of any (i) intercompany transaction entered into prior to the Closing Date outside the ordinary course of business, (ii) installment sale or open transaction disposition made at or prior to the Closing Date outside the ordinary course of business, (iii) prepaid amount received at or prior to the Closing Date outside the ordinary course of business or (iv) change in accounting method made prior to the Closing Date that would be applicable to any period or portion thereof beginning after the Closing Date.

(l) Except as set forth in Section 3.10(l) of the Company Disclosure Schedule and before giving effect to the Merger, there currently are no limitations on the utilization of the net operating losses, capital losses, Tax credits or similar items of the Company and its Subsidiaries under Section 382 or Section 383 of the Code.

Section 3.11 Employee Benefits.

(a) Section 3.11(a) of the Company Disclosure Schedule contains a true, correct and complete list of each Company Plan. The Company has made available to Parent true, correct and complete copies of (i) each Company Plan document, including any amendments thereto and in the case of unwritten Company Plans, written descriptions thereof, (ii) the three most recent annual reports (Form 5500 series or local law equivalent) required to be filed with the IRS with respect to each Company Plan (if any such report was required) and the three most recent actuarial valuations or similar reports with respect to each Company Plan for which such report is available, (iii) the most recent IRS determination or opinion letter received with respect to each Company Plan, (iv) the most recent summary plan description for each Company Plan for which such summary plan description is required, (v) each trust agreement, insurance or group annuity contract or other funding vehicle relating to any Company Plan, (vi) each employee handbook or other similar employee communication, (vii) annual compliance test reports for the three most recent plan years with respect to each Company Plan for which such annual compliance tests are required and (viii) any 280G calculation prepared (whether or not final) with respect to any employee, director or independent contractor of the Company in connection with the Transactions (together with the underlying documentation on which such calculation is based).

(b) Each Company Plan has been, in all respects, administered in compliance with its terms and applicable Laws, including ERISA and the Code, as applicable. Each Company Plan intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination letter from the IRS for the most recent remedial amendment cycle or is entitled to rely upon a favorable opinion issued by the IRS for such cycle, and to the Knowledge of the Company, there are no existing circumstances or any events that have occurred that could reasonably be expected to affect adversely the qualified status of any such Company Plan. There are no pending, or to the Knowledge of the Company, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any Company Plan or any trust related thereto. No Company Plan is, or within the last six (6) years has been the subject of any Legal Action and, to the Knowledge of the Company, no Legal Action is threatened or anticipated with respect to such plan. The Company has satisfied all material reporting and disclosure requirements under the Code and ERISA and all other Laws that are applicable to the Company Plans. The Company has not terminated any Company Plan or taken any action with respect thereto that would result in a Lien on any of the assets or properties of the Company.

(c) Neither the Company nor any ERISA Affiliate maintains, contributes to, participates in or has an obligation to contribute to or any Liability in respect of (i) a multiemployer plan within the meaning of Section 3(37) of ERISA (a "**Multiemployer Plan**") or (ii) a pension plan that is subject to Title IV of ERISA or Section 412 of the Code (a "**Pension Plan**") nor has the Company or any ERISA Affiliate maintained, contributed to, participated in or had any obligation to contribute to or any Liability in respect of such plan within the six year period immediately preceding the date hereof. Neither the Company nor any of its Subsidiaries, nor to the Knowledge of the Company, any party-in-interest or interested party in respect of any Company Plan, has committed any "prohibited transaction" (within the meaning of Section 4975 of the Code or Section 406 of ERISA) with respect to any Company Plan that has subjected or is reasonably expected to subject the Company to a tax or penalty pursuant to Section 502 of ERISA or Section 4975 of

the Code or any other liability with respect thereto. Each Company Plan and any related contracts may be amended or terminated without penalty other than the payment of benefits, fees or charges accrued or incurred through the date of termination.

(d) Except as required under Section 601 et seq. of ERISA (or a similar state law), no Company Plan provides benefits or coverage in the nature of health, life or disability insurance following retirement or other termination of employment.

(e) Except as set forth in Section 3.11(e) of the Company Disclosure Schedule, the signing of this Agreement or the consummation of the Transactions will not, either alone or in combination with another event, (i) entitle any employee, director, officer or independent contractor of the Company or any of its Subsidiaries to severance pay, unemployment compensation or any other payment, (ii) accelerate the time of payment or vesting, or increase the amount of compensation due to any such employee, director, officer or independent contractor, (iii) directly or indirectly cause the Company to transfer or set aside any assets to fund any benefits under any Company Plan, (iv) otherwise give rise to any material liability under any Company Plan, (v) limit or restrict the right to amend, terminate or transfer the assets of any Company Plan on or following the Effective Time or (vi) result in any payment that would constitute an "excess parachute payment" (as such term is defined in Section 280G(b)(1) of the Code) to any current or former employee, director, officer or independent contractor of the Company or any of its Subsidiaries or that were or would not be deductible under Code Sections 162(m) or that would be required to be included by any current or former employee, director, officer or independent contractor of the Company or any of its Subsidiaries in gross income under Code Section 409A(a)(1)(A) as a result of a violation of Code Section 409A. The Company does not have an obligation to gross-up, indemnify or otherwise reimburse any current or former service provider to the Company for any tax incurred by such service provider pursuant to Sections 280G or 409A of the Code. Without limiting the foregoing, Schedule 3.11(e) sets forth a true, correct and complete list of any amount and type of any payment, acceleration, increase, vesting, liability or funding referred to in the immediately preceding sentence with respect to such current or former employee, director, officer or independent contractor, including without limitation the amount of any "excess parachute payment" and loss of deduction to the Company and the calculations supporting such amounts.

(f) The Company has properly classified for all purposes (including, without limitation, for all Tax, insurance, workers compensation and benefit plan eligibility purposes) all employees, leased employees, consultants, partners and independent contractors, and has withheld and paid all applicable Taxes and made all appropriate filings in connection with services provided by such persons.

(g) No Company Plan is maintained or sponsored primarily for the benefit of current or former employees or service providers located outside of the United States or is subject to the Laws of a jurisdiction other than the United States, and the Company does not have any obligation to provide for statutorily mandated benefits in a jurisdiction outside of the United States.

(h) Each arrangement that constitutes "non-qualified deferred compensation" within the meaning of Code Section 409A has been in operational and documentary compliance with or is otherwise exempt from Code Section 409A since the applicable deadline for such compliance with or exemption from Code Section 409A.

Section 3.12 Labor and Employment Matters.

(a) Except as set forth in Section 3.12(a) of the Company Disclosure Schedule, (i) neither the Company nor any of its Subsidiaries is a party, or otherwise subject, to any collective bargaining Contract or other agreement with a labor union, works council or other employee representative body; (ii) to the Knowledge of the Company, as of the date hereof, there are no activities or proceedings of any labor union, works council or other employee representative body to organize any employees of the Company or any of its Subsidiaries, there is no demand for recognition as the exclusive bargaining representative of any employees that has been made by or on behalf of any labor union, works council or other employee representative body, and there have been no such activities, proceedings or demands since October 1, 2014 (iii) no employee of the Company or any of its Subsidiaries is represented by any labor union, works council or other employee representative body with respect to his or her employment with the Company or any of its Subsidiaries; (iv) as of the date hereof, there is no pending or, to the Knowledge of the Company, threatened strike, picketing, lockout, slowdown, work stoppage or similar activity, and there have been no such activities since October 1, 2014; (v) as of the date hereof, there is no unfair labor practice charge against the Company or any of its Subsidiaries pending before the National Labor Relations Board or any other labor relations authority; (vi) as of the date hereof, there is no pending or, to the Knowledge of the Company, threatened Legal Action by or before any Governmental Authority with respect to any current or former employees, applicants or independent contractors of the Company or any of its Subsidiaries; (vii) the Company and its Subsidiaries are in material compliance, and since October 1, 2014 have been in material compliance with all material Laws related to employment, employment practices, wages, hours, immigration and other terms and conditions of employment (including without limitation affirmative action obligations, occupational health and safety and the classification and compensation of employees and independent contractors for purposes of the Fair Labor Standards Act and similar state Laws); (viii) neither the Company nor any of its Subsidiaries has, during the three year period prior to the date hereof, taken any action that would constitute a "Mass Layoff" or "Plant Closing" within the meaning of the Worker Adjustment and Retraining Notification Act or similar state Law or otherwise trigger mass layoff or plant closing obligations under applicable Law; and (ix) neither the Company nor any of its Subsidiaries will incur any notice, information, consultation, consent or similar obligations with respect to any labor union, works council or other employee representative body in connection with the execution of this Agreement or the Transactions.

(b) True, correct and complete information as to the name, current job title and position, work location, annual base salary or hourly rate, bonus eligibility, date of hire, years of service, status (exempt vs. non-exempt, full-time or part-time) and leave status (type, duration and expected return date), bonus, equity awards and other compensation for 2016 of all current directors and employees of the Company and its Subsidiaries has been provided to Parent. Except as set forth in Section 3.12(b) of the Company Disclosure Schedule, as of the date hereof, to the Knowledge of the Company, no current executive or group of employees has given notice of termination of employment or otherwise disclosed plans to terminate employment with the Company or any of its Subsidiaries within the next twelve (12) months. No executive of the Company or any of its Subsidiaries is employed under a non-immigrant work visa or other work authorization that is limited in duration.

Section 3.13 Environmental Matters. Except as set forth on Section 3.13 of the Company Disclosure Schedule or as to those matters that have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (a) each of the Company and its Subsidiaries is and has been in compliance with all applicable Environmental Laws and Governmental Approvals issued pursuant to Environmental Laws, and to the Knowledge of the Company, no capital expenditures or modifications to such business operations are required within the next two years in order to maintain such compliance, (b) as of the date hereof, there is no Legal Action, notice, demand or request for information relating to or arising under any Environmental Law or for the Release of Hazardous Materials that is pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries or any real property currently owned, operated or leased by the Company or any of its Subsidiaries, (c) neither the Company nor any of its Subsidiaries has received any notice of or assumed either contractually or, to the Knowledge of the Company, by operation of Law any uncompleted, outstanding or unresolved Liability arising under the Environmental Laws or for the Release of Hazardous Materials, (d) to the Knowledge of the Company, there are and have been no Hazardous Materials present or Released on or from any real property currently or formerly owned or leased by the Company or any of its Subsidiaries or from any offsite location at which the Company or any of its Subsidiaries disposed of (or used to dispose of) Hazardous Materials resulting in or that could reasonably be expected to result in Liability under the Environmental Laws, (e) neither the Company nor any of its Subsidiaries is conducting or paying for any remediation, investigation, response or corrective action under any Environmental Law or has received any unresolved demand related to any such remediation, investigation, response or corrective action or Release or presence of Hazardous Materials, (f) neither the Company nor any of its

Subsidiaries has entered into an indemnity with respect to, otherwise assumed or, to the Knowledge of the Company, become subject to, any Liability of any other Person relating to Environmental Laws or Hazardous Materials and (g) neither the Company nor any of its Subsidiaries is the beneficiary of any indemnification obligation relating to Environmental Laws or Hazardous Materials that is not disclosed in Section 3.13 of the Company Disclosure Schedule.

Section 3.14 Rights Agreement; Anti-Takeover Provisions.

(a) The Company is not party to, and has not adopted, a rights agreement, "poison pill" or similar agreement or plan.

(b) Assuming the accuracy of the representations and warranties set forth in Section 4.09, the Company Board has taken all necessary action so that the restrictions contained in Section 203 of the DGCL are inapplicable to this Agreement and the Transactions and there are no other takeover, anti-takeover, moratorium, "fair price", "control share" or other similar Laws applicable to this Agreement or the Transactions.

Section 3.15 Project Company Title to Property; Leases; Real Estate. Except as set forth in Section 3.15 of the Company Disclosure Schedule, (a) each Project Company has good, indefeasible, marketable and (other than with respect to Geothermal Resources and Water Rights) insurable title to, or valid, existing and (other than with respect to Geothermal Resources and Water Rights) insurable leasehold interests which are subsisting and are in full force and effect in all respects in, its Project, Site, Geothermal Resource, Water Rights and all of its other properties that individually or in the aggregate are material to such Project Company and its Project, free and clear of Liens (other than Permitted Liens), (b) the Water Rights for the Projects have been obtained in such amounts that are sufficient to operate the businesses of the Project Companies as presently conducted, (c) the applicable Geothermal Leases, Water Rights and all other leases, rights of way, easements and real property interests (the "***Real Property Rights***") that individually or in the aggregate are material to each Project Company and its Project are valid and subsisting and are in full force and effect in all respects, (d) any Real Property Rights that are Contracts are valid and binding on the Company or its Subsidiaries party thereto, and, to the Knowledge of the Company, each other party thereto, and are in full force and effect and enforceable in accordance with their respective terms, except where the failure to be valid, binding, enforceable and in full force and effect has not had or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (e) neither the Company nor any of its Subsidiaries is in default under any terms of any Geothermal Lease or Water Rights to which it is a party, and no event or omission has occurred which with the giving of notice or lapse of time, or both, would constitute a default under any such Geothermal Lease or Water Rights and (f) the real property interests, leasehold estates, easements and other rights of USG Oregon Project Company and USG Idaho Project Company, as set forth in the Title Policy, as supplemented by the Supplemental Rights, and of USG Nevada Project Company, as set forth in the Title Policy or encumbered by the Deed of Trust, together with the Geothermal Resources and Real Property Rights: (i) comprise all of the property interests necessary to secure any right required with respect to the operation or maintenance of the applicable Project in accordance with all requirements of Law, Contracts and Permits, including all Company Approvals, (ii) are sufficient to enable the applicable Project to be located, operated and routinely maintained on the applicable Site and (iii) provide adequate ingress and egress for any reasonable purpose in connection with the operation, routine maintenance and construction of the applicable Project. Neither the Company nor any of its Subsidiaries has received any notice from any Person that such Person intends to terminate, or not renew, any Real Property Rights or is seeking the renegotiation thereof in any material respect or substitute performance thereunder in any material respect. Section 3.15 of the Company Disclosure Schedule sets forth a true, correct and complete list of all Real Property Rights that are material to each Project Company. Except as to those matters that have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (A) each of the Company and its Subsidiaries is and has been in compliance with all applicable Laws applicable to the Water Rights, (B) as of the date hereof, there is no Legal Action, notice, demand or request for information relating to or arising under any Law that is pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries regarding the Water Rights, (C) neither the Company nor any of its Subsidiaries has received any notice of or assumed either contractually or, to the Knowledge of the Company, by operation of Law any uncompleted, outstanding or unresolved Liability arising under the Laws applicable to the Water Rights, (D) the Company or one of its Subsidiaries is the holder of the Water Rights located in Idaho according to the records of the Idaho Department of Water Resources, (E) the Company or one of its Subsidiaries is the holder of the Water Rights located in Nevada according to the records of the Nevada Division of Water Resources, and (F) neither the Company nor any of its Subsidiaries is conducting or paying for any investigation, response or corrective action under any Law applicable to the Water Rights or has received any unresolved demand related to any such investigation, response or corrective action.

Section 3.16 Other Real Property. Except as has not had and would not be reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect, (a) the Company or one of its Subsidiaries has good and marketable fee simple title to the real estate it purports to own and a valid and insurable leasehold interest in the real estate it purports to lease, in each case, other than that real estate owned or leased by a Project Company (the "**Other Real Property**"), including to all of the buildings, structures and other improvements thereon, free and clear of all Liens (other than Permitted Encumbrances), (b) none of the Company, any of its Subsidiaries or any Other Real Property is in material Default under any Contract evidencing any Lien or other agreement affecting the Other Real Property, (c) each material Company Lease and all other real property rights that, individually or in the aggregate, are material to the Company or any of its Subsidiaries are valid and subsisting and are in full force and effect in all respects, and (d) the Company or one of its Subsidiaries owns or leases all of the material personal property shown to be owned or leased by the Company or any of its Subsidiaries reflected in the latest audited financial statements included in the Company SEC Documents or acquired after the date thereof, free and clear of all Liens (other than Permitted Liens), except to the extent disposed of in the ordinary course of business since the date of the latest audited financial statements included in the Company SEC Documents. Neither the Company nor any of its Subsidiaries has received notice of any pending, and to the Knowledge of Company, there is no threatened, condemnation proceeding with respect to any Other Real Property. Neither Company nor or any of its Subsidiaries is a party to any agreement that obligates the Company or its Subsidiaries to purchase any material real property or interest in real property other than the Other Real Property.

Section 3.17 Material Contracts.

(a) Section 3.17(a) of the Company Disclosure Schedule sets forth a true, correct and complete list of all Material Contracts as of the date of this Agreement. For purposes of this Agreement, "**Material Contracts**" means all Contracts to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries or any of their respective properties or assets is bound (other than Company Plans) which have remaining unfulfilled obligations (whether affirmative or negative) on the Company or any of its Subsidiaries and that:

(i) are or would be required to be filed by the Company as a "material contract" pursuant to Item 601(b)(10) of Regulation S-K under the Securities Act or disclosed by the Company on a Current Report on Form 8-K;

(ii) relate to the formation, creation, operation, management or control of any joint venture, partnership, strategic alliance or similar arrangement with a third party that are material, individually or collectively, to the business of the Company and its Subsidiaries, taken as a whole;

(iii) relate to Indebtedness and have an outstanding amount in excess of $500,000 individually or $1,000,000 in the aggregate or that require the Company or any of its Subsidiaries to make any advance, loan or commitment or provide any credit support for or any capital contribution to, or other investment in, any Person (other than the Company or any of its wholly-owned Subsidiaries) in excess of $500,000;

(iv) involve the acquisition from another Person or disposition to another Person, directly or indirectly (by merger, purchase, exchange, license or otherwise), of assets or capital stock or other Equity Securities of another Person or the Company or any of its Subsidiaries, respectively, (A) for aggregate consideration under such Contract (or series of related Contracts) in excess of $250,000 or (B) that contain representations, warranties covenants, indemnities or other obligations (including indemnification, "earn-out" or other contingent obligations), that are still in effect and, individually or in the aggregate, could reasonably be expected to result in payments by the Company or any of its Subsidiaries in excess of $250,000 (in the case of each of clause (A) and (B), other than acquisitions or dispositions of inventory in the ordinary course of business);

(v) are for the purchase of materials, supplies, goods, services, equipment or other assets providing for either (a) annual payments by the Company and its Subsidiaries (under any Contract or series of related Contracts) of $250,000 or more or (b) aggregate payments by the Company and its Subsidiaries (under any Contract or series of related Contracts) of $1,000,000 or more;

(vi) are tolling, sales, distribution, offtake or power purchase agreements ("**PPAs**"), transmission, distribution, storage or interconnection agreements or other similar Contracts providing for the sale by the Company or any Subsidiary of electricity, capacity, renewable energy credits or ancillary services, in each case, that provide for either (a) annual payments to the Company and its Subsidiaries of $250,000 or more or (b) aggregate payments to the Company and its Subsidiaries of $1,000,000 or more;

(vii) prohibit the payment of dividends or distributions in respect of any Equity Security of the Company or any of its Subsidiaries, prohibit the pledging of any Equity Security of the Company or any of its Subsidiaries, prohibit the issuance of any guaranty by the Company or any of its Subsidiaries or prohibit the granting of a Lien on any property or asset of the Company or any of its Subsidiaries;

(viii) are license agreements that are material to the business of the Company and its Subsidiaries, taken as a whole, pursuant to which the Company or any of its Subsidiaries licenses in material Intellectual Property or licenses out material Intellectual Property owned by the Company or its Subsidiaries (other than license agreements for commercially available software on standard terms or licenses by the Company or any of its Subsidiaries granted to third parties in the normal course of providing its products or services);

(ix) contain provisions that prohibit the Company or any of its Subsidiaries or any Person that controls, or is under common control with, the Company from competing in any material line of business or grants a right of exclusivity to any Person which prevents the Company or a Subsidiary from entering any territory, market or field or freely engaging in business anywhere in the world (including any agreement to which the Company or any of its Subsidiaries or any Person that controls, or is under common control with, the Company are subject that grants to any party most-favored-nation, exclusivity, rights of first offer or first refusal or similar rights);

(x) are with a labor union, works council or other employee representative body;

(xi) provide for the payment, increase or vesting of any benefits or compensation in connection with the execution of this Agreement or the Transactions;

(xii) provide for any individual base annual compensation in excess of $100,000 or severance benefits to any officer, director, employee, independent contractor, consultant, or other individual;

(xiii) other than purchase orders, accounted for aggregate revenue to the Company or any of its Subsidiaries of more than $250,000 during the Company's fiscal year ended December 31, 2015 or 2016, or $175,000 for the first three fiscal quarters of the Company ended September 30, 2017;

(xiv) are necessary for the ownership, operation and maintenance of each Project and the generation, transmission, interconnection and sale of capacity and/or energy generated by, or environmental attributes associated with, such Project (the "**Material Project Documents**");

(xv) are for future purchase, exchange or sale of electric energy with a marked-to-market value in excess of $500,000 in the aggregate after the date of this Agreement (other than Contracts solely between the Company and any of its wholly-owned Subsidiaries or solely among its wholly-owned Subsidiaries);

(xvi) are Derivative Contracts;

(xvii) provide for product warranty or repair obligations by a manufacturer or vendor of equipment owned or leased by the Company or any of its Subsidiaries with a fair market value of more than $250,000;

(xviii) relate to construction and have a contract value or payment obligations or Liabilities thereunder of $250,000 or more in the aggregate;

(xix) are of the type that is or would be required to be disclosed under Item 404 of Regulation S-K under the Securities Act or are Contracts that provide for indemnification, advancement of expenses, contribution or defense for directors, officers, employees, agents or Affiliates of the Company or any of its Subsidiaries; or

(xx) are Contracts or a group of Contracts with a Person which is not of the type described in any of clauses (i) through (xix) above and the termination or breach of which would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) (i) Each Material Contract is valid and binding on the Company and any of its Subsidiaries party thereto, as applicable, and to the Knowledge of the Company, each other party thereto, and is in full force and effect and enforceable in accordance with its terms, except where the failure to be valid, binding, enforceable and in full force and effect, has not had or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (ii) the Company and each of its Subsidiaries, and, to the Knowledge of the Company, any other party thereto, has performed all obligations required to be performed by it under each Material Contract, except where such noncompliance has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (iii) there are no events or conditions which constitute, and neither the Company nor any of its Subsidiaries has received notice of the existence of any event or condition which constitutes, or, after notice or lapse of time or both, will constitute, a Default under, on the part of the Company or any of its Subsidiaries, any Material Contract, except where such Default has not had or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (iv) to the Knowledge of the Company, there are no events or conditions which constitute, or, after notice or lapse of time or both, will constitute a Default under, on the part of any counterparty, any Material Contract, except as does not have, and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect; and (v) neither the Company nor any of its Subsidiaries has received any notice from any Person that such Person intends to terminate, or not renew, any Material Contract, or is seeking the renegotiation thereof in any material respect or substitute performance thereunder in any material respect. The Company has made available to Parent true, correct and complete copies of all Material Contracts, including all material amendments, modifications, extensions or renewals with respect thereto.

Section 3.18 Material Project Documents. Each Material Project Document is in full force and effect and constitutes the legal, valid and binding obligation of the Company and any of its Subsidiaries, as applicable, party thereto. None of the Company, its Subsidiaries or, to the Knowledge of the Company, any other Person party to a Material Project Document or related material Contract with the Company or any of its Subsidiaries is in Default under, any terms of a Material Project Document or related material Contract nor has any event or condition occurred which would constitute a Default under any of the Material Project Documents or related material Contracts.

Section 3.19 Insurance. The Company has made available to Parent true, correct and complete copies of all material insurance policies currently available and all material self-insurance programs and arrangements relating to the business, assets and operations of the Company and its Subsidiaries in effect as of the date of this Agreement. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (a) all such insurance policies are in full force and effect, (b) the Company and its Subsidiaries are in compliance with the terms and conditions of all such insurance policies, (c) neither the Company nor any of its Subsidiaries is in Default under, and, to the Knowledge of the Company, no event or condition has occurred which would constitute such a Default under, any such insurance policies, (d) all premiums due with respect to each such insurance policy have been paid, (e) neither the Company nor any of its Subsidiaries has received written notice of any pending or threatened cancellation or modification (including with respect to coverage and premium) of such insurance policies and (f) the Company and its Subsidiaries maintain insurance in such amounts and against such risks as is required by (i) applicable Laws, Orders and Permits and (ii) the terms of the Material Contracts, including the Material Project Documents. Except as disclosed in Section 3.19 of the Company Disclosure Schedule, as of the date of this Agreement, there is no material claim pending under any of such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies.

Section 3.20 Opinion of Financial Advisor. The Company Board has received the opinion of ROTH Capital Partners (the "**Company Financial Advisor**") to the effect that, as of the date of such opinion, and subject to the various assumptions and qualifications set forth therein, the Offer Price and Merger Consideration to be received by holders of Company Shares is fair, from a financial point of view, to such holders and a copy of such opinion will be provided to Parent, solely for informational purposes, following receipt thereof by the Company.

Section 3.21 Brokers and Other Advisors. Except for ROTH Capital Partners, the fees and expenses of which will be paid by the Company, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses that is or may be payable by the Company, any of its Subsidiaries or Parent, in connection with the Transactions. The Company has made available to Parent a complete and accurate copy of all agreements pursuant to which any Person identified in this Section 3.21 is entitled to any fees and expenses in connection with the Transactions.

Section 3.22 Status under Certain Statutes.

(a) None of the Company or any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(b) Each of the Company and its Subsidiaries is not subject to or is exempt from regulation under PUHCA in either case as a "public-utility company" or as a "holding company" of a "public-utility company."

(c) Each Project is a QF. Those certain "Notices of Self-Certification" that were filed with FERC in Docket Nos. QF12-389, QF06-187, and QF12-163 on or about January 18, 2013, September 20, 2007, and January 17, 2012 for each Project that is an operating project are in full force and effect and are factually accurate. Each Project Company (i) has obtained and maintained status for its Project as a QF and (ii) has made the requisite QF filings with FERC and any applicable utility and state regulatory authority.

(d) Each Project and Project Company is entitled to the following exemptions.

(i) The Raft River Project and the Raft River Project Company are entitled to (x) all of the exemptions from the FPA provided for in 18 C.F.R. § 292.601 (c), including the exemptions from Sections 205 and 206 of the FPA set forth in§ 292.60l(c)(l); (y) the exemption from PUHCA set forth in 18 C.F.R. § 292.602(b); and (z) the exemption from certain state Laws and regulations set forth in § 292.602(c).

(ii) The USG Oregon Project and the USG Oregon Project Company are entitled to (x) all of the exemptions from the FPA provided for in 18 C.F.R. § 292.60l(c) except for the exemptions from Sections 205 and 206 of the FPA set forth in§ 292.60l(c)(l); (y) the exemption from PUHCA set forth in 18 C.F.R. § 292.602(b); and (z) the exemption from certain state Laws and regulations set forth in § 292.602(c).

(iii) The USG Nevada Project and the USG Nevada Project Company are entitled to (x) all of the exemptions from the FPA provided for in 18 C.F.R. § 292.60l(c), including the

exemptions from Sections 205 and 206 of the FPA set forth in§ 292.60l(c)(l); (y) the exemption from PUHCA set forth in 18 C.F.R. § 292.602(b); and (z) the exemption from certain state Laws and regulations set forth in § 292.602(c).

(e) The Company is not itself a "public utility" under the FPA. The Company holds the exemption from PUHCA that is provided for by 18 C.F.R. § 366.3(a), to the extent set forth therein.

(f) The USG Nevada Project is an exempt wholesale generator. The "Notice of Self-Certification of Exempt Wholesale Generator Status" that was filed in Docket No. EG12-32, on February 16, 2012, is in full force and effect and is factually accurate.

(g) The USG Oregon Project Company holds "market-based rate" authority from FERC under 18 C.F.R. Part 35 Subpart H of its regulations ("**MBR Authority**"), which MBR Authority is in full force and effect. The order of FERC in Docket No. ER13-413-002 is in full force and effect.

(h) No suit, action, investigation, inquiry, or other legal or administrative proceeding by any Governmental Authority, by or before FERC (including the staff thereof), or by any other Person has been or is pending or threatened which questions or challenges the validity of, or seeks to enjoin, the status of either of the Projects as a QF, nor the MBR Authority of the USG Oregon Project Company.

(i) The PPA and Interconnection Agreement executed by each Project Company have received all approvals required from all applicable Governmental Authorities. Each Interconnection Agreement is sufficient to permit the applicable Project to: (i) inject all of such Project's electric energy, capacity and ancillary services up to the point of interconnection specified therein and (ii) satisfy the electrical delivery obligations of the applicable Project Company under the applicable PPA.

(j) Each Project Company is in material compliance with all and is not in violation of any applicable requirements and rules of the Public Utilities Commission of Oregon, the Public Utilities Commission of Idaho and the Public Utilities Commission of Nevada, as applicable, and FERC, including but not limited to all requirements applicable to such Project Company under Section 215 of the FPA. Neither the Company nor any Subsidiary requires permission or authorization from, and is not required to deliver any notice to, the Public Utilities Commission of Oregon, the Public Utilities Commission of Idaho or Public Utilities Commission of Nevada in order for the Company to execute and deliver this Agreement and consummate the Transactions.

Section 3.23 No Other Representations or Warranties. Except for the representations and warranties made by the Company in this ARTICLE III, neither the Company nor any other Person makes any representation or warranty with respect to the Company or its subsidiaries or their respective businesses, operations, assets, liabilities, condition (financial or otherwise) or prospects, notwithstanding the delivery or disclosure to Parent or any of its Representatives of any documentation, forecasts or other information with respect to any one or more of the foregoing.

ARTICLE IV

Representations and Warranties of Parent and Merger Sub

Parent and Merger Sub jointly and severally represent and warrant to the Company as of the date hereof and as of the Closing Date (or, if a specific date is indicated in any such statement, as of such specified date):

Section 4.01 Organization; Standing. Parent is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and Merger Sub is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware.

Section 4.02 Authority; Non-contravention.

(a) Each of Parent and Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement, to perform their respective obligations hereunder and, subject to the adoption of this Agreement by Parent as the sole stockholder of Merger Sub, which action Parent shall take immediately after the execution hereof, to consummate the Transactions. The execution, delivery and performance by Parent and Merger Sub of this Agreement, and, subject to the adoption of this Agreement by Parent as the sole stockholder of Merger Sub, which action Parent shall take immediately after the execution hereof, the consummation by Parent and Merger Sub of the Transactions, have been duly and validly authorized by all necessary corporate action on the part of Parent and Merger Sub. This Agreement has been duly and validly executed and delivered by Parent and Merger Sub and, assuming the due and valid authorization, execution and delivery hereof by the Company, constitutes a legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each of them in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(b) The execution and delivery of this Agreement by Parent and Merger Sub do not, and the consummation by Parent or Merger Sub of the Transactions and the performance of or compliance by Parent or Merger Sub with any of the terms or provisions hereof, will not (i) conflict with or violate any provision of the certificate of incorporation or bylaws of Parent or Merger Sub or (ii) assuming that the authorizations, consents and approvals referred to in Section 4.03 are obtained and the filings referred to in Section 4.03 are made and assuming the adoption of this Agreement by Parent as the sole stockholder of Merger Sub, which action Parent shall take immediately after the execution hereof, (A) violate or conflict with any Law or Order applicable to Parent or any of its Subsidiaries, or (B) result in a violation or breach of or constitute a default (with or without notice or lapse of time or both) under any of the terms, conditions or provisions of any Contract to which Parent, Merger Sub or any of their respective Subsidiaries is a party, except, in the case of clause (ii), for such violations or defaults as would not reasonably be expected to have a material adverse effect on the ability of Parent or Merger Sub to perform its obligations hereunder or prevent or materially delay consummation of the Transactions.

Section 4.03 Governmental Approvals. Except for (i) the filing with the SEC of any documents required to be filed with the SEC by Parent or Merger Sub pursuant to this Agreement or in connection with the Transactions, (ii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware pursuant to the DGCL, (iii) any filings required under, and in compliance with other applicable requirements of, the HSR Act and any other applicable Antitrust Laws and (iv) filings with, and the consent of, FERC under Section 203 of the FPA, no Consents or Filings with or to any Governmental Authority are necessary for the execution, delivery and performance of this Agreement by Parent and Merger Sub or the consummation by Parent and Merger Sub of the Transactions, other than such other Consents or Filings that, if not obtained, made or given, would not reasonably be expected to have a material adverse effect on the ability of Parent or Merger Sub to perform its obligations hereunder or prevent or materially delay consummation of the Transactions.

Section 4.04 Ownership and Operations of Merger Sub. Parent owns beneficially and of record all of the outstanding capital stock of Merger Sub. Merger Sub was formed solely for the purpose of engaging in the Transactions and, has engaged in no other business activities other than those relating to the Transactions.

Section 4.05 Funding Capability. Parent has or will have, or will cause Merger Sub to have, prior to the Effective Time, sufficient funds to pay the aggregate Merger Consideration contemplated by this Agreement and to perform the other obligations of Parent and Merger Sub contemplated by this Agreement.

Section 4.06 Solvency. Neither Parent nor Merger Sub is entering into the Transactions with the intent to hinder, delay or defraud either present or future creditors of the Company or its Subsidiaries. Immediately after giving effect to all of the Transactions, including the funding and the payment of the aggregate Offer Price, Merger Consideration and the Designated Consideration and any repayment or refinancing of Indebtedness contemplated by this Agreement, assuming (a) satisfaction of the conditions set forth in ARTICLE VI, (b) the accuracy of the representations and warranties of the Company set forth in ARTICLE III that are relevant to the representations and warranties set forth in this Section 4.06, (c) that the consolidated financial statements of the Company (including all related notes or schedules) included or incorporated by reference in the Company SEC Documents fairly present in all material respects the consolidated financial condition of the Company and its Subsidiaries as at the end of the periods covered thereby and the consolidated results of operations of the Company and its Subsidiaries for the periods covered thereby and (d) that the estimates, projections or forecasts of the Company and its Subsidiaries have been prepared in good faith based upon assumptions that were and continue to be reasonable, the Surviving Corporation as of and immediately after the Effective Time will be solvent.

Section 4.07 Certain Arrangements. There are no Contracts between Parent and Merger Sub, on the one hand, and any member of the Company's management or directors, on the other hand, as of the date hereof that relate in any way to the Company or the Transactions.

Section 4.08 Brokers and Other Advisors. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Parent or any of its Subsidiaries except for Persons, if any, whose fees and expenses will be paid by Parent.

Section 4.09 Ownership of Company Shares. None of Parent, Merger Sub or any of their "affiliates" or "associates" is, or at any time during the last three (3) years has been, an "interested stockholder" (as such term is defined in Section 203 of the DGCL) of the Company. Prior to the date hereof, neither Parent nor Merger Sub has taken, or authorized or permitted any Representatives of Parent or Merger Sub to take, any action that would reasonably be expected to cause, Parent, Merger Sub or any of their "affiliates" or "associates" to be deemed an "interested stockholder" (as such term is defined in Section 203 of the DGCL).

Section 4.10 Legal Proceedings. As of the date hereof, there is no pending or, to the knowledge of Parent, threatened, Legal Action against Parent or any of its Subsidiaries, including Merger Sub, nor is there any Order imposed upon Parent or any of its Subsidiaries, including Merger Sub, that would, individually or in the aggregate, reasonably be expected to have a material adverse effect on Parent's and Merger Sub's ability to consummate the Transactions.

Section 4.11 Independent Investigation; No Other Company Representations or Warranties. Parent and Merger Sub have conducted their own independent investigation, review, and analysis of the business, results of operations, prospects, condition (financial or otherwise), or assets of the Company, and acknowledge that they have been provided such access as they have requested to the personnel, properties, assets, premises, books and records, and other documents and data of the Company for such purpose. Parent and Merger Sub acknowledge and agree that: (a) in making their decision to enter into this Agreement and to consummate the Transactions, Parent and Merger Sub have relied solely upon their own investigation and the express representations and warranties of the Company set forth in ARTICLE III of this Agreement (including the related portions of the Company Disclosure Schedule); and (b) neither the Company nor any of its Subsidiaries, nor any of their respective Representatives, nor any other Person, has been authorized by the Company or any of its Subsidiaries to make any other express or implied representation or warranty with respect to this Agreement, the Company or any of its Subsidiaries or their respective business or operations, including with respect to any information provided or made available to Parent or Merger Sub. Neither the Company nor any of its Subsidiaries, nor any of their respective stockholders, directors, officers, employees, Affiliates, advisors, agents or Representatives, will have any indemnification obligation to Parent or Merger Sub resulting from the delivery, dissemination or any other distribution to Parent, Merger Sub or their respective stockholders, directors, officers, employees, Affiliates or Representatives, or the use by Parent, Merger Sub or their respective stockholders, directors, officers, employees, Affiliates or Representatives of any information, documents, estimates, projections, forecasts or other forward-looking information, business plans or other material provided or made available to Parent, Merger Sub or their respective stockholders, directors, officers, employees, Affiliates or Representatives, including without limitation in certain "data rooms," confidential information memoranda or management presentations in anticipation or contemplation of any of the Transactions, other than fraud in connection therewith.

Section 4.12 Company Estimates, Projections, Forecasts, Forward-Looking Statements and Business Plans. In connection with the due diligence investigation of the Company by Merger Sub and Parent and their respective Affiliates and Representatives, Merger Sub and Parent and their respective Affiliates and Representatives have received and may continue to receive after the date hereof from the Company and its Affiliates and Representatives certain estimates, projections, forecasts and other forward-looking information, as well as certain business plan information, regarding the Company and its business and operations. Merger Sub and Parent hereby acknowledge and agree that (a) there are uncertainties inherent in attempting to make such estimates, projections, forecasts and other forward-looking statements, as well as in such business plans, with which Merger Sub and Parent are familiar, (b) actual results may deviate from such estimates, projections, forecasts and other forward-looking statements and business plans, and those deviations may be material, (c) such estimates, projections, forecasts and other forward-looking statements and business plans are based upon certain assumptions which the Company's management believed were reasonable when made, but which may not be realized for various reasons and (d) except to the extent such information is expressly included in the representations and warranties made by the Company and contained in this Agreement, Merger Sub and Parent hereby waive any claim against the Company or any of its Subsidiaries, or any of their respective Affiliates or Representatives with respect to any information described in this Section 4.12, other than fraud in connection therewith. Accordingly, Merger Sub and Parent hereby acknowledge and

agree that none of the Company nor any of its Subsidiaries, or any of their respective Affiliates or Representatives, has made or is making any express or implied representation or warranty with respect to such estimates, projections, forecasts, forward-looking statements or business plans (other than the reasonableness of the assumptions underlying such estimates, projections, forecasts, forward-looking statements or business plans), except as otherwise explicitly set forth herein or in cases of fraud, bad faith or gross negligence.

Section 4.13 Proxy Statement. None of the information with respect to Parent or Merger Sub that Parent or any of its Representatives furnishes in writing to the Company expressly for use or incorporation in the Company Proxy Statement, will, at the date such Proxy Statement is first mailed to the Company's stockholders or at the time of the Company Stockholders Meeting or at the time of any amendment or supplement thereof, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, no representation or warranty is made by Parent or Merger Sub with respect to statements made or incorporated by reference therein supplied by the Company or its Representatives.

ARTICLE V

COVENANTS

Section 5.01 Conduct of Business.

(a) Except (i) as required by applicable Law, (ii) expressly required or explicitly permitted by this Agreement, (iii) as described in Section 5.01 of the Company Disclosure Schedule or (iv) as consented to in writing by Parent (which consent will not be unreasonably withheld, conditioned or delayed), during the period from the date of this Agreement until the earlier of the Effective Time and the date on which this Agreement is terminated pursuant to Section 7.01 (the "**Pre-Closing Period**"), the Company shall, and shall cause each of its Subsidiaries to, (x) carry on its business in the ordinary course consistent with past practice, and (y) use its Commercially Reasonable Efforts to preserve its and each of its Subsidiaries' business organizations intact and maintain existing relations with material customers, suppliers, distributors, employees and other Persons with whom the Company or its Subsidiaries have business relationships.

(b) Without limiting the generality of Section 5.01(a), except (i) as required by applicable Law, (ii) expressly required or explicitly permitted by this Agreement, (iii) as described in Section 5.01 of the Company Disclosure Schedule or (iv) as consented to in writing by Parent (which consent will not be unreasonably withheld, conditioned or delayed), during the Pre-Closing Period, the Company shall not, and shall not permit any of its Subsidiaries to:

(i) (A) issue, sell, grant, pledge, transfer, dispose of or otherwise subject to a Lien any Equity Securities of the Company or any of its Subsidiaries, *provided* that the Company may issue Company Shares as required to be issued upon exercise or settlement of Options or other equity rights or obligations under the Company Stock Plan outstanding on the date hereof in accordance with the terms of the Company Stock Plan in effect on the date hereof and such Options; (B) redeem, purchase or otherwise acquire any Equity Securities of the Company or any of its Subsidiaries, except in connection with withholding to satisfy Tax obligations with respect to Options acquisitions in connection with the forfeiture of equity awards, or acquisitions in connection with the net exercise of Options; (C) establish a record date for, declare, authorize, set aside for payment or pay any dividend on, or make any other distribution in respect of, any Equity Securities of the Company or any of its Subsidiaries (other than dividends or distributions paid in cash to the Company or a wholly-owned Subsidiary from a direct or indirect wholly-owned Subsidiary); or (D) split, combine, subdivide or reclassify any Equity Securities of the Company or any of its Subsidiaries;

(ii) enter into, amend or extend any collective bargaining Contract or other Contract or memorandum of understanding with a labor union, works council or other employee representative body;

(iii) (A) incur, issue, modify, renew, syndicate, refinance, guarantee, assume or otherwise become liable for any Indebtedness (excluding (x) Indebtedness in the ordinary course of business incurred under the Company's existing operating line listed on Section 3.02(e) of the Company Disclosure Schedule and (y) the extension or refinancing of any existing letters of credit required under any PPA, in the case of clauses (x) and (y) above, up to an aggregate cap of $100,000) or announce or authorize the announcement of any of the foregoing, (B) enter into any swap or hedging transaction or other derivative agreements other than in the ordinary course of business consistent with past practice or (C) make any loans, capital contributions or advances to, or investments in, any Person (other than the Company and any majority-owned Subsidiary of the Company or to any employee as advances for ordinary and necessary business expenses incurred in the ordinary course of business consistent with past practice);

(iv) sell, lease, license, subject to a Lien (other than a Permitted Lien) or otherwise dispose of, in a single transaction or series of related transactions, any of its properties or assets whose value or purchase price, individually or in the aggregate, exceeds $100,000, except (A) dispositions of obsolete or worthless assets in the ordinary course of business consistent with past practice, (B) transfers among the Company and its Subsidiaries or (C) Liens on after-acquired property solely (1) that secure Indebtedness permitted under Section 5.01(b)(iii) and (2) that are attached and perfected as of the date of this Agreement;

(v) make or authorize capital expenditures, except (A) those capital expenditures set forth in Section 5.01(b)(v) of the Company Disclosure Schedule or (B) capital expenditures that do not exceed $250,000 in the aggregate;

(vi) make any acquisition of (A) the Equity Securities of any other Person, (B) a material portion of the assets of any other Person or (C) any other properties or assets of any other Person (other than the Company or any of its Subsidiaries) for a purchase price that, individually or in the aggregate, exceeds $250,000, except, in each case, for the acquisition of supplies, parts, fuel, materials and other inventory in the ordinary course of business consistent with past practices or any capital expenditures made in accordance with Section 5.01(b)(v);

(vii) (A) increase the compensation or benefits in respect of any of its or its Subsidiaries' current or former directors or executive officers, other than as required by the terms of any applicable agreement or benefit plan in existence on the date of execution of this Agreement and set forth in Section 3.11(a) of the Company Disclosure Schedule, (B) provide increases in salaries, wages, benefits or other compensation of current or former employees or independent contractors who are not executive officers or directors of the Company other than (x) as required by the terms of any Company Plan in existence as of the date hereof or (y) in the ordinary course of business consistent with past practice, (C) enter into any severance, change-in-control, or retention agreement with any employee, director or independent contractor, (D) establish, adopt, terminate or amend any Company Plan or any plan, program, arrangement, practice or agreement that would be a Company Plan if it were in existence on the date hereof, or (E) hire or commit to hire any employee, or engage or commit to engage any independent contractor, in either case with an annual compensation in excess of $100,000 or with aggregate annual compensation of all such employees and independent contractors in excess of $250,000;

(viii) make any changes in financial accounting methods, principles or practices (or change an annual accounting or period), except insofar as may be required by applicable Law or a change in GAAP;

(ix) (A) modify, amend, renew, extend or terminate, or waive or release any rights under, in a manner that is adverse to the Company, any Material Contract, (B) enter into any Contract, which if entered into prior to the date hereof would have been a Material Contract or (C) enter into any new Contract that contains a change in control provision in favor of the other party or parties thereto or would otherwise require a payment to or give rise to any rights to such other party or parties in connection with the Transactions;

(x) grant any refunds, credits, rebates or other allowances by the Company or its Subsidiaries to any supplier, vendor or distributor in excess of $100,000 per supplier, vendor or distributor, or $250,000 in the aggregate;

(xi) amend the Company Charter Documents or organizational documents of any Subsidiary;

(xii) adopt a plan or agreement of complete or partial liquidation or dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its Subsidiaries, or enter into a letter of intent or agreement in principle with respect thereto, other than the Merger;

(xiii) fail to maintain, terminate or cancel any insurance coverage maintained by the Company or any of its Subsidiaries with respect to any material assets or risk without replacing such coverage with insurance coverage in comparable amounts and scope;

(xiv) pay, discharge, settle, compromise, waive or release any pending or threatened Legal Action which (A) requires payment to or by the Company or any Subsidiary of the Company (exclusive of attorney's fees) in excess of $150,000 in any single instance or in excess of $250,000 in the aggregate, (B) involves injunctive or equitable relief or restrictions on the business activities of, or criminal sanctions on, the Company or any of its Subsidiaries, (C) involves the issuance of Equity Securities of the Company or any of its Subsidiaries, or (D) relates to the Transactions;

(xv) (A) make any change (or file a request to make any such change) in any method of Tax accounting or any annual Tax accounting period that would materially prejudice the Company or any Subsidiary for a period after the Closing as compared to periods prior to the Closing; (B) make, change or rescind any Tax election; (C) settle or compromise any Tax liability, audit claim, refund or assessment in excess of $100,000 in any single instance or in excess of $250,000 in the aggregate; (D) surrender any right to claim for a Tax refund in excess of $10,000; (E) file any Tax Return that is prepared on a basis that is materially inconsistent with the elections, accounting methods, conventions and principles of taxation used for the most recent taxable periods for which comparable Tax Returns involving similar Tax items have been filed by the Company; or (F) amend any federal income Tax Return with respect to an amount of Taxes that is material to the Company and its Subsidiaries, taken as a whole, unless otherwise required by Law;

(xvi) permit any of its Subsidiaries or its or their respective Representatives or independent contractors to promise, authorize or make any payment to, or otherwise contribute any item of value to, directly or indirectly, any non-U.S. official, in each case, in violation of the FCPA or Other Anti-Corruption Laws;

(xvii) enter into any transaction, or series of related transactions, agreement, arrangement or understanding that would be required to be disclosed under Item 404 of Regulation S-K promulgated under the Securities Act;

(xviii) negotiate or enter into any interconnection or transmission Contract, PPA or other Contract for the sale of capacity, energy and/or environmental attributes from or to any Project, Expansion Project or Development Project;

(xix) enter into any new line of business outside the existing businesses of the Company and its Subsidiaries;

(xx) adopt any rights agreement, "poison pill" or similar Contract or plan; or

(xxi) authorize any of, commit or agree or adopt resolutions, in writing or otherwise, to take any of, the foregoing actions.

(c) If the Company identifies any activities of the Company or any of its Subsidiaries, including those activities of their respective Representatives or independent contractors, that the Company reasonably believes to be in violation of the FCPA or Other Anti-Corruption Laws, (i) the Company shall and shall cause each of its Subsidiaries to cease such activities and (ii) the Company will give Parent written notice, describing in reasonable detail, to the extent known, the nature and scope of such violation. The Company shall and shall cause its Subsidiaries to take all actions required by Law to remediate any actions taken by the Company, its Subsidiaries or any of its or their respective Representatives or independent contractors in violation of the FCPA or any Other Anti-Corruption Law.

Section 5.02 Other Actions. During the Pre-Closing Period, the Company and Parent shall not, and shall not permit any of their respective Subsidiaries to, take, or agree or commit to take, any action (except as otherwise expressly permitted by this Agreement) that would reasonably be expected to, individually or in the aggregate, prevent, materially delay, or materially impede the consummation of the Merger or the other Transactions.

Section 5.03 Access to Information; Confidentiality.

(a) During the Pre-Closing Period, the Company shall, and shall cause its Subsidiaries to, afford to Parent and Parent's Representatives reasonable access, at reasonable times and in a manner as shall not unreasonably interfere with the business or operations of the Company or any Subsidiary thereof, to the Representatives, properties, offices, and other facilities and to all books, records, contracts, and other assets of the Company and its Subsidiaries, and the Company shall, and shall cause its Subsidiaries to, furnish promptly to Parent such additional financial, accounting, operating, environmental, technical, engineering, geological and other data and information concerning the business and properties of the Company and its Subsidiaries as Parent may reasonably request from time to time. Neither the Company nor any of its Subsidiaries shall be required to provide access to or disclose information where such access or disclosure would jeopardize the protection of attorney-client privilege or contravene any Law (it being agreed that the parties shall use their Commercially Reasonable Efforts to cause such information to be provided in a manner that would not result in such jeopardy or contravention). No investigation shall affect the Company's representations, warranties, covenants, or agreements contained herein, or limit or otherwise affect the remedies available to Parent or Merger Sub pursuant to this Agreement.

(b) Parent and the Company shall comply with, and shall cause their respective Representatives to comply with, all of their respective obligations under the Non-Disclosure Agreement, dated October 30, 2017, between Parent and the Company (the "**Confidentiality Agreement**"), which shall survive the termination of this Agreement in accordance with the terms set forth therein, except for (i) Section 6 thereof, which shall terminate as of the Closing Date and (ii) Section 10 thereof, which shall terminate as of the date of this Agreement.

Section 5.04 No Solicitation.

(a) The Company shall not, and shall cause its Subsidiaries not to, and shall not authorize or permit its and its Subsidiaries' Representatives to, and shall give written instructions to all such Representatives not to, directly or indirectly, solicit, initiate, seek or knowingly take any action to facilitate or encourage the making, submission or announcement of any Takeover Proposal, or any inquiry, discussion, request, offer or proposal that could reasonably be expected to lead to any Takeover Proposal, or, subject to Section 5.04(b): (i) conduct or engage in any discussions or negotiations with, disclose any non-public information relating to the Company or any of its Subsidiaries to, afford access to the business, properties, assets, books, or records of the Company or any of its Subsidiaries to, or knowingly assist, participate in, facilitate, or encourage any effort by, any Person in connection with or in response to, or that could reasonably be expected to lead to, any Takeover Proposal; (ii) except where the Company Board determines that the failure to do so would be inconsistent with its fiduciary duties, (A) amend or grant any waiver or release under any standstill or similar agreement with respect to any class of Equity Securities of the Company or any of its Subsidiaries, or (B) approve any transaction under, or any Person becoming an "interested stockholder" under, Section 203 of the DGCL (other than the Merger, the Transactions, Parent and Merger Sub); or (iii) adopt, approve or enter into any agreement in principle, letter of intent, term sheet, memorandum of understanding, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement, or other Contract providing for or relating to any Takeover Proposal (each, a "**Company Acquisition Agreement**"). The Company shall, and shall cause its Subsidiaries to cease immediately and cause to be terminated, and shall not authorize or permit any of its or their Representatives to continue, and shall give written instructions to all such Representatives not to continue, any and all existing activities, discussions, negotiations or solicitations, if any, with any Person (other than Parent or Merger Sub) with respect to any Takeover Proposal and shall use its Commercially Reasonable Efforts to cause any such Person (other than Parent or Merger Sub) and its Representatives in possession of non-public information in respect of the Company or any of its Subsidiaries that was furnished by or on behalf of the Company and its Subsidiaries to return or destroy (and confirm destruction of) all such information and terminate the access of any such Person (other than Parent or Merger Sub) and its Representatives to any electronic data room maintained by or on behalf of the Company or any of its Subsidiaries.

(b) Notwithstanding Section 5.04(a), prior to the receipt of the Requisite Company Vote, if the Company or any of its Subsidiaries receives any bona fide written unsolicited Takeover Proposal that did not result from a material breach of this Section 5.04, the Company Board, directly or indirectly through any Representative, may, subject to Section 5.04(c): (i) contact the Person who made such bona fide written unsolicited Takeover Proposal for the purpose of clarifying such Takeover Proposal and the material terms and conditions and likelihood of consummation thereof in order to determine whether such Takeover Proposal constitutes or would reasonably be expected to result in a Superior Proposal and (ii) if the Company Board determines in good faith, after consultation with its outside legal and financial advisors, that such Takeover Proposal constitutes or would reasonably be expected to result in a Superior Proposal, thereafter (A) furnish to such Person non-public information relating to the Company or any of its Subsidiaries pursuant to an executed confidentiality agreement that constitutes an Acceptable Confidentiality Agreement; (B) make a Company Adverse Recommendation Change and (C) take any action that any court of competent jurisdiction orders the Company to take (which order remains unstayed), but in each case referred to in the foregoing clauses (A) through (C), only if the Company Board determines in good faith, after consultation with its outside legal and financial advisors, that the failure to take such action would be inconsistent with its fiduciary duties under applicable Law. Nothing contained herein shall prevent the Company Board from disclosing to the Company's stockholders a position contemplated by Rule 14d-9 and Rule 14e-2(a) promulgated under the Exchange Act with regard to a Takeover Proposal, if the Company determines that failure to disclose such position would constitute a violation of applicable Law.

(c) The Company Board shall not take any of the actions referred to in clauses (i) or (ii) of Section 5.04(b) unless the Company shall have delivered to Parent at least five Business Days' prior written notice advising Parent that it intends to take such action and stating the factors taken into account by the Company Board in determining that any such Takeover Proposal constitutes or would reasonably be expected to result in a Superior Proposal. The Company shall notify Parent promptly (but in no event later than 24 hours after Knowledge of the Company's (or any of its Subsidiaries or any of its or their Representatives) receipt) of any Takeover Proposal, any inquiry or request that could reasonably be expected to lead to a Takeover Proposal, any request for non-public information relating to the Company or any of its Subsidiaries or for access to the business, properties, assets, books, or records of the Company or any of its Subsidiaries by any Person (other than Parent or Merger Sub). In such notice, the Company shall

identify the Person making, and details of the material terms and conditions of, any such Takeover Proposal, indication or request. The Company shall keep Parent reasonably informed, on a prompt basis, of the status and material terms of any such Takeover Proposal, indication or request, including any material amendments or proposed amendments as to price and other material terms thereof. The Company shall promptly provide Parent with a list of any non-public information concerning the Company's and any of its Subsidiary's business, present or future performance, financial condition, or results of operations, provided to any Person, and, to the extent such information has not been previously provided to Parent, copies of such information. The Company will not, and will not cause or permit any Subsidiary of the Company to, enter into any Contract with any Person, or otherwise take any action, that would prohibit or restrict in any way the Company or such Subsidiary from providing any information to Parent hereunder.

(d) Except as expressly permitted by this Section 5.04, the Company Board shall not effect a Company Adverse Recommendation Change or enter into (or permit any Subsidiary to enter into) a Company Acquisition Agreement. Notwithstanding the foregoing, at any time prior to the receipt of the Requisite Company Vote, the Company Board may effect a Company Adverse Recommendation Change or enter into (or permit any Subsidiary to enter into) a Company Acquisition Agreement, if: (i) the Company promptly notifies Parent, in writing, at least five Business Days (the "**Superior Proposal Notice Period**") before making a Company Adverse Recommendation Change or entering into (or causing a Subsidiary to enter into) a Company Acquisition Agreement, of its intention to take such action with respect to a Superior Proposal, which notice shall state expressly that the Company has received a Takeover Proposal, that the Company Board intends to declare a Superior Proposal and that the Company Board intends to effect a Company Adverse Recommendation Change and/or the Company intends to enter into (or permit any Subsidiary to enter into) a Company Acquisition Agreement; (ii) the Company attaches to such notice the most current version of the proposed agreement (which version shall be updated promptly after material amendment thereto) and the identity of the Person making such Superior Proposal; (iii) the Company shall, and shall cause its Representatives to, during the Superior Proposal Notice Period, negotiate with Parent in good faith to make such adjustments in the terms and conditions of this Agreement so that such Takeover Proposal ceases to constitute a Superior Proposal, if Parent, in its discretion, proposes to make such adjustments (it being agreed that in the event that, after commencement of the Superior Proposal Notice Period, there is any material revision to the terms of a Superior Proposal, including, any revision in price, the Superior Proposal Notice Period shall be extended, if applicable, to ensure that at least five Business Days remain in the Superior Proposal Notice Period subsequent to the time the Company notifies Parent of any such material revision); and (iv) the Company Board determines in good faith, after consultation with its outside legal and financial advisors, that such Takeover Proposal continues to constitute a Superior Proposal after taking into account any adjustments made by Parent during the Superior Proposal Notice Period in the terms and conditions of this Agreement and that failure to make a Company Adverse Recommendation Change or enter into (or permit any Subsidiary to enter into) a Company Acquisition Agreement would continue to be inconsistent with its fiduciary duties under applicable Law.

(e) Notwithstanding anything to the contrary in the foregoing, in response to an Intervening Event that has occurred after the date of this Agreement but prior to the receipt of the Requisite Company Vote, the Company Board may effect a Company Adverse Recommendation Change if: (i) prior to effecting the Company Adverse Recommendation Change, the Company promptly notifies Parent, in writing, at least five Business Days (the "**Intervening Event Notice Period**") before taking such action of its intent to consider such action (which notice shall not, by itself, constitute a Company Adverse Recommendation Change), and which notice shall include a reasonably detailed description of the underlying facts giving rise to, and the reasons for taking, such action; (ii) the Company shall, and shall cause its Representatives to, during the Intervening Event Notice Period, negotiate with Parent in good faith to make such adjustments in the terms and conditions of this Agreement so that the underlying facts giving rise to, and the reasons for taking such action, ceases to constitute an Intervening Event, if Parent, in its discretion, proposes to make such adjustments (it being agreed that in the event that, after commencement of the Intervening Event Notice Period, there is any material development in an Intervening Event, the Intervening Event Notice Period shall be extended, if applicable, to ensure that at least five Business Days remain in the Intervening Event Notice Period subsequent to the time the Company notifies Parent of any such material development); and (iii) the Company Board determines in good faith, after consultation with its outside legal and financial advisors, that the failure to effect such Company Adverse Recommendation Change, after taking into account any adjustments made by Parent during the Intervening Event Notice Period, would continue to be inconsistent with its fiduciary duties under applicable Law. The Company acknowledges and hereby agrees that any Company Adverse Recommendation Change effected (or proposed to be effected) in response to or in connection with any Takeover Proposal may be made solely and exclusively pursuant to Section 5.04(d) only, and may not be made pursuant to this Section 5.04(e), and any Company Adverse Recommendation Change may only be made pursuant to this Section 5.04 and for no other reason.

Section 5.05 Stockholders Meeting; Preparation of Proxy Materials; Approval by Sole Stockholder of Merger Sub.

(a) The Company shall take all action necessary in accordance with the Company Charter Documents to establish a record date and duly call, give notice of, convene, and hold the Company Stockholders Meeting as soon as reasonably practicable after the date of this Agreement, and, in connection therewith, the Company shall mail the Company Proxy Statement to the holders of Company Shares in advance of such meeting. Except to the extent that the Company Board shall have effected a Company Adverse Recommendation Change as permitted by Section 5.04 hereof, the Company Proxy Statement shall include the Company Board Recommendation. Subject to Section 5.04 hereof, the Company shall use Commercially Reasonable Efforts to: (i) solicit from the holders of Company Shares proxies in favor of the adoption of this Agreement and approval of the Merger; and (ii) take all other actions necessary or advisable to secure the vote or consent of the holders of Company Shares required by applicable Law to obtain such approval. The Company shall not submit any other proposals for approval at the Company Stockholders Meeting without the prior written consent of Parent. The Company shall keep Parent and Merger Sub updated with respect to proxy solicitation results as requested by Parent or Merger Sub. Once the Company Stockholders Meeting has been called and noticed, the Company shall not postpone or adjourn the Company Stockholders Meeting without the consent of Parent, which consent may not be unreasonably withheld, other than: (A) in order to obtain a quorum of its stockholders; (B) to allow reasonable additional time after the filing and mailing of any supplemental or amended disclosures to the Company Proxy Statement for compliance with applicable legal requirements, to the extent required by applicable Law; or (C) to allow reasonable additional time to solicit proxies to secure the approval of the Agreement. If the Company Board makes a Company Adverse Recommendation Change, it will not alter the obligation of the Company to submit the adoption of this Agreement and the approval of the Merger to the holders of Company Shares at the Company Stockholders Meeting to consider and vote upon, unless this Agreement shall have been terminated in accordance with its terms prior to the Company Stockholders Meeting.

(b) In connection with the Company Stockholders Meeting, as soon as reasonably practicable following the date of this Agreement the Company shall prepare and file the Company Proxy Statement with the SEC. Parent, Merger Sub, and the Company will cooperate and consult with each other in the preparation of the Company Proxy Statement. Without limiting the generality of the foregoing, each of Parent and Merger Sub will furnish the Company the information relating to it as the Company may reasonably request, including such information that is required by the Exchange Act and the rules and regulations promulgated thereunder to be set forth in the Company Proxy Statement. The Company shall not file the Company Proxy Statement, or any amendment or supplement thereto, without providing Parent a reasonable opportunity to review and comment thereon (which comments shall be considered in good faith by the Company and incorporated in the Company Proxy Statement, to the extent reasonable). The Company shall use its Commercially Reasonable Efforts to cause the Company Proxy Statement at the date that it (and any amendment or supplement thereto) is first published, sent, or given to the stockholders of the Company and at the time of the Company Stockholders Meeting, to comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations promulgated thereunder. The Company shall use its Commercially Reasonable Efforts to resolve, and each party agrees to consult and cooperate with the other party in resolving, all SEC comments with respect to the Company Proxy Statement as promptly as practicable after receipt thereof and to cause the Company Proxy Statement in definitive form to be cleared by the SEC and mailed to the Company's stockholders as promptly as reasonably practicable following filing with the SEC. The Company agrees to consult with Parent prior to responding to SEC comments with respect to the preliminary Company Proxy Statement. Each of Parent, Merger Sub, and the Company agree to correct any information provided by it for use in the Company Proxy Statement which shall have become false or misleading and the Company shall promptly prepare and mail to its stockholders an amendment or supplement setting forth such correction. The Company shall as soon as reasonably practicable: (i) notify Parent of the receipt of any comments from the SEC with respect to the Company Proxy Statement and any request by the SEC for any amendment to the Company Proxy Statement or for additional information; and (ii) provide Parent with copies of all written correspondence between the Company and its Representatives, on the one hand, and the SEC, on the other hand, with respect to the Company Proxy Statement.

(c) Immediately following the execution and delivery of this Agreement, Parent, as sole stockholder of Merger Sub, shall adopt this Agreement and approve the Merger, in accordance with the DGCL.

Section 5.06 Notices of Certain Events. The Company shall notify Parent and Merger Sub, and Parent and Merger Sub shall notify the Company, promptly of: (a) any notice or other communication from any Person alleging that the Consent of such Person is or may be required in connection with the Transactions; (b) any notice or other communication from any Governmental Authority in connection with the Transactions; (c) any Legal Actions commenced, or to such party's Knowledge, threatened, against the Company or any of its Subsidiaries or Parent or its Subsidiaries, as applicable, that are related to the Merger or the other Transactions; and (d) any event, change, or effect between the date of this Agreement and the Effective Time which causes or is reasonably likely to cause the failure of the conditions set forth in Section 6.02(a), Section 6.02(b), or Section 6.02(c) of this Agreement (in the case of the Company and its Subsidiaries) or Section 6.03(a) or Section 6.03(b) of this Agreement (in the case of Parent and Merger Sub), to be satisfied. In no event shall: (i) the delivery of any notice by a party pursuant to this Section 5.06 limit or otherwise affect the respective rights, obligations, representations, warranties, covenants, or agreements of the parties or the conditions to the obligations of the parties under this Agreement; or (ii) disclosure by the Company or Parent be deemed to amend or supplement the Company Disclosure Schedule or constitute an exception to any representation or warranty.

Section 5.07 Employees; Benefit Plans.

(a) No later than forty-five (45) days prior to the date of the Company Stockholders Meeting, Parent (or its designee) shall offer employment to such employees of the Company or its Subsidiaries as Parent may determine in its sole discretion and such offers of employment shall be conditioned on the Closing. Parent shall provide, or shall cause to be provided, to each such employee who accepts an offer of employment (the "**Continuing Employees**") compensation and benefits that, taken as a whole, are at a level substantially similar to the compensation and benefits (other than severance benefits and Equity Securities) provided by the Company or its Subsidiaries to such Continuing Employees immediately prior to the Effective Time; provided, however, that nothing in this Agreement shall create any right to continued employment in any Continuing Employee or prohibit the Surviving Corporation from terminating the employment of any Continuing Employee or from amending, modifying or terminating any Company Plan.

(b) For purposes of vesting, eligibility to participate and levels of benefits (but not accrual) under the employee benefit plans of Parent and its Subsidiaries providing benefits to any Continuing Employee after the Effective Time (including the Company Plans), Parent shall use Commercially Reasonable Efforts to provide that each Continuing Employee shall be credited with his or her years of service with the Company and its Subsidiaries and their respective predecessors before the Effective Time, to the same extent as such Continuing Employee was entitled, before the Effective Time, to credit for such service under any similar Company Plan in which such Continuing Employee participated or was eligible to participate immediately prior to the Effective Time, provided that the foregoing shall not apply to the extent that its application would result in a duplication of benefits with respect to the same period of service. In addition, and without limiting the generality of the foregoing, Parent shall use its Commercially Reasonable Efforts to cause (i) any applicable waiting period under any employee benefit plan of Parent and its Subsidiaries providing benefits to any Continuing Employee after the Effective Time to be waived with respect to each such Continuing Employee to the extent coverage under such plan is replacing comparable coverage under a Company Plan in which such Continuing Employee participated immediately before the Effective Time and (ii) for purposes of each such plan providing medical, dental, pharmaceutical and/or vision benefits to any Continuing Employee, all pre-existing condition exclusions and actively-at-work requirements of such plan to be waived for such Continuing Employee and his or her covered dependents, to the extent such conditions were inapplicable or waived under the comparable Company Plan of the Company or its Subsidiaries in which such Continuing Employee participated immediately prior to the Effective Time. Parent shall take Commercially Reasonable Efforts to cause any eligible expenses incurred by any Continuing Employee and his or her covered dependents during the portion of the plan year of the applicable Company Plan ending on the date such Continuing Employee's participation in the corresponding employee benefit plan of Parent and its Subsidiaries begins to be taken into account under such plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such Continuing Employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such plan.

(c) The provisions of this Section 5.07 and Section 5.16(f) are solely for the benefit of the parties, and no provision of this Section 5.07 or Section 5.16(f) is intended to, or shall, constitute the establishment or adoption of or an amendment to any employee benefit plan for purposes of ERISA or otherwise and no current or former employee or independent contractor of the Company, the Surviving Corporation or any of their respective Subsidiaries, or any other individual associated therewith shall be regarded for any purpose as a third party beneficiary of this Section 5.07 or Section 5.16(f) or have the right to enforce the provisions hereof or thereof.

(d) From time to time during the period between the date of this Agreement and the date referred to in Section 5.07(a), the Company shall, and shall cause its Subsidiaries to, make available to Parent and its Representatives reasonable access (subject to the provisions in the following sentence) to such of the officers and employees of the Company and its Subsidiaries as the Parent may from time to time reasonably request for purposes of: (x) evaluating which, if any, of those persons may be employed by Parent, Merger Sub or any of their Affiliates from and after the Effective Time; (y) discussing with any such persons the terms and conditions, if any, on which they may be employed by Parent, Merger Sub or any of their Affiliates from and after the Effective Time; and (z) making (or not making) offers of employment as provided in Section 5.07(a), notwithstanding any contrary provision of the Confidentiality Agreement. Such access will include the opportunity for individual or group meetings (either in person or through telephonic, video or other electronic communication media) with one or more such persons, or all employees, at offices, plants and other facilities of Seller and its Subsidiaries, or at off-site locations, in each case as reasonably requested by Parent, subject to the following limitations:

(i) In the case of any access involving in-person meetings at offices, plants and other facilities of Seller and its Subsidiaries, such access will be on such dates and at times (either before, during or after normal business hours for the employees involved) mutually agreed by Parent and the Company, and subject to the normal safety and security restrictions at the location of such meetings.

(ii) In each case, such access will not unreasonably interfere with the business and operations of the Company and its Subsidiaries and will be conducted in compliance with applicable Laws and Permits.

Section 5.08 Directors' and Officers' Indemnification and Insurance.

(a) From and after the Effective Time through the sixth anniversary of the date on which the Effective Time occurs, each of Parent and the Surviving Corporation and their respective applicable Subsidiaries shall, (i) indemnify and hold harmless each individual who at the Effective Time is, or at any time prior to the Effective Time was, a director or officer of the Company or of a Subsidiary of the Company (each, an "**Indemnitee**" and, collectively, the "**Indemnitees**") with respect to all claims, liabilities, losses, damages, judgments, fines, penalties, costs (including amounts paid in settlement or compromise) and expenses (including fees and expenses of legal counsel) in connection with any claim, suit, action, proceeding or investigation (whether civil, criminal, administrative or investigative), whenever asserted, based on or arising out of, in whole or in part, (A) the fact that an Indemnitee was a director or officer of the Company or such Subsidiary or (B) acts or omissions by an Indemnitee in the Indemnitee's capacity as a director, officer, employee or agent of the Company or such Subsidiary or taken at the request of the Company or such Subsidiary (including in connection with serving at the request of the Company or such Subsidiary as a director, officer, employee, agent, trustee or fiduciary of another Person (including any employee benefit plan)), in each case under (A) or (B), at, or at any time prior to, the Effective Time (including any claim, suit, action, proceeding or investigation relating in whole or in part to the Transactions), to the same extent such Indemnitees are entitled to indemnification as of the date of this Agreement by the Company or any of its Subsidiaries pursuant to applicable Law, the Company Charter Documents, the organizational documents of such Subsidiaries or any indemnification agreements in existence on the date of this Agreement and made available to Parent prior to the date hereof, and (ii) assume all obligations of the Company and such Subsidiaries to the Indemnitees in respect of indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time as provided in the Company Charter Documents and the organizational documents of such Subsidiaries as currently in effect; *provided, however*, that if, at any time prior to the sixth anniversary of the Effective Time, any Indemnitee delivers to Parent or the Surviving Corporation a written notice asserting a claim for indemnification under this Section 5.08(a), then the claim asserted in such notice shall survive the sixth anniversary of the Effective Time until such time as such claim is fully and finally resolved. Without limiting the foregoing, Parent, from and after the Closing until six (6) years from the Effective Time, shall cause, unless otherwise required by Law, the certificate of incorporation and bylaws of the Surviving Corporation to contain provisions no less favorable to the Indemnitees with respect to limitation of liabilities of directors and officers and indemnification than are set forth as of the date of this Agreement in the Company Charter Documents, which provisions shall not be amended, repealed or otherwise modified or superseded in any manner that would adversely affect the rights thereunder of the Indemnitees. In addition, from the Closing until six (6) years from date on which the Effective Time occurs, Parent shall, and shall cause the Surviving Corporation to, advance any expenses (including the fees and expenses of legal counsel) of any Indemnitee under this Section 5.08 (including in connection with enforcing the indemnity and other obligations referred to in this Section 5.08) as incurred to the same extent such Indemnitees are entitled to advancement of expenses as of the date of this Agreement by the Company or any of its Subsidiaries pursuant to applicable Law, the Company Charter Documents, the organizational documents of such Subsidiaries or any indemnification agreements in existence on the date of this Agreement and made available to Parent prior to the date hereof, *provided, however*, that the individual to whom expenses are advanced provides, if requested by Parent, an undertaking to repay such advances if it shall be determined that such individual is not entitled to be indemnified pursuant to this Section 5.08(a). The Surviving Corporation shall reasonably cooperate in good faith in the defense of any such matters; provided, that requests by Indemnitees or their Representatives to interview Representatives, examine the books and records or access the properties of the Surviving Corporation shall be made during normal business hours and upon reasonable notice and shall not significantly or materially impact the operations of the Surviving Corporation.

(b) Prior to the Effective Time, the Company may purchase, for an aggregate amount not to exceed 300% of the current aggregate annual premium (the "**Maximum Premium**"), a six-year prepaid "tail policy" ("**Tail Policy**") providing coverage for the Indemnitees on terms and conditions providing substantially equivalent benefits as the current policies of directors' and officers' liability insurance maintained by the Company and its Subsidiaries with respect to matters existing or occurring prior to the Effective Time, covering without limitation the Transactions; *provided, however*, that if the premium for such Tail Policy shall exceed the Maximum Premium, the Company shall provide or cause to be provided a Tail Policy for the applicable individuals with the best coverage as shall then be available at an annual premium equal to the Maximum Premium. After the Effective Time, the Surviving Corporation shall cause such policy to be maintained in full force and effect, for its full term, and to honor all of its obligations

thereunder and neither Parent nor the Surviving Corporation shall have any further obligations under this Section 5.08(b).

(c) The provisions of this Section 5.08 are (i) intended to be for the benefit of, and shall be enforceable by, each Indemnitee, his or her heirs and his or her Representatives and (ii) in addition to, and not in substitution for, any other rights to indemnification or contribution that any such individual may have under the Company Charter Documents, by Contract or otherwise (it being expressly agreed that the Indemnitees to whom this Section 5.08 applies shall be third party beneficiaries of this Section 5.08).

(d) In the event that Parent, the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of Parent or the Surviving Corporation shall assume all of the obligations thereof set forth in this Section 5.08.

(e) Nothing in this Agreement is intended to, shall be construed to or shall release, waive or impair any rights to Indemnitees' insurance claims under any policy that is or has been in existence with respect to the Company or any of its Subsidiaries for any of their respective directors, officers or other employees, it being understood and agreed that the indemnification provided for in this Section 5.08 is not prior to or in substitution for any such claims under such policies.

Section 5.09 Commercially Reasonable Efforts.

(a) Upon the terms and subject to the conditions of this Agreement, each of the parties shall cooperate with the other parties and use (and shall cause their respective Subsidiaries to use) their respective Commercially Reasonable Efforts to promptly (i) unless, with respect to any action, another standard of performance is expressly provided for herein, take, or cause to be taken, all actions, and do, or cause to be done, all things, necessary, proper or advisable to cause the other party's (with respect to Parent and Merger Sub) or parties' (with respect to the Company) conditions to Closing to be satisfied as promptly as practicable and to consummate and make effective, in the most expeditious manner practicable, the Transactions, including preparing and filing promptly and fully all documentation to effect all necessary Filings, including, if applicable, requesting expedited treatment for any such Filing, (ii) obtain all Consents, Permits, expirations or terminations of waiting periods and other confirmations from any Governmental Authority or other Person necessary, proper or advisable to consummate the Transactions and continue the businesses of the Company and its Subsidiaries uninterrupted as currently conducted, (iii) obtain any Consents or make any Filings that are required by any Governmental Authority for or in connection with any Permit, Water Right, bond or other financial surety, (iv) execute and deliver any additional instruments necessary to consummate the Transactions and (v) avoid, defend or contest (A) any Legal Action brought by a Governmental Authority or other Person or (B) entry of any Law or Order that would, in each case, prevent or materially impede, interfere with, hinder or delay the consummation of the Transactions. In connection with the foregoing and to the extent not prohibited by applicable Law, the Company will provide Parent, and Parent will provide the Company, with copies of any material correspondence, Filing or communication between such party or any of its Representatives, on the one hand, and any Governmental Entity, on the other hand, with respect to this Agreement and the Transactions, promptly after receipt or submission thereof, other than "Item 4(c) and 4(d) documents" submitted with a party's Notification and Report Form filing pursuant to the HSR Act; notwithstanding the foregoing, in no instance shall either party be required to provide valuation information to the other party or its Representatives.

(b) In furtherance and not in limitation of the foregoing, the Company and Parent shall each use its Commercially Reasonable Efforts to (i) take all action necessary to ensure that no state takeover statute or similar Law is or becomes applicable to any of the Transactions and (ii) if the restrictions of any state takeover statute or similar Law become applicable to any of the Transactions, take all action necessary to ensure that the Transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise lawfully minimize the effect of such Law on the Transactions.

(c) Each party agrees to make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the Transactions as promptly as practicable and in any event within ten (10) Business Days of the date hereof and to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act and to use Commercially Reasonable Efforts to avoid or eliminate each and every impediment and obtain all consents, approvals and expirations or terminations of waiting periods under any Antitrust Laws that may be required by any foreign or U.S. federal, state or local Governmental Authority so as to enable the parties to close the Transactions. The Company and Parent will each request early termination of the waiting period with respect to the Transactions under the HSR Act.

(d) Each of the parties shall use its Commercially Reasonable Efforts to (i) cooperate in all respects with each other in connection with any Filing with or to a Governmental Authority in connection with the Transactions and in connection with any investigation or other inquiry by or before a Governmental Authority relating to the Transactions, including any proceeding initiated by a private Person, and (ii) keep the other party informed in all material respects and on a reasonably timely basis of any material communication received by such party from, or given by such party to, the Federal Trade Commission, the Antitrust Division of the Department of Justice, FERC or any other Governmental Authority and of any material communication received or given in connection with any proceeding by a private Person, in each case regarding any of the Transactions. Subject to applicable Laws relating to the exchange of information and all privileges, including the attorney-client privilege, each of the parties shall have the right to review in advance, and to the extent practicable, each will consult, and consider in good faith the views of, the other on, all the information relating to the other parties and their respective Subsidiaries, as the case may be, that appears in any Filing made with, or written materials submitted to, any Governmental Authority or other Person in connection with the Transactions, other than "Item 4(c) and 4(d) documents" submitted with a party's Notification and Report Form filing pursuant to the HSR Act. To the extent permitted by applicable Law, each party shall provide the other parties (in the case of Parent and Merger Sub) or party (in the case of the Company) with the opportunity to attend any meetings with or other appearances before any Governmental Authority with respect to the Transactions. Any party may, as it deems advisable and necessary, reasonably designate any highly confidential or competitively sensitive material provided to another party under this Section 5.09 as "Outside Counsel Only." Such materials and the information contained therein shall be given only to the outside antitrust legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient, unless express written permission is obtained in advance from the source of the materials.

(e) Notwithstanding anything to the contrary in this Section 5.09, none of Parent, Merger Sub or the Company shall be required in order to resolve any objections asserted under Antitrust Laws by any Governmental Authority with respect to the Transactions to divest any of its businesses, product lines or assets, or to take or agree to take any other action or to agree to any limitation or restriction of any kind on its business, operations, properties or assets.

Section 5.10 Public Announcements. The initial press release with respect to this Agreement and the Transactions shall be a release mutually agreed to by the Company and Parent. Thereafter, (a) the Company and Parent will consult with each other before issuing, and give each other the opportunity to review and comment upon, any press release or before making any public release or announcement concerning the Transactions and (b) the Company, Parent and Merger Sub agree that no such press release, public release or announcement shall be issued by any party without the prior written consent of the Company and Parent (which consent, in each case, shall not be unreasonably withheld, conditioned, or delayed), except as may be required by applicable Law or the rules or regulations of the NYSE American, the NYSE, the Tel Aviv Stock Exchange or any other Governmental Authority to which the relevant party is subject or submits. Notwithstanding the foregoing, the restrictions set forth in this Section 5.10 shall not apply to any release or announcement made or proposed to be made in connection with and related to a Company Adverse Recommendation Change or in compliance with Section 5.04.

Section 5.11 Takeover Statutes. None of the Company, any of its Subsidiaries or the Company Board shall take any action that would result in any "control share acquisition," "fair price," "moratorium," "business combination," or other anti-takeover Law becoming applicable to the Company, the Merger or any other Transaction and if any such anti-takeover Law becomes or is deemed to be applicable to the Company, the Merger, or any other Transaction, then each of the Company and the Company Board shall grant such approvals and take such actions as are necessary so that the Transactions may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to minimize the effects of, or render inapplicable to the Company, the Merger or any other Transaction, such anti-takeover Law.

Section 5.12 Section 16 Matters. Prior to the Effective Time, the Company shall take all such steps as may be required to cause to be exempt under Rule 16b-3 promulgated under the Exchange Act any dispositions of Company Shares (including derivative securities with respect to such Company Shares and Options) that result from the Transactions by each director or officer of the Company who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company immediately prior to the Effective Time.

Section 5.13 Further Assurances. At and after the Effective Time, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of the Company or Merger Sub, any deeds, bills of sale, assignments, or assurances and to take and do, in the name and on behalf of the Company or Merger Sub, any other actions and things to vest, perfect, or confirm of record or otherwise in the Surviving Corporation any and all right, title, and interest in, to and under any of the rights, properties, or assets of the Company acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

Section 5.14 Stockholder Litigation. Parent and the Company shall notify the other party promptly of the commencement of any Legal Action that is a stockholder or derivative suit related to this Agreement, the Merger or any other Transaction of which it has received written notice. So long as the Parent and the Company share a common interest, and any such disclosure required by this Section 5.14 will not waive any confidentiality or privilege attached to that information, the Company shall (a) provide Parent with the opportunity (i) to participate in the defense or settlement of any such Legal Action against the Company or its Affiliates or any of its or their respective directors or officers and (ii) to review and comment upon filings and responses related thereto, which the Company shall consider and implement in good faith and (b) keep Parent apprised of, and consult with Parent with respect to, proposed strategy and any significant decisions related thereto.

Section 5.15 De-listing of Company Securities. The Surviving Corporation shall cause the Company's securities to be de-listed from the NYSE American as promptly as practicable following the Effective Time, and the Company shall, prior to the Effective Time, cooperate with Parent with respect thereto.

Section 5.16 Change of Control Payments and Service Bonus.

(a) Parent and Merger Sub hereby acknowledge that the Transactions contemplated by this Agreement shall constitute a "change in control," "change of control" or term or concept of similar import of the Company and its Subsidiaries under the terms of the items required to be disclosed in Section 3.11 of the Company Disclosure Schedule pursuant to Section 3.11(e)(i) (the "**Severance Provisions**"). Parent and Merger Sub acknowledge and agree that the Company and its Subsidiaries, from and after the Effective Time, shall honor all obligations and rights under the Severance Provisions in accordance with their terms, including, at the Effective Time, paying any amounts due under the Severance Provisions with respect to the occurrence of the Transactions.

(b) Subject to the terms and conditions in this Section 5.16, the Company or the Surviving Corporation, as applicable, will pay to each of the persons listed in Section 5.16(b) of the Company Disclosure Schedule (the "**Service Bonus Recipients**") the respective amounts set forth opposite the name of each Service Bonus Recipient in Section 5.16(b) of the Company Disclosure Schedule, reduced by (i) any amounts required to be withheld under any applicable Laws, including for Taxes, and (ii) in the case of Service Bonus Recipients who are employees of U.S. Geothermal Guatemala, S.A., any severance, economic advantages or other compensation or benefits required to be paid to those persons under any applicable Laws (the "**Service Bonus**").

(c) The obligation of the Company or the Surviving Corporation, as applicable, to pay, and the right of any Service Bonus Recipient to receive, any Service Bonus will be subject to satisfaction (or waiver by Parent, in its sole discretion) of each of the following conditions:

(i) The Closing must occur before or contemporaneously with payment of the Service Bonus, and no Service Bonus will be paid to any Service Bonus Recipient if this Agreement is terminated prior to the Closing.

(ii) The Service Bonus Recipient must be continuously employed by the Company or one of its Subsidiaries during the period commencing on the date of this Agreement and ending on the date that is (x) except for those Service Bonus Recipients who are Transition Employees (as defined below), the Closing Date, or (y) in the case of any Service Bonus Recipient who is requested by Parent no later than forty-five (45) days prior to the date of the Company Stockholders Meeting to provide any transition services to the Surviving Corporation or any of its Subsidiaries of substantially similar time commitment and duties at the same location (the "**Transition Services**") for any limited period of time after the Closing Date that may be requested by Parent (excluding for the avoidance of doubt any Person who becomes a Continuing Employee pursuant to Section 5.07 providing ongoing services as employees of Parent or any of its Subsidiaries for an indefinite period of time after the Closing Date) (the "**Transition Employees**"), the date that is the last day of the period (the "**Transition Service Period**") commencing on the Closing Date and ending on the earliest of:

(A) the last day of the period of service Parent requested that Transition Employee to provide;

(B) the date prior to the day referred to in clause (A) above, if any, on which the employment of that Transition Employee is terminated without cause (as determined by Parent in its sole discretion); and

(C) the date of death or permanent disability of the Transition Employee.

For the avoidance of doubt, any Service Bonus Recipient who is requested to provide and declines or fails to provide any or all Transition Services requested by Parent will be paid no Service Bonus.

(iii) Any Service Bonus Recipient who is a Transition Employee must provide during the Transition Service Period those Transition Services that have been requested by Parent with the same amount of skill, diligence, integrity, time and effort, in all material respects, as that Transition Employee used in providing comparable services to the Company or its Subsidiaries prior to the Closing.

(iv) Each Service Bonus Recipient who is not a Transition Employee must, on or prior to the Closing Date, (x) execute and deliver to Parent and the Company a general release (in form and substance reasonably satisfactory to Parent and the Company) in favor of the Company, its Subsidiaries and their respective Representatives (and their respective successors, administrators, executors, heirs and assigns), against any and all claims relating to or arising out of the Service Bonus Recipient's employment relationship with the Company and its Subsidiaries and the termination of that relationship and (y) not revoke such general release within the time provided by applicable Law (such general release which meets the requirements of subclauses (x) and (y) is hereinafter referred to as an "**Effective General Release**").

(v) Each Service Bonus Recipient who is a Transition Employee must, within twenty-one (21) days (forty-five (45) days in the case of a group termination) following the earliest of the dates specified in subclauses (A), (B) or (C) in Section 5.16(c)(iii), execute and deliver to Parent and the Surviving Corporation an Effective General Release.

(d) Any Service Bonus payable in accordance with this Section 5.16 will be paid, in cash, though the normal payroll payment mechanism of the Company or the Surviving Corporation, as applicable, at the following times:

(i) except for those Service Bonus Recipients who are Transition Employees, on the Closing Date, immediately prior to the Effective Time, and in any event no later than March 15th of the calendar year following the year in which such amount vests.

(ii) for any Service Bonus Recipients who are Transition Employees, on the last day of his or her Transition Service Period, unless his or her Transition Service Period is longer than ninety (90) days after the Closing Date, in which case on the date that is ninety (90) days after the Closing Date, unless that is not a Business Day, in which case on the first Business Day following the date that is ninety (90) days after the Closing Date, and in any event no later than March 15th of the calendar year following the year in which such amount vests and in compliance with the requirements of Section 409A related to payments in connection with general release agreements.

Notwithstanding the foregoing, Parent will have no obligation to pay, and no Service Bonus Recipient will have the right to receive, any Service Bonus until such time as such Service Bonus Recipient has executed and delivered an Effective General Release.

(e) The arrangement to provide Service Bonuses set forth in this Section 5.16 and Section 5.16 (b) of the Company Disclosure Schedule is intended to be exempt from Section 409A of the Code and the Treasury Regulations promulgated thereunder ("**Section 409A**"). Notwithstanding the foregoing, none of the Company, Parent or Merger Sub make any representation or covenant regarding the status of such program under Section 409A.

(f) Unless otherwise agreed by Parent and any Transition Employee, Parent shall provide, or shall cause to be provided, to each Transition Employee during his or her Transition Service Period compensation and benefits that, taken as a whole, are at a level substantially similar to the compensation and benefits (other than severance benefits and Equity Securities) provided by the Company or its Subsidiaries to such Transition Employees immediately prior to the Effective Time for services comparable to the Transition Services provided by that Transition Employee.

(g) Nothing in this Section 5.16 or Section 5.16(b) of the Company Disclosure Schedule shall create any right to continued employment for any Service Bonus Recipient.

ARTICLE VI

CONDITIONS TO CONSUMMATION OF THE MERGER

Section 6.01 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to this Agreement to effect the Merger is subject to the satisfaction or waiver (where permissible pursuant to applicable Law) in writing at or prior to the Effective Time of each of the following conditions:

(a) Company Stockholder Approval. This Agreement will have been duly adopted by the Requisite Company Vote.

(b) Regulatory Approvals. Any waiting period applicable to the consummation of the Merger (or any extension thereof) shall have expired or been terminated and all required filings have been made and all required approvals obtained under the HSR Act and any other applicable Antitrust Laws.

(c) No Injunctions, Restraints, or Illegality. No Governmental Authority having jurisdiction over any party hereto shall have enacted, issued, promulgated, enforced, or entered any Laws or Orders, whether temporary, preliminary, or permanent, that make illegal, restrain, enjoin, or otherwise prohibit consummation of the Merger or the other Transactions.

(d) FERC Approvals. The required approvals from FERC shall have been obtained.

(e) Authorizations and Consents. All Consents and Filings set forth in Section 3.04 and Section 4.03 and required to consummate the Merger and the other Transactions (other than the filing of the Certificate of Merger with the Secretary of State of the State of Delaware) shall have been obtained or made and shall be in full force and effect.

Section 6.02 Conditions to Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Merger are also subject to the satisfaction or waiver (where permissible pursuant to applicable Law) in writing by Parent and Merger Sub at or prior to the Effective Time of the following additional conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Company (other than in Section 3.01, Section 3.02, Section 3.03(a), Section 3.03(b), Section 3.03(c)(i), Section 3.03 (d), Section 3.06(b), Section 3.06(c) and Section 3.21) set forth in ARTICLE III of this Agreement shall be true and correct in all respects (without giving effect to any limitation indicated by the words "Company Material Adverse Effect," "in all material respects," "in any material respect," "material," "materially," or similar terms) when made and as of immediately prior to the Effective Time, as if made at and as of such time (except those representations and warranties that address matters only as of a particular date, which shall be true and correct in all respects as of that date), except where the failure of such representations and warranties to be so true and correct would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect; (ii) the representations and warranties of the Company contained in Section 3.02(a), Section 3.02(b) (first sentence only), Section 3.02(c) (first sentence only), and Section 3.02(f) (individually and collectively the "**Designated Capitalization Reps**") shall be true and correct when made and as of immediately prior to the Effective Time, as if made at and as of such time (except those representations and warranties that address matters only as of a particular date, which shall be true and correct as of that date) except in each case for such inaccuracies that are *de minimis* individually and in the aggregate; (iii) the representations and warranties of the Company contained in Section 3.02 other than the Designated Capitalization Reps shall be true and correct when made and as of immediately prior to the Effective Time, as if made at and as of such time (except those representations and warranties that address matters only as of a particular date, which shall be true and correct as of that date) except in each case for such inaccuracies that would not reasonably be expected to result in additional Merger Consideration, Designated Consideration or other cost, expense or Liability to Parent, Merger Sub or the Surviving Corporation, individually or in the aggregate, of more than $250,000, and (iv) the representations and warranties contained in Section 3.01, Section 3.03(a), Section 3.03(b), Section 3.03(c)(i), Section 3.03 (d), Section 3.06(b), Section 3.06(c) and Section 3.21 shall be true and correct in all respects when made and as of immediately prior to the Effective Time, as if made at and as of such time (except those representations and warranties that address matters only as of a particular date, which shall be true and correct in all respects as of that date).

(b) Performance of Covenants. The Company shall have performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, in this Agreement required to be performed by or complied with by it at or prior to the Effective Time.

(c) Company Material Adverse Effect. Since the date of this Agreement, there shall not have been any Company Material Adverse Effect or any effect, change, event, state of fact, development, circumstance or occurrence that would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(d) Officers Certificate. Parent will have received a certificate, dated as of the Closing Date and signed by the chief executive officer or chief financial officer of the Company, certifying as to the matters set forth in Section 6.02(a), Section 6.02(b), and Section 6.02(c) hereof.

(e) Company Expenses. Parent will have received a list, dated as of the Closing Date, of all Expenses incurred by the Company or any of its Subsidiaries prior to the Closing Date or expected to be incurred by the Company or any of its Subsidiaries on or after the Closing Date.

Section 6.03 Conditions to Obligation of the Company. The obligation of the Company to effect the Merger is also subject to the satisfaction or waiver (where permissible pursuant to applicable Law) in writing by the Company at or prior to the Effective Time of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of Parent and Merger Sub set forth in ARTICLE IV of this Agreement shall be true and correct in all respects (without giving effect to any limitation indicated by the words "material adverse effect," "in all material respects," "in any material respect," "material," "materially," or similar terms) when made and as of immediately prior to the Effective Time, as if made at and as of such time (except those representations and warranties that address matters only as of a particular date, which shall be true and correct in all respects as of that date), except where the failure of such representations and warranties to be so true and correct would not reasonably be

expected to have, individually or in the aggregate, a material adverse effect on Parent's and Merger Sub's ability to consummate the Transactions.

(b) Performance of Covenants. Parent and Merger Sub shall have performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, of this Agreement required to be performed by or complied with by them at or prior to the Closing.

(c) Officers Certificate. The Company will have received a certificate, signed by an officer of Parent, certifying as to the matters set forth in Section 6.03(a) and Section 6.03(b).

ARTICLE VII

TERMINATION, AMENDMENT AND WAIVER

Section 7.01 Termination By Mutual Consent. This Agreement may be terminated at any time prior to the Effective Time (whether before or after the receipt of the Requisite Company Vote) by the mutual written consent of Parent, Merger Sub, and the Company.

Section 7.02 Termination By Either Parent or the Company. This Agreement may be terminated by either Parent or the Company at any time prior to the Effective Time (whether before or after the receipt of the Requisite Company Vote):

(a) if the Merger has not been consummated on or before the date that is one hundred twenty (120) days after the date hereof (such date or such later date, if any, as is provided in the second proviso to this Section 7.02(a), the "**End Date**"); *provided*, *however*, that the right to terminate this Agreement pursuant to this Section 7.02(a) shall not be available to any party whose breach of any representation, warranty, covenant, or agreement set forth in this Agreement has been the cause of, or resulted in, the failure of the Merger to be consummated on or before the End Date; *provided further*, that the End Date may be amended by mutual agreement of the parties pursuant to Section 7.07 of this Agreement; *provided further*, that the right to terminate this Agreement pursuant to this Section 7.02(a) shall not be available to any party during the pendency of a legal proceeding by any party for specific performance pursuant to Section 8.13;

(b) if any Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any Law or Order making illegal, permanently enjoining, or otherwise permanently prohibiting the consummation of the Merger or the other Transactions, and such Law or Order shall have become final and nonappealable; *provided*, *however*, that the party seeking to terminate this Agreement pursuant to this Section 7.02(b) shall have complied with its obligations under Section 5.09(a) to avoid the entry of any such Law or Order; *provided further*, that the right to terminate this Agreement pursuant to this Section 7.02(b) shall not be available to any party whose breach of any representation, warranty, covenant, or agreement set forth in this Agreement has been the cause of, or resulted in, the issuance, promulgation, enforcement, or entry of any such Law or Order; or

(c) if this Agreement has been submitted to the stockholders of the Company for adoption at a duly convened Company Stockholders Meeting and the Requisite Company Vote shall not have been obtained at such meeting (unless such Company Stockholders Meeting has been adjourned or postponed, in which case at the final adjournment or postponement thereof).

Section 7.03 Termination By Parent. This Agreement may be terminated by Parent at any time prior to the Effective Time:

(a) if a Company Adverse Recommendation Change shall have occurred; or

(b) if there shall have been a breach of any representation, warranty, covenant or agreement on the part of the Company set forth in this Agreement such that the conditions to the Closing of the Merger set forth in Section 6.02(a) or Section 6.02(b), as applicable, would not be satisfied and, in either such case, such breach is incapable of being cured or, if curable, is not cured by the Company on or before the earlier of (i) the End Date and (ii) thirty (30) days following receipt by the Company of written notice of such breach from Parent; *provided*, *however*, that Parent shall not have the right to terminate this Agreement pursuant to this Section 7.03(b) if it is then in material breach of any representations, warranties, covenants or other agreements hereunder, and such breach shall not have been cured in all material respects.

(c) if (i) all of the conditions set forth in Section 6.01 and Section 6.03 (other than conditions that by their nature are to be satisfied at the Closing) have been satisfied, (ii) Parent has irrevocably confirmed by written notice to the Company that all of the conditions set forth in Section 6.02 have been satisfied or that it is willing to waive any unsatisfied conditions in Section 6.02 and (iii) the Company willfully refuses to consummate the Merger within three (3) Business Days following the later to occur of (x) the date the Closing should have occurred pursuant to Section 1.02 and (y) the delivery of such notice.

Section 7.04 Termination By the Company. This Agreement may be terminated by the Company at any time prior to the Effective Time:

(a) if prior to the receipt of the Requisite Company Vote at the Company Stockholders Meeting, (i) the Company has received a Superior Proposal, (ii) the Company is in compliance with Section 5.04 and (iii) the Company Board approves, and concurrently with the termination of this Agreement the Company enters into, a Company Acquisition Agreement (other than an Acceptable Confidentiality Agreement) with respect to such Superior Proposal; *provided*, *however*, that the Company shall have paid to Parent, as a condition to such termination, the Company Termination Fee in accordance with Section 7.06(a) hereof at the time specified therein;

(b) if there shall have been a breach of any representation, warranty, covenant or agreement on the part of Parent or Merger Sub set forth in this Agreement such that the conditions to the Closing of the Merger set forth in Section 6.03(a) or Section 6.03(b), as applicable, would not be satisfied and, in either such case, such breach is incapable of being cured or, if curable, is not cured by Parent or Merger Sub, as applicable, on or before the earlier of (i) the End Date and (ii) thirty (30) days following receipt by the Parent or Merger Sub, as applicable, of written notice of such breach from the Company; *provided*, *however*, that the Company shall not have the right to terminate this Agreement pursuant to this Section 7.04(b) if it is then in material breach of any representations, warranties, covenants or other agreements hereunder and such breach shall not have been cured in all material respects; or

(c) if (i) all of the conditions set forth in Section 6.01 and Section 6.02 (other than conditions that by their nature are to be satisfied at the Closing) have been satisfied, (ii) the Company has irrevocably confirmed by written notice to Parent that all of the conditions set forth in Section 6.03 have been satisfied or that it is willing to waive any unsatisfied conditions in Section 6.03 and (iii) Parent and Merger Sub willfully refuse to consummate the Merger within three (3) Business Days following the later to occur of (x) the date the Closing should have occurred pursuant to Section 1.02 and (y) the delivery of such notice.

Section 7.05 Notice of Termination; Effect of Termination. The party desiring to terminate this Agreement pursuant to this ARTICLE VII (other than pursuant to Section 7.01) shall deliver written notice of such termination to each other party hereto specifying with particularity the reason for such termination, and any such termination in accordance with this Section 7.05 shall be effective immediately upon delivery of such written notice to the other party. If this Agreement is terminated pursuant to this ARTICLE VII, it will become void and of no further force and effect, with no liability on the part of any party to this Agreement (or any Representative of such party) to any other party hereto, except: (a) with respect to Section 5.03(b), this Section 7.05, Section 7.06, and ARTICLE VIII (and any related definitions contained in any such Sections or Article), which shall remain in full force and effect; and (b) with respect to any liabilities or damages incurred or suffered by a party, to the extent such liabilities or damages were the result of fraud or the Knowing, Intentional Breach by another party of any of its representations, warranties, covenants, or other agreements set forth in this Agreement.

Section 7.06 Fees and Expenses Following Termination.

(a) If this Agreement is terminated by Parent pursuant to Section 7.03(a), Section 7.03(b), where the term "breach" is replaced with Knowing, Intentional Breach in each instance, or Section 7.03(c) or is terminated by the Company pursuant to Section 7.04(a), then the Company shall pay, or cause to be paid, to Parent the Company Termination Fee, by wire transfer of immediately available funds and, in the case of termination by Parent pursuant to Section 7.03(a) or by the Company pursuant to Section 7.04(a), concurrently with or prior to such termination. In no event shall the Company be required to pay the Company Termination Fee on more than one occasion.

(b) If this Agreement is terminated by the Company pursuant to Section 7.04(b), where the term "breach" is replaced with Knowing, Intentional Breach in each instance, or pursuant to Section 7.04(c), Parent shall pay, or cause to be paid, to the Company the Parent Termination Fee as promptly as possible (but in any event within two Business Days after such termination) by wire transfer of immediately available funds. In no event shall Parent be required to pay the Parent Termination Fee on more than one occasion.

(c) The parties acknowledge and hereby agree that the provisions of this Section 7.06 are an integral part of the Transactions contemplated by this Agreement (including the Merger), and that, without such provisions, the parties would not have entered into this Agreement. Each of the parties hereto acknowledges that each of the Company Termination Fee and the Parent Termination Fee is not a penalty, but is liquidated damages in a reasonable amount that will compensate Parent or the Company, as applicable, in the circumstances in which such fee is payable for the efforts and resources expended and opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the Transactions, which amount would otherwise be impossible to calculate with precision. If the Company, on the one hand, or Parent, on the other hand, shall fail to pay in a timely manner the amounts due pursuant to this Section 7.06, and, in order to obtain such payment, the other party makes a claim against the non-paying party that results in a judgment against the non-paying party for such amounts, the non-paying party shall pay to the other party the reasonable costs and expenses (including its reasonable attorneys' fees and expenses) incurred or accrued in connection with such suit, together with interest on the amounts set forth in this Section 7.06 at the prime lending rate prevailing during such period as published in *The Wall Street Journal*, plus two percent (2%) per annum. Any interest payable hereunder shall be calculated on a daily basis from the date such amounts were required to be paid until (but excluding) the date of actual payment, and on the basis of a 360-day year. Subject only to the last sentence of this Section 7.06(c), the Company's right to terminate this Agreement and receive payment of the Parent Termination Fee upon termination pursuant to Section 7.06(b) shall constitute the sole and exclusive remedy of the Company, its Subsidiaries and any of their respective former, current or future Representatives or assignees (the "**Company Parties**") against Parent, Merger Sub and their respective former, current or future Representatives or assignees (the "**Parent Parties**") for all losses or damages suffered as a result of the failure of the Transactions to be consummated, and, upon payment of such amount, none of the Parent Parties shall have any further Liability relating to or arising out of this Agreement or the Transactions. Subject only to the last sentence of this Section 7.06(c), Parent's right to terminate this Agreement and receive payment of the Company Termination Fee upon termination pursuant to Section 7.06(a) shall constitute the sole and exclusive remedy of the Parent Parties against the Company Parties for all losses or damages suffered as a result of the failure of the Transactions to be consummated, and, upon payment of such amount, none of the Company Parties shall have any further Liability relating to or arising out of this Agreement or the Transactions. Notwithstanding the foregoing, prior to any valid termination of this Agreement by Parent or the Company in accordance with the terms hereof, any right to specific performance and other equitable relief provided by Section 8.13 shall be the sole and exclusive remedy of the parties to this Agreement.

(d) Except as expressly set forth in Section 7.06(c), all Expenses incurred in connection with this Agreement and the Transactions will be paid by the party incurring such Expenses at or prior to Closing; *provided, however*, that Parent and the Company shall each be responsible for one half of the filing fees payable in connection with the filings under the HSR Act and any other applicable Antitrust Laws.

Section 7.07 Amendment. At any time prior to the Effective Time, this Agreement may be amended or supplemented in any and all respects by written agreement signed by each of the parties hereto.

Section 7.08 Extension; Waiver. At any time prior to the Effective Time, Parent or Merger Sub, on the one hand, or the Company, on the other hand, may: (a) extend the time for the performance of any of the obligations of the other party(ies); (b) waive any inaccuracies in the representations and warranties of the other party(ies) contained in this Agreement or in any document delivered under this Agreement; or (c) unless prohibited by applicable Law, waive compliance with any of the covenants, agreements, or conditions contained in this Agreement. Any agreement on the part of a party to any extension or waiver will be valid only if set forth in an instrument in writing signed by such party. The failure or delay of any party to assert any right, power or privilege under this Agreement will not constitute a waiver thereof and any single or partial exercise thereof will not preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Definitions. For purposes of this Agreement, the following terms will have the following meanings when used herein with initial capital letters:

"**Acceptable Confidentiality Agreement**" means any customary confidentiality and standstill agreement that (i) does not contain any provision prohibiting the Company or any of its Subsidiaries from making any of the disclosures required to be made to Parent pursuant to Section 5.04 and (ii) contains confidentiality and standstill provisions that are no less favorable to the Company than those contained in the Confidentiality Agreement.

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such first Person. For the purposes of this definition, "control" (including, the terms "controlling," "controlled by," and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by Contract, or otherwise.

"**Agreement**" has the meaning set forth in the Preamble.

"**Anti-Corruption Laws**" means, as applicable, the FCPA, the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions, the Inter-American Convention Against Corruption (of the Organization of American States) and any other Laws relating to corruption, bribery, money laundering, political contributions or gifts, entertainment and gratuities involving any Governmental Authority or Government Official and applicable to the Company and its Subsidiaries, together with any rules or regulations promulgated thereunder.

"**Antitrust Laws**" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, all applicable foreign antitrust Laws, and all other applicable Laws issued by a Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

"**Associate**" has the meaning set forth in Section 203(c)(2) of the DGCL.

"**Balance Sheet Date**" has the meaning set forth in Section 3.05(d).

"**Bankruptcy and Equity Exception**" has the meaning set forth in Section 3.03(a).

"**Book-Entry Share**" has the meaning set forth in Section 2.01(c).

"**Business Day**" means any day, other than Saturday, Sunday, or any day on which banking institutions located in New York, New York, Reno, Nevada or Boise, Idaho are authorized or required by Law or other governmental action to close.

"**Certificate**" has the meaning set forth in Section 2.01(c).

"**Certificate of Merger**" has the meaning set forth in Section 1.03.

"**Closing**" has the meaning set forth in Section 1.02.

"**Closing Date**" has the meaning set forth in Section 1.02.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Commercially Reasonable Efforts**" means the efforts, time and costs a prudent Person desirous of achieving a result would use, expend or incur in similar circumstances to achieve such results as expeditiously as possible, provided that such Person is not required to expend funds or assume Liabilities beyond those that are reasonable in nature and amount in the context of the Transactions.

"**Company**" has the meaning set forth in the Preamble.

"**Company Acquisition Agreement**" has the meaning set forth in Section 5.04(a).

"**Company Adverse Recommendation Change**" means the Company Board: (a) failing to make, withdrawing, amending, modifying, or materially qualifying, in a manner adverse to Parent, the Company Board Recommendation, or publicly proposing to do any of the foregoing; (b) failing to include the Company Board Recommendation in the Company Proxy Statement that is mailed to the Company's stockholders; (c) recommending, adopting, approving or endorsing or publicly proposing to recommend, adopt, approve or endorse a Takeover Proposal; (d) failing to recommend against acceptance of any tender offer or exchange offer for the Company Shares within ten (10) Business Days after the commencement of such offer; (e) failing to reaffirm (publicly, if so requested by Parent) the Company Board Recommendation within ten (10) Business Days after the date any Takeover Proposal (or material modification thereto) is first publicly disclosed by the Company or the Person making such Takeover Proposal; (f) making any public statement inconsistent with the Company Board Recommendation, or (g) resolving or agreeing to take any of the foregoing actions.

"**Company Approvals**" has the meaning set forth in Section 3.04.

"**Company Balance Sheet**" has the meaning set forth in Section 3.05(d).

"**Company Board**" has the meaning set forth in the Recitals.

"**Company Board Recommendation**" has the meaning set forth in the Recitals.

"**Company Charter Documents**" means the Company's certificate of incorporation and bylaws, each as amended to the date of this Agreement.

"**Company Disclosure Schedule**" has the meaning set forth in the introductory language in ARTICLE III.

"**Company Financial Advisor**" has the meaning set forth in Section 3.20.

"**Company Lease**" means any lease, sublease, sub-sublease, license and other agreement under which the Company or any of its Subsidiaries leases, subleases, licenses, uses or occupies (in each case whether as landlord, tenant, sublandlord, subtenant or by other occupancy arrangement), or has the right to use or occupy, now or in the future, any property.

"**Company MAE Excluded Matters**" means any effect, change, event, state of fact, development, circumstance or occurrence (i) generally affecting (A) any of the industries in which the Company and its Subsidiaries operate or (B) the economy, credit or financial or capital markets, in the United States or elsewhere in the world, including changes in interest or exchange rates, or (ii) to the extent arising out of, resulting from or attributable to (A) changes in Law (or in the interpretation thereof) or GAAP (or in the interpretation thereof) after the date hereof, (B) the announcement, pendency or performance of this Agreement or the consummation of the Transactions (other than for purposes of any representation or warranty contained in Section 3.03(c) and Section 3.04), (C) acts of war, sabotage or terrorism occurring, or any escalation or worsening of any such acts of war, sabotage or terrorism, (D) earthquakes, hurricanes, tornados or other natural disasters, (E) any action taken by the Company or its Subsidiaries that is expressly required by this Agreement (other than with respect to the Company's obligations to comply with Section 5.01(a)) or with Parent's written consent or at Parent's written request, (F) any decline in the market price, or change in trading volume, of the capital stock of the Company, (G) any failure to meet any internal or public projections, forecasts or estimates of revenue or earnings in and of itself (provided that the exceptions in clauses (F) and (G) shall not prevent or otherwise affect a determination that the underlying cause of any such decline or failure is a Company Material Adverse Effect) or (H) any change in, or loss of, the relationship of the Company's or its Subsidiaries' customers, suppliers, vendors, lenders or employees as a result of the execution, pendency or performance of this Agreement or the consummation of the Transactions (other than for purposes of any representation or warranty contained in Section 3.03(c), Section 3.04 and Section 3.18); *provided*, *however*, that any effect, change, event, circumstance or occurrence referred to in clauses (i) or (ii)(A), (C) or (D) shall not be disregarded and shall be taken into account in determining whether or not there has been a Company Material Adverse Effect if any such effect, change, event, circumstance, state of fact or development adversely affects the Company and its Subsidiaries, taken as a whole, in a materially disproportionate manner as compared to other participants in the industries in which the Company and its Subsidiaries operate.

"**Company Material Adverse Effect**" means any effect, change, event, state of fact, development, circumstance or occurrence (whether or not constituting any breach of a representation, warranty, covenant or agreement set forth in this Agreement) that, individually or in the aggregate with all other effects, changes, events, circumstances, states of fact or developments, would or would reasonably be expected to (a) have a material adverse effect on the business, results of operations, assets, liabilities or financial condition of (i) any "significant subsidiary" of the Company (as such term is defined in Rule 1-02(w) under Regulation S-X) or (ii) the Company and its Subsidiaries taken as a whole, or (b) prevent or materially impair or delay the consummation of the Transactions, except that none of the Company MAE Excluded Matters (by itself or when aggregated with other Company MAE Excluded Matters) will be deemed to be or constitute a Company Material Adverse Effect or will be taken into account when determining whether a Company Material Adverse Effect has occurred or exists.

"**Company Parties**" has the meaning set forth in Section 7.06(c).

"**Company Plan**" means each plan, program, policy, agreement or other arrangement covering current or former employees, directors, independent contractors or consultants, that is (i) an employee welfare plan within the meaning of Section 3(1) of ERISA (whether or not subject to ERISA), (ii) an employee pension benefit plan within the meaning of Section 3(2) of ERISA (whether or not subject to ERISA), (iii) a stock option, stock purchase, restricted stock, stock appreciation right, restricted stock unit, dividend equivalent or other stock-based agreement, program or plan, (iv) an individual employment, consulting, retention, change of control, severance or other similar agreement or (v) a bonus, incentive, deferred compensation, savings, profit-sharing, pension, retirement, cash balance, post-retirement, vacation, severance or termination pay, medical, dental, vision or other health, short- or long-term disability, life, long term care, employee assistance, education, relocation, benefit or fringe-benefit plan, program, policy, agreement or other arrangement, in each case that is sponsored, maintained or contributed to by the Company or any of its Subsidiaries or to which the Company or any of its Subsidiaries contributes or is obligated to contribute to or has or may have any liability.

"**Company Proxy Statement**" has the meaning set forth in Section 3.05(f).

"**Company SEC Documents**" has the meaning set forth in Section 3.05(a).

"**Company Securities**" has the meaning set forth in Section 3.02(c).

"**Company Shares**" has the meaning set forth in the Recitals.

"**Company Stock Plan**" means the Company's 2009 Stock Incentive Plan.

"**Company Stockholders Meeting**" means the special meeting of the stockholders of the Company to be held to consider and vote upon the adoption of this Agreement.

"**Company Termination Fee**" means an amount in cash equal to three percent (3%) of the Merger Consideration.

"**Confidentiality Agreement**" has the meaning set forth in Section 5.03(b).

"**Consent**" has the meaning set forth in Section 3.04.

"**Continuing Employees**" has the meaning set forth in Section 5.07(a).

"**Contracts**" means any contracts, agreements, arrangements, concessions, franchises, licenses, notes, bonds, mortgages, deeds, indentures, leases, or other binding instruments or binding commitments, whether written or oral.

"**Deed of Trust**" means the Deed of Trust with Assignment of Leases, Contracts and Rents, Security Agreement and Fixture Filing, dated September 26, 2013, duly executed by the USG Nevada Project Company in favor of Stewart Title Guaranty Company for the benefit of Deutsche Bank Trust Company Americas.

"**Default**" has the meaning set forth in Section 3.03(c).

"**Delaware Courts**" has the meaning set forth in Section 8.05.

"**Derivative Contract**" means futures, swaps, collars, puts, calls, floors, caps, options or other Contracts that are intended to benefit from or reduce or eliminate the risk of fluctuations in interest rates or the price of commodities, including such Contracts relating to physical or financial electric power (in any form, including energy capacity or ancillary services) or securities.

"**Designated Capitalization Reps**" has the meaning set forth in Section 6.02(a).

"**Development Projects**" means, collectively, the planned electric generating facilities under development by the Company or its Subsidiaries and set forth in Section 8.01-DP of the Company Disclosure Schedule.

"**DGCL**" has the meaning set forth in the Recitals.

"**Dissenting Shares**" has the meaning set forth in Section 2.03.

"**Effective General Release**" has the meaning set forth in Section 5.16(c)(iv).

"**Effective Time**" has the meaning set forth in Section 1.03.

"**End Date**" has the meaning set forth in Section 7.02(a).

"**Environmental Laws**" means any applicable Law, and any order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health, safety, or the environment (including air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, Release, transportation, processing, production or remediation of any Hazardous Materials. The term "Environmental Law" includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 *et. seq.*; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 *et. seq.*; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 *et. seq.*; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 *et. seq.*; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 *et. seq.*; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 *et. seq.*; the Endangered Species Act, as amended, 16 U.S.C. §§ 1531 *et seq.*; the Migratory Bird Treaty Act, 16 U.S.C. §§ 703-712; the Bald and Golden Eagle Protection Act, 16 U.S.C. §§ 668 *et seq.* and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 *et. seq.*, along with any state or local analogs.

"**Equity Security**" means, with respect to any Person: (a) capital stock, equity or voting securities (whether referred to as shares, stock or interests (partnership, membership, trust or other), units or other instruments) of any corporation, partnership (general, limited or limited liability) limited liability company, trust (statutory or other), joint venture, association or other business organization; (b) any Contract for that Person to make any payments of any kind based on (i) the price or value of any Equity Security or any dividends or distributions thereon or (ii) any revenues, earnings, financial metric or other attribute of that Person, including any "phantom stock" right, stock-based performance unit, stock appreciation right, restricted stock unit or other equity-based award that may be exercised or exchanged for, or converted into, cash or cash equivalents; (c) any debt or equity security of that Person that is convertible into, or exchangeable or exercisable for, any other Equity Security of that Person, including any option, warrant, subscription right or preemptive right, and any "phantom stock" right, stock-based performance unit, stock appreciation right, restricted stock unit or other equity-based award that may be exercised or exchanged for, or converted into, any other Equity Security; and (d) any debt security of that Person which grants the holder voting rights of the type held by any other Equity Security of that Person, in each case, individually or collectively as the context requires.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Affiliate**" means any Person which is, or at any relevant time was, a member of (A) a controlled group of corporations (as defined in Code Section 414(b)), (B) a group of trades or businesses under common control (as defined in Code Section 414(c)), (C) an affiliated service group (as defined under Code Section 414(m)) or (D) any group specified in regulations under Code Section 414(o) or Section 4001 of ERISA, any of which includes or at any time included the Company or its Subsidiaries.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Expansion Projects**" means those activities undertaken or planned to be undertaken in respect of each of the USG Oregon Project, the Raft River Project and the USG Nevada Project and set forth in Section 8.01-EP of the Company Disclosure Schedule.

"**Expenses**" means, with respect to any Person, all reasonable and documented out-of-pocket fees and expenses (including all fees and expenses of counsel, accountants, financial advisors, investment bankers and consultants of such Person and its Affiliates), incurred by such Person or on its behalf in connection with or related to the authorization, preparation, negotiation, execution, and performance of this Agreement and any Transactions related thereto, any litigation with respect thereto, the preparation, printing, filing, and mailing of the Proxy Statement, the filing of any required notices under the HSR Act or any other Antitrust Laws, or in connection with other regulatory approvals, and all other matters related to the Merger and the other Transactions.

"**FCPA**" means the US Foreign Corrupt Practices Act of 1977, as amended.

"**FERC**" means the Federal Energy Regulatory Commission, or any successor agency to its duties and responsibilities.

"**Filed SEC Documents**" has the meaning set forth in the introductory language in ARTICLE III.

"**Filing**" has the meaning set forth in Section 3.04.

"**FPA**" means the Federal Power Act, 16 U.S.C. §§791 et seq., as amended, and the regulations of FERC thereunder.

"**GAAP**" means generally accepted accounting principles in the United States, consistently applied.

"**Geothermal Leases**" means each of the USG Oregon Geothermal Lease, Raft River Geothermal Lease and USG Nevada Geothermal Lease.

"**Geothermal Resources**" means the geothermal reservoirs available for use by the Projects or any Expansion Project.

"**Governmental Authority**" means any government, court, regulatory or administrative agency, commission or authority or other governmental instrumentality, whether federal, tribal, state or local, domestic, foreign or multinational, and any mediator, arbitrator or arbitral body.

"**Governmental Official**" means (a) any officer or employee of any Governmental Authority, or anyone otherwise acting in an official capacity of a Governmental Authority (including any Person owned or controlled by a Governmental Authority), (b) any candidate for public or political office, (c) any royal or ruling family member, (d) any Representative of any public international organization, including but not limited to the United Nations or the World Bank Group or (e) any Representative of any of those Persons listed in clauses (a)-(d) above.

"**Hazardous Materials**" means any hazardous substances, pollutants, contaminants, wastes or materials (including petroleum, crude oil, or any fraction thereof, petroleum wastes, radioactive material, hazardous wastes, toxic substances or asbestos or any materials containing asbestos) designated, regulated or defined under or with respect to which any requirement or liability may be imposed pursuant to any Environmental Law.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"**Indebtedness**" means (i) any indebtedness for borrowed money (including the issuance of any debt security) to any Person other than the Company or any of its Subsidiaries, (ii) any obligations evidenced by notes, bonds, debentures or similar Contracts to any Person other than the Company or any of its Subsidiaries, (iii) any obligations for the deferred purchase price of property, goods or services to any Person other than the Company or any of its Subsidiaries (other than trade payables incurred in the ordinary course of business), (iv) any capital lease obligations to any Person other than the Company or any of its Subsidiaries, (v) any obligations in respect of letters of credit and bankers' acceptances, (vi) any Derivative Contract or (vii) any guaranty of any such obligations described in clauses (i) through (vi) of any Person other than the Company or any of its Subsidiaries.

"**Indemnitee**" has the meaning set forth in Section 5.08(a).

"**Intellectual Property**" means any and all of the following arising pursuant to the Laws of any jurisdiction throughout the world: (a) trademarks, service marks, trade names, and similar indicia of source or origin, all registrations and applications for registration thereof, and the goodwill connected with the use of and symbolized by the foregoing; (b) copyrights and all registrations and applications for registration thereof; (c) trade secrets and know-how; (d) patents and patent applications; (e) internet domain name registrations; and (f) other intellectual property and related proprietary rights.

"**Intervening Event**" means any event, circumstance, change, effect, development, or condition occurring or arising after the date hereof that affects or would be reasonably likely to affect the business, assets, properties, Liabilities, results of operations or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole and that (a) was neither known to, nor reasonably foreseeable by, any member of the Company Board as of the date of this Agreement, (b) is not (i) a change or development in the national, foreign, regional, state or local wholesale or retail markets or prices for electric power, capacity, emissions allowances, fuel, water or steam or the transportation of any of the foregoing or (ii) a change in the rates that the Company or any of its Subsidiaries may charge for electricity, energy, capacity and/or ancillary services or any other product or service subject to regulation by FERC and (c) does not relate to any Takeover Proposal; *provided*, *however*, that in no event shall any of the following events constitute an Intervening Event: (x) compliance with or performance under this Agreement or the Transactions or (y) changes in the price or trading volume of the Company Shares (except that the underlying causes giving rise to or contributing to any such change may be taken into account in determining whether an Intervening Event has occurred).

"**Intervening Event Notice Period**" has the meaning set forth in Section 5.04(e).

"**IRS**" means the United States Internal Revenue Service.

"**Knowing, Intentional Breach**" means a breach of this Agreement by a party to this Agreement that (a) knows of its actions, (b) knows that such actions breach this Agreement and (c) intends for such actions to breach this Agreement.

"**Knowledge**" means, with respect to the Company and its Subsidiaries, the actual knowledge of each of the individuals listed in Section 8.01-K of the Company's Disclosure Schedule, after reasonable inquiry.

"**Laws**" means any federal, tribal, state, local municipal, provincial, foreign, multi-national or other laws, common law, statutes, constitutions, ordinances, rules, regulations, codes, orders, injunctions, judgments, writs, decrees, governmental guidelines or interpretations having the force of law, or legally enforceable requirements enacted, issued, adopted, promulgated, enforced, ordered or applied by any Governmental Authority.

"**Legal Action**" means any claim, charge, complaint, action, suit, audit, proceeding, arbitration, mediation, hearing, inquiry or, to the knowledge of the Person in question, investigation (in each case, whether civil, criminal, administrative, investigative, formal, or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority.

"**Letter of Transmittal**" has the meaning set forth in Section 2.02(a).

"**Liability**" shall mean any liability, indebtedness, or obligation of any kind (whether accrued, absolute, contingent, matured, unmatured, determined, determinable, or otherwise, and whether or not required to be recorded or reflected or reserved for on a balance sheet under GAAP or in the footnotes thereto).

"**Liens**" means, with respect to any property or asset, all pledges, liens, mortgages, claims, charges, encumbrances, hypothecations, options, rights of first refusal, rights of first offer, transfer restrictions and security interests of any kind or nature whatsoever (including, in the case of any Equity Security, any restriction on the right to vote, sell, transfer or otherwise dispose of that Equity Security).

"**Material Contracts**" has the meaning set forth in Section 3.17(a).

"**Material Project Documents**" has the meaning set forth in Section 3.17(a)(xiv).

"**Maximum Premium**" has the meaning set forth in Section 5.08(b).

"**MBR Authority**" has the meaning set forth in Section 3.22(g).

"**Merger**" has the meaning set forth in Section 1.01.

"**Merger Consideration**" has the meaning set forth in Section 2.01(b).

"**Merger Sub**" has the meaning set forth in the Preamble.

"**Multiemployer Plan**" has the meaning set forth in Section 3.11(c).

"**NYSE**" means the New York Stock Exchange, LLC.

"**NYSE American**" means the NYSE AMERICAN LLC.

"**OFAC**" has the meaning set forth in Section 3.08(g)(ii).

"**Offer Price**" means a price of $5.45 per Company Share.

"**Option Holder Acknowledgement**" means an option holder acknowledgement, by and between the holder of any Options immediately prior to the Effective Time and the Company, substantially in the form attached hereto as Exhibit C.

"**Order**" has the meaning set forth in Section 3.07.

"**Other Real Property**" has the meaning set forth in Section 3.16.

"**Parent**" has the meaning set forth in the Preamble.

"**Parent Parties**" has the meaning set forth in Section 7.06(c).

"**Parent Termination Fee**" means an amount equal to three percent (3%) of the Merger Consideration.

"**Paying Agent**" has the meaning set forth in Section 2.02(a).

"**Payment Fund**" has the meaning set forth in Section 2.02(a).

"**Pension Plan**" has the meaning set forth in Section 3.11(c).

"**Permits**" means any action, approval, consent, certification, waiver, exemption, variance, franchise, order, permit, authorization, registration, right or license of, with or from a Governmental Authority or other authority that is required under Law.

"**Permitted Encumbrances**" means, with respect to any parcel of real property, (i) easements, rights-of-way, encroachments, restrictions, conditions and other similar encumbrances incurred or suffered in the ordinary course of business and which, individually or in the aggregate, (A) are not substantial in character, amount or extent in relation to the applicable real property and (B) do not and would not materially impair the use (or contemplated use), utility or value of the applicable real property or otherwise materially impair the present or contemplated business operations at such location and (ii) zoning, entitlement, building and other land use regulations imposed by Governmental Authorities having jurisdiction over such real property, which are not violated by the current use and operation of such real property.

"**Permitted Liens**" means: (a) statutory Liens for current Taxes or other governmental charges not yet due and payable or the amount or validity of which is being contested in good faith (provided appropriate reserves required pursuant to GAAP have been made in respect thereof); (b) mechanics', carriers', workers', repairers', and similar statutory Liens arising or incurred in the ordinary course of business for amounts which are not delinquent or which are being contested by appropriate proceedings (provided appropriate reserves required pursuant to GAAP have been made in respect thereof); (c) zoning, entitlement, building, and other land use regulations imposed by Governmental Authorities having jurisdiction over such Person's owned or leased real property, which are not violated by the current use and operation of such real property; (d) covenants, conditions, restrictions, easements, and other similar non-monetary matters of record affecting title to such Person's owned or leased real property, which do not materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with such Person's businesses; (e) any right of way or easement related to public roads and highways, which do not materially impair the occupancy or use of such real property for the purposes for which it is currently used in connection with such Person's businesses; (f) Liens arising under workers' compensation, unemployment insurance, social security, retirement, and similar legislation; (g) exceptions and exclusions from coverage noted in the Title Policies; and (h) any outstanding Liens related to secured Indebtedness identified on Section 3.17 of the Company Disclosure Schedule.

"**Person**" means any individual, corporation, limited or general partnership, limited liability company, limited liability partnership, trust, association, joint venture, Governmental Authority, or other entity or group (which term will include a "group" as such term is defined in Section 13(d)(3) of the Exchange Act).

"**PPAs**" has the meaning set forth in Section 3.17(a)(vi).

"**Pre-Closing Period**" has the meaning set forth in Section 5.01(a).

"**Project**" means each of the USG Oregon Project, the Raft River Project and the USG Nevada Project (collectively, the "**Projects**").

"**Project Company**" means each of the USG Oregon Project Company, Raft River Project Company and USG Nevada Project Company, which operate the USG Oregon Project, Raft River Project and the USG Nevada Project, respectively, and, solely with respect to any additional development of the Raft River Project, USG Idaho.

"**PUHCA**" means the Public Utility Holding Company Act of 2005, as amended, and all rules and regulations adopted thereunder.

"**QF**" means a "qualifying small power production facility" (as that term is defined under 16 U.S.C. § 796 (17)(C) and the regulations of the FERC at 18 C.F.R. Part 292 thereunder).

"**Raft River Geothermal Lease**" means each of the (a) Raft River Geothermal Lease and Agreement, dated as of June 28, 2003, among Janice Crank and the children of Paul Crank and USG Idaho, as amended by that Agreement for Ratification and Amendment of Geothermal Lease Agreement, dated August 18, 2005, among USG Idaho and Julie Crank, Judson Crank, Joshua Crank, Jarred Crank and Jason Crank and that Second Amendment to Geothermal Lease Agreement, dated August 11, 2006, as assigned by USG Idaho to the Raft River Project Company pursuant to that Assignment, Assumption and Indemnity Agreement, dated September 1, 2006, (b) Geothermal Lease and Agreement, dated April 3, 2015, between Ronda B. Doman and the Raft River Project Company, (c) Geothermal Lease and Agreement, dated as of January 25, 2006, between Philip Glover and USG Idaho, as assigned by USG Idaho to the Raft River Project Company pursuant to that Assignment, Assumption and Indemnity Agreement, dated September 1, 2006, (d) Geothermal Lease and Agreement, dated as of April 30, 2015, between Jensen Investments, Inc. and the Raft River Project Company, (e) Geothermal Lease and Agreement, dated as of March 1, 2004, between Jay Newbold and USG Idaho, as assigned by USG Idaho to the Raft River Project Company pursuant to that Assignment, Assumption and Indemnity Agreement, dated September 1, 2006, (f) Raft River Geothermal Lease and Agreement, dated as of October 19, 2006, between USG Idaho and the Raft River Project Company, (g) Geothermal Lease and Agreement, dated as of December 1, 2004, among Reid S. Stewart and Ruth O. Stewart and USG Idaho, as assigned by USG Idaho to the Raft River Project Company pursuant to that Assignment, Assumption and Indemnity Agreement, dated September 1, 2006, (h) Geothermal Lease and Agreement, dated as of April 7, 2015, by and between R. Michael Griffin and Cleo S. Griffin, husband and wife, Harlow R. Griffin and Pauline Griffin, husband and wife, Douglas Griffin and Margaret Griffen, husband and wife, J. Terry Griffin and Sue Griffin, husband and wife, Vincent Jorgenson and Phyllis Jorgensen, husband and wife, and Allice Mae Griffen Shorts, a widow, collectively as lessors and USG Geothermal, Inc., as lessee, and (i) Geothermal Lease and Agreement, dated May 7, 2014, by and between Jenson Investments, Inc., as lessor, and U.S. Geothermal, Inc., as lessee.

"**Raft River Project**" means the 13 MW (net) geothermal electric generating facility located in Cassia County, Idaho utilizing a water cooled binary generating unit manufactured by Parent.

"**Raft River Project Company**" means Raft River Energy I LLC, a Delaware limited liability company.

"**Raft River Site**" means the real property on which the Raft River Project or the Raft River Geothermal Resource is located, the legal description of which is set forth in the Title Policy for the Raft River Site and all related easements, rights-of-way and other rights and interests.

"**Real Property Rights**" has the meaning set forth in Section 3.15(c).

"**Release**" or "**Released**" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of any Hazardous Materials.

"**Representatives**" means, with respect to any Person, its officers, directors, employees, general partners, managers, members, consultants, agents, advisors, Affiliates and other representatives.

"**Requisite Company Vote**" has the meaning set forth in Section 3.03(d).

"**Sarbanes-Oxley Act**" has the meaning set forth in Section 3.05(a).

"**SEC**" has the meaning set forth in Section 3.05(a).

"**Section 409A**" has the meaning set forth in Section 5.16(b).

"**Securities Act**" has the meaning set forth in Section 3.02(d).

"**Service Bonus**" has the meaning set forth in Section 5.16(b).

"**Service Bonus Recipients**" has the meaning set forth in Section 5.16(b).

"**Severance Provisions**" has the meaning set forth in Section 5.16(a).

"**Sites**" means, collectively, the USG Oregon Site, the Raft River Site and the USG Nevada Site.

"**Subsidiary**" of a Person means a corporation, partnership, limited liability company, or other business entity of which a majority of the shares of voting securities is at the time beneficially owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by such Person.

"**Superior Proposal**" means a bona fide written Takeover Proposal (replacing any reference to "20%" with "50%") that the Company Board determines in good faith, after consultation with its outside legal and financial advisors, (a) that is reasonably likely to be consummated in accordance with its terms, taking into account factors that it considers relevant, but in any event includes legal, financial (including the availability of committed financing), regulatory, timing and other aspects (including certainty of closing) of such Takeover Proposal, the Person or group (as defined in Section 13(d) of the Exchange Act) making the proposal and any revisions to the terms of this Agreement and the Merger proposed by Parent during the Superior Proposal Notice Period set forth in Section 5.04 (d) and (b) that would result in a transaction that, if consummated, would be more favorable to the holders of the Company Shares than the Transactions from a financial perspective.

"**Superior Proposal Notice Period**" has the meaning set forth in Section 5.04(d).

"**Supplemental Rights**" means (a) with respect to the Raft River Site, the easement granted pursuant to Easement from USG Idaho to Raft River Project Company, dated December 5, 2006, and recorded as Instrument No. 312473 with the Recorder of Cassia County, Idaho, Raft River Energy Geothermal Unit Agreement, by Raft River Project Company, dated December 1, 2015 (Corrected Memorandum of Geothermal Unit Agreement dated April 7, 2016, recorded on April 18, 2016 as #2016-00157), and (b) with respect to the USG Oregon Site, mineral rights granted pursuant to Quitclaim Deed from BRP LLC to USG Oregon Project Company, dated December 18, 2012, and recorded as Instrument No. 2013-4885 with the records of Malheur County, Oregon.

"**Surviving Corporation**" has the meaning set forth in Section 1.01.

"**Tail Policy**" has the meaning set forth in Section 5.08(b).

"**Takeover Proposal**" means any bona fide inquiry, proposal, or offer from, or indication of interest in making a proposal or offer by, any Person or group (other than Parent and its Subsidiaries, including Merger Sub), relating to any transaction or series of related transactions, involving any: (a) direct or indirect acquisition of assets of the Company or its Subsidiaries (including any Equity Securities of Subsidiaries, but excluding sales of assets in the ordinary course of business) equal to 20% or more of the Fair Market Value of the Company's consolidated assets or to which 20% or more of the Company's net revenues or net income on a consolidated basis are attributable; (b) direct or indirect acquisition of 20% or more of any Equity Securities of the Company; (c) tender offer or exchange offer that if consummated would result in any Person or group (as defined in Section 13(d) of the Exchange Act) beneficially owning (within the meaning of Section 13(d) of the Exchange Act) 20% or more of the voting power of the Company; (d) merger, consolidation, other business combination, or similar transaction involving the Company or any of its Subsidiaries, pursuant to which such Person or group (as defined in Section 13(d) of the Exchange Act) would own 20% or more of the Fair Market Value of the Company's consolidated assets or 20% or more of the net revenues or net income of the Company and its Subsidiaries, taken as a whole; (e) liquidation, dissolution (or the adoption of a plan of liquidation or dissolution), or recapitalization or other significant corporate reorganization of the Company or one or more of its Subsidiaries which, individually or in the aggregate, generate or constitute 20% or more of the Fair Market Value of the Company's consolidated assets or 20% or more of the net revenues or net income of the Company and its Subsidiaries, taken as a whole; or (f) any combination of the foregoing. For purposes of this definition, "Fair Market Value" means the value resulting from discounting the operating cash flows of the Company and its Subsidiaries using a discount rate of 7.0% per annum, and taking into account the following factors and assumptions:

(1) Revenues, operations and maintenance costs and capital expenditures expected for the Company's Projects and Expansion Projects.

(2) Any operating cash flows projected for any period which occurs after the expiration of the power purchase agreement of an operating project will be based on the last year's operating cash flows assuming 2% escalation until the end of the 50 year period.

"**Tax Returns**" means any return, declaration, report, claim for refund, information return or statement, or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"**Taxes**" means all federal, state, local, foreign, and other income, alternative or add-on minimum, capital gain, net worth, gross receipts, sales, use, production, ad valorem, value added, transfer, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, customs, duties or other taxes, fees, assessments, or charges of any kind whatsoever, together with any interest, additions, or penalties with respect thereto and any interest in respect of such additions or penalties.

"**Title Policy**" means (a) Policy No. 472511487576MN-CTORM issued by Chicago Title Insurance Company on February 23, 2011 with respect to the USG Oregon Site, (b) Policy No. 03207148 issued by Commonwealth Land Title Insurance Company on December 6, 2006 with respect to the Raft River Site and (c) Policy No. M-9302-2631217 issued by Stewart Title Guaranty Company on September 26, 2013 with respect to the USG Nevada Site.

"**Transactions**" has the meaning set forth in the Recitals.

"**Transition Employees**" has the meaning set forth in Section 5.16(c)(ii).

"**Transition Service Period**" has the meaning set forth in Section 5.16(c)(ii).

"**Transition Services**" has the meaning set forth in Section 5.16(c)(ii).

"**Treasury Regulations**" means the Treasury regulations promulgated under the Code.

"**USG Idaho**" means U.S. Geothermal Inc., an Idaho corporation.

"**USG Nevada Deed of Trust**" means the Deed of Trust with Assignment of Leases, Contracts and Rents, Security Agreement and Fixture Filing, dated September 26, 2013, duly executed by USG Nevada LLC in favor of Stewart Title Guaranty Company for the benefit of Deutsche Bank Trust Company Americas, recorded September 26, 2013.

"**USG Nevada Geothermal Lease**" means each of (a) the Geothermal Lease dated as of October 14, 1987 between The Kosmos Company, as lessor, and Michael B. Stewart, as lessee, recorded October 16, 1987 in Book 2633, Page 282, as Document No. 1200497 of Official Records, as assigned to San Emidio Resources, Inc. by that certain Assignment of Lease dated May 26, 1992 and recorded as Document No. 1583278 of Official Records, as further assigned to Empire Farms, a Nevada Partnership, by that certain Assignment of Lease dated September 18, 1995 and recorded October 13, 1995 as Document No. 1933483 of Official Records, and as further assigned to Empire Energy, LLC, a Nevada limited liability company, by that certain Assignment and Assumption Agreement dated November 24, 1999, as evidenced by that certain Memorandum of Assignment recorded May 11, 2000 as Document No. 2446152 of Official Records, and as further assigned to Empire Geothermal Power, LLC by that certain Assignment of Geothermal Project Rights and Leasehold Estates dated August 31, 2003, and recorded on October 3, 2003 as Document No. 2934363 of Official Records, and as further assigned to the USG Nevada Project Company by that certain Assignment and Acceptance of Assignment of Kosmos Geothermal Lease dated April 2008 and recorded on April 30, 2008 as Document No. 3645581 of Official Records, as amended by that certain First Amendment to Geothermal Lease dated March 15, 2008 for reference purposes and that certain Second Amendment to Geothermal Lease dated as of May 5, 2007 for reference purposes, and (b) each of the following licenses, land leases and leases for geothermal resources and grants of rights-of-way issued by the United States Bureau of Land Management to the USG Nevada Project Company on land located in Washoe County, Nevada: BLM serial numbers NVN-42707, NVN-43284, NVN-47395, NVN-49240, NVN-57441, NVN-57909, NVN-63004, NVN-63006, NVN-63007, NVN-75557, NVN-47169, NVN-75555 and NVN-75558.

"**USG Nevada Project**" means the approximately 8.6 MW (net) geothermal electric generation facility located on the USG Nevada Site utilizing a water cooled binary generating unit manufactured by TAS Energy Systems, Inc.

"**USG Nevada Project Company**" means USG Nevada LLC, a Delaware limited liability company.

"**USG Nevada Site**" means the real property on which the USG Nevada Project or the USG Nevada Geothermal Resource is located, the legal description of which is set forth in Exhibit A and Exhibit D to the USG Nevada Deed of Trust and all related easements, rights-of-way and other rights and interests.

"**USG Oregon Geothermal Lease**" means each of the (a) Hot Springs Ranch Geothermal Lease and Agreement, dated as of January 24, 2007, between Cyprus Gold Exploration Corporation and the Company, as assigned by the Company to the USG Oregon Project Company pursuant to that Assignment, Assumption and Indemnity Agreement, dated February 16, 2010 (as evidenced by that certain Memorandum of Geothermal Lease Assignment, dated February 17, 2010, executed by the Company and the USG Oregon Project Company), such assignment being consented to by Cyprus Gold Exploration Corporation pursuant to that Consent to Assignment, dated January 29, 2010, (b) Hot Spring Ranch Geothermal Lease and Agreement, dated as of May 24, 2006, between JR Land and Livestock Inc. and the Company, as assigned to the USG Oregon Project Company pursuant to the Assignment, Assumption and Indemnity Agreement, dated February 16, 2010 (as evidenced by that certain Memorandum of Geothermal Lease Assignment, dated February 17, 2010, executed by the Company and the USG Oregon Project Company), such assignment being acknowledged by JR Land and Livestock Inc. pursuant to that Acknowledgement of Lease Assignment/Waiver of Notice, dated September 1, 2010, (c) Geothermal Lease and Agreement, dated as of November 1, 2009, among John and Kathy Jordan and USG Idaho, as assigned to the USG Oregon Project Company pursuant to Assignment, Assumption and Indemnity Agreement, dated February 16, 2010 (as evidenced by that certain Memorandum of Geothermal Lease Assignment, dated February 17, 2010, executed by USG Idaho and the USG Oregon Project Company), such assignment being acknowledged by John and Kathy Jordan pursuant to that Acknowledgement of Lease Assignment/Waiver of Notice, dated August 31, 2010 and (d) each of the following licenses, land leases and leases for geothermal resources and grants of rights-of-way issued by the United States Bureau of Land Management to the USG Oregon Project Company on land located in Malheur County, Oregon: BLM serial numbers OR-65701, OR-66877, OR-66192.

"**USG Oregon Project**" means the approximately 22 MW (net) geothermal electric generating facility located in Malheur County, Oregon utilizing an air cooled binary generating unit manufactured by TAS Energy Systems, Inc.

"**USG Oregon Project Company**" means USG Oregon LLC, a Delaware limited liability company.

"**USG Oregon Site**" means the real property on which the USG Oregon Project or the USG Oregon Geothermal Resource is located, the legal description of which is set forth in the Title Policy for the USG Oregon Site and all related easements, rights-of-way and other rights and interests.

"**Voting Agreements**" has the meaning set forth in the Recitals.

"**Water Rights**" means all water and water rights (whether permitted, certificated, vested, or decreed, and whether or not appurtenant to the land), including applications to appropriate water filed with either the Oregon Water Resources Department, the Idaho Department of Water Resources, or the Nevada Division of Water Resources, ditch and ditch rights, wells, well permits, and well rights, stock or membership interests in any irrigation, canal, ditch, or water company, and all applications or rights to change the point of diversion, place of use, and manner of use with respect thereto, which are now held or are hereafter acquired by the Company or any Project Company, including those that are otherwise relating to, appurtenant to, or used in connection with, all or any part of the respective Site, Project or Development Project, or the use and enjoyment thereof, including, without limitation, the following water rights permits: those certain water rights leased by the Raft River Project Company from USG Idaho, under that certain Water Lease Agreement, dated November 2, 2006, between USG Idaho and Raft River Project Company; Nevada Department of Conservation and Natural Resources, Division of Water Resources Permit Numbers 66946, 68756, 69320, 79899, and 79900.

Section 8.02 Interpretation; Construction.

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section, Exhibit, Article, or Schedule, such reference shall be to a Section of, Exhibit to, Article of, or Schedule of this Agreement unless otherwise indicated. Unless the context otherwise requires, references herein: (i) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (ii) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. Whenever the words "include," "includes," or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," and the word "or" is not exclusive. The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and does not simply mean "if." A reference in this Agreement to $ or dollars is to U.S. dollars. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. The words "hereof," "herein," "hereby," "hereto," and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever this Agreement requires any Subsidiary of the Company or Merger Sub to take any action, such requirement shall be deemed to include an undertaking on the part of the Company and Parent to cause such Subsidiary of the Company or Merger Sub, respectively, to take such action. Any reference to "a specific date" or "a particular date" for purposes of determining whether any representation or warranty is true and correct or otherwise accurate or complete shall not include the date of this Agreement, the date hereof or similar phrases.

(b) This Agreement is the result of negotiations between, and has been reviewed by, the parties and their respective legal counsel. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

Section 8.03 Survival. None of the representations and warranties contained in this Agreement or in any instrument delivered under this Agreement will survive the Effective Time. This Section 7.03 does not limit any covenant or agreement of the parties contained in this Agreement which, by its terms, contemplates performance after the Effective Time.

Section 8.04 Governing Law. This Agreement shall be governed by and construed in accordance with the internal Laws of the State of Delaware (both substantive and procedural) without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the State of Delaware.

Section 8.05 Submission to Jurisdiction. Each of the parties hereto irrevocably and unconditionally agrees that any Legal Action with respect to this Agreement and the rights and obligations arising hereunder, the Transactions or any matter related to or arising out of or in connection with this Agreement or the Transactions (including the negotiation of this Agreement) or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by any other party hereto or its successors or assigns shall be brought and determined exclusively in the Delaware Chancery Court and any state appellate court therefrom within the State of Delaware, or, if and only if the Delaware Chancery Court shall not have or declines to accept jurisdiction over a particular matter, in any federal court located in the State of Delaware or other Delaware state court (the "**Delaware Courts**"). Each of the parties hereto agrees that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 8.07 or in such other manner as may be permitted by applicable Laws, will be valid and sufficient service thereof. Each of the parties hereto hereby irrevocably and unconditionally submits with regard to any such Legal Action for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the Transactions in any court or tribunal other than the aforesaid courts. Each of the parties hereto hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion, as a defense, counterclaim, or otherwise, in any action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder: (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve process in accordance with this Section 8.05; (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of

execution of judgment, execution of judgment or otherwise); and (c) to the fullest extent permitted by the applicable Law, any claim that (i) the suit, action or proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper, or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 8.06 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT: (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION; (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY; AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.06.

Section 8.07 Notices. All notices, requests, consents, claims, demands, waivers, and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.07):

If to Parent or Merger Sub, to:

Ormat Technologies, Inc.
6225 Neil Road
Reno, NV 89511
Attention: Chief Financial Officer
Facsimile: (775) 356-9029

with a copy (which will not constitute notice to Parent or Merger Sub) to:

Noam Ayali, Esq.
Norton Rose Fulbright US LLP
1200 New Hampshire Avenue, NW
Washington, DC 20036
E-mail: noam.ayali@nortonrosefulbright.com
Facsimile: (202) 974-6723

If to the Company, to:

Douglas J. Glaspey
U.S. Geothermal Inc.
390 E. Parkcenter Boulevard, Suite 250
Boise, ID 83706
E-mail: dglaspey@usgeothermal.com
Facsimile: (208) 424-1027

with a copy (which will not constitute notice to the Company) to:

Kimberley R. Anderson
Dorsey & Whitney LLP
701 5th Avenue Suite 6100
Seattle, WA 98104
E-mail: anderson.kimberley@dorsey.com
Facsimile: (206) 260-8917

or to such other Persons, addresses or facsimile numbers as may be designated in writing by the Person entitled to receive such communication as provided above.

Section 8.08 Entire Agreement. This Agreement (including the Exhibits to this Agreement), the Company Disclosure Schedule and the Confidentiality Agreement constitute the entire agreement among the parties with respect to the subject matter of this Agreement and supersede all other prior agreements, understandings, representations and warranties, whether written or oral, among the parties to this Agreement with respect to the subject matter of this Agreement. In the event of any inconsistency between the statements in the body of this Agreement, the Confidentiality Agreement and the Company Disclosure Schedule (other than an exception expressly set forth as such in the Company Disclosure Schedule), the statements in the body of this Agreement will control.

Section 8.09 No Third Party Beneficiaries. Except as provided in Section 5.08 hereof or Section 5.16 thereof (other than Section 5.16(f)) (which shall be to the benefit of the parties referred to in such section), this Agreement is for the sole benefit of the parties hereto and their permitted assigns and respective successors and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

Section 8.10 Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal, or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the Transactions be consummated as originally contemplated to the greatest extent possible.

Section 8.11 Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned, or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 8.12 Remedies. Except as otherwise provided in this Agreement (including Section 7.05), any and all remedies expressly conferred upon a party to this Agreement will be cumulative with, and not exclusive of, any other remedy contained in this Agreement, at Law, or in equity, and the exercise by a party to this Agreement of any one remedy will not preclude the exercise by it of any other remedy.

Section 8.13 Specific Performance. The parties hereto agree that money damages may not be an adequate remedy if any provision of this Agreement were not performed in accordance with the terms hereof or was otherwise breached or the Merger was not consummated. It is accordingly agreed that, prior to any valid termination of this Agreement, the parties shall be entitled to an injunction or injunctions or any other appropriate form of specific performance or equitable relief, to prevent breaches or threatened breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof (including the other respective parties' obligations to consummate the Merger) in the Delaware Courts. Each party hereby agrees it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that such other parties have an adequate remedy at Law or that any award of specific performance is not an appropriate remedy for any reason at Law or in equity. Any party seeking an injunction or other Order to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof shall not be required to post any bond or other security in connection therewith.

Section 8.14 Counterparts; Effectiveness. This Agreement may be executed in any number of counterparts, all of which will be one and the same agreement. This Agreement will become effective when each party to this Agreement will have received counterparts signed by all of the other parties. Any facsimile, portable document format (pdf) or other electronic copy hereof or signature hereon shall for all purposes be deemed originals.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

U.S. GEOTHERMAL INC.

By: _____
Name:
Title

ORMAT NEVADA INC.

By: _____
Name:
Title:

OGP HOLDING CORP.

By: _____
Name:
Title:

[*Signature Page to Agreement and Plan of Merger*]

EXHIBIT A

Form of Voting Agreement

A-1

EXHIBIT B

Certificate of Incorporation of the Surviving Corporation

B-1

EXHIBIT C

Form of Option Holder Acknowledgement

C-1