

TPI COMPOSITES, INC

FORM 10-K (Annual Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)
 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

For the transition period from _____ to _____
Commission File Number 001-37839



TPI Composites, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-1590775
(I.R.S. Employer
Identification Number)

8501 N. Scottsdale Rd.
Gainey Center II, Suite 100
Scottsdale, AZ 85253

(480) 305-8910

(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$0.01

Name of each exchange on which registered
NASDAQ Global Market

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 15(d) of the 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 (§229.405) 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, emerging growth company, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer", "emerging growth company", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a small reporting company)

Small 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

The aggregate market value of the shares of common stock held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on June 30, 2017 as reported by the NASDAQ Global Market on such date was approximately \$259 million. Shares of the Registrant's common stock held by each executive officer, director and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

As of February 28, 2018, the Registrant had 34,032,946 shares of common stock outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders, scheduled to be held on May 15, 2018, are incorporated by reference into Part III of this Report.

Table of Contents

	<u>Page</u>
PART I	
Item 1. Business	3
Item 1A. Risk Factors	15
Item 1B. Unresolved Staff Comments	41
Item 2. Properties	41
Item 3. Legal Proceedings	41
Item 4. Mine Safety Disclosures	42
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	43
Item 6. Selected Financial Data	45
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	48
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	73
Item 8. Financial Statements and Supplementary Data	74
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	74
Item 9A. Controls and Procedures	74
Item 9B. Other Information	75
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	76
Item 11. Executive Compensation	76
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	76
Item 13. Certain Relationships and Related Transactions, and Director Independence	76
Item 14. Principal Accounting Fees and Services	76
PART IV	
Item 15. Exhibits, Financial Statement Schedules	76
Item 16. Form 10-K Summary	76

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities law. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In many cases, you can identify forward-looking statements by terms such as “may,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar words. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- growth of the wind energy market and our addressable market;
- the potential impact of General Electric’s acquisition of LM Wind Power upon our business;
- the potential impact of the increasing prevalence of auction-based tenders in the wind energy market and increased competition from solar energy on our gross margins and overall financial performance;
- our ability to successfully expand our transportation business and execute upon our strategy of entering new markets outside of wind energy;
- our future financial performance, including our net sales, cost of goods sold, gross profit or gross margin, operating expenses, ability to generate positive cash flow, and ability to achieve or maintain profitability;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- our ability to attract and retain customers for our products, and to optimize product pricing;
- competition from other wind blade and wind blade turbine manufacturers;
- the discovery of defects in our products;
- our ability to successfully expand in our existing wind energy markets and into new wind energy international markets;
- worldwide economic conditions and their impact on customer demand;
- our ability to effectively manage our growth strategy and future expenses;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to comply with existing, modified or new laws and regulations applying to our business, including the imposition of new taxes, duties or similar assessments on our products;
- the attraction and retention of qualified employees and key personnel; and
- changes in domestic or international government or regulatory policy, including without limitation, changes in tax policy.

These forward-looking statements are only predictions. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other important factors that may cause our actual results, levels of activity, performance or achievements to materially differ from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We have described under the heading “Risk Factors” included in Part 1, Item 1A of this Annual Report on Form 10-K the principal risks and uncertainties that we believe could cause actual results to differ from these forward-looking statements. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as guarantees of future events.

The forward-looking statements in this Annual Report on Form 10-K represent our views as of the date of this Annual Report on Form 10-K. We anticipate that subsequent events and developments will cause our views to

change. However, while we may elect to update these forward-looking statements at some point in the future, we undertake no obligation to update any forward-looking statement to reflect events or developments after the date on which the statement is made or to reflect the occurrence of unanticipated events except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date after the date of this Annual Report on Form 10-K. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

PART I

Item 1. Business

Description of Business

TPI Composites, Inc. is the holding company that conducts substantially all of its business operations through its direct and indirect subsidiaries (collectively, the Company or we). The Company was founded in 1968 and has been producing composite wind blades since 2001. The Company's knowledge and experience of composite materials and manufacturing originates with its predecessor company, Tillotson Pearson Inc., a leading manufacturer of high-performance sail and powerboats along with a wide range of composite structures used in other industrial applications. Following the separation from the boat building business in 2004, the Company reorganized in Delaware as LCS Holding, Inc. and then changed its corporate name to TPI Composites, Inc. in 2008.

Overview

We are the only independent manufacturer of composite wind blades for the wind energy market with a global manufacturing footprint. We enable many of the industry's leading wind turbine original equipment manufacturers (OEM), who have historically relied on in-house production, to outsource the manufacturing of some of their wind blades through our global footprint of advanced manufacturing facilities strategically located to serve large and growing wind markets in a cost-effective manner. Given the importance of wind energy capture, turbine reliability and cost to power producers, the size, quality and performance of wind blades have become highly strategic to our OEM customers. As a result, we have become a key supplier to our OEM customers in the manufacture of wind blades and related precision molding and assembly systems. We have entered into long-term supply agreements pursuant to which we dedicate capacity at our facilities to our customers in exchange for their commitment to purchase minimum annual volumes of wind blade sets, which consist of three wind blades. This collaborative dedicated supplier model provides us with contracted volumes that generate significant revenue visibility, drive capital efficiency and allow us to produce wind blades at a lower total delivered cost, while ensuring critical dedicated capacity for our customers. For a further discussion regarding our wind blade and precision molding and assembly system businesses, refer to the discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" included in Part II, Item 7 of this Annual Report on Form 10-K.

We also leverage our advanced composite technology and history of innovation to supply high strength, lightweight and durable composite products to the transportation market. In January 2017, we signed a short-term supply agreement with Proterra Inc. (Proterra) to supply composite bus bodies for Proterra's Catalyst® zero-emission electric buses from our existing Rhode Island facility. In November 2017, we signed a new, five year supply agreement with Proterra to supply Proterra Catalyst® composite bus bodies from our existing Rhode Island facility and from a new manufacturing facility in Newton, Iowa, which we expect to commence operations in the first half of 2018.

Our wind blade and precision molding and assembly systems manufacturing businesses accounted for approximately 99% of our total net sales for each of the years ended December 31, 2017, 2016 and 2015. As of March 7, 2018, our long-term wind and transportation supply agreements provide for minimum aggregate volume commitments from our customers of approximately \$3.1 billion and encourage our customers to purchase additional volume up to, in the aggregate, a total contract value of approximately \$4.6 billion through the end of 2023.

Public Offerings and Stock Split

In July 2016, we completed an initial public offering (IPO) of 7,187,500 shares of our common stock at a price of \$11.00 per share, which included 937,500 shares issued pursuant to the underwriters' over-allotment option. Certain of our existing stockholders, a non-employee director and executive officers purchased an aggregate of 1,250,000 shares of common stock in the IPO included in the total issuance above. The net proceeds from the IPO were \$67.2 million after deducting underwriting discounts and offering expenses. Immediately prior to the closing of the IPO, all shares of the then-outstanding redeemable preferred shares converted into an aggregate of 21,110,204 shares of common stock and the redeemable preferred share warrants converted on a net issuance basis into 120,923 shares of common stock. In addition, concurrent with the closing of the IPO, certain subordinated convertible

promissory notes in the aggregate principal and interest amount of \$11.9 million were converted into 1,079,749 shares of common stock at the public offering price of \$11.00 per share.

Prior to the IPO, in July 2016 we amended our amended and restated certificate of incorporation to effect a 360-for-1 forward stock split of our common stock. As a result of the stock split, we have adjusted the share amounts authorized and issuable under our share-based compensation plans. All share and per share common stock information (including our share-based compensation plans) referenced throughout the consolidated financial statements and notes thereto have been retroactively adjusted to reflect this stock split. The stock split did not cause an adjustment to the par value of the authorized shares of common stock.

In May 2017, we completed a secondary public offering of 5,075,000 shares of our common stock at a price of \$16.35 per share, which included 575,000 shares issued pursuant to the underwriters' option to purchase additional shares. All of the shares were sold by existing stockholders and certain of our executive officers. The selling stockholders received all of the net proceeds of \$78.8 million from the secondary public offering. We did not sell any shares and did not receive any of the proceeds from the offering and the costs paid by us in connection with the offering of \$0.8 million were recorded in general and administrative costs in the accompanying consolidated income statement.

Financial Information about Segments and Geographic Areas

We divide our business operations into four geographic operating segments—the United States, Asia, Mexico and Europe, the Middle East and Africa (EMEA) as follows:

- Our U.S. segment includes (1) the manufacturing of wind blades at our Newton, Iowa plant, (2) the manufacturing of precision molding and assembly systems used for the manufacture of wind blades at our Warren, Rhode Island facility, (3) the manufacturing of composite solutions for the transportation industry, which we also conduct at our existing Rhode Island and Massachusetts facilities, (4) our advanced engineering center in Kolding, Denmark, which provides technical and engineering resources to our manufacturing facilities and (5) our corporate headquarters, the costs of which are included in general and administrative expenses. In January 2018, we entered into a new lease agreement with a third party for a new manufacturing facility in Newton, Iowa and we expect to commence operations at this facility in the first half of 2018.
- Our Asia segment includes (1) the manufacturing of wind blades at our facility in Taicang Port, China and at our two facilities in Dafeng, China, (2) the manufacturing of precision molding and assembly systems at our Taicang City, China facility, (3) the manufacture of components at our second Taicang Port, China facility and (4) wind blade inspection and repair services.
- Our Mexico segment manufactures wind blades from our three facilities in Juárez, Mexico, the most recent of which commenced operations in January 2017. In April 2017, we entered into a new lease agreement with a third party for a new manufacturing facility in Matamoros, Mexico and we expect to commence operations at this facility in the second half of 2018.
- Our EMEA segment manufactures wind blades from our two facilities in Izmir, Turkey. We entered into a joint venture in 2012 to produce wind blades at our first Turkey plant and in 2013 became the sole owner of the Turkey operation with the acquisition of the remaining 25% interest. We commenced operations at our second facility during the third quarter of 2016.

For additional information regarding our operating segments and geographic areas, see Note 18 – Segment Reporting of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Business Strategy

Our long-term success will be driven by our business strategy. The key elements of our business strategy are as follows:

- ***Grow our existing relationships and develop new relationships with leading industry OEMs.*** We plan to continue growing and expanding our relationships with existing customers who, according to data from MAKE Consulting (MAKE), represented approximately 45% of the global onshore wind energy market, approximately 68% of that market excluding China, and 99.8% of the U.S. onshore wind turbine market over the three years ended December 31, 2016, based on megawatts (MWs) of energy capacity installed, as well as developing new relationships with other leading industry OEMs. We expect to be presented with opportunities to expand our existing relationships and develop new relationships with industry OEMs as they seek to capitalize on the benefits of outsourced wind blade manufacturing while maintaining high quality customization and dedicated capacity. In January 2017, we extended the term of our existing China supply agreement with Vestas Wind Systems A/S (Vestas) and also amended our existing Turkey supply agreement with Vestas. In March 2017, we entered into a long-term agreement with Gamesa Wind US LLC, who merged with Siemens' Wind Power in April 2017, (Siemens Gamesa) to supply wind blades from one of our manufacturing facilities in Izmir, Turkey. In April 2017, we entered into a multiyear supply agreement with Vestas to supply wind blades from a new manufacturing facility in Matamoros, Mexico, which we expect to commence operations in the second half of 2018. In August 2017, we entered into a multiyear supply agreement with Senvion S.A. (Senvion) to supply wind blades from our Taicang Port, China facility. We expect to commence operations for Senvion in the first half of 2018. In March and May 2017, General Electric International, Inc. and its affiliates (GE Wind) announced that they had decided not to renew or extend the Turkey and Taicang Port, China supply agreements, which both expired on December 31, 2017.
- ***Expand our footprint in large and growing wind markets, capitalize on the continuing outsourcing trend and evaluate strategic acquisitions.*** As the wind energy market continues to expand globally and many wind turbine OEMs continue to shift towards increased outsourcing of wind blade manufacturing, we believe we are well-positioned to continue the expansion of our global footprint. We utilize our strengths in composites technology and manufacturing, combined with our collaborative dedicated supplier model to provide our customers with an efficient solution for their expansion in large and growing wind markets. Our quality, reliability and total delivered cost reduce sourcing risk for our customers. In addition, our demonstrated ability to expand into new markets and the strength of our manufacturing capabilities afford us the optionality either to build new factories or grow through strategic acquisitions.
- ***Continue to drive down costs of wind energy.*** We continue to work with our customers on larger size wind blade models that maximize the capture of wind energy and drive down the levelized cost of energy (LCOE). We also continue to utilize our advanced technology, regional manufacturing facilities strategically located to cost effectively serve large and growing wind markets and ability to source materials globally at competitive costs to deliver high-performing, composite wind blades. Our collaborative engineering approach and our advanced precision molding and assembly systems allow us to integrate our customer's design requirements with cost-efficient, replicable and scalable manufacturing processes. We also continue to collaborate with our customers to drive down the cost of materials and production, the benefit of which we typically share with our customers contractually in a manner that reduces LCOE for customers, further strengthens our customer relationships and improves our margins.

- **Expand our transportation business and expand into other strategic markets.** We leverage our advanced composite technology and history of innovation to supply high strength, lightweight and durable composite products to the transportation market. As the vehicle electrification trend continues, reducing the weight of these vehicles is critical to expanding range and/or providing more room for additional batteries or reducing the number of batteries. As a result, we believe there is an increasing demand for composites products for electric vehicles. In November 2017, we signed a new, five-year supply agreement with Proterra to supply Proterra Catalyst® composite bus bodies from our existing Rhode Island facility and from a new manufacturing facility in Newton, Iowa, which we expect to commence operations in the first half of 2018. In addition, we believe there is a potential demand in other strategic markets for composites as to replace aluminum or other more expensive composite materials such as carbon.
- **Focus on continuing innovation.** We have a history of innovation in advanced composite technologies and production techniques and use several proprietary technologies related to wind blade manufacturing. With this culture of innovation and a collaborative “design for manufacturability” approach, we continue to address increasing physical dimensions, demanding technical specifications and strict quality control requirements for our customers’ most advanced wind blades. We also invest in ongoing simplification and selective automation of production processes for increased efficiency and precision. In addition, we plan to leverage our history of composite industry-first innovations to grow our business in the transportation market, in which we believe there is a demand for high precision, structural composites manufacturing.

Wind Blade Manufacturing Operations and Process

We have developed significant expertise in advanced composite technology and use high performance composite materials, precision molding and assembly systems including modular tooling, and advanced process technology, as well as sophisticated measurement, inspection, testing and quality assurance tools, allowing us to produce over 38,000 wind blades since 2001 with an excellent field performance record in a market where reliability is critical to our customers’ success. We manufacture or have manufactured wind blades ranging from 30 meters to over 65 meters across our global facilities, and have the capability to manufacture wind blades of greater lengths at all of our advanced manufacturing facilities as required by existing or new customers. In combination with our advanced technologies, we seek to create manufacturing processes that are replicable and scalable in our manufacturing facilities located worldwide, regardless of cultural or language barriers. Our integrated manufacturing process, the TPI Integrated Production System (TIPS) allows us to customize each manufacturing step, from raw materials to finished products. TIPS also allows us to systematically design for the entire manufacturing process so that we can achieve better quality control and increase production efficiencies. We believe that our focus on simplifying and, where feasible, automating production processes is critical to manufacturing high-precision, lightweight and durable products at a reasonable cost to our customers. We produce high unit volumes of near-aerospace grade products at industrial costs.

Raw Materials

The key raw materials for our wind blades include highly advanced fiberglass fabrics, select carbon reinforcements, foam, balsa wood, resin, adhesives for assembly of molded components, gel coat or paint for preparation of cosmetic surfaces and attachment hardware including steel components. Most of these materials are available in multiple geographic regions and in reasonably close proximity to our manufacturing facilities. Our agreements for the supply of raw materials are designed to guarantee volumes that we believe will be required to fulfill our customers’ wind blade commitments. A portion of our raw materials are subject to price volatility, such as the resins used in our manufacturing processes. Although the majority of materials incorporated into our products are available from a number of sources, certain materials are available only from a relatively limited number of suppliers. We seek multiple suppliers for our raw materials and continually evaluate potential new supplier relationships.

Precision Molding and Assembly Systems

Over the last decade, we have produced hundreds of precision molding and assembly systems, ranging from 30 meters to over 65 meters in length, to support our global operations. We began these operations in our tooling technology center in Warren, Rhode Island. In 2013, we expanded our precision molding and assembly system production capabilities to a facility in Taicang City, China, which serves customers around the globe. While capable of cost-effectively delivering precision molding and assembly systems across all of our facilities, our Rhode Island tooling technology center primarily serves the North American market. Our precision molding and assembly systems have been used to build tens of thousands of wind blades worldwide.

Our tooling solutions include precision wind blade patterns, precision molding and assembly systems, including modular tooling techniques. We believe that our technological and production expertise are key factors in our continued competitiveness, as we address continually increasing physical dimensions, demanding technical specifications, and strict quality control requirements for wind blades.

Wind Blade Production Process

Production of our wind blades requires adherence to the unique specifications of our customers, who design their wind turbines and wind blades to optimize performance, reliability and total delivered cost. With our culture of innovation and a collaborative “design for manufacturability” approach, we have the capability and expertise to manufacture wind blades of different designs, utilizing fiberglass, carbon or other advanced composite materials to meet unique customer specifications. We also have the flexibility to quickly transition our manufacturing capabilities to produce different wind blade models and sizes using our precision molding and assembly systems, including modular tooling techniques.

We have developed a highly dependable method for making high-quality wind blades. In conjunction with our TIPS process, we design our proprietary manufacturing processes to be replicable, scalable and transferable to each of our advanced manufacturing facilities worldwide. As a result, we can repeatedly move a product from its design phase to volume production while maintaining quality, even in developing regions of the world. Similarly, we have developed the manual portions of our manufacturing processes based on proven technologies and production methods that can be learned and implemented rapidly by line personnel. We focus on consistency and quality control across our facilities, using hands-on training methods and employing repeatable manufacturing processes.

We use an advanced form of vacuum-assisted resin transfer tooling process to pull liquid resin into a dry lay-up, resulting in light, strong, and reliable composite structures. In our manufacturing process, fiber reinforcements and core materials are laid up in a mold while dry, followed by a vacuum bag that is placed over the layup and sealed to the mold. The wind blade component is then placed under vacuum. The resin is introduced into the wind blade component via resin inlet ports and then distributed through the reinforcement and core materials via a flow medium and a series of channels, saturating the wind blade component. The vacuum removes air and gases during processing, thereby eliminating voids. Pressure differentials drive resin uniformly throughout the wind blade component, providing a consistent laminate. By using a variety of reinforcement and core materials, the structural characteristics of the wind blade can be highly engineered to suit the custom specifications of our customers. Although only occasionally required by our customers, we are also capable of employing additional composite fabrication processes, such as pre-impregnated laminates, in addition to our vacuum infusion process.

Wind Blade Long-Term Supply Agreements

Our current wind blade customers, which include GE Wind, Vestas, Siemens Gamesa, Nordex Acciona and Senvion, are some of the world’s largest wind turbine manufacturers. According to data from MAKE, our customers represented approximately 45% of the global onshore wind energy market, approximately 68% of that market excluding China, and 99.8% of the U.S. onshore wind turbine market over the three years ended December 31, 2016, based on MWs of energy capacity installed. In our collaborative dedicated supplier model, our customers are incentivized to maximize the volume of wind blades purchased through lower pricing at higher purchase volumes. As of March 7, 2018, our existing wind blade supply agreements provide for minimum aggregate volume commitments from our customers of approximately \$2.9 billion and encourage our customers to purchase additional volume up to, in the aggregate, a total contract value of approximately \$4.3 billion through the end of 2023, which

we believe provides us with significant future revenue visibility and helps to insulate us from potential short-term fluctuations or legislative changes in any one market. Although in some instances our supply agreements contain liquidated damages provisions in the event of late delivery, we generally do not bear the responsibility for transportation costs in connection with the delivery of our wind blades.

GE Wind

In 2007, we entered into a supply agreement to build a facility and manufacture wind blades for GE Wind in Taicang Port, China. Later in 2007, we entered into a similar agreement to build a facility and manufacture wind blades in Newton, Iowa. Based on the success of these manufacturing arrangements, we were able to expand our customer relationship with GE Wind through additional supply agreements for a manufacturing facility in Turkey and two manufacturing facilities in Mexico which commenced operations in 2011, 2013 and 2016, respectively. Each of our supply agreements with GE Wind provide for a minimum number of wind blade sets to be purchased by GE Wind each year during the term, the schedule for which is established at the outset of the agreement. In return, we commit to dedicate a specific number of manufacturing lines to GE Wind for each of the years under the supply agreements. Additionally, we create model-specific tooling for GE Wind. For the year ended December 31, 2017, we recorded sales under these supply agreements with GE Wind of \$413.2 million, \$187.3 million of which was for the portion of 2017 that GE Wind was considered a related party. In March and May 2017, GE Wind announced that they had decided not to renew or extend the Turkey and Taicang Port, China supply agreements, which both expired on December 31, 2017. Unless otherwise terminated or renewed, our supply agreements with GE Wind are in effect until the end of 2020 for our Iowa and two Mexico facilities. GE Wind may terminate the Iowa agreement for 2020 early upon providing us with 365 days' advance written notice, or with no advance notice with respect to our Mexico supply agreements, and paying us termination fees as set forth in the applicable agreement. In addition, either party may terminate these supply agreements upon a material breach by the other party which goes uncured for 30 days after written notice has been provided.

In April 2017, General Electric Company (GE) completed its acquisition of LM Wind Power (LM), our largest competitor. We expect that GE Wind will utilize LM for a substantial percentage of its wind blade production in the future, reduce the volumes of wind blades it purchases from us or not extend any of our supply agreements beyond 2020, which may materially harm our business, financial condition and results of operations. See "Risk Factors—Risks Related to Our Wind Blade Business—GE's acquisition of LM Wind Power, our largest competitor, may materially harm our business, financial condition and results of operations and may cause the price of our common stock to decline" included in Part I, Item 1A of this Annual Report on Form 10-K for further discussion on the GE's acquisition of LM and its potential effects on us.

See Note 3 – Related Party Transactions of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding our related party transactions with GE Wind.

Other Long-Term Supply Agreements

We have entered into other long-term supply agreements in China, Mexico and Turkey. Under all but one of these agreements, we agree to dedicate capacity for a set number of wind blades for each calendar year during the term of the agreement in exchange for commitments to purchase minimum annual volumes of wind blade sets. Unless otherwise terminated, these supply agreements generally remain in effect for a period of five years and either party may terminate their respective supply agreements upon a material breach by the other party which goes uncured. Some of these supply agreements contain provisions that allow for our customers to purchase less volume in later years of these supply agreements, reduce the number of dedicated manufacturing lines or to terminate the supply agreement upon notice for reasons such as our failure to deliver the contracted wind blade volumes or our failure to meet certain mutually agreed upon cost reduction targets. See "Risk Factors—Risks Related to Our Wind Blade Business—Our long-term supply agreements with our customers are subject to termination on short notice and our failure to perform our obligations under such agreements, and termination of a significant number of these agreements would materially harm our business" included in Part I, Item 1A of this Annual Report on Form 10-K.

Research and Development

We have a long history of developing composite products as well as the development of new and advanced materials, tooling, manufacturing processes and inspection methods. Our knowledge and experience of composite materials and manufacturing originates with our predecessor company, Tillotson Pearson Inc., a leading manufacturer of high-performance recreational sail and powerboats along with a wide range of composite structures used in other industrial applications. Leveraging our knowledge and experience, we realized the opportunity to specialize in wind energy and other industrial end-markets where there was a demand for high precision composite manufacturing capabilities.

We conduct extensive research and development in close collaboration with our customers on the design, development and deployment of innovative manufacturing processes, including automation, advanced materials and sophisticated product quality inspection tools. We have partnered with the U.S. Department of Energy (DOE), government laboratories, universities and our customers to innovate through cost sharing Advanced Manufacturing Innovation Initiative programs. In 2015, we received a \$3.0 million award from the DOE's Office of Energy Efficiency & Renewable Energy to lead a team of industry and academic participants to design, develop and demonstrate an ultra-light composite vehicle door for high volume manufacturing production in conjunction with other industry and university participants. In February 2018, we entered into an agreement with Navistar, Inc. (Navistar) to design and develop a Class 8 truck comprised of a composite tractor, trailer and frame rails. This collaborative development project is being entered into in connection with Navistar's recent award under the DOE's Super Truck II investment program, which is designed to promote fuel efficiency in commercial vehicles. Incorporating composite materials into a Class 8 truck offers multiple potential performance and efficiency advantages compared to traditional metals in terms of weight savings, reduced part counts, and non-corrosion.

We employ a highly experienced workforce of engineers in various facets of our business, from discrete research and development projects, to the ongoing, real-time development and implementation of incremental manufacturing and material improvements. Our research and development effort places a priority on improving quality through process and procedure improvement, in addition to reducing cost through specification changes and sourcing of more cost-effective suppliers. Other areas of emphasis include composite design, in-house fabrication of precision molding and assembly systems, prototyping, testing, optimization and volume production capabilities. We also encourage our employees to invent and develop new technologies to maintain our competitiveness in the marketplace. In addition to our internal research and development activities, from time to time, we also conduct research and development activities pursuant to funded development arrangements with our customers and other third parties, and intend to continue to seek opportunities for product development programs that could create recurring revenue and increase our overall profitability over the long term.

For financial statement purposes, research and development performed at our manufacturing facilities is reflected in cost of goods sold in our consolidated income statements. All other research and development performed is reflected in general and administrative expenses in our consolidated income statements.

Competition

The wind blade market is highly concentrated, competitive and subject to evolving customer needs and expectations. In April 2017, GE Wind, our largest customer, completed its acquisition of LM, our largest competitor. We also compete primarily with other independent wind blade manufacturers, such as Tecsis GmbH, Sinoma Science & Technology Co. Ltd., Shanghai Aeolon Wind Energy Technology Development (Group) Co., Ltd., Aeris Industria E Comercio De Equipamentos Para Geracao De Energia S.A. and ZhongFu Lianzhong Composites Group Co., Ltd., as well as regional wind blade suppliers in geographic areas where our current or prospective manufacturing facilities are located.

We also compete with, and in a number of cases supplement, vertically integrated wind turbine OEMs that manufacture their wind blades. We believe that a number of other established companies are manufacturing wind blades that will compete directly with our offerings, and some of our competitors, including LM, Tecsis GmbH, Sinoma Science & Technology Co. Ltd., Aeris Industria E Comercio De Equipamentos Para Geracao De Energia S.A. and ZhongFu Lianzhong Composites Group Co., Ltd. may have significant financial and institutional resources.

The principal competitive factors in the wind blade market include reliability, total delivered cost, manufacturing capability, product quality, engineering capability and timely completion of wind blades. We believe we compete favorably with our competitors on the basis of the foregoing factors. Our ability to remain competitive will depend to a great extent upon our ongoing performance in the areas of manufacturing capability, timely completion and product quality.

Transportation Products

We seek to create additional recurring revenue opportunities through the supply of other composite structures outside the wind energy market. We believe larger scale and higher volume transportation products, including buses, trucks, electric vehicles and high performance automotive products, are ideally suited for our advanced composite technology because of the benefits derived from weight reduction, corrosion resistance, strength and durability. These benefits should allow us to develop structural composite solutions to assist our customers in developing electric vehicles as well as buses with clean propulsion systems or in meeting new and developing fuel economy standards including the 2025 U.S. Government Corporate Average Fuel Economy standards that are pushing automakers to develop lighter, more fuel efficient vehicles with lower emissions. President Trump, however, issued an executive order in March 2017 requiring the U.S. Environmental Protection Agency (EPA) to review the implementation timing and mileage targets of these standards. In February 2018, we entered into an agreement with Navistar to design and develop a Class 8 truck comprised of a composite tractor, trailer and frame rails. This collaborative development project is being entered into in connection with Navistar's recent award under the DOE's Super Truck II investment program, which is designed to promote fuel efficiency in commercial vehicles. Incorporating composite materials into a Class 8 truck offers multiple potential performance and efficiency advantages compared to traditional metals in terms of weight savings, reduced part counts, and non-corrosion. In 2015, we received a \$3.0 million award from the DOE's Office of Energy Efficiency & Renewable Energy to design, develop and demonstrate an ultra-light composite vehicle door for high volume manufacturing production in conjunction with various other industry and university participants.

In addition, by producing a range of composite structures, we are able to leverage the materials and manufacturing process technology and expertise developed through one project to maximize production quality, improve performance and minimize costs across our other manufacturing efforts, including our wind blade business. Our projects for customers in the transportation market have historically generated project-related revenues for a specific duration. We intend to seek collaborations with additional customers in these markets that will provide recurring project revenue and business opportunities for us, in addition to the opportunities provided by our existing customers and relationships, and increase our overall profitability over the long term. In January 2017, we signed a short-term supply agreement with Proterra Inc. to supply composite bus bodies for Proterra's Catalyst® zero-emission electric buses from our existing Rhode Island facility. In November 2017, we signed a new, five-year supply agreement with Proterra to supply Proterra's Catalyst® composite bus bodies from our existing Rhode Island facility and from a new manufacturing facility in Newton, Iowa, which we expect to commence operations in the first half of 2018.

Our facility in Warren, Rhode Island manufactures products for customers in the transportation market using the same proprietary and replicable manufacturing processes that we use to produce our wind blades. Our projects for customers in the transportation market include or have included the supply of all-composite bodies for electric buses and automated people mover systems for airports.

Our current principal competitors in the transportation market include suppliers of conventional steel and aluminum products and non-structural automotive fiberglass and other advanced composites-based manufacturers for transportation applications.

Intellectual Property

We have a variety of intellectual property rights, including patents (filed and applied-for in a number of jurisdictions, including the United States, the European Union and China), trademarks and copyrights, but we believe that our continued success and competitive position depend, in large part, on our proprietary materials, tooling, process and inspection technologies and our ability to innovate. Accordingly, we take measures to protect the confidentiality and control the disclosure of our proprietary technology. We rely primarily on a combination of

know-how and trade secrets to establish and protect our proprietary rights and preserve our competitive position. We also seek to protect our proprietary technology, in part, by confidentiality agreements with our customers, employees, consultants and other contractors. Trade secrets, however, are difficult to protect. These agreements may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our customers, employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Backlog

As of December 31, 2017 and 2016, the backlog for our wind blades and related products totaled \$555.8 million and \$567.3 million, respectively. Our backlog includes purchase orders issued in connection with our long-term supply agreements. We generally record a purchase order into backlog when the following requirements have been met: a signed long-term supply agreement has been executed with our customer, a purchase order has been issued by our customer and we expect to ship wind blades to such customer in satisfaction of any purchase order within 12 months. Backlog as of any particular date should not be relied upon as indicative of our revenue for any future period.

Regulation

Wind Energy

Our operations are subject to various foreign, federal, state and local regulations related to environmental protection, health and safety, labor relationships, general business practices and other matters. These regulations are administered by various foreign, federal, state and local environmental agencies and authorities, including the EPA, the Occupational Safety and Health Administration of the U.S. Department of Labor and comparable agencies in China, Mexico and Turkey. In addition, our manufacturing operations in China, Mexico and Turkey are subject to those countries' wage and price controls, currency exchange control regulations, investment and tax laws, laws restricting our ability to repatriate profits, trade restrictions and laws that may restrict foreign investment in certain industries. Some of these laws have only been recently adopted or are subject to further rulemaking or interpretation, and their impact on our operations, including the cost of complying with these laws, is uncertain. We maintain a policy of adhering to the laws of the United States or the country in which our manufacturing facility is located, whichever is stricter, and believe that our operations currently comply, in all material respects, with applicable laws and regulations. Further, as a U.S. corporation, we and our subsidiaries are subject to The Foreign Corrupt Practices Act of 1977 (FCPA), which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business.

In addition, our business has been and will continue to be affected by subsidization of the wind turbine industry with its influence declining over time as wind energy reaches grid parity with traditional sources of energy. In the United States, the federal government has encouraged capital investment in renewable energy primarily through tax incentives. Production tax credits for new renewable energy projects were first established in 1992. The Production Tax Credit for Renewable Energy (PTC) provided the owner of a wind turbine placed in operation before January 1, 2015 with a 10-year credit against its U.S. federal income tax obligations based on the amount of electricity generated by the wind turbine.

The PTC was extended in December 2015 for wind power projects through December 31, 2019, and is currently contemplated to be phased down over the term of the PTC extension. Specifically, the PTC will be kept at the same rate in effect at the end of 2014 for wind power projects that either commenced construction or met certain safe harbor requirements by the end of 2016, and thereafter will be reduced by 20% per year in 2017, 2018 and 2019, respectively.

In August 2015, the EPA announced a final rule adopted pursuant to the Clean Air Act, known as the Clean Power Plan, which establishes national standards for states to reduce carbon emissions from power plants. Specifically, the Clean Power Plan requires states to reduce carbon emissions from power plants 32% below 2005 levels by 2030. The Clean Power Plan also provides for interim state-level compliance reduction targets beginning in 2022 through 2030 based on individualized targets for each of the states utilizing 2012 historical carbon emissions

data and three building blocks for emissions reduction including: increasing generation from new zero-emitting renewable energy sources such as wind. In February 2016, the U . S . Supreme Court issued a stay of the EPA’s implementation of the Clean Power Plan until the D.C. Circuit of the United States Court of Appeals decides upon the merits of multiple lawsuits challenging the legality of t he Clean Power Pla n. In March 2017, President Trump signed an executive order that requires, among other things, that the EPA review the Clean Power Plan and publish a rule to either suspend, revise or rescind it.

At the state level, as of December 31, 2017, 29 states and the District of Columbia have implemented renewable portfolio standard (RPS) programs that generally require that, by a specified date, a certain percentage of a utility’s electricity supplied to consumers within such state is to be from renewable sources (ranging from 10% to 100% by 2018 to 2045).

In addition, there are also increasing regulatory efforts to promote renewable power. China is implementing its 13th 5-Year Plan with a goal of 15% total primary energy from non-fossil fuel sources and targeting 210 gigawatts (GWs) of grid-connected wind capacity by 2020 according to its National Development and Reform Commission, and employs preferential feed-in tariff schemes, in addition to local tax-based incentives. Mexico has established strict targets, aiming for 35% renewable energy by 2024 and 50% by 2050, according to MAKE, which it is facilitating through tax incentives. Large European Union members have renewable energy targets for 2020 of between 13% and 49% of all energy use derived from renewable energy sources, according to MAKE. Additionally, Turkey enacted Law No. 5346 in 2005 to promote renewable-based electricity generation within their domestic electricity market by introducing tariffs and purchase obligations for distribution companies requiring purchases from certified renewable energy producers. The World Bank also provided Turkey with an aggregate of \$600 million of loan proceeds to encourage investors to construct generation plants with renewable energy resources.

Employees

As of December 31, 2017, we employed over 7,700 full-time employees, approximately 1,310 of whom were located in the United States, 2,120 in China, 2,690 in Mexico and 1,630 in Turkey. Certain of our employees in Turkey are represented by a labor union. We believe that our relations with our employees are good.

Available Information

Our website address is www.tpicomposites.com. All of our filings with the Securities and Exchange Commission (SEC), including this Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, statements of changes in beneficial ownership and amendments to those reports, are available free of charge on our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The information contained on our website is neither a part of, nor incorporated by reference into, this Annual Report on Form 10-K. You may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

Our investor relations website address is www.tpicomposites.com/investors and includes key information about our corporate governance initiatives, including our Nominating and Corporate Governance Committee charter, charters of the Audit and Compensation committees and our Code of Business Conduct and Ethics.

Executive Officers

The following table sets forth certain information regarding our Executive Officers as of February 28, 2018:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Steven C. Lockard	56	President, Chief Executive Officer and Director
Joseph G. Kishkill	53	Chief Commercial Officer
Mark R. McFeely	45	Chief Operating Officer
William E. Siwek	55	Chief Financial Officer
Thomas J. Castle	46	Senior Vice President—North American Wind Operations and Global Operational Excellence
Steven G. Fishbach	48	General Counsel and Secretary

Steven C. Lockard. Mr. Lockard became our President and Chief Executive Officer in 2004 and has served as a member of our board of directors since 2004. Prior to joining us in 1999, Mr. Lockard was Vice President of Satloc, Inc., a supplier of precision GPS equipment, from 1997 to 1999. Prior to that, Mr. Lockard was Vice President of marketing and business development and a founding officer of ADFlex Solutions, Inc., a NASDAQ-listed international manufacturer of interconnect products for the electronics industry, from 1993 to 1997. Prior to that, Mr. Lockard held several marketing and management positions including Business Unit Manager, Corporate Market Development Manager and Marketing/Applications Engineer at Rogers Corporation from 1982 to 1993. Mr. Lockard serves on the board of and is co-chair of the policy committee for the American Wind Energy Association. Mr. Lockard holds a B.S. degree in Electrical Engineering from Arizona State University.

Joseph G. Kishkill. Mr. Kishkill joined us as our Chief Commercial Officer in August 2017. Prior to joining us, Mr. Kishkill provided general consulting services to various clients in the solar and oil and gas industries from July 2016 to July 2017. Prior to that, Mr. Kishkill served as President, International of First Solar, Inc. from July 2015 until June 2016, and as Chief Commercial Officer from August 2013 to June 2015, where he had responsibility for global business development, sales and international public affairs. Prior to joining First Solar, Inc., Mr. Kishkill was President, Eastern Hemisphere Operations, for Exterran Energy Solutions, L.P. and Senior Vice President of Exterran Holdings, Inc., a global provider of natural gas, petroleum and water treatment production services from 2009 to 2013. Prior to that, he led Exterran's business in the Latin America region. Prior to joining Exterran's predecessor company in 2002, Mr. Kishkill held positions of increasing responsibility with Enron Corporation from 1990 to 2001, advancing to Chief Executive Officer for South America. Mr. Kishkill holds an M.B.A. degree from the Harvard Graduate School of Business Administration and a B.S. degree in Electrical Engineering from Brown University.

Mark R. McFeely. Mr. McFeely joined us in November 2015 as our Chief Operating Officer. Prior to joining us, Mr. McFeely served as Senior Vice President and Chief Operations Officer of Remy International, Inc., an OEM and aftermarket supplier of heavy duty and light duty automotive components, from 2012 to 2015. Prior to that, Mr. McFeely was Vice President, Operations of Meggitt Safety Systems Inc. from 2011 to 2012. From 2005 to 2011, Mr. McFeely held several operations and leadership positions within divisions of Danaher Corporation, including General Manager/Plant Manager of Pacific Scientific, General Manager and Vice President, Global Operations of Kollmorgen Vehicle Systems, and General Manager/Director Operations of Jacobs Vehicle System Asia. Prior to 2005, Mr. McFeely held several operations and business development leadership positions at Honeywell International Inc. and the Federal Emergency Management Agency. He received a bachelor's degree from Colorado State University and an M.B.A. from Pennsylvania State University.

William E. Siwek. Mr. Siwek joined us as our Chief Financial Officer in August 2013. Prior to joining us, Mr. Siwek previously served as the Chief Financial Officer for T.W. Lewis Company, an Arizona-based real estate investment company, from September 2012 to September 2013. From May 2010 until September 2012, he was an independent consultant assisting companies in the real estate, construction, insurance and renewable energy industries. Prior to that, Mr. Siwek was Executive Vice President and Chief Financial Officer of Talisker Mountain, Inc., from January 2009 to April 2010. Prior to that, he was President and Chief Financial Officer of the Lyle Anderson Company from December 2002 to December 2008. Prior to that, Mr. Siwek spent 18 years, from September 1984 to May 2002, with Arthur Andersen where he became a Partner in both Audit and Business

Consulting Divisions. Mr. Siwek holds B.S. degrees in Accounting and Economics from University of Redlands and is a Certified Public Accountant.

Thomas J. Castle. Mr. Castle joined us in November 2015 as our Senior Vice President—North American Wind Operations and Global Operational Excellence. Prior to joining us, Mr. Castle was with Honeywell Aerospace from 2007 to 2015. Mr. Castle served as the Vice President of Integrated Supply Chain, Americas Electronics Operations Center from 2014 to 2015. From 2012 to 2014, he was the Global Vice President of the Honeywell Operating System for Aerospace. Prior to that, Mr. Castle held various positions at the Americas Services Organization from 2007 to 2012. From 1996 to 2007, Mr. Castle was with GE Aviation in roles of increasing responsibility, most recently as the Managing Director of a manufacturing facility in Thailand from 2005 to 2007. Mr. Castle holds a B.S. degree in Aeronautics from St. Louis University.

Steven G. Fishbach. Mr. Fishbach has served as our General Counsel since January 2015. Prior to joining us, Mr. Fishbach served as Deputy General Counsel of Global Cash Access Holdings, Inc. from 2011 to 2015 and Associate General Counsel from 2009 to 2011. Prior to that, Mr. Fishbach served in various senior roles in the legal department of Fidelity National Information Services, Inc./eFunds Corporation from 2005 to 2008. Mr. Fishbach also practiced corporate and securities law at Squire Sanders (now Squire Patton Boggs) from 2000 to 2005. Mr. Fishbach holds a B.A. degree in American Studies from Georgetown University and a J.D. degree from William & Mary Law School.

Item 1A. Risk Factors

You should carefully consider the following risk factors. If any of the events contemplated by the following discussion of risks should occur, our business, results of operations, financial condition, growth prospects and cash flows could suffer significantly. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business. Certain statements below are forward-looking statements. See “Special Note Regarding Forward-Looking Statements” in this Annual Report on Form 10-K.

Risks Related to Our Wind Blade Business

A significant portion of our business is derived from a small number of customers, and one wind blade customer in particular, therefore any loss of or reduction in purchase orders, failure of these customers to fulfill their obligations or our failure to secure long-term supply agreement renewals from these customers could materially harm our business.

Substantially all of our revenues are derived from four wind blade customers. One customer, GE Wind, accounted for 44.4%, 50.3% and 53.3% of our total net sales for the years ended December 31, 2017, 2016 and 2015, respectively. In addition, three customers, Vestas, Nordex Acciona and Siemens Gamesa accounted for 28.5%, 16.6% and 9.0% of our net sales for the year ended December 31, 2017, respectively, and 20.1%, 17.5% and 10.8% of our net sales for the year ended December 31, 2016, respectively. Additionally, two customers, Nordex Acciona and Siemens Gamesa accounted for 26.5% and 10.3% of our net sales for the year ended December 31, 2015, respectively. Accordingly, we are substantially dependent on continued business from our current wind blade customers, and GE Wind in particular. In March and May 2017, GE Wind announced that they had decided not to renew or extend the Turkey and Taicang Port, China supply agreements, which both expired on December 31, 2017. GE Wind and other customers may not continue to purchase wind blades from us at similar volumes or on as favorable terms in the future. See “GE’s acquisition of LM Wind Power, our largest competitor, may materially harm our business, financial condition and results of operations and may cause the price of our common stock to decline.” If GE Wind or one or more of our other wind blade customers were to reduce or delay wind blade orders, file for bankruptcy or become insolvent, fail to pay amounts due or satisfactorily perform their respective contractual obligations with us or otherwise terminate or fail to renew their long-term supply agreements with us, our business, financial condition and results of operations could be materially harmed.

Defects in materials and workmanship or wind blade failures could harm our reputation, expose us to product warranty or other liability claims, decrease demand for our wind blades, or materially harm existing or prospective customer relationships.

Defects in our wind blades, whether caused by a design, engineering, materials, manufacturing or component failure or deficiencies in our manufacturing processes, are unpredictable and an inherent risk in manufacturing technically advanced products. Under our supply agreements, we warranty the materials and workmanship of our wind blades while our customers are responsible for the fitness of use and design of the wind blades. We have, in the past, experienced wind blade testing failures and defects at some of our facilities during the startup manufacturing phase of new products, and we may experience failures or defects in the future. We have also experienced wind blade failures in the field. Any such customer qualification and wind blade testing failures or other product defects in the future could materially harm our existing and prospective customer relationships. Specifically, negative publicity about the quality of our wind blades or defects in the wind blades supplied to our customers could result in a reduction in wind blade orders, increased warranty claims, product liability claims and other damages or termination of our long-term supply agreements or business relationships with current or new customers. In addition, we have recently started wind blade production at new facilities in Turkey and Mexico which may expose us to greater risk of warranty claims as these facilities ramp up to serial production levels.

We may determine that resolving potential warranty claims through a negotiated settlement may be in the best interest of the business and long-term customer relationships. Wind blades may also fail due to lightning strikes or other extreme weather, which could also result in negative publicity regarding our wind blades and wind energy in general. In addition, product defects may require costly repairs or replacement components, a change in our manufacturing processes or recall of previously manufactured wind blades, which could result in significant expense and materially harm our existing or prospective customer relationships. Further, defects or product liability claims,

with or without merit, may result in negative publicity that could harm our future sales and our reputation in the industry. Any of the foregoing could materially harm our business, operating results and financial condition.

We have experienced, and could in the future experience, quality or operational issues in connection with plant construction or expansion, wind blade model transitions and wind blade manufacturing, which could result in losses and cause delays in our ability to complete our projects and may therefore materially harm our business, financial condition and results of operations.

We dedicate most of the capacity of our current wind blade manufacturing facilities to existing customers and, as a result, we may need to build additional manufacturing capacity or facilities to serve the needs of new customers or expanded needs of existing customers. Since the third quarter of 2016, we have commenced operations at two new manufacturing facilities in Mexico and one in Turkey. We also have signed a lease for a new manufacturing facility in Matamoros, Mexico, and expect to commence operations in the second half of 2018. The construction of new plants and the expansion of existing plants involves significant time, cost and other risks. We expect our plants to generate losses in their first 12 to 24 months of operations related to production startup costs. Additionally, numerous factors can contribute, and have in the past contributed, to delays or difficulties in the startup of, or the adoption of our manufacturing lines to produce larger wind blade models, which we refer to as model transitions, in our manufacturing facilities, including permitting, construction or renovation delays, the engineering and fabrication of specialized equipment, the modification of our general production know-how and customer-specific manufacturing processes to address the specific wind blades to be tested and built, changing and evolving customer specifications and expectations and the hiring and training of plant personnel. If our production or the delivery by any third-party suppliers of any custom equipment is delayed, the construction or renovation of the facility, or the addition of the production line would be delayed. Any delays or difficulties in plant startup or expansion may result in cost overruns, production delays, contractual penalties, loss of revenues and impairment of customer relationships, which could materially harm our business, financial condition and results of operations.

Some of our long-term supply agreements with our customers are subject to early termination and our failure to perform our obligations under these agreements or the termination of these agreements would materially harm our business, financial condition and results of operation.

Our current long-term supply agreements expire between the end of 2018 and the end of 2023. Some of our long-term supply agreements contain provisions that allow for the early termination of these agreements upon the customer providing us with advance written notice and paying an early termination fee. Additionally, our long-term supply agreements contain provisions allowing our customers to terminate these agreements upon our failure to deliver the contracted wind blade volumes or our failure to meet certain mutually agreed upon cost reductions. Our customers may not continue to maintain long-term supply agreements with us in the future. If one or more of our customers terminate or fail to renew their long-term supply agreements with us, it would materially harm our business, financial condition and results of operations.

Our long-term supply agreements and our backlog are subject to reduction within contractual parameters and we may not realize all of the expected revenue.

Our current long-term wind blade supply agreements generally establish annual purchase requirements on which we rely for our future production and financial forecasts. However, the timing and volume of purchases, within certain parameters, may be subject to change by our customers. In addition, the amount of the annual purchase requirements typically decline in the later years of our long-term supply agreements. In some instances, our customers have the contractual right to require us to reduce the number of manufacturing lines committed to them and correspondingly reduce their minimum annual purchase requirements. Additionally, our minimum annual purchase commitments could potentially understate the forecasted net sales that we are likely to generate in a given period or periods if all of our long-term supply agreements remain in place and pricing remains materially unchanged. Such minimum annual purchase requirements could also potentially overstate the forecasted net sales that we are likely to generate in a given period or periods if one or more of our long-term supply agreements were to be terminated by our customers for any reason. As a result, we may not realize the forecasted net sales we expect under our long-term supply agreements or pursuant to our backlog, which we define as the value of purchase orders received less the revenue recognized to date on those purchase orders. In addition, fulfillment of our backlog may not result in profits.

GE's acquisition of LM Wind Power, our largest competitor, may materially harm our business, financial condition and results of operations and may cause the price of our common stock to decline.

In April 2017, GE completed its acquisition of LM Wind Power, our largest competitor. By the end of 2016, we had entered into five supply agreements with GE Wind providing for the supply of wind blades from our Iowa facility; two Juárez, Mexico facilities; our original Turkey facility; and our Taicang Port, China facility. In October 2016, we entered into (i) an amended and restated supply agreement for the continued supply of wind blades from our Iowa facility through December 31, 2020, (ii) an amendment to our existing supply agreement for the continued supply of wind blades from our original Juárez, Mexico facility through December 31, 2020 and (iii) a new supply agreement with GE Wind for the supply of incremental wind blades from our second manufacturing facility in Juárez, Mexico through December 31, 2020. GE Wind elected not to renew or extend the Turkey and Taicang Port, China supply agreements, which both expired on December 31, 2017. We expect that GE Wind will utilize LM for a substantial percentage of its wind blade production in the future. As such, GE Wind may not continue to purchase wind blades from us at similar volumes or on as favorable terms in the future. GE Wind may terminate the Iowa agreement for 2020 early upon providing us with 365 days' advance written notice, or with no advance notice with respect to our Mexico supply agreements, and paying us termination fees as set forth in the applicable agreement. In addition, either party may terminate these supply agreements upon a material breach by the other party which goes uncured for 30 days after written notice has been provided. If GE Wind elects to utilize LM for more of its wind blade production, reduce the volumes of wind blades it purchases from us or terminates any of our supply agreements, it may materially harm our business, financial condition and results of operations.

Our wind turbine OEM customers are facing increasing competition and pricing pressure due to the increasing prevalence of auction-based tenders in wind energy markets, and correspondingly our margins and results of operations may be adversely affected.

Many governments are shifting from feed-in tariffs to auction-based tenders as a means of promoting the development and growth of renewable energy sources such as wind energy. As a result of this shift, our wind turbine OEM customers have recently begun to experience intense pricing pressure with respect to the sale of their turbines. As a result of this pricing pressure, we will be required to further reduce the manufacturing cost of our wind blades to remain competitive. We typically share the benefit of cost reductions related to manufacturing our wind blades with our customers pursuant to the terms of our long-term supply agreements. If these pricing pressures continue, we may choose to reduce our margins or pass on the savings obtained from manufacturing cost reductions to our OEM customers to remain competitive, each of which may materially harm our business, financial condition and results of operations.

We operate in an industry characterized by changing customer demands and associated transition costs, which could materially harm our business.

The wind energy industry is competitive and is characterized by evolving customer demands. As a result, we must adapt quickly to customer requests for changes to wind blade specifications, which increases our costs and can provide periods of reduced revenue and margins. For instance, in 2015 in order to satisfy GE Wind's need for bigger wind turbines with larger wind blades, at GE Wind's request, we implemented model transitions at our U.S., China, Mexico and Turkey facilities, resulting in unplanned delays in wind blade production and associated transition costs at each of these facilities. We currently expect to have a significant number of manufacturing lines in transition during 2018 which we expect will lower our revenue growth in that year. We are generally able to share transition costs with the customer in connection with these changing customer demands, but any sharing is the subject of negotiation and the amount is not always contractually defined. If we do not receive transition payments from our customers sufficient to cover our transition costs or lost margins, our business, financial condition and results of operations could be materially harmed.

The concentration of customers in our wind business could enable one or more of our customers to attempt to substantially influence our policies, business and affairs going forward.

Our dependence on five wind blade customers for substantially all of our revenues could encourage these customers to attempt to impose new or additional requirements on us that reduce the profitability of our long-term supply agreements with them or otherwise influence our policies, choice of and arrangements with raw material

suppliers and other aspects of our business. Our customers could also attempt to influence the outcome of a corporate transaction if the transaction benefits a customer's competitor or is otherwise perceived as not advantageous to a customer, which could have the effect of delaying, deterring, or preventing a transaction that could benefit us. In addition, consolidation of some of our customers may result in increased customer concentration and the potential loss of customers. For example, GE Wind acquired Alstom S.A.'s power business in 2015, Nordex completed its acquisition of Acciona in April 2016 and Gamesa completed the merger of Siemens' Wind Power with Gamesa in April 2017. Although we are not constrained by any exclusivity agreements with any of our existing wind blade customers, they may resist our development of new customer relationships, which could affect our relationships with them or our ability to secure new customers.

Demand for our wind blades may fluctuate for a variety of reasons, including the growth of the wind industry, and decreases in demand could materially harm our business and may not be sufficient to support our growth strategy.

Our revenues, business prospects and growth strategy heavily depend on the continued growth of the wind industry and our customers' continuing demand for our wind blades. Customer demand could decrease from anticipated levels due to numerous factors outside of our control that may affect the development of the wind energy market generally, portions of the market or individual wind project developments, including:

- general economic conditions;
- the general availability and demand for electricity;
- wind energy market volatility;
- cost-effectiveness, availability and reliability of alternative sources of energy and competing methods of producing electricity, including solar and non-renewable sources such as natural gas;
- foreign, federal and state governmental subsidies and tax or regulatory policies;
- the availability of financing for wind development projects;
- the development of electrical transmission infrastructure and the ability to implement a proper grid connection for wind development projects;
- foreign, federal and state laws and regulations regarding avian protection plans, noise or turbine setback requirements and other environmental laws and regulations;
- administrative and legal challenges to proposed wind development projects; and
- public perception and localized community responses to wind energy projects.

In addition to factors affecting the wind energy market generally, our customers' demand may also fluctuate based on other factors beyond our control. Any decline in customer demand below anticipated levels could materially harm our revenues and operating results and could delay or impede our growth strategy.

Changes in customers' business focus and strategy could materially harm our business and results of operations.

Changes in our customers' business focus could significantly reduce their demand for wind blades. For instance, GE, the parent corporation of GE Wind, is a highly diversified company that operates in a number of different industries and could decide to devote more resources to operations outside of wind energy or cease selling wind turbines altogether. In addition, we expect that GE Wind will utilize LM for a substantial percentage of its wind blade production in the future. If any of our customers change their business focus, including a strategic shift to insource a material portion of its wind blade production requirements, it could materially harm our business and results of operations.

We have experienced in the past, and our future wind blade production could be affected by, operating problems at our facilities, which may materially harm our operating results and financial condition.

Our wind blade manufacturing processes and production capacity have in the past been, and could in the future be, disrupted by a variety of issues, including:

- production outages to conduct maintenance activities that cannot be performed safely during operations;
- prolonged power failures or reductions;
- breakdowns, failures or substandard performance of machinery and equipment;
- our inability to comply with material environmental requirements or permits;
- inadequate transportation infrastructure, including problems with railroad tracks, bridges, tunnels or roads;
- damage or production delays caused by earthquakes, fires, floods, tornadoes, hurricanes, extreme weather conditions such as windstorms, hailstorms, drought, temperature extremes, typhoons or other natural disasters or terrorism; and
- labor unrest.

The cost of repeated or prolonged interruptions, reductions in production capacity, or the repair or replacement of complex and sophisticated tooling and equipment may be considerable and could result in damages under or the termination of our long-term supply agreements or penalties for regulatory non-compliance, any of which could materially harm our business, operating results and financial condition.

We operate a substantial portion of our business in international markets and we may be unable to effectively manage a variety of currency, legal, regulatory, economic, social and political risks associated with our global operations and those in developing markets.

We currently operate manufacturing facilities in the United States, China, Mexico and Turkey, and we intend to further expand our operations worldwide to meet customer demand. Since the third quarter of 2016, we have commenced operations at two new manufacturing facilities in Mexico and one in Turkey. We also have signed a lease to for a new manufacturing facility in Matamoros, Mexico, and expect to commence operations in the second half of 2018. In January 2018, we also signed a lease for a new manufacturing facility in Newton, Iowa, and expect to commence operations in the first half of 2018. For the years ended December 31, 2017, 2016 and 2015, 80%, 75% and 74%, respectively, of our net sales were derived from our international operations and we expect that a substantial portion of our projected revenue growth will be derived from those operations. Our overall success depends, in part, upon our ability to succeed in differing legal, regulatory, economic, social and political conditions. The global nature of our operations is subject to a variety of risks, including:

- difficulties in staffing and managing multiple international locations;
- increased exposure to foreign currency exchange rate risk or currency exchange controls imposed by foreign countries;
- the risk of import, export and transportation regulations and tariffs on foreign trade and investment, including boycotts and embargoes;
- taxation and revenue policies or other restrictions, including royalty and tax increases, retroactive tax claims and the imposition of unexpected taxes;
- the imposition of, or rapid or unexpected adverse changes in, foreign laws, regulatory requirements or trade policies;
- restrictions on repatriation of earnings or capital or transfers of funds into or out of foreign countries;
- limited protection for intellectual property rights in some jurisdictions;
- inability to obtain adequate insurance;

- difficulty administering internal controls and legal and compliance practices in countries with different cultural norms and business practices;
- the possibility of being subjected to the jurisdiction of foreign courts in connection with legal disputes and the possible inability to subject foreign persons to the jurisdiction of courts in the United States;
- the misinterpretation of local contractual terms, renegotiation or modification of existing long-term supply agreements and enforcement of contractual terms in disputes before local courts;
- the inability to maintain or enforce legal rights and remedies at a reasonable cost or at all; and
- the potential for political unrest, expropriation, nationalization, revolution, war or acts of terrorism in countries in which we operate.

In particular, our operations in China are subject to a variety of specific risks, which may adversely affect our business, including:

- the promotion by the Chinese government of indigenous businesses, through the implementation of favorable tax, lending, purchasing and other programs and through local content requirements (which require that wind turbine equipment purchased for wind farm projects in China contain at least a majority of locally-made components) and the uncertainty and inconsistency in the promotion of foreign investment and enterprise in China;
- the deterioration of the diplomatic and political relationships between the United States and China resulting from such factors as the opposition of the United States to censorship and other policies of the Chinese government, China's growing trade surpluses with the United States and the potential introduction by the United States of trade restrictions that would impact Chinese imports and any retaliatory measures that could ensue;
- the uncertainty of the Chinese legal regime generally, and in particular in protecting intellectual property and contractual rights, in securing future land use rights, and the recent adoption of new labor, environmental and tax laws, the impacts of which are not yet fully understood; and
- various restrictions on our ability to repatriate profits from China to other jurisdictions. See "Risk Factors—Risks Related to our Business as a Whole—We may have difficulty making distributions and repatriating earnings from our Chinese manufacturing operations, which may also occur in some of our other locations."

We also operate in developing markets, which have, in the past, experienced, and may in the future experience, social and political unrest. For example, Turkey has experienced problems with domestic terrorist and ethnic separatist groups and attempted military coups. The issue of civil rights for Kurdish citizens remains a potential source of political instability, which may be exacerbated by continuing instability in the Middle East.

In addition, the locations of our three existing manufacturing facilities in Juárez, Mexico, and our planned manufacturing facility in Matamoros, Mexico, are and have been in the past been subject to violence related to drug trafficking, including kidnappings and killings. This could negatively impact our ability to hire and retain personnel, especially senior U.S. managers, to continue to work at these facilities, or disrupt our operation in other ways, which could materially harm our business.

As we continue to operate our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other related risks. We may be unsuccessful in developing and implementing policies and strategies that will be effective in managing these risks in each country where we do business or conduct operations. Our failure to manage these risks successfully could materially harm our business, operating results and financial condition.

Although a majority of our manufacturing facilities are located outside the United States, our business is still heavily dependent upon the demand for wind energy in the United States and any downturn in demand for wind energy in the United States could materially harm our business.

We have developed a global footprint to serve the growing wind energy market worldwide and have wind blade manufacturing facilities in the United States, China, Mexico and Turkey. Although a majority of our manufacturing facilities are located outside of the United States, historically more than half of the wind blades that we produced were deployed in wind farms located within the United States. Our Iowa and Mexico manufacturing facilities manufacture wind blades that are generally deployed within the United States. In addition, we export wind blades from our China manufacturing facilities to the United States. Demand for wind energy and our wind blades in the United States could be adversely affected by a variety of reasons and factors, and any downturn in demand for wind energy and our wind blades in the United States could materially harm our business.

We may not achieve the long-term growth we anticipate if wind turbine OEMs do not continue to shift from in-house production of wind blades to outsourced wind blade suppliers and if we do not expand our customer relationships and add new customers.

Many wind turbine OEMs rely on in-house production of wind blades for some or all of their wind turbines. Our growth strategy depends in large part on the continued expansion of our relationships with our current wind blade customers, and the addition of new key customers. The majority of our customers possess the financial, engineering and technical capabilities to produce their own wind blades and many source wind blades from multiple suppliers. Our existing customers may not expand their wind energy operations or, if they do, they may not choose us to supply them with new or additional quantities of wind blades. Our collaborative dedicated supplier model for the manufacture of wind blades is a significant departure from traditional vertically integrated methods. As is typical for rapidly evolving industries, customer demand for new business models is highly uncertain. For instance, although we have entered into long-term supply agreements with three customers, Vestas, Siemens Gamesa (Gamesa merged with Siemens' Wind Power in April 2017) and Nordex Acciona (Nordex acquired Acciona in April 2016), that also produce wind blades for their wind turbines in-house, we may not be able to maintain these customer relationships or enter into similar arrangements with new customers that produce wind blades in-house in the future. In addition, although GE Wind has historically outsourced all of their wind blade production requirements, we expect that GE Wind will utilize LM for a substantial percentage of its wind blade production in the future. Our business and growth strategies depend in large part on the continuation of the trend toward outsourcing manufacturing. If that trend does not continue or we are unsuccessful in persuading wind turbine OEMs to shift from in-house production to the outsourcing of their wind blade manufacturing, we may not achieve the long-term growth we anticipate and our market share could be limited.

A drop in the price of energy sources other than wind energy, or our inability to deliver wind blades that compete with the price of other energy sources, may materially harm our business, financial condition and results of operations.

We believe that our customer's decision to purchase wind blades is to a significant degree driven by the relative cost of electricity generated by wind turbines compared to the applicable price of electricity from the utility grid and the cost of traditional and other renewable energy sources. Decreases in the prices of electricity from the relevant utility grid or from renewable energy sources other than wind energy, such as solar, would harm the market for wind blades. In particular, a drop in natural gas prices could lessen the appeal of wind-generated electricity. Technological advancements or the construction of a significant number of power generation plants, including nuclear, coal, natural gas or power plants utilizing other renewable energy technologies, government support for other forms of renewable energy or construction of additional electric transmission and distribution lines could reduce the price of electricity produced by competing methods, thereby making the purchase of wind blades less attractive to customers economically. For example, in March 2017, President Trump signed an executive order that is intended to promote the domestic coal industry, which may make the cost of electricity generated from coal more cost competitive. The ability of energy conservation technologies, public initiatives and government incentives to reduce electricity consumption or support other forms of renewable energy could also lead to a reduction in the price of electricity, which would undermine the attractiveness of wind turbines, and, in turn, our wind blades. If prices for electricity generated by wind turbines are not competitive, our business, financial condition and results of operations may be materially harmed.

If any precision molding and assembly systems needed for our manufacturing process contains a defect or is not fabricated and delivered in a timely manner, our ongoing manufacturing operations, business, financial condition and results of operation may be materially harmed.

We custom fabricate many of the precision molding and assembly systems used in our facilities. Our customers also have the option of using third-party manufacturers to produce their custom tooling. If any piece of equipment fails, is determined to produce nonconforming or defective products or is not fabricated and delivered in a timely manner, whether produced by us or a third party, our wind blade production could be interrupted and we could be subject to contractual penalties, warranty claims, loss of revenues and damage to our customer relationships, among other consequences.

Our long-term supply agreements and our backlog are subject to reduction within contractual parameters and we may not realize all of the expected revenue.

Our current long-term wind blade supply agreements generally establish annual purchase requirements on which we rely for our future production and financial forecasts. However, the timing and volume of purchases, within certain parameters, may be subject to change by our customers. In some instances, our customers have the contractual right to require us to reduce the number of manufacturing lines committed to them and correspondingly reduce their minimum annual purchase requirements. Additionally, our minimum annual purchase commitments could potentially understate the actual net sales that we are likely to generate in a given period or periods if all of our long-term supply agreements remain in place and pricing remains materially unchanged. Such minimum annual purchase requirements could also potentially overstate the actual net sales that we are likely to generate in a given period or periods if one or more of our long-term supply agreements were to be terminated by our customers for any reason. As a result, we may not realize the revenue we expect under our long-term supply agreements or pursuant to our backlog, which we define as the value of purchase orders received less the revenue recognized to date on those purchase orders. In addition, fulfillment of our backlog may not result in profits.

The long sales cycle involved in attracting new customers may make the timing of our revenue difficult to predict and may cause our operating results to fluctuate.

The complexity, expense and long-term nature of our supply agreements generally require a lengthy customer education, evaluation and approval process. It can take us from several months to years to identify and attract new customers, if we are successful at all. This long sales cycle for attracting and retaining new customers subjects us to a number of significant risks that may materially harm our business, results of operation and financial condition over which we have limited control, including fluctuations in our quarterly operating results. In addition, we may incur substantial expenses and devote significant management effort to develop potential relationships that do not result in agreements or revenue and may prevent us from pursuing other opportunities.

We encounter intense competition for limited customers from other wind blade manufacturers, as well as in-house production by wind turbine OEMs, which may make it difficult to enter into long-term supply agreements, keep existing customers and potentially get new customers.

We face significant competition from other wind blade manufacturers, and this competition may intensify in the future. The wind turbine market is characterized by a relatively small number of large OEMs. In addition, a significant percentage of wind turbine OEMs, including most of our current customers, produce some of their own wind blades in-house. As a result, we compete for business from a limited number of customers that outsource the production of wind blades. We also compete with a number of wind blade manufacturers in China, who are growing in terms of their technical capability and aspire to expand outside of China. Many of our competitors have more experience in the wind energy industry, as well as greater financial, technical or human resources than we do, which may limit our ability to compete effectively with them and maintain or improve our market share. Additionally, our long-term supply agreements dedicate capacity at our facilities to our customers, which may also limit our ability to compete if our facilities cannot accommodate additional capacity. If we are unable to compete effectively for the limited number of customers that outsource production of wind blades, our ability to enter into long-term supply agreements with potential new and existing customers may be materially harmed.

We could be affected by increasing competition from new and existing industry participants and industry consolidation.

The markets in which we operate are increasingly competitive and any failure on our part to compete effectively on an ongoing basis could materially harm our business, results of operations or financial condition. The key factors affecting competition in the wind energy industry are the capacity and quality of products, technology, price, the ability to fulfill local market requirements and the scope, cost and quality of maintenance services, training and support.

Competition in the wind energy industry has intensified in recent years as a result of a number of factors, including international expansion by existing industry participants exploiting new markets, particularly as political will around the issues of global warming and the environment become more prominent to the political agenda in those new markets. There has also been increasing pressure from Asian manufacturers rapidly improving the quality and reliability of their technologies, and considering moving out of their local markets and into international cross border transactions. Market entry by certain large industrial groups, including those previously unconnected to the wind energy market, through acquisitions and license agreements and numerous greenfield establishments in certain markets, also poses a competition risk.

The competitive environment in the wind energy industry may become more challenging in the years ahead, particularly in the event of greater consolidation in the industry, leading to greater market power and “economies of scale” by such market players which translate into being able to offer greater “cost of energy” savings to wind power plant customers. For example, GE completed its acquisition of LM in April 2017 and also acquired Alstom S.A.’s power business in 2015; Nordex completed its acquisition of Acciona in June 2016 and Gamesa merged with Siemens’ Wind Power in April 2017. These transactions or further consolidation in the wind energy industry may have an adverse impact on our business in the future, including, without limitation, reduced demand for our products and services, product innovation, changes in pricing and similar factors, including any competitor’s attempt to duplicate our collaborative dedicated supplier model. Such events could materially harm our business, results of operations, financial condition or prospects.

Significant increases in the prices of raw materials or components that cannot be reflected in the price of our products could negatively affect our operating margins.

The prices of our raw materials and components are subject to price fluctuations resulting from volatility of supply and demand in world markets. Under our long-term supply agreements, our customers generally commit to purchase minimum annual volumes and prices for wind blades are generally set as of the date of our supply agreements and adjusted annually, or in some cases more frequently, for the cost of raw material and our operating expenses in certain cases. As a result, the competitive nature of the wind blade market and our long-term supply agreements with our customers may delay or prevent us from passing cost increases in raw materials and components on to our customers. Significant increases in the price of raw materials or components used in our manufactured wind blades that cannot be reflected in the price of our products, could negatively affect our operating margins and materially harm our business, operating results or financial condition.

We could experience shortages of raw materials or components critical to our manufacturing needs, which may hinder our ability to perform under our supply agreements.

We rely upon third parties for raw materials, such as fiberglass, carbon, resins, foam core and balsa wood, and various components for the manufacture of our wind blades. Some of these raw materials and components may only be purchased from a limited number of suppliers. For example, balsa wood is only grown and produced in a limited number of geographies and is only available from a limited number of suppliers. Additionally, our ability to purchase the appropriate quantities of raw materials is constrained by our customers’ transitioning wind blade designs and specifications. As a result, we maintain relatively low inventory and acquire raw materials and components as needed. Due to significant international demand for these raw materials from many industries, we may be unable to acquire sufficient quantities or secure a stable supply for our manufacturing needs. If shortages or delays occur, we may be unable to provide our products to our customers on time, or at all. In addition, a disruption in any aspect of our global supply chain caused by transportation delays, customs delays, cost issues or other factors could result in a shortage of raw materials or components critical to our manufacturing needs. Any supply shortages,

delays in the shipment of materials or components from third party suppliers, or changes in the terms on which they are available could disrupt or materially harm our business, operating results and financial condition.

Certain of our long-term supply agreements are highly dependent upon a limited number of suppliers of raw materials.

Our ability to perform under certain of our long-term supply agreements is currently, and may continue to be in the future, highly dependent on a limited number of suppliers of raw materials. For instance, our agreements with certain customers require us or our customers to purchase raw materials from a single supplier unless additional suppliers are evaluated and found to satisfy the requirements set out in those agreements. In 2015, for example, our ability to supply wind blades to one of our customers was constrained because our customer, who under our agreement was required to procure a sufficient supply of a specific type of material, was unable to procure the material from a single source supplier. Should any of these suppliers of raw materials experience production delays or shortages, have their operations interrupted or otherwise cease or curtail their operations, this may disrupt or materially harm our business, operating results and financial condition.

Significant increases in the cost of transporting our wind blades could negatively affect the demand for our products.

A significant portion of our customers' costs are transportation costs related to the transport of our manufactured wind blades to their customers' wind farms. Demand for our products could be negatively affected if the costs our customers bear to transport our wind blades increase.

The nature of our manufacturing processes and unanticipated changes to those processes could significantly reduce our manufacturing yields and product reliability, which could materially harm our business, operating results and financial condition.

The manufacture of our wind blades involves highly complex and precise processes which may be dictated by our customers' requests requiring production in highly controlled environments. Changes in our manufacturing processes or that are required by our customers could affect product reliability. Furthermore, many of our processes are manual to facilitate production flexibility and compliance with customer requirements. A manually dependent manufacturing process can limit capacity and increase production costs. In some cases, existing manufacturing techniques may be insufficient to achieve the volume or cost targets of our customers. For example, our manufacturing processes may at times require a quantity of raw materials greater than the quantity for which we have contracted, making it difficult for us to achieve the targeted cost levels negotiated with our customers. In order to achieve targeted volume and cost levels, we may need to increase the quantity of raw materials for which we contract or develop new manufacturing processes and techniques. While we continue to devote substantial efforts to the improvement of our manufacturing techniques and processes, we may not achieve manufacturing volumes and cost levels in our manufacturing activities that will fully satisfy customer demands, which could materially harm our business, operating results and financial condition.

Our reserves for warranty expenses might not be sufficient to cover all future costs.

We provide warranties for all of our products, including parts and labor, for periods that typically range from two to five years depending on the product sold. If a wind blade is found to be defective during the warranty period as a result of a defect in workmanship or materials, or if we are required to cover remediation expenses or other potential remedies, in addition to our regular warranty coverage we may need to repair or replace the wind blade (which could include significant transportation, installation and erection costs) at our sole expense. Our estimate of warranty expense requires us to make assumptions about matters that are highly uncertain, including future rates of product failure, repair costs, shipping and handling and de-installation and re-installation costs at customers' sites. Our assumptions could be materially different from the actual performance of our products and these remediation expenses in the future. The expenses associated with wind blade repair and remediation activities can be substantial and may include changes to our manufacturing processes. If our estimates prove materially incorrect, we could incur warranty expenses that exceed our reserves and be required to make material unplanned cash expenditures, which could materially harm our business, operating results and financial condition.

We may not be able to meet our customers' future wind blade supply demands, which may hinder our customer relationships and reputation.

Historically, our existing customers' demand and MW capacity goals have mirrored the anticipated growth of the wind energy industry. Given the importance of wind energy capture, turbine reliability and cost to power producers, the size, quality and performance of wind blades have become highly strategic to our OEM customers. If we are unable to maintain future manufacturing capacity at levels that meet our customers' increasing demands, including with respect to volume, technical specifications, or commercial terms, our existing customers may seek relationships with, or give priority to, other wind blade manufacturers or may use or develop their own internal manufacturing capabilities to meet their increased demand, which could materially harm our business, operating results and financial condition. In addition, our reputation could be materially harmed if we are unable to satisfy the requirements of our customers.

We rely on our research and development efforts to remain competitive, and we may fail to develop on a timely basis new wind blade manufacturing technologies that are commercially attractive or permit us to keep up with customer demands.

The market for wind blades is subject to evolving customer needs and expectations. Our research and development is invested in developing faster and more efficient manufacturing processes in order to build the new wind blades designed by our customers that more effectively capture wind energy and are adaptable to new growth segments of the wind energy market. Research and development activities are inherently uncertain and the results of our in-house research and development may not be successful. In addition, our competition may adopt more advanced technologies or develop wind blades that are more effective or commercially attractive. We believe that our future success will depend in large part upon our ability to be at the forefront of technological innovation in the wind energy industry and to rapidly and cost-effectively adapt our wind blade manufacturing processes to keep pace with changing technologies, new wind blade design and changing customer needs. If we are unable to do so, our business, operating results, financial condition and reputation could be materially harmed.

Many of our long-term supply agreements contain liquidated damages provisions, which may require us to make unanticipated payments to our customers.

Many of our long-term supply agreements contain liquidated damages provisions in the event that we fail to perform our obligations thereunder in a timely manner or in accordance with the agreed terms, conditions and standards. Our liquidated damages provisions generally require us to make a payment to the customer if we fail to deliver a product or service on time. We generally try to limit our exposure under any individual long-term supply agreement to a maximum penalty. Nevertheless, if we incur liquidated damages, they may materially harm our business, operating results and financial condition.

We depend on third parties for certain construction, maintenance, engineering, transportation, warehousing and logistics services, and failures of those third parties to perform their obligations may in turn impede our ability to perform our obligations.

We contract with third parties for certain services relating to the design, construction and maintenance of various components of our production facilities and other systems. If these third parties fail to comply with their obligations:

- we may experience delays in the completion of new facilities or expansion of existing facilities;
- the facilities may not operate as intended;
- we may be required to recognize impairment charges; or
- we could experience production delays, which could cause us to miss our production capacity targets and breach our long-term supply agreements, which could damage our relationships with our customers and subject us to contractual penalties and contract termination.

Any of these events could have a material adverse effect on our business, operating results or financial condition. Our customers also contract with third parties for the transportation of the products we manufacture. In

particular, a significant portion of the goods we manufacture are transported to different countries, which requires sophisticated warehousing, logistics and other resources. If our customers fail to contract with third parties for certain construction, maintenance, engineering, transportation, warehousing and logistics services, or there are any disruptions, delays or failures in these services, this could have a material adverse effect on our business, operating results or financial condition.

Various legislation, regulations and incentives that are expected to support the growth of wind energy in the United States and around the world may not be extended or may be discontinued, phased out or changed, or may not be successfully implemented, which could materially harm wind energy programs and materially decrease demand for our wind blades.

The U.S. wind energy industry is dependent in part upon governmental support through certain incentives including federal tax incentives and RPS programs and may not be economically viable absent such incentives. Government-sponsored tax incentive programs including the PTC, and to a lesser extent, the Investment Tax Credit, are expected to support the U.S. growth of wind energy. The PTC provided the owner of a wind turbine placed in operation before January 1, 2015 with a ten year credit against its U.S. federal income tax obligations based on the amount of electricity generated by the wind turbine.

Although the PTC was extended in December 2015 for wind power projects through December 31, 2019, as currently contemplated, the PTC rate is being phased out over the term of the PTC extension. Specifically, as currently contemplated, the PTC will remain at the same rate in effect at the end of 2014 for wind power projects that commence construction by the end of 2016, and thereafter will be reduced by 20% per year in 2017, 2018 and 2019, respectively. The Tax Cuts and Jobs Act (Tax Reform) legislation preserved the PTC, which was a positive outcome for the wind industry. However, while the tax equity market continues to function, Tax Reform has created some near-term uncertainty around the amount of available tax equity financing as financial institutions fully evaluate the impacts of the new tax law.

In 2015, the EPA enacted the Clean Power Plan, which is also intended to promote the growth of renewable energy. However, in February 2016, the U. S. Supreme Court issued a stay of the EPA's implementation of the Clean Power Plan until the D.C. Circuit of the U.S. Court of Appeals reviews the merits of multiple lawsuits challenging the legality of the Clean Power Plan. If the Clean Power Plan is not successfully implemented, demand for our wind blades may be materially decreased. In addition, in March 2017, President Trump signed an executive order that requires, among other things, that the EPA review the Clean Power Plan and publish a rule to either suspend, revise or rescind it.

In addition, many state governments have adopted measures designed to promote wind energy. For example, according to the American Wind Energy Association (AWEA), at the state level, as of December 31, 2017, 29 states, as well as the District of Columbia, have implemented RPS programs that mandate that a specific percentage of electricity sales in a state come from renewable energy within a specified period. However, RPS programs have been challenged lately and they may not continue going forward. These programs have spurred significant growth in the wind energy industry in the United States and a corresponding increase in the demand for our manufactured wind blades. However, although the U.S. government and several state governments have adopted these various programs that are expected to drive the growth of wind energy, they may approve new or additional programs that might hinder the wind energy industry and therefore negatively impact our business, operating results or financial condition.

China is implementing its 13th 5-Year Plan with a goal of 15% energy from non-fossil fuel sources and targeting 210 GWs of grid-connected wind capacity by 2020, according to its National Development and Reform Commission, and employs preferential feed-in tariff schemes, in addition to local tax-based incentives. Mexico has established strict targets, aiming for 35% renewable energy by 2024 and 50% by 2050, according to MAKE, which it is facilitating through tax incentives. Large European Union members have renewable energy targets for 2020 of between 13% and 49% of all energy use derived from renewable energy sources, according to MAKE. Turkey enacted Law No. 5346 in 2005 to promote renewable-based electricity generation within its domestic electricity market by introducing tariffs and purchase obligations for distribution companies requiring purchases from certified renewable energy producers. The World Bank also provided to Turkey an aggregate of \$600 million of loan proceeds to encourage investors to construct generation plants with renewable energy resources. These programs

have spurred significant growth in the wind energy industry internationally and a corresponding increase in the demand for our manufactured wind blades . However, although foreign governments have adopted various programs that are expected to drive the growth of wind energy, they may approve new or additional programs going forward that might hinder the wind energy industry and therefore negatively impact our business as a result. For example, foreign governments may decide to reduce or eliminate these economic incentives for political, financial or other reasons. They may also favor other forms of energy, including current and new sources of energy such as solar, nuclear and hydropower.

Because of the long lead times necessary to develop wind energy projects, any uncertainty or delay in adopting, extending or renewing these incentives beyond their current or future expiration dates could negatively impact potential wind energy installations and result in industry volatility. There can be no assurance that the PTC, the Clean Power Plan or other governmental programs or subsidies for renewable energy will remain in effect in their present form or at all, and the elimination, reduction, or modification of these programs or subsidies could materially harm wind energy programs in the United States and international markets and materially decrease demand for our wind blades and, in turn, materially harm our business, operating results and financial condition.

We may not be able to obtain, or agree on acceptable terms and conditions for, government tax credits, grants, loans and other incentives for which we have in the past applied or may in the future apply, which may materially harm our business, operating results and financial condition.

We have in the past and may in the future rely, in part, on tax credits, grants, loans and other incentives under U.S. and foreign governmental programs to support the construction of new plants and expansion of existing manufacturing facilities. We may not be successful in obtaining these tax credits, grants, loans and other incentives, and the tax and other incentives that have already been approved may not be continued in the future. Our ability to obtain funds or incentives from government sources is subject to the availability of funds under applicable governmental programs and approval of our applications to participate in these programs. The application process for these funds and other incentives is and will be highly competitive. We may not be able to satisfy the requirements and milestones imposed by the granting authority as conditions to receipt of the funds or other incentives, the timing of the receipt of the funds may not meet our needs, and, even if obtained, we may be unable to successfully execute on our business plan. Moreover, not all of the terms and conditions associated with these incentive funds have been disclosed to us, and once disclosed, there may be terms and conditions with which we are unable to comply or that are commercially unacceptable to us. Further, participation in certain programs may require us to notify the federal government of certain intellectual property we develop and comply with applicable regulations in order to protect our interests in that intellectual property. In addition, these federal governmental programs may require us to spend a portion of our own funds for every incentive dollar we receive or are permitted to borrow from the government and may impose time limits during which we must use the funds awarded to us that we may be unable to achieve. If we are unable to obtain or comply with the terms of these tax credits, grants, loans or other incentives, our business, operating results and financial condition may be harmed.

Adverse weather conditions could impact the wind energy industry in some regions and could materially harm our business, operating results and financial condition.

Our business may be subject to fluctuations in sales volumes due to adverse weather conditions that could delay the erection of wind turbines, the installation of wind blades and the ability of wind turbines to generate electricity efficiently. Moreover, any remediation efforts we could be required to undertake pursuant to wind blade warranties could be delayed or otherwise adversely impacted by poor weather. Although our customer base and manufacturing footprint is geographically diversified, enduring weather patterns or seasonal variations may impact the expansion of the wind energy industry in certain regions. A resulting reduction or delay in demand for the wind blades we manufacture for our customers could materially harm our business, operating results and financial condition.

Our long-term growth and success is dependent upon retaining our senior management and attracting and retaining qualified personnel.

Our growth and success depends to a significant extent on our ability to attract and retain highly qualified research and development, management, manufacturing, marketing and other key personnel including engineers in

our various locations. In addition, we rely heavily on our management team, including Steven C. Lockard, our Chief Executive Officer ; Joseph G. Kishkill, our Chief Commercial Officer; Mark R. McFee ly, our Chief Operating Officer; William E. Siwek, our Chief Financial Officer ; and other senior management. The inability to recruit and retain key personnel or the unexpected loss of key personnel may materially harm our business, operating results and financial condition. Hiring those persons may be especially difficult because of the specialized nature of our business and our international operations. If we cannot attract and retain qualified personnel, or if we lose the services of Messrs. Lockard , Kishkill , McFeely or Siwek, other key members of senior management or other key personnel, our ability to successfully execute our business plan, market and develop our products and serve our customers could be materially and adversely affected. In addition, because of our reliance on our management team, our future success depends, in part, on its ability to identify and develop talent to succeed its senior management. The retention of key personnel and appropriate senior management succession pl anning will continue to be critical to the successful implementation of our future strategies.

Risks Related to our Transportation Business

Our efforts to expand our transportation business and enter into other strategic markets may not be successful.

While our primary focus has been to manufacture composite wind blades, our strategy is to expand our transportation business and to enter into other strategic markets. The expansion of our transportation business and our entry into other strategic markets will require significant levels of investment. There can be no assurance that our transportation business or other strategic markets will develop as anticipated or that we will have success in any such markets, and if we do not, we may be unable to recover our investment, which could adversely impact our business, financial condition and results of operations, including potentially impairing the value of our goodwill.

We may incur material losses and costs as a result of product liability and warranty claims, litigation and other disputes and claims.

We are exposed to warranty and product liability claims if our transportation products fail to perform as expected. We may in the future be, required to participate in a recall of these products or the vehicles incorporating our products. If public safety concerns are raised, we may have to participate in a recall even if our products are ultimately found not to be defective. Vehicle manufacturers have experienced increasing recall campaigns in recent years. Our customers may look to us for contribution when faced with recalls and product liability claims. If our customers demand higher warranty-related cost recoveries, or if our transportation products fail to perform as expected, our business, financial condition and results of operations could materially suffer.

We may also be exposed to product liability claims, warranty claims and damage to our reputation if our transportation products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in bodily injury or property damage. Recalls may also cause us to lose additional business from our customers. Material product defect issues may subject us to recalls of those products and restrictions on bidding on new customer programs.

Risks Related to Our Business as a Whole

We may not be able to manage our future growth effectively, which may materially harm our business, operating results and financial condition.

We expect to continue to expand our business significantly to meet our current and expected future contractual obligations and to satisfy anticipated increased demand for our products. To manage our anticipated expansion, we believe we must scale our internal infrastructure, including establishing additional facilities, improve our operational systems and procedures and manufacturing capabilities, continue to enhance our compliance and quality assurance systems, train and manage our growing employee base, and retain and add to our current executives and management personnel. Rapid expansion of our operations could place a significant strain on our senior management team, support teams, manufacturing lines, information technology platforms and other resources. Difficulties in effectively managing the budgeting, forecasting and other process control issues presented by any rapid expansion could materially harm our business, prospects, results of operations or financial condition. Our inability to implement operational improvements, generate and sustain increased revenue and manage and control our cost of goods sold and operating expenses could impede our future growth and materially harm our business, operating results and financial condition.

Our financial position, revenue, operating results and profitability are difficult to predict and may vary from quarter to quarter, which could cause our share price to decline significantly.

Our quarterly revenue, operating results and profitability have varied in the past and are likely to vary significantly from quarter to quarter in the future. For example, our quarterly results have ranged from an operating profit of \$23.8 million for the three months ended June 30, 2017 to an operating loss of \$2.7 million for the three months ended March 31, 2015. The factors that are likely to cause these variations include:

- operating and startup costs of new manufacturing facilities;
- wind blade model transitions;
- differing quantities of wind blade production;
- unanticipated contract or project delays or terminations;
- changes in the costs of raw materials or disruptions in raw material supply;
- scrap of defective products;
- warranty expense;
- availability of qualified personnel;
- employee wage levels;
- costs incurred in the expansion of our existing manufacturing capacity;
- volume reduction requests from our customers pursuant to our customer agreements; and
- general economic conditions.

As a result, our revenue, operating results and profitability for a particular period are difficult to predict and may decline in comparison to corresponding prior periods regardless of the strength of our business. It is also possible that in some future periods our revenue, operating results and profitability may not meet the expectations of securities analysts or investors. If this occurs, the trading price of our common stock could fall substantially, either suddenly or over time, and our business, operating results and financial condition would be materially harmed.

The fluctuation of foreign currency exchange rates could materially harm our financial results.

Since we conduct a significant portion of our operations internationally, our business is subject to foreign currency risks, including currency exchange rate fluctuations. The exchange rates are affected by, among other things, changes in political and economic conditions. For example, an increase in our Turkey sales and operations will result in a larger portion of our net sales and expenditures being denominated in the Euro and Turkish Lira. Significant fluctuations in the exchange rate between the Turkish Lira and the U.S. dollar, the Turkish Lira and the Euro or the Euro and the U.S. dollar may adversely affect our revenue, expenses, as well as the value of our assets and liabilities. Similarly, an increase in our China sales and operations will result in a larger portion of our net sales and expenditures being denominated in Chinese Renminbi. The Chinese government controls the procedures by which the Chinese Renminbi is converted into other currencies, and conversion of the Chinese Renminbi generally requires government consent. As a result, the Chinese Renminbi may not be freely convertible into other currencies at all times. If the Chinese government institutes changes in currency conversion procedures, or imposes restrictions on currency conversion, those actions may materially harm our business, liquidity, financial condition and operating results. In addition, significant fluctuations in the exchange rate between the Chinese Renminbi and U.S. dollars may adversely affect our revenues, expenses as well as the value of our assets and liabilities. However, in Mexico, since all of our net sales and some of our expenditures are denominated in U.S. dollars, an increase in our Mexico sales and operations will result in a larger portion of our cost of goods sold being denominated in the Mexican Peso. Significant fluctuations in the exchange rate between the Mexican Peso and the U.S. dollar may adversely affect our expenses, as well as the value of our assets and liabilities. To the extent our future revenues and expenses are generated outside of the United States in currencies other than the U.S. dollar, including the Euro, the Turkish Lira, the Chinese Renminbi or Mexican Peso, among others, we will be subject to increased risks relating to foreign

currency exchange rate fluctuations which could materially harm our business, financial condition and operating results.

Our manufacturing operations and future growth are dependent upon the availability of capital, which may be insufficient to support our capital expenditures.

Our current wind blade manufacturing activities and future growth will require substantial capital investment. For the years ended December 31, 2017 and 2016, our capital expenditures were \$51.0 million and \$40.5 million, respectively, including assets acquired under capital lease in 2017 and 2016 of \$6.2 million and \$10.0 million, respectively. We have recently entered into lease agreements with third parties to lease new manufacturing facilities in Mexico and Iowa. Major projects expected to be undertaken include purchasing equipment for our new manufacturing facilities in Matamoros, Mexico and Newton, Iowa and the expansion of our Dafeng, China and Taicang Port, China facilities. Our ability to grow our business is predicated upon us making significant additional capital investments to expand our existing manufacturing facilities and build and operate new manufacturing facilities in existing and new markets. We generally estimate that the startup of a new six line manufacturing facility requires cash for net operating expenses and working capital of between \$25 million to \$30 million and additional capital expenditures for machinery and equipment of between \$25 million to \$30 million. In addition, we estimate our annual maintenance capital expenditures to be between \$1.5 million to \$2.0 million per facility. We may not have the capital to undertake these capital investments. In addition, our capital expenditures may be significantly higher if our estimates of future capital investments are incorrect and may increase substantially if we are required to undertake actions to comply with new regulatory requirements or compete with new technologies. The cost of some projects may also be affected by foreign exchange rates if any raw materials or other goods must be paid for in foreign currency. We cannot assure you that we will be able to raise funds on favorable terms, if at all, or that future financings would not be dilutive to holders of our capital stock. We also cannot assure you that completed capital expenditures will yield the anticipated results. If we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants, or other restrictions on our business that could impair our operational flexibility, and would require us to fund additional interest expense. If we are unable to obtain sufficient capital at a reasonable cost or at all, we may not be able to expand production sufficiently to take advantage of changes in the marketplace or may be required to delay, reduce or eliminate some or all of our current operations, which could materially harm our business, operating results and financial condition.

As a U.S. corporation with international operations, we are subject to the U.S. Foreign Corrupt Practices Act of 1977, which could impact our ability to compete in certain jurisdictions.

As a U.S. corporation, we are subject to the FCPA, which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business. We have manufacturing facilities in China, Mexico and Turkey, countries with a fairly high risk of corruption. Those facilities are subject to routine government oversight. In addition, a small number of our raw materials and components suppliers are state-owned in China. Moreover, due to our need to import raw materials across international borders, we also routinely have interactions, directly or indirectly, with customs officials. In many foreign countries, under local custom, businesses engage in practices that may be prohibited by the FCPA or other similar laws and regulations. Additionally, we continue to hire employees around the world as we continue to expand. Although we have recently implemented certain procedures and controls designed to ensure compliance with the FCPA and similar laws, there can be no guarantee that all of our employees and agents, as well as those companies to which we outsource certain of our business operations, have not taken and will not take actions that violate our policies and the FCPA, which could subject us to fines, penalties, disgorgement, and loss of business, harm our reputation and impact our ability to compete in certain jurisdictions. In addition, these laws are complex and far-reaching in nature, and, as a result, we may be required in the future to alter one or more of our practices to be in compliance with these laws or any changes in these laws or the interpretation thereof. Moreover, our competitors may not be subject to the FCPA or comparable legislation, which could provide them with a competitive advantage in some jurisdictions.

We may have difficulty making distributions and repatriating earnings from our Chinese manufacturing operations, which may also occur in some of our other locations.

A material portion of our business is conducted in China. As of December 31, 2017, our China operations had unrestricted cash of \$46.3 million, most of which will be used to fund our future operations in China. Our ability to repatriate funds from China to the United States is subject to a number of restrictions imposed by the Chinese government. We repatriate funds through several technology license contracts and corporate/administrative service agreements. We are compensated quarterly based on agreed upon royalty rates for such intellectual property licenses and quarterly fees for those services. Certain of our subsidiaries are limited in their ability to declare dividends without first meeting statutory restrictions of the People's Republic of China, including retained earnings as determined under Chinese-statutory accounting requirements. Until 50% (\$11.6 million) of registered capital is contributed to a surplus reserve, our Chinese operations can only pay dividends equal to 90% of after-tax profits (10% must be contributed to the surplus reserve). Once the surplus reserve fund requirement is met, we can pay dividends equal to 100% of after-tax profit assuming other conditions are met. At December 31, 2017, the amount of the surplus reserve fund was \$5.6 million. Any inability to make distributions, repatriate earnings or otherwise access funds from our manufacturing operations in China, if and when needed for use outside of China, could materially harm our liquidity and our business.

Effective internal controls are necessary for us to provide reliable financial reports and effectively address fraud risks.

We maintain a system of internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (GAAP). The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to establish and maintain a system of internal controls that will be adequate to satisfy the reporting obligations of a public company. The effectiveness of our internal controls depends in part on the cooperation of senior managers worldwide.

Any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. Any failure to maintain that system, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and harm our business, and lead to our becoming subject to litigation, sanctions or investigations by The NASDAQ Global Market (NASDAQ), the SEC or other regulatory governmental agencies and bodies. Furthermore, investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely basis may harm our stock price.

We have in the past experienced material weaknesses. While we have successfully remediated those material weaknesses, we could experience control deficiencies in the future or identify areas requiring improvement in our internal control over financial reporting.

The state of financial markets and the economy may materially harm our sources of liquidity and capital.

There has been significant recent turmoil and volatility in worldwide financial markets. These conditions have resulted in a disruption in the liquidity of financial markets, and could directly impact us to the extent we need to access capital markets to raise funds to support our business and overall liquidity position. This situation could affect the cost of such funds or our ability to raise such funds. If we were unable to access any of these funding sources when needed, it could materially harm our business, operating results and financial condition.

Our ability to use our net operating loss carry forwards may be subject to limitation and may result in increased future tax liability.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the Code), contain rules that limit the ability of a company that undergoes an "ownership change" to utilize its net operating loss and tax credit carry forwards and certain built-in losses recognized in years after the ownership change. An "ownership change" is generally defined as any change in ownership of more than 50% of a corporation's stock over a rolling three-year

period by stockholders that own (directly or indirectly) 5% or more of the stock of a corporation, or arising from a new issuance of stock by a corporation. If an ownership change occurs, Section 382 generally imposes an annual limitation on the use of pre-ownership change net operating losses (NOLs) , credits and certain other tax attributes to offset taxable income earned after the ownership change. The annual limitation is equal to the product of the applicable long-term tax exempt rate and the value of the company's stock immediately before the ownership change. This annual limitation may be adjusted to reflect any unused annual limitation for prior years and certain recognized built-in gains and losses for the year. In addition, Section 383 generally limits the amount of tax liability in any post-ownership change year that can be reduced by pre-ownership change tax credit carryforwards. This could result in increased U.S. federal income tax liability for us if we generate taxable income in a future period. Limitations on the use of NOLs and other tax attributes could also increase our state tax liability. The use of our tax attributes will also be limited to the extent that we do not generate positive taxable income in future tax periods. As a result of these limitations, we may be unable to offset future taxable income (if any) with losses, or our tax liability with credits, before such losses and credits expire. Accordingly, these limitations may increase our federal income tax liability.

Although we have not experienced an ownership change since 2008, it is possible that future transactions may cause us to undergo one or more ownership changes. After provisionally incorporating the impacts of Tax Reform, we reasonably estimate that as of December 31, 2017, we have U.S. federal NOLs of approximately \$51.2 million, state NOLs of approximately \$92.6 million and foreign tax credits of approximately \$1.7 million. In 2008, we had an "ownership change" and the pre-ownership change NOLs existing at the date of change of \$25.6 million were subject to an annual limitation of \$4.3 million. As of December 31, 2016, the pre-ownership change NOLs are no longer limited. Certain of these NOLs may be at risk of limitation in the event of a future ownership change.

We have U.S. federal and state NOLs. In general, NOLs in one country cannot be used to offset income in any other country and NOLs in one state cannot be used to offset income in any other state. Accordingly, we may be subject to tax in certain jurisdictions even if we have unused NOLs in other jurisdictions. Also, each jurisdiction in which we operate may have its own limitations on our ability to utilize NOLs or tax credit carryovers generated in that jurisdiction. These limitations may increase our federal, state, and/or foreign income tax liability.

Comprehensive tax reform legislation could adversely affect our business, operating results and financial condition.

On December 22, 2017, President Trump signed into law Tax Reform, which significantly revised U.S. tax law by, among other things, lowering the statutory federal corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017, eliminating certain deductions, imposing a mandatory one-time transition tax on certain accumulated earnings and profits of foreign corporate subsidiaries (the Transition Tax), introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax. Tax Reform also includes many new provisions, such as changes to bonus depreciation, changes to deductions for executive compensation, interest expense limitations, net operating loss deduction limitations, a tax on global intangible low-taxed income (GILTI) earned by foreign corporate subsidiaries, a base erosion anti-abuse tax (BEAT), and a deduction for foreign-derived intangible income (FDII). Many of these provisions, including the tax on GILTI, the BEAT, and the deduction for FDII, are not applicable to us until 2018, and we continue to evaluate the impact of such provisions of Tax Reform.

Our current credit facility with HPS Investment Partners, LLC and Capital One, N.A. contains, and any future loan agreements we may enter into may contain, operating and financial covenants that may restrict our business and financing activities.

We have a \$100.0 million amended and restated credit facility (the Restated Credit Facility) with HPS Investment Partners, LLC and Capital One, N.A., consisting of a \$75.0 million term loan and a \$25.0 million revolving credit facility, respectively, the latter of which includes a \$20.0 million letter of credit sub-facility. As of December 31, 2017, the aggregate outstanding balance under the Restated Credit Facility was \$74.1 million. The Restated Credit Facility is secured by substantially all of our assets. In addition, from time to time, we enter into various loan, working capital and accounts receivable financing facilities to finance the construction and ongoing operations of our advanced manufacturing facilities and other capital expenditures. The Restated Credit Facility contains various financial covenants and restrictions on our and our operating subsidiaries' excess cash flows and ability to make capital expenditures, incur additional indebtedness and pay dividends or make distributions on, or

repurchase, our stock. The operating and financial restrictions and covenants of the Restated Credit Facility, as well as our other existing and any future financing agreements that we may enter into, may restrict our ability to finance our operations, engage in business activities or expand or fully pursue our business strategies. Our ability to comply with these covenants may be affected by events beyond our control, and we may not be able to maintain appropriate minimum leverage ratio and fixed charge coverage ratio requirements in the future. A breach of any of these covenants could result in a default under the applicable loan facility, which could cause all of the outstanding indebtedness under such facility to become immediately due and payable by us and/or enable the lender to terminate all commitments to extend further credit. In addition, if we were unable to repay the outstanding indebtedness upon a default, our lenders could proceed against the assets pledged as collateral to secure that indebtedness.

Our indebtedness may adversely affect our business, results of operations and financial condition.

Our indebtedness could adversely affect our business, results of operations and financial condition by, among other things:

- requiring us to dedicate a substantial portion of our cash flow from operations to pay principal and interest on our debt, which would reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions, execution of our growth strategy and other general corporate purposes;
- limiting our ability to borrow additional amounts to fund debt service requirements, working capital, capital expenditures, acquisitions, execution of our growth strategy and other general corporate purposes;
- making us more vulnerable to adverse changes in general economic, industry and regulatory conditions and in our business by limiting our flexibility in planning for, and making it more difficult to react quickly to, changing conditions;
- placing us at a competitive disadvantage compared with those of our competitors that have less debt and lower debt service requirements;
- making us more vulnerable to increases in interest rates since some of our indebtedness is subject to variable rates of interest; and
- making it more difficult for us to satisfy our financial obligations.

In addition, we may not be able to generate sufficient cash flow from our operations to repay our outstanding indebtedness when it becomes due and to meet our other cash needs or to comply with the financial covenants set forth therein. If we are not able to pay our debts as they become due, we could be in default of the Restated Credit Facility or other indebtedness. We might also be required to pursue one or more alternative strategies to repay indebtedness, such as selling assets, refinancing or restructuring our indebtedness or selling additional debt or equity securities. We may not be able to refinance our debt or sell additional debt or equity securities or our assets on favorable terms, if at all, and if we must sell assets, it may negatively affect our ability to generate revenues.

Much of our intellectual property consists of trade secrets and know-how that is very difficult to protect. If we experience loss of protection for our trade secrets or know-how, our business would be substantially harmed.

We have a variety of intellectual property rights, including patents, trademarks and copyrights, but much of our most important intellectual property rights consists of trade secrets and know-how and effective intellectual property protection may be unavailable, limited or outside the scope of the intellectual property rights we pursue in the United States and in foreign countries such as China where we operate. Although we strive to protect our intellectual property rights, there is always a risk that our trade secrets or know-how will be compromised or that a competitor could lawfully reverse-engineer our technology or independently develop similar or more efficient technology. We have confidentiality agreements with each of our customers, suppliers, key employees and independent contractors in place to protect our intellectual property rights, but it is possible that a customer, supplier, employee or contractor might breach the agreement, intentionally or unintentionally. For example, we believe a key former employee may have shared some of our intellectual property with a competitor in China and this former employee or the competitor may use this intellectual property to compete with us in the future. It is also

possible that our confidentiality agreements with customers, suppliers, employees and contractors will not be effective in preserving the confidential nature of our intellectual property rights. The patents we own could be challenged, invalidated, narrowed or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Once our patents expire, or if they are invalidated, narrowed or circumvented, our competitors may be able to utilize the inventions protected by our patents. Additionally, the existence of our intellectual property rights does not guarantee that we will be successful in any attempt to enforce these rights against third parties in the event of infringement, misappropriation or other misuse, which may materially and adversely affect our business. Because our ability to effectively compete in our industry depends upon our ability to protect our proprietary technology, we might lose business to competitors and our business, revenue, operating results and prospects could be materially harmed if we suffer loss of trade secret and know-how protection or breach of our confidentiality agreements.

If the transfer pricing arrangements we have among our subsidiaries are determined to be inappropriate in one or more jurisdictions, our tax liability may increase.

In many countries, including the United States, we are subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned in each jurisdiction in which we operate. These regulations require that any international transaction involving associated enterprises be on substantially the same basis as a transaction between unrelated companies dealing at arms' length and that contemporaneous documentation be maintained to support the transfer prices. We have transfer pricing arrangements among our subsidiaries in relation to various aspects of our business. We consider the transactions among our subsidiaries to be substantially on arm's-length terms. If, however, a tax authority in any jurisdiction reviews any of our tax returns and determines that the transfer prices and terms we have applied are not appropriate, or that other income of our affiliates should be taxed in that jurisdiction, we may incur increased tax liability, including accrued interest and penalties, which would cause our tax provision to increase, possibly materially. In addition, if the jurisdiction from which the income is reallocated does not agree with the reallocation, both jurisdictions could tax the same income, resulting in double taxation. If tax authorities were to allocate income to a higher tax jurisdiction, subject our income to double taxation, or assess interest and penalties, it would increase our consolidated tax liability, which could materially harm our business, operating results and financial condition.

Our insurance coverage may not cover all risks we face and insurance premiums may increase, which may hinder our ability to maintain sufficient coverage to cover losses we may incur.

We are exposed to risks inherent in the manufacturing of wind blades and other composite structures as well as the construction of our facilities, such as natural disasters, breakdowns and manufacturing defects that could harm persons and damage property. We maintain insurance coverage with licensed insurance carriers that limits our aggregate exposure to certain types of catastrophic losses. In addition, we self-insure for a portion of our claims exposure resulting from workers' compensation and certain events of general liability. We accrue currently for estimated incurred losses and expenses, and periodically evaluate and adjust our claims accrued liability amount to reflect our experience. However, our insurance coverage may not be sufficient to cover the full amount of potential losses. In addition, there are some types of losses such as from warranty, hurricanes, terrorism, wars, or earthquakes where insurance is limited and/or not economically justifiable. If we were to sustain a serious uninsured loss or a loss exceeding the limits of our insurance policies, the resulting costs could have a material adverse effect on our business prospects, results of operations and financial condition. Further, our insurance policies provide for our premiums to be adjusted annually. If the premiums we pay for our policies increase significantly, we may be unable to maintain the same level of coverage we currently carry, or we will incur significantly greater costs to maintain the same level of coverage, including through higher deductibles.

We may be subject to significant liabilities and costs relating to environmental and health and safety requirements.

We are subject to various environmental, health and safety laws, regulations and permit requirements in the jurisdictions in which we operate governing, among other things, health, safety, pollution and protection of the environment and natural resources, the handling and use of hazardous substances, the generation, storage, treatment and disposal of wastes, and the cleanup of any contaminated sites. For example, in December 2017, Iowa's Occupational Safety and Health Administration initiated an investigation with respect to certain reported cases

relating to skin conditions of employees and former employees at our Newton, Iowa manufacturing facility. This investigation remains pending.

We have incurred, and expect to continue to incur, capital and operating expenditures to comply with such laws, regulations and permit requirements. While we believe that we currently are in material compliance with all such laws, regulations and permit requirements, any noncompliance may subject us to a range of enforcement measures, including the imposition of monetary fines and penalties, other civil or criminal sanctions, remedial obligations, and the issuance of compliance requirements restricting our operations. In addition, the future adoption of more stringent laws, regulations and permit requirements may require us to make additional capital and operating expenditures. Under certain environmental laws and regulations, liabilities also can be imposed for cleanup of currently and formerly owned, leased or operated properties, or properties to which we sent hazardous substances or wastes, regardless of whether we directly caused the contamination or violated any law. For example, we could have future liability relating to any contamination that remains from historic industrial operations by others at our properties. Additionally, some of our facilities have a long history of industrial operations and, in the past, contaminants have been detected and remediated at our Turkey facility.

There can be no assurance that we will not in the future become subject to compliance requirements, obligations to undertake cleanup or related activities, or claims or proceedings relating to environmental, health or safety matters, hazardous substances or wastes, contaminated sites, or other environmental or natural resource damages, that could impose significant liabilities and costs on us and materially harm our business, operating results or financial condition.

Claims that we infringe, misappropriate or otherwise misuse the intellectual property rights of others could subject us to significant liability and disrupt our business.

Our competitors and third party suppliers of components and raw materials used in our products protect their intellectual property rights by means such as trade secrets and patents. In the future we may be sued for violations of other parties' intellectual property rights, and the risk of this type of lawsuit will likely increase as our size, geographic presence and market share expand and as the number of competitors in our market increases. Any such claims or litigation, whether meritorious or not, could:

- be time-consuming and expensive to defend;
- divert the attention of our technical and managerial resources;
- adversely affect our relationships with current or future customers;
- require us to enter into royalty or licensing agreements with third parties, which may not be available on terms that we deem acceptable;
- prevent us from operating all or a portion of our business or force us to redesign our manufacturing processes or products, which could be difficult, time-consuming and expensive;
- limit the supply or increase the cost of key raw materials and components used in our products;
- subject us to significant liability for damages or result in significant settlement payments; and
- require us to indemnify our customers or suppliers.

Any of the foregoing could disrupt our business and materially harm our operating results and financial condition. In addition, intellectual property disputes have in the past arisen between our customers which negatively affected such customers' demand for wind blades manufactured by us. If such intellectual property disputes involving, or between, one or more of our customers should arise in the future, our business could be materially harmed.

We may form joint ventures, or acquire businesses or assets, in the future, and we may not realize the benefits of those transactions.

We have, in the past, entered into joint ventures with third parties for the manufacture of wind blades. For example, we entered into joint ventures with third parties in both our Mexico and Turkey locations. We may create new or additional joint ventures with third parties, or acquire businesses or assets, in the future that we believe will complement or augment our existing business. We cannot assure you that, following any such joint venture or acquisition, we will achieve the expected synergies to justify the transaction. We may encounter numerous difficulties in manufacturing any new products resulting from a joint venture or acquisition that delay or prevent us from realizing their expected benefits or enhancing our business. If we enter into joint ventures or acquire businesses or assets with respect to promising markets, we may not be able to realize the benefit of those joint ventures or acquired businesses assets if we are unable to successfully integrate them with our existing operations and company culture.

Work disruptions resulting from our collective bargaining agreements could result in increased operating costs and materially harm our business, operating results and financial condition.

Certain of our employees in Turkey, which represented approximately 21% of our workforce as of December 31, 2017, are covered by collective bargaining arrangements. In May 2016, we entered into a new three-year collective bargaining agreement with certain of our Turkish employees at our first Turkey facility. The new agreement resulted in an average increase in pay of approximately 20% for employees covered by the agreement. In addition, beginning in July 2017, these collective bargaining arrangements also covered similarly situated employees at our second Turkey facility. In March 2018, we entered into a collective bargaining agreement with a labor union for certain of our employees in our Matamoros, Mexico facility. Additionally, our other employees working at other manufacturing facilities may vote to be represented by a labor union in the future. For example, our employees in Iowa attempted unsuccessfully to unionize in 2013. There can be no assurance that we will not experience labor disruptions such as work stoppages or other slowdowns by workers at any of our facilities. Should significant industrial action, threats of strikes or related disturbances occur, we could experience a disruption of operations and increased labor costs in Turkey, Mexico or other locations, which could materially harm our business, operating results or financial condition. Any such work stoppage or slow-down at any of our facilities could also result in additional expenses and possible loss of revenue for us.

Our information technology infrastructure could experience serious failures or disruptions, the failure of which could materially harm our business, operating results and financial condition.

Information technology is part of our business strategy and operations. It enables us to streamline operation processes, facilitating the collection and reporting of business data, in addition to internal and external communications. There are risks that information technology system failures, network disruptions and breaches of data security could disrupt our operations. Any significant disruption or breach may materially harm our business, operating results or financial condition.

We will incur significant increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance initiatives.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and NASDAQ, impose various requirements on public companies, including requiring establishment and maintenance of effective disclosure controls and internal control over financial reporting and changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance. We estimate that we will incur approximately \$3.0 million to \$4.0 million in expenses annually in response to these requirements.

Section 404(a) of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we file with the SEC. However,

as long as we remain an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (the JOBS Act) , we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act. We will take advantage of these reporting exemptions until we are no longer an emerging growth company and will incur additional expense and time related to these efforts at that time. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of our IPO ; (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a “ large accelerated filer ” under SEC rules.

Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives, diverting their attention away from the day-to-day management of our business, and we may not successfully or efficiently manage our transition into a public company. We will also need to upgrade our systems, implement additional financial and management controls, reporting systems and procedures, hire an internal audit group and additional accounting, auditing and financial staff with appropriate public company experience and technical accounting knowledge. We have significant operations in China, Mexico and Turkey and may have difficulty hiring and retaining employees in these countries who have the experience necessary to implement the kind of management and financial controls that are expected of a U.S. public company. In this regard, for example, China has only recently begun to adopt management and financial reporting concepts and practices like those in the United States. If we are not able to comply with these requirements in a timely manner or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities, which would require additional financial and management resources.

We are faced with increasingly complex tax issues in many jurisdictions, and we could be obligated to pay additional taxes in various jurisdictions.

We may be subject to taxation in many jurisdictions in the United States and around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax laws, including increased tax rates or revised interpretations of existing tax laws and precedents, which could harm our liquidity and operating results. In addition, the taxing authorities in these jurisdictions could review our tax returns, or authorities in jurisdictions in which we do not file tax returns could assert that we are subject to tax in those jurisdictions, and in either case could impose additional tax, interest and penalties. Further, the authorities could claim that various withholding requirements apply to us or our subsidiaries or assert that benefits of tax treaties are not available to us or our subsidiaries, any of which could have a material adverse impact on us and the results of our operations.

Risks Related to Ownership of Our Common Stock

An active, liquid trading market may not develop.

Before the IPO, there was no public market for shares of our common stock. An active and liquid trading market may not develop following our IPO, if developed, may not be sustained. The lack of an active and liquid market may impair your ability to sell your shares of common stock at the time you wish to sell them or at a price that you consider reasonable. The lack of an active and liquid market may also reduce the market value and increase the volatility of your shares of common stock. In addition, an inactive and illiquid market may impair our ability to raise capital by selling shares of common stock and may impair our ability to acquire other business or assets by using shares of our common stock as consideration.

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

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

- actual or anticipated fluctuations in our results of operations;
- our ability to provide products due to shipments subject to delayed delivery and deferred revenue arrangements;
- loss of or changes in our relationship with one or more of our customers;
- failure to meet our earnings estimates;
- conditions and trends in the energy and manufacturing markets in which we operate and changes in estimates of the size and growth rate of these markets;
- announcements by us or our competitors of significant contracts, developments, acquisitions, strategic partnerships or divestitures;
- availability of equipment, labor and other items required for the manufacture of wind blades;
- changes in governmental policies;
- additions or departures of members of our senior management or other key personnel;
- changes in market valuation or earnings of our competitors;
- sales of our common stock, including sales of our common stock by our directors and officers or by our other principal stockholders;
- the trading volume of our common stock; and
- general market and economic conditions.

In addition, the stock market in general, including NASDAQ, as well as the market for broader energy and renewable 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, securities class-action litigation has often been instituted against a company following periods of volatility in the market price of that company's securities. Securities class-action litigation, if instituted against us, could result in substantial costs or damages and a diversion of management's attention and resources, which could materially harm our business and operating results.

A significant portion of our total outstanding shares may be sold into the public market in future sales, which could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time after the expiration of the lock-up agreements which expired in January 2017. These sales, or the market perception that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of December 31, 2017, we had 34,020,646 shares of common stock outstanding. All shares can now be sold, subject to any applicable volume limitations under federal securities laws.

In addition, as of December 31, 2017, there were: (i) 160,424 shares subject to outstanding common stock warrants, or 0.5% of our outstanding shares; (ii) 3,203,290 shares subject to outstanding options, or 9.4% of our outstanding shares; (iii) 613,380 restricted stock units, or 1.8% of our outstanding shares; and (iv) 4,731,117 shares reserved for future issuance, or 13.9% of our outstanding shares under the Amended and Restated 2015 Stock Option and Incentive Plan (the 2015 Plan) that will become eligible for sale in the public market to the extent permitted by any applicable vesting requirements and Rules 144 and 701 under the Securities Act. We also filed a shelf registration statement in September 2017 for the resale of up to 19,774,751 shares of common stock by certain of our common stockholders. We also have registered all shares of common stock that we may issue under our

employee equity incentive plans. These shares can be freely sold in the public market upon issuance and subject to the restrictions imposed on our affiliates under Rule 144.

In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you and may cause the market price of our common stock to drop significantly.

The exercise of options and warrants and other issuances of shares of common stock or securities convertible into common stock under our equity compensation plans will dilute your interest.

Under our existing equity compensation plans, as of December 31, 2017, we had outstanding options to purchase 3,203,290 shares of our common stock and 613,380 restricted stock units to our employees and non-employee directors. From time to time, we expect to grant additional options and other stock awards in accordance with the 2015 Plan. The exercise of options and warrants at prices below the market price of our common stock could adversely affect the price of shares of our common stock. Additionally, any issuance of our common stock that is not made solely to then-existing stockholders proportionate to their interests, such as in the case of a stock dividend or stock split, will result in dilution to each stockholder by reducing their percentage ownership of the total outstanding shares. If we issue options or warrants to purchase our common stock in the future and those options or warrants are exercised or we issue stock, stockholders may experience further dilution. In addition, as of December 31, 2017, there were 160,424 shares of our common stock subject to outstanding common stock warrants which could result in further dilution to the stockholders.

Our executive officers, directors and their affiliated entities will continue to have substantial control over us and could limit the ability of other stockholders to influence the outcome of key transactions, including changes of control.

Our executive officers, directors and their affiliated entities, in the aggregate, beneficially own approximately 58% of the outstanding common stock, based on 34,032,946 shares of common stock outstanding as of February 28, 2018. Our executive officers, directors and their affiliated entities, if acting together, will be able to control or significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other significant corporate transactions. In addition, certain of our stockholders are affiliated with certain of our customers. These stockholders might have interests that differ from yours, and they might vote in a way with which you disagree and that could be adverse to your interests. The concentration of common stock ownership could have the effect of delaying, preventing, or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company, and could negatively affect the market price of the common stock.

If equity research analysts issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock relies in part on the research and reports that equity research analysts publish about us and our business. We do not control the work performed by these analysts. The demand for our common stock could decline if one or more equity analysts downgrade our stock or if those analysts issue unfavorable or inaccurate commentary. If such analysts cease publishing reports about us or our business, we could lose visibility in the market, which in turn could cause our share price and trading volume to decline.

We do not currently intend to pay dividends on the common stock, which may hinder your ability to achieve a return on your investment.

We have never declared or paid any cash dividends on our common stock. The continued operation and expansion of our business will require substantial funding and thus we currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Accordingly, you are not likely to receive any dividends on common stock in the foreseeable future, and your ability to achieve a return on your investment will therefore depend on appreciation in the price of the common stock.

Provisions of Delaware law or our charter documents could delay or prevent an acquisition of our company, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for you to change management.

Provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated by-laws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions may also prevent or delay attempts by stockholders to replace or remove our current management or members of our board of directors. These provisions include:

- a classified board of directors;
- limitations on the removal of directors;
- advance notice requirements for stockholder proposals and nominations;
- the inability of stockholders to act by written consent or to call special meetings;
- the ability of our board of directors to make, alter or repeal our amended and restated by-laws; and
- the authority of our board of directors to issue preferred stock with such terms as our board of directors may determine.

The affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote, and not less than 75% of the outstanding shares of each class entitled to vote thereon as a class, is necessary to amend or repeal the above provisions that are contained in our amended and restated certificate of incorporation. In addition, absent approval of our board of directors, our amended and restated by-laws may only be amended or repealed by the affirmative vote of the holders of at least 75% of our shares of capital stock entitled to vote.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which limits business combination transactions with stockholders of 15% or more of our outstanding voting stock that our board of directors has not approved. These provisions and other similar provisions make it more difficult for stockholders or potential acquirers to acquire us without negotiation. These provisions may apply even if some stockholders may consider the transaction beneficial to them.

As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a premium over the then current market price for our common stock.

We are an “emerging growth company” and will be able to avail ourselves of reduced disclosure requirements applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict whether investors will find our common stock less attractive because we may rely on these exemptions. If they do, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of our IPO; (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a “large accelerated filer” under the rules of the SEC.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we are subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

Our headquarters is located in Scottsdale, Arizona, and we own or lease various other facilities in the United States, China, Mexico, Turkey and Denmark. We believe that our properties are generally in good condition, are well maintained and are generally suitable and adequate to carry out our business at expected capacity for the foreseeable future. The table below lists the locations and square footage for our facilities as of February 28, 2018:

<u>Location</u>	<u>Year Commenced</u>	<u>Leased or Owned</u>	<u>Approximate Square Footage</u>	<u>Description of Use</u>
Newton, IA, United States	2008	Leased	337,922	Wind Blade Manufacturing Facility
Newton, IA, United States	2018	Leased	106,121	Transportation Manufacturing Facility
Dafeng, China	2013	Leased	392,000	Wind Blade Manufacturing Facility
Dafeng, China	2015	Leased	446,034	Wind Blade Manufacturing Facility
Taicang Port, China	2007	Owned	226,542	Wind Blade Manufacturing Facility
Juárez, Mexico	2013	Leased	345,984	Wind Blade Manufacturing Facility
Juárez, Mexico	2016	Leased	358,796	Wind Blade Manufacturing Facility
Juárez, Mexico	2017	Leased	339,386	Wind Blade Manufacturing Facility
Matamoros, Mexico	2017	Leased	527,442	Wind Blade Manufacturing Facility
Izmir, Turkey	2012	Leased	343,000	Wind Blade Manufacturing Facility
Izmir, Turkey	2015	Leased	397,931	Wind Blade Manufacturing Facility
Fall River, MA, United States	2008	Leased	70,000	Composite Solution Manufacturing and Research and Development Facility
Warren, RI, United States	2004	Leased	91,387	Precision Molding Development and Manufacturing and Research and Development Facility
Santa Teresa, NM, United States	2014	Leased	503,710	Wind Blade Storage Facility
Scottsdale, AZ, United States	2015	Leased	20,964	Corporate Headquarters
Kolding, Denmark	2018	Leased	2,583	Advanced Engineering Center
Taicang Port, China	2014	Leased	80,730	Component Manufacturing Facility
Taicang City, China	2013	Leased	69,750	Precision Molding Manufacturing Facility

Item 3. Legal Proceedings

From time to time, we may be involved in disputes or litigation relating to claims arising out of our operations.

In March 2015, a complaint was filed against the Company in the Superior Court of the State of Arizona (Maricopa County) by a former employee of the Company, alleging that the Company had agreed to make certain cash payments to such employee upon any future sale of the Company. We filed a motion to dismiss the complaint in April 2015, which was denied. We subsequently filed an answer to the complaint in July 2015 denying the substantive allegations of the complaint. The parties completed court-ordered mediation in December 2015 but were not able to reach a settlement. We filed a motion for summary judgment to dismiss the complaint in April 2016 and the court denied our motion in August 2016. The court set a trial date for September 2017. In May 2017, we filed a motion for continuance to change the trial date and the court granted our motion. The court has set a trial date in August 2018. We continue to deny the substantive allegations of the complaint and we intend to vigorously defend this lawsuit; however, we are currently unable to determine the ultimate outcome of this case.

In August 2015, we entered into a transition agreement with our former Senior Vice President – Asia (SVP–Asia), pursuant to which he transitioned out of this role at the end of 2015 and was to serve in a consulting capacity in 2016 and 2017. In January 2016, following our discovery that he had materially violated the terms of his

transition agreement, we terminated his consultancy for cause. In April 2016, he filed an arbitration claim in China with the Taicang Labor and Personnel Dispute Arbitration Committee alleging that we improperly terminated his transition agreement. He is demanding that we continue to honor the terms of the transition agreement and pay him compensation and fees owed to him under the transition agreement, which in the aggregate total s approximately \$2.6 million. In addition, he is also challenging the validity of our termination of his option to purchase 164,880 shares of our common stock and 77,760 restricted stock units under the 2015 Plan, which were canceled in January 2016 when we terminated his consultancy. We are awaiting a final decision on this matter. We previously established a reserve for these matters and we do not believe the award, if upheld on appeal, will have a material impact on our operating results or financial condition.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

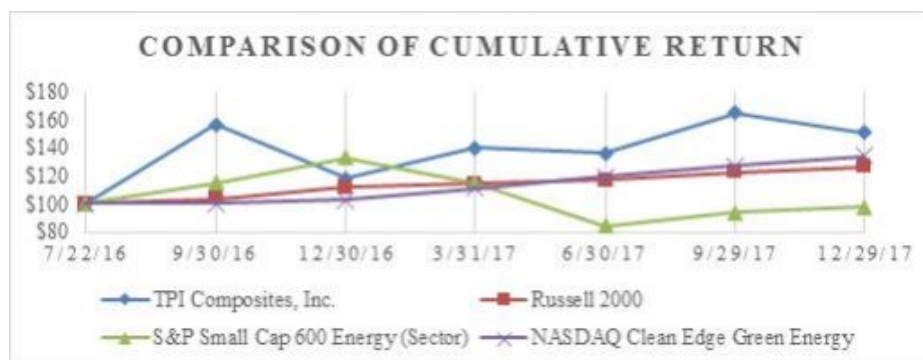
Market Information

On July 22, 2016, our common stock began trading on the NASDAQ Global Market under the symbol “TPIC.” Prior to that time, there was no public market for our stock. The following table sets forth the high and low intra-day per share sale prices for our common stock for the periods indicated, as reported by NASDAQ.

	2017	
	High	Low
First Quarter	\$ 20.99	\$ 15.31
Second Quarter	\$ 20.85	\$ 15.26
Third Quarter	\$ 22.84	\$ 17.91
Fourth Quarter	\$ 26.00	\$ 16.35
	2016	
	High	Low
Third Quarter (July 22, 2016 - September 30, 2016)	\$ 22.72	\$ 11.31
Fourth Quarter	\$ 23.30	\$ 13.27

Stock Performance Graph

The following graph and table illustrate the total stockholder return from July 22, 2016 through December 29, 2017, on our common stock, the Russell 2000 Index, the S&P Small Cap 600 Energy (Sector) Index and the NASDAQ Clean Edge Green Energy Index, assuming an investment of \$100.00 on July 22, 2016 including the reinvestment of dividends.



	Base Period						
	7/22/16	9/30/16	12/30/16	3/31/17	6/30/17	9/29/17	12/29/17
TPI Composites, Inc.	\$ 100.00	\$ 156.78	\$ 118.29	\$ 140.19	\$ 136.28	\$ 164.75	\$ 150.88
Russell 2000	\$ 100.00	\$ 103.20	\$ 111.89	\$ 114.27	\$ 116.69	\$ 122.92	\$ 126.60
S&P Small Cap 600 Energy (Sector)	\$ 100.00	\$ 115.32	\$ 133.11	\$ 115.17	\$ 84.00	\$ 93.64	\$ 97.60
NASDAQ Clean Edge Green Energy	\$ 100.00	\$ 100.33	\$ 102.59	\$ 110.89	\$ 119.52	\$ 127.21	\$ 134.16

Holdings

As of February 28, 2018, there were eight stockholders of record of our common stock, although there is a much larger number of beneficial owners.

Dividends

We have never declared or paid any cash dividends on shares of our capital stock. We currently intend to retain earnings, if any, to finance the development and growth of our business and do not anticipate paying cash dividends on the common stock in the future. Any payment of any future dividends will be at the discretion of the board of directors, subject to compliance with certain covenants in our loan agreements, after taking into account various factors, including our financial condition, operating results, capital requirements, restrictions contained in any future financing instruments, growth plans and other factors the board deems relevant. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” included in Part II, Item 7.

Certain subsidiaries of the Company are limited in their ability to declare dividends without first meeting statutory restrictions of the People’s Republic of China, including retained earnings as determined under Chinese-statutory accounting requirements. Until 50% (\$11.6 million) of registered capital is contributed to a surplus reserve, our Chinese operations can only pay dividends equal to 90% of after-tax profits (10% must be contributed to the surplus reserve). Once the surplus reserve fund requirement is met, we can pay dividends equal to 100% of after-tax profit assuming other conditions are met. At December 31, 2017, the amount of the surplus reserve fund was \$5.6 million. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Liquidity and Capital Resources” included in Part II, Item 7.

Securities Authorized for Issuance under Equity Compensation Plans

The information required in response to Item 201(d) of Regulation S-K is set forth in Part III, Item 12 of this Annual Report on Form 10-K which is incorporated herein by reference.

Recent Sales of Unregistered Securities

None

Use of Proceeds from Registered Securities

On July 21, 2016, our Registration Statement on Form S-1 (File No. 333-212093) was declared effective by the SEC for our IPO whereby we registered an aggregate of 7,187,500 shares of our common stock, including 937,500 shares of our common stock registered for sale by us upon the full exercise of the underwriters’ option to purchase additional shares. On July 27, 2016, we completed our IPO and sold 7,187,500 shares of our common stock at a price to the public of \$11.00 per share. J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC acted as the managing underwriters. The total gross proceeds from the offering to us were \$79.1 million. After deducting underwriting discounts and commissions of \$4.6 million and offering expenses of \$7.3 million, we received \$67.2 million in net proceeds. There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on July 22, 2016 pursuant to Rule 424(b) of the Securities Act. We invested the remaining funds received in registered money market funds.

Issuer Purchases of Equity Securities

None

Item 6. Selected Financial Data

The following selected consolidated income statement data for the years ended December 31, 2017, 2016 and 2015 and the consolidated balance sheet data as of December 31, 2017 and 2016 have been derived from our audited consolidated financial statements and related notes included in Part II, Item 8 of this Annual Report on Form 10-K. The following selected consolidated income statement data for the years ended December 31, 2014 and 2013 and the consolidated balance sheet data as of December 31, 2015 and 2014 have been derived from our audited consolidated financial statements and related notes not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected in the future. The selected consolidated financial and other data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes to consolidated financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7 and the consolidated financial statements and related notes included in Part II, Item 8 of this Annual Report on Form 10-K and other financial information included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
(in thousands, except per share data)					
Consolidated Income Statement Data:					
Net sales	\$ 930,281	\$ 754,877	\$ 585,852	\$ 320,747	\$ 215,054
Cost of sales	776,944	659,745	528,247	289,528	200,182
Startup and transition costs	40,628	18,127	15,860	16,567	6,607
Total cost of goods sold	817,572	677,872	544,107	306,095	206,789
Gross profit	112,709	77,005	41,745	14,652	8,265
General and administrative expenses	40,373	33,892	14,126	9,175	7,566
Income from operations	72,336	43,113	27,619	5,477	699
Other income (expense):					
Interest income	95	344	161	186	155
Interest expense	(12,381)	(17,614)	(14,565)	(7,236)	(3,474)
Loss on extinguishment of debt	—	(4,487)	—	(2,946)	—
Realized loss on foreign currency remeasurement	(4,471)	(757)	(1,802)	(1,743)	(1,892)
Miscellaneous income	1,191	238	246	539	140
Total other expense	(15,566)	(22,276)	(15,960)	(11,200)	(5,071)
Income (loss) before income taxes	56,770	20,837	11,659	(5,723)	(4,372)
Income tax benefit (provision)	(13,080)	(6,995)	(3,977)	(925)	3,346
Net income (loss) before noncontrolling interest	43,690	13,842	7,682	(6,648)	(1,026)
Net loss attributable to noncontrolling interest (1)	—	—	—	—	2,305
Net income (loss)	43,690	13,842	7,682	(6,648)	1,279
Net income attributable to preferred stockholders (2)	—	5,471	9,423	13,930	14,149
Net income (loss) attributable to common stockholders	\$ 43,690	\$ 8,371	\$ (1,741)	\$ (20,578)	\$ (12,870)
Weighted-average common shares outstanding:					
Basic (3)	33,844	17,530	4,238	4,238	4,238
Diluted (3)	34,862	17,616	4,238	4,238	4,238
Net income (loss) per common share:					
Basic	\$ 1.29	\$ 0.48	\$ (0.41)	\$ (4.86)	\$ (3.04)
Diluted	\$ 1.25	\$ 0.48	\$ (0.41)	\$ (4.86)	\$ (3.04)

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Other Financial Information:	(in thousands, except other operating information)				
Total billings (4)	\$ 941,565	\$ 764,424	\$ 600,107	\$ 362,749	\$ 221,057
EBITDA (4)	\$ 89,934	\$ 55,491	\$ 37,479	\$ 8,768	\$ 6,502
Adjusted EBITDA (4)	\$ 101,529	\$ 66,150	\$ 39,281	\$ 13,457	\$ 8,430
Capital expenditures	\$ 44,828	\$ 30,507	\$ 26,361	\$ 18,924	\$ 7,065
Free cash flow (4)	\$ 37,835	\$ 23,334	\$ 4,932	\$ (52,141)	\$ (5,438)
Total debt, net of debt issuance costs and discount	\$ 121,385	\$ 123,155	\$ 129,346	\$ 120,849	\$ 36,562
Net cash (debt) (4)	\$ 24,557	\$ (6,379)	\$ (90,667)	\$ (87,547)	\$ (26,590)

Other Operating Information:

Sets (5)	2,736	2,154	1,609	966	648
Estimated megawatts (6)	6,602	4,920	3,595	2,029	1,173
Dedicated manufacturing lines (7)	48	44	34	29	16
Total manufacturing lines installed (8)	41	33	30	22	14
Manufacturing lines in startup (9)	9	3	10	9	2
Manufacturing lines in transition (10)	—	3	11	8	2

- (1) In 2012, we commenced operations in Turkey as a 75% owner of those operations and in 2013, we became the sole owner with the acquisition of the remaining 25% interest.
- (2) Represents the accrual of dividends on our convertible and senior redeemable preferred shares, the accretion to redemption amounts on our convertible preferred shares and warrant fair value adjustments. Immediately prior to the closing of the IPO, all preferred shares were converted into shares of our common stock and as a result, the accrual of dividends ceased.
- (3) For the years ended December 31, 2017 and 2016, the weighted-average diluted shares outstanding include the conversion on a net issuance basis of our common warrants and the stock options issued under the 2015 Plan and the 2008 Stock Option and Grant Plan. For the years ended December 31, 2015, 2014 and 2013, the weighted-average common shares outstanding are the same under the basic and diluted per share calculations as we incurred a net loss in each of those years.
- (4) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics Used By Management to Measure Performance” included in Part II, Item 7 of this Annual Report on Form 10-K for more information and the reconciliations of total billings, EBITDA, adjusted EBITDA, free cash flow and net cash (debt) to net sales, net income (loss), net income (loss), net cash provided by operating activities and total debt, net of debt issuance costs and discount, respectively, the most directly comparable financial measures calculated and presented in accordance with GAAP.
- (5) Number of wind blade sets (which consist of three wind blades) invoiced worldwide in the period. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics Used By Management to Measure Performance” included in Part II, Item 7 of this Annual Report on Form 10-K for more information.
- (6) Estimated megawatts of energy capacity to be generated by wind blade sets invoiced in the period. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics Used By Management to Measure Performance” included in Part II, Item 7 of this Annual Report on Form 10-K for more information.
- (7) Number of manufacturing lines that are dedicated to our customers under long-term supply agreements. Includes seven manufacturing lines for GE Wind that were not extended beyond 2017. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics Used By Management to Measure Performance” included in Part II, Item 7 of this Annual Report on Form 10-K for more information. Dedicated manufacturing lines may be greater than total manufacturing line capacity in instances where we have signed new supply agreements for manufacturing facilities that are under construction or have not yet been built.
- (8) Number of manufacturing lines installed and either in operation, startup or transition. Includes four manufacturing lines for GE Wind that were not extended beyond 2017. See “Management’s Discussion and

Analysis of Financial Condition and Results of Operations—Key Metrics Used By Management to Measure Performance” included in Part II, Item 7 of this Annual Report on Form 10-K for more information.

- (9) Number of manufacturing lines in a startup phase during the pre-production and production ramp-up periods. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics Used By Management to Measure Performance” included in Part II, Item 7 of this Annual Report on Form 10-K for more information.
- (10) Number of manufacturing lines that were being transitioned to a new wind blade model during the period. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics Used By Management to Measure Performance” included in Part II, Item 7 of this Annual Report on Form 10-K for more information.

	December 31,			
	2017	2016	2015	2014
Consolidated Balance Sheet Data:	(in thousands)			
Cash and cash equivalents	\$ 148,113	\$ 119,066	\$ 45,917	\$ 43,592
Total assets	573,534	437,206	329,920	273,704
Total debt, net of debt issuance costs and discount	121,385	123,155	129,346	120,849
Total liabilities	412,917	330,699	322,287	271,448
Total convertible and senior redeemable preferred shares and warrants	—	—	198,830	189,349
Total stockholders’ equity (deficit)	160,617	106,507	(191,197)	(187,093)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes included in Part II, Item 8 of this Annual Report on Form 10-K and other financial information appearing elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those described in or implied by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Annual Report on Form 10-K, particularly those under "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K. Dollars in tabular format are presented in thousands, except as otherwise indicated.

OVERVIEW

Our Company

We are the only independent manufacturer of composite wind blades for the wind energy market with a global manufacturing footprint. We enable many of the industry's leading wind turbine original equipment manufacturers (OEM), who have historically relied on in-house production, to outsource the manufacturing of some of their wind blades through our global footprint of advanced manufacturing facilities strategically located to serve large and growing wind markets in a cost-effective manner. Given the importance of wind energy capture, turbine reliability and cost to power producers, the size, quality and performance of wind blades have become highly strategic to our OEM customers. As a result, we have become a key supplier to our OEM customers in the manufacture of wind blades and related precision molding and assembly systems. We have entered into long-term supply agreements pursuant to which we dedicate capacity at our facilities to our customers in exchange for their commitment to purchase minimum annual volumes of wind blade sets, which consist of three wind blades. This collaborative dedicated supplier model provides us with contracted volumes that generate significant revenue visibility, drive capital efficiency and allow us to produce wind blades at a lower total delivered cost, while ensuring critical dedicated capacity for our customers.

We also leverage our advanced composite technology and history of innovation to supply high strength, lightweight and durable composite products to the transportation market. In November 2017, we signed a new, five year supply agreement with Proterra Inc. (Proterra) to supply Proterra Catalyst® composite bus bodies from our existing Rhode Island facility and from a new manufacturing facility in Newton, Iowa, which we expect to commence operations in the first half of 2018.

Our wind blade and precision molding and assembly systems manufacturing businesses accounted for approximately 99% of our total net sales for each of the years ended December 31, 2017, 2016 and 2015. As of March 7, 2018, our long-term wind and transportation supply agreements provide for minimum aggregate volume commitments from our customers of approximately \$3.1 billion and encourage our customers to purchase additional volume up to, in the aggregate, a total contract value of approximately \$4.6 billion through the end of 2023. In recent years, we have experienced significant growth in our OEM customer base, as according to data from MAKE, our OEM customers collectively accounted for approximately 45% of the global onshore wind energy market and approximately 68% of that market excluding China over the three years ended December 31, 2016, based on MWs of energy capacity installed. Additionally, our customers represented 99.8% of the U.S. onshore wind turbine market over the three years ended December 31, 2016, based on MWs of energy capacity installed. We believe this figure demonstrates the leading position of our existing OEM customers, as well as our opportunity to develop relationships with new OEM customers as additional OEMs seek to capitalize on the benefits of outsourced wind blade manufacturing while maintaining high quality customization and dedicated capacity. We believe that these trends will help us to strengthen our current customer base, grow our business worldwide, increase our revenue and improve our business prospects.

We divide our business operations into four geographic operating segments—the United States, Asia, Mexico and Europe, the Middle East and Africa (EMEA), as follows:

- Our U.S. segment includes (1) the manufacturing of wind blades at our Newton, Iowa plant, (2) the manufacturing of precision molding and assembly systems used for the manufacture of wind blades at our Warren, Rhode Island facility, (3) the manufacturing of composite solutions for the transportation industry, which we also conduct at our existing Rhode Island and Massachusetts facilities, (4) our advanced engineering center in Kolding, Denmark, which provides technical and engineering resources to our manufacturing facilities and (5) our corporate headquarters, the costs of which are included in general and administrative expenses. In January 2018, we entered into a new lease agreement with a third party for a new manufacturing facility in Newton, Iowa and we expect to commence operations at this facility in the first half of 2018.
- Our Asia segment includes (1) the manufacturing of wind blades at our facility in Taicang Port, China and at our two facilities in Dafeng, China, (2) the manufacturing of precision molding and assembly systems at our Taicang City, China facility, (3) the manufacture of components at our second Taicang Port, China facility and (4) wind blade inspection and repair services.
- Our Mexico segment manufactures wind blades from our three facilities in Juárez, Mexico, the most recent of which commenced operations in January 2017. In April 2017, we entered into a new lease agreement with a third party for a new manufacturing facility in Matamoros, Mexico and we expect to commence operations at this facility in the second half of 2018.
- Our EMEA segment manufactures wind blades from our two facilities in Izmir, Turkey. We entered into a joint venture in 2012 to produce wind blades at our first Turkey plant and in 2013 became the sole owner of the Turkey operation with the acquisition of the remaining 25% interest. We commenced operations at our second facility during the third quarter of 2016.

Key Trends Affecting our Business

We have identified the following material trends affecting our business:

- The wind power generation industry has grown rapidly and expanded worldwide over the last five years to meet high global demand for electricity and the expanded use of renewable energy. Our sales of wind blades to our wind turbine customers have grown rapidly over the last several years in response to these trends. We expect our revenue growth rate in 2018 to slow considerably due to a significant number of wind blade model transitions and the startup of several new manufacturing facilities, but we believe these transitions and startups will position us for strong revenue growth in 2019 and 2020. We have entered into long-term supply agreements with customers in the United States, China, Mexico and Turkey that expire between 2018 and 2023.
- Many governments are shifting from feed-in tariffs to auction-based tenders as a means of promoting the development and growth of renewable energy sources such as wind energy. As a result of this shift, our wind turbine OEM customers have recently begun to experience intense pricing pressure with respect to the sale of their turbines together with increased competitive pricing from solar energy. To date, these pricing pressures have not materially affected our results of operations, however, if these pricing pressures continue, we may be required to reduce our margins or choose to pass on the savings obtained from manufacturing cost reductions and productivity improvements to our OEM customers to remain competitive.

During the last several years, wind turbine OEMs generally have increasingly outsourced the production of wind blades and other key components to specialized manufacturers to meet this increasing global demand for wind energy in a cost-effective manner in new and growing markets. That shift, together with the overall expansion of the wind power generation industry, has increased our addressable market. Given our growth in production, we have hired more than 5,700 additional new employees since the beginning of 2014. In addition, we have expanded our customer base from one OEM customer to five OEM customers over the last four years capitalizing on the growth and expansion of the wind energy generation industry generally as well as the specific trend of most wind turbine OEMs increasing the outsourcing of the manufacturing of wind blades for growth and diversification.

- Despite this trend of wind turbine OEMs increasingly outsourcing their wind blade manufacturing production requirements, we expect GE Wind, our largest customer, to insource a greater percentage of its wind blade production requirements in the future as a result of its acquisition of LM. In April 2017, GE acquired LM, our largest competitor. Although we entered into a new Mexico supply agreement and extended our existing Iowa and Mexico supply agreements with GE Wind in 2016, we did not extend GE Wind's Turkey and Taicang Port, China supply agreements, which expired at the end of 2017.
- We expect that a substantial portion of our future revenue growth will be derived from our international operations. We have expanded our manufacturing facilities internationally over the last several years, including opening facilities in Mexico and Turkey, to meet the needs of our customers. We recently entered into lease agreements with third parties to lease two new manufacturing facilities in Juárez, Mexico and a new facility in Izmir, Turkey, and commenced operations at these new facilities in the third quarter of 2016 and the first quarter of 2017. We also entered into a new lease with a third party for a new manufacturing facility in Matamoros, Mexico and expect to commence operations at this facility in the second half of 2018. The portion of our net sales that were derived from our international operations increased to 80% for the year ended December 31, 2017 from 75% for the year ended December 31, 2016, 74% for the year ended December 31, 2015, 55% for the year ended December 31, 2014 and 25% for the year ended December 31, 2013. We believe we will continue to derive a substantial portion of our future net sales growth from our international operations.
- Our long-term supply agreements with our customers generally encourage our customers to maximize the volume of wind blades they purchase from us, since purchasing less than a specified amount triggers higher pricing, as well as provide downside protection for us through minimum annual volume commitments. Some of our long-term supply agreements also provide for annual sales price reductions reflecting assumptions regarding increases in our manufacturing efficiency and productivity. We work to continue to drive down the cost of materials and production through innovation and global sourcing, a portion of the benefit of which we share with our customers contractually, further strengthening our deep customer relationships. Wind blade pricing is based on annual commitments of volume as established in the customer's contract, with orders less than committed volume resulting in additional costs per wind blade to customers. Orders in excess of annual commitments may but generally do not result in discounts to customers from the contracted price for the committed volume. Customers may utilize early payment discounts, which are reported as a reduction of revenue at the time the discount is taken.

- The long-term supply agreements we sign with our customers provide us with significant visibility of future production demands due in part to the annual minimum purchase commitments of our customers contained in those agreements. These annual minimum purchase commitments generally require our customers to purchase a negotiated percentage of the manufacturing capacity that we have agreed to dedicate to them. Generally, this percentage begins at 100% of the manufacturing capacity that we have dedicated to a particular customer for the first few years of the supply agreement, and the percentage declines over time in subsequent years according to the terms of the agreement, but generally remains above 50%. It is our experience that our customers will generally order wind blades from us in a volume that exceeds (sometimes substantially) the annual minimum purchase commitments contained in our supply agreements, particularly in the later years of a supply agreement when the annual minimum purchase commitment percentage declines. As of March 7, 2018, our long-term wind and transportation supply agreements provide for minimum aggregate volume commitments from our customers of approximately \$3.1 billion and encourage our customers to purchase additional volume up to, in the aggregate, a total contract value of approximately \$4.6 billion through the end of 2023. As noted elsewhere in this Annual Report on Form 10-K, some of our long-term supply agreements, including some of those with our largest customer, are subject to early termination by our customers if our customers pay an early termination fee. We caution investors that the annual minimum purchase commitments in our long-term supply agreements can understate the forecasted net sales that we are likely to generate in a given period or periods if all of our long-term supply agreements remain in place and pricing remains materially unchanged, and they could potentially overstate the forecasted net sales that we are likely to generate in a given period or periods if one or more of our agreements were to be terminated by our customers for any reason. See “Business—Wind Blade Long-Term Supply Agreements” included in Part 1, Item 1A of this Annual Report on Form 10-K for additional information.
- We expect our new manufacturing facilities to generate operating losses in their first 6 to 18 months of operations due to production and overhead expenses as they initially operate far below capacity during the pre-production and production ramp up periods. As a result, this generally has a negative impact on our results of operations during these ramp-up periods. In addition, construction of new facilities and expansion of existing facilities, including the fabrication of precision molding and assembly systems to outfit those facilities, is complex and involves inherent risks. For planning purposes, we generally estimate that the startup of a new six-line manufacturing facility requires cash for net operating expenses and working capital of between \$25 million to \$30 million. We also estimate that additional capital expenditures primarily related to machinery and equipment for new facilities or facility expansions of between \$25 million and \$30 million will be required. We expect to incur significant startup costs and expenses for the year ended December 31, 2018 in connection with the planned opening of our new manufacturing facilities in Matamoros, Mexico and Newton, Iowa, as well as the startup of a new customer in our Taicang Port, China manufacturing facility.
- Changing customer demands, including shifts to bigger wind turbines with larger wind blades, have driven some of our customers to require us to transition to new wind blade models one or two times during the term of a long-term supply agreement. Although we generally receive transition payments to compensate us for the costs of the impact of reduced volumes during these transitions, these payments may not always fully cover the transition costs and lost margin. As a result, these transitions have and may continue to have a short-term, negative impact on our consolidated operating results and cash flows. However, our precision molding and assembly manufacturing business generally increases as we transition to larger wind blade models and larger wind blades generally have a higher average selling price, so that the transition to larger wind blades may increase our net sales over time. As we transition to new wind blade models, we also often extend our existing supply agreements.
- As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and NASDAQ, impose various requirements on public companies, including requiring establishment and maintenance of effective disclosure controls and internal control over financial reporting and changes in corporate governance practices. We estimate that we will incur approximately \$3.0 million to \$4.0 million in expenses annually in response to these requirements.

COMPONENTS OF RESULTS OF OPERATIONS

Net Sales

Net sales reflect sales of our products, including wind blades, precision molding and assembly systems and transportation products, as well as fees and other amounts paid by our customers to compensate us for our costs and capital expenditures associated with wind blade model transitions. Several factors affect net sales in any period, including customer demand, wind blade model transitions, general economic conditions and weather conditions. We currently derive an immaterial amount of net sales from our transportation business. Under GAAP, we do not recognize revenue on our wind blade sales until the wind blades have been delivered to our customers. Under our long-term supply agreements with our customers, we invoice our customers for wind blades once the blades pass certain acceptance procedures and title passes to our customers. Our customers generally pay us for the wind blades between 15 to 65 days after receipt of the invoice based on negotiated payment terms. However, in many cases, our customers request that we store their wind blades until they are ready to assemble wind turbines at a particular wind farm project. We have no control over when our customers decide to ship wind blades from our storage sites, and in some cases, our customers have stored large numbers of their wind blades at our sites for six months or more. Even if the customer has paid us for the wind blades and title has passed to the customer, we do not recognize revenue for these wind blades until the wind blades have been delivered to the customer. Instead, these transactions are recorded as deferred revenue in our consolidated financial statements.

Cost of Goods Sold

Cost of goods sold includes the costs associated with products invoiced during the period as well as unallocated manufacturing overhead costs associated with startup and transition costs. Cost of sales includes all costs incurred at our production facilities to make products saleable, such as raw materials, direct labor and indirect labor and facilities costs, including purchasing and receiving costs, plant management, inspection costs, product engineering and internal transfer costs. In addition, all depreciation associated with assets used to produce composite products and make them saleable is included in cost of sales. Direct labor costs consist of salaries, benefits and other personnel related costs for employees engaged in the manufacture of our products.

Startup costs represent the unallocated overhead related to both new manufacturing facilities as well as new lines in existing manufacturing facilities. Transition costs represent the unallocated overhead related to the transition of wind blade models at the request of our customers. The startup and transition costs are primarily fixed overhead costs incurred during the period production facilities are under-utilized while transitioning wind blade models and ramping up manufacturing, which are not allocated to products and are expensed as incurred. The cost of sales for the initial wind blades from a new model manufacturing line is generally higher than when the line is operating at optimal production volume levels due to inefficiencies during ramp-up related to labor hours per blade, cycle times per blade and raw material usage. Additionally, manufacturing overhead as a percentage of net sales is generally higher during the period in which a facility is ramping up to full production capacity due to underutilization of the facility. Manufacturing overhead at each of our facilities includes virtually all indirect costs (including share-based compensation costs) incurred at the plants, including engineering, finance, information technology, human resources and plant management.

General and Administrative Expenses

General and administrative expenses are primarily incurred at our corporate headquarters and our research facilities and include salaries, benefits and other personnel related costs for employees engaged in research and development, engineering, finance, information technology, human resources, business development, global operational excellence, global supply chain, in-house legal and executive management. Other costs include outside legal and accounting fees, risk management (insurance), share-based compensation and certain other administrative and global resources costs.

For the years ended December 31, 2017, 2016 and 2015, research and development expenses not performed at our manufacturing facilities (included in general and administrative expenses) totaled \$1.6 million, \$1.5 million and \$0.9 million, respectively.

Other Income (Expense)

Other income (expense) consists primarily of interest expense on our credit facilities and the amortization of deferred financing costs and beneficial conversion features related to our debt borrowings. Other income (expense) also includes realized gains and losses on foreign currency remeasurement, interest income and miscellaneous income and expense.

During the year ended December 31, 2016, we expensed \$2.4 million of deferred financing costs and \$2.1 million of prepayment penalties related to the refinancing of our previous credit facility. This amount was included with the caption “Loss on extinguishment of debt” in the accompanying consolidated income statements.

Income Tax Benefit (Provision)

Income tax benefit (provision) consists of federal, state, provincial, local and foreign taxes based on income in jurisdictions in which we operate, including in the United States, China, Mexico and Turkey. The composite income tax rate, tax provisions, deferred tax assets and liabilities vary according to the jurisdiction in which the income or loss arises. Tax laws are complex and subject to different interpretations by management and the respective governmental taxing authorities, and require us to exercise judgment in determining our income tax provision, our deferred tax assets and liabilities and the valuation allowance recorded against our net deferred tax assets.

Net Income Attributable to Preferred Stockholders

Net income attributable to preferred stockholders relates to the accrual of dividends on our convertible and senior redeemable preferred shares, the accretion to redemption amounts on our convertible preferred shares and warrant fair value adjustment. Immediately prior to the closing of our IPO, all preferred shares were converted into shares of our common stock and as a result, the accrual of dividends ceased.

KEY METRICS USED BY MANAGEMENT TO MEASURE PERFORMANCE

In addition to measures of financial performance presented in our consolidated financial statements in accordance with GAAP, we use certain other financial measures and operating metrics to analyze the performance of our company. These “non-GAAP” financial measures consist of total billings, EBITDA, adjusted EBITDA, free cash flow and net cash (debt), which help us evaluate growth trends, establish budgets, assess operational efficiencies, oversee our overall liquidity, and evaluate our overall financial performance. The key operating metrics consist of wind blade sets invoiced, estimated megawatts of energy capacity for wind blade sets invoiced, manufacturing lines dedicated to customers under long-term supply agreements, total manufacturing lines installed, manufacturing lines in startup and manufacturing lines in transition, which help us evaluate our operational performance. We believe that these measures are useful to investors in evaluating our performance.

Key Financial Measures

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net sales	\$ 930,281	\$ 754,877	\$ 585,852
Total billings (1)	\$ 941,565	\$ 764,424	\$ 600,107
Net income	\$ 43,690	\$ 13,842	\$ 7,682
EBITDA (1)	\$ 89,934	\$ 55,491	\$ 37,479
Adjusted EBITDA (1)	\$ 101,529	\$ 66,150	\$ 39,281
Capital expenditures	\$ 44,828	\$ 30,507	\$ 26,361
Free cash flow (1)	\$ 37,835	\$ 23,334	\$ 4,932
Total debt, net of debt issuance costs and discount	\$ 121,385	\$ 123,155	\$ 129,346
Net cash (debt) (1)	\$ 24,557	\$ (6,379)	\$ (90,667)

Key Operating Metrics

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Sets (2)	2,736	2,154	1,609
Estimated megawatts (3)	6,602	4,920	3,595
Dedicated manufacturing lines (4)	48	44	34
Total manufacturing lines installed (5)	41	33	30
Manufacturing lines in startup (6)	9	3	10
Manufacturing lines in transition (7)	—	3	11

- (1) See below for more information and a reconciliation of total billings, EBITDA, adjusted EBITDA, free cash flow and net cash (debt) to net sales, net income (loss), net income (loss), net cash provided by operating activities and total debt, net of debt issuance costs and discount, respectively, the most directly comparable financial measures calculated and presented in accordance with GAAP.
- (2) Number of wind blade sets (which consist of three wind blades) invoiced worldwide in the period.
- (3) Estimated megawatts of energy capacity to be generated by wind blade sets invoiced in the period.
- (4) Number of wind blade manufacturing lines that are dedicated to our customers under long-term supply agreements. Includes seven manufacturing lines for GE Wind that were not extended beyond 2017. Dedicated manufacturing lines may be greater than total manufacturing line capacity in instances where we have signed new supply agreements for manufacturing facilities that are under construction or have not yet been built.
- (5) Number of wind blade manufacturing lines installed and either in operation, startup or transition. Includes four manufacturing lines for GE Wind that were not extended beyond 2017.
- (6) Number of wind blade manufacturing lines in a startup phase during the pre-production and production ramp-up periods.
- (7) Number of wind blade manufacturing lines that were being transitioned to a new wind blade model during the period.

Net sales and total billings

We define total billings, a non-GAAP financial measure, as the total amounts we have invoiced our customers for products and services for which we are entitled to payment under the terms of our long-term supply agreements or other contractual agreements. We monitor total billings, and believe it is useful to present to investors as a supplement to our GAAP measures, because we believe it more directly correlates to sales activity and operations based on the timing of actual transactions with our customers, which facilitates comparison of our performance between periods and provides a more timely indication of trends in sales. Under GAAP, we do not recognize revenue on our wind blade sales until the wind blades have been delivered to our customers. Under our long-term supply agreements with our customers, we invoice our customers for wind blades once the blades pass certain acceptance procedures and title passes to our customers. Our customers generally pay us for the wind blades between 15 to 65 days after receipt of the invoice based on negotiated payment terms. However, in many cases, our customers request that we store their wind blades until they are ready to assemble wind turbines at a particular wind farm project. We have no control over when our customers decide to ship wind blades from our storage sites, and in some cases, our customers have stored large numbers of their wind blades on our sites for six months or more. Even if the customer has paid us for the wind blades and title has passed to the customer, we do not recognize revenue for these wind blades until the wind blades have been delivered to the customer. Instead, these transactions are recorded as deferred revenue in our consolidated financial statements. However, we are contractually entitled to payment for those wind blades and, accordingly, invoice them when the blades are placed in storage.

Our use of total billings has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Total billings includes wind blades that have not been delivered and for which we are responsible if damage occurs to them while we hold them; and
- Other companies, including companies in our industry, may define total billings differently, which reduces its usefulness as a comparative measure.

EBITDA and adjusted EBITDA

We define EBITDA, a non-GAAP financial measure, as net income or loss plus interest expense (including losses on the extinguishment of debt and net of interest income), income taxes and depreciation and amortization. We define adjusted EBITDA as EBITDA plus share-based compensation expense, plus or minus any realized gains or losses from foreign currency remeasurement. Adjusted EBITDA is the primary metric used by our management and our board of directors to establish budgets and operational goals for managing our business and evaluating our performance. In addition, our previous credit facility contained minimum EBITDA (as defined in the previous credit facility) covenants with which we were required to comply. We monitor adjusted EBITDA as a supplement to our GAAP measures and believe it is useful to present to investors because we believe that it facilitates evaluation of our period-to-period operating performance by eliminating items that are not operational in nature, allowing comparison of our recurring core business operating results over multiple periods unaffected by differences in capital structure, capital investment cycles and fixed asset base. In addition, we believe adjusted EBITDA and similar measures are widely used by investors, securities analysts, ratings agencies, and other parties in evaluating companies in our industry as a measure of financial performance and debt-service capabilities.

Our use of adjusted EBITDA has limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect our cash expenditures for capital equipment or other contractual commitments;
- adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect capital expenditure requirements relating to the future need to augment or replace those assets;
- adjusted EBITDA does not reflect the realized gains or losses from foreign currency remeasurement in our international operations;
- adjusted EBITDA does not reflect share-based compensation expense on equity-based incentive awards to our officers, employees, directors and consultants;
- adjusted EBITDA does not reflect losses on extinguishment of debt relating to prepayment penalties, termination fees and the write off of any remaining debt discount and debt issuance costs upon the repayment or refinancing of our debt; and
- other companies, including companies in our industry, may calculate EBITDA and adjusted EBITDA differently, which reduces their usefulness as comparative measures.

In evaluating EBITDA and adjusted EBITDA, you should be aware that in the future, we will incur expenses similar to the adjustments noted in this presentation. Our presentations of EBITDA and adjusted EBITDA should not be construed as suggesting that our future results will be unaffected by these expenses or any unusual or non-recurring items. When evaluating our performance, you should consider EBITDA and adjusted EBITDA alongside other financial performance measures, including our net income (loss) and other GAAP measures.

Free cash flow

We define free cash flow as net cash provided by operating activities less capital expenditures. We believe free cash flow is a useful measure for investors because it portrays our ability to generate cash from our business for purposes such as repaying maturing debt and funding business acquisitions.

Net cash (debt)

We define net cash (debt) as total unrestricted cash and cash equivalents less the total principal amount of debt outstanding. The total principal amount of debt outstanding is comprised of the long-term debt and current maturities of long-term debt as presented in our consolidated balance sheets adding back any debt issuance costs and discounts. We believe that the presentation of net cash (debt) provides useful information to investors because our management reviews net cash (debt) as part of our oversight of overall liquidity, financial flexibility and leverage. Net cash (debt) is important when we consider opening new plants and expanding existing plants, as well as for capital expenditure requirements.

The following table reconciles our non-GAAP key financial measures to the most directly comparable GAAP measures:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net sales	\$ 930,281	\$ 754,877	\$ 585,852
Change in deferred revenue:			
Blade-related deferred revenue at beginning of period ⁽¹⁾	(69,568)	(65,520)	(59,476)
Blade-related deferred revenue at end of period ⁽¹⁾	81,048	69,568	65,520
Foreign exchange impact ⁽²⁾	(196)	5,499	8,211
Change in deferred revenue	11,284	9,547	14,255
Total billings	\$ 941,565	\$ 764,424	\$ 600,107
Net income	\$ 43,690	\$ 13,842	\$ 7,682
Adjustments:			
Depreciation and amortization	20,878	12,897	11,416
Interest expense (net of interest income)	12,286	17,270	14,404
Loss on extinguishment of debt	—	4,487	—
Income tax provision	13,080	6,995	3,977
EBITDA	89,934	55,491	37,479
Realized loss on foreign currency remeasurement	4,471	757	1,802
Share-based compensation expense	7,124	9,902	—
Adjusted EBITDA	\$ 101,529	\$ 66,150	\$ 39,281

(1) Total billings is reconciled using the blade-related deferred revenue amounts at the beginning and the end of the period as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Blade-related deferred revenue at beginning of period	\$ 69,568	\$ 65,520	\$ 59,476
Non-blade related deferred revenue at beginning of period	—	—	—
Total current and noncurrent deferred revenue at beginning of period	\$ 69,568	\$ 65,520	\$ 59,476
Blade-related deferred revenue at end of period	\$ 81,048	\$ 69,568	\$ 65,520
Non-blade related deferred revenue at end of period	—	—	—
Total current and noncurrent deferred revenue at end of period	\$ 81,048	\$ 69,568	\$ 65,520

- (2) Represents the effect of the difference the exchange rate used by our various foreign subsidiaries on the invoice date versus the exchange rate used at the period-end balance sheet date.

Free cash flow is reconciled as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net cash provided by operating activities	\$ 82,663	\$ 53,841	\$ 31,293
Less capital expenditures	(44,828)	(30,507)	(26,361)
Free cash flow	<u>\$ 37,835</u>	<u>\$ 23,334</u>	<u>\$ 4,932</u>

Net cash (debt) is reconciled as follows:

	December 31,		
	2017	2016	2015
	(in thousands)		
Total debt, net of debt issuance costs and discount	\$ (121,385)	\$ (123,155)	\$ (129,346)
Less debt issuance costs	(2,171)	(2,290)	(4,220)
Less discount on debt	—	—	(3,018)
Plus cash and cash equivalents	148,113	119,066	45,917
Net cash (debt)	<u>\$ 24,557</u>	<u>\$ (6,379)</u>	<u>\$ (90,667)</u>

Key Operating Metrics

Key operating metrics consist of sets invoiced, estimated megawatts of energy capacity for wind blade sets invoiced, dedicated manufacturing lines, total manufacturing lines installed, manufacturing lines in startup and manufacturing lines in transition.

Sets represents the number of wind blade sets, consisting of three wind blades each, which we invoiced worldwide during the period. We monitor sets and believe that presenting sets to investors is helpful because we believe that it is the most direct measurement of our manufacturing output during the period. Sets primarily impact net sales and total billings.

Estimated megawatts are the energy capacity to be generated by wind blade sets invoiced in the period. Our estimate is based solely on name-plate capacity of the wind turbine on which our wind blades are expected to be installed. We monitor estimated megawatts and believe that presenting estimated megawatts to investors is helpful because we believe that it is a commonly followed measurement of energy capacity across our industry and provides an indication of our share of the overall wind blade market.

Dedicated manufacturing lines are the number of wind blade manufacturing lines that we have dedicated to our customers pursuant to our long-term supply agreements.

Total manufacturing lines installed represents the number of wind blade manufacturing lines installed and either in operation, startup or transition. We monitor dedicated manufacturing lines and total manufacturing lines installed and believe that presenting both of these metrics to investors is helpful because we believe that the number of dedicated manufacturing lines is the best indicator of demand for our wind blades from customers under our long-term supply agreements in any given period. Dedicated manufacturing lines primarily impacts our net sales and total billings. We believe that dedicated manufacturing lines provide an understanding of additional capacity within an existing facility and that total manufacturing lines installed provides an understanding of the number of manufacturing lines installed and either in operation, startup or transition.

Manufacturing lines in startup is the number of dedicated wind blade manufacturing lines that were in a startup phase during the pre-production and production ramp up period, pursuant to the opening of a new

manufacturing facility, the expansion of an existing manufacturing facility or the addition of new manufacturing lines in an existing manufacturing facility. We monitor and present this metric because we believe it helps investors to better understand the impact of the startup phase of our new manufacturing facilities on our gross profit (loss) and net income (loss).

Manufacturing lines in transition is the number of dedicated wind blade manufacturing lines that were being transitioned to a new wind blade model during the period. We monitor and present this metric because we believe it helps investors to better understand the impact of these transitions on our gross profit (loss) and net income (loss).

RESULTS OF OPERATIONS

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

The following table summarizes certain information relating to our operating results (in thousands) and related percentage of net sales for the years ended December 31 that have been derived from our consolidated financial statements:

	2017		2016	
Net sales	\$ 930,281	100.0%	\$ 754,877	100.0%
Cost of sales	776,944	83.5%	659,745	87.4%
Startup and transition costs	40,628	4.4%	18,127	2.4%
Total cost of goods sold	817,572	87.9%	677,872	89.8%
Gross profit	112,709	12.1%	77,005	10.2%
General and administrative expenses	40,373	4.3%	33,892	4.5%
Income from operations	72,336	7.8%	43,113	5.7%
Other expense	(15,566)	(1.7)%	(22,276)	(3.0)%
Income before income taxes	56,770	6.1%	20,837	2.7%
Income tax provision	(13,080)	(1.4)%	(6,995)	(0.9)%
Net income	43,690	4.7%	13,842	1.8%
Net income attributable to preferred stockholders	—	—	5,471	0.7%
Net income attributable to common stockholders	\$ 43,690	4.7%	\$ 8,371	1.1%

Net sales for the year ended December 31, 2017 increased by \$175.4 million or 23.2% to \$930.3 million compared to \$754.9 million in the same period in 2016. The increase was primarily driven by a 27% increase in the number of wind blades delivered during 2017 as compared to 2016, partially offset by a reduction in net sales from the manufacturing of precision molding and assembly systems. Net sales of wind blades were \$893.8 million for the year ended December 31, 2017 as compared to \$706.8 million in the same period in 2016. These increases were primarily the result of additional wind blade volume at each of our plants impacted by lower average sales price due to geographic mix, blade mix and the result of savings in raw material costs, a portion of which we share with our customers. Net sales from the manufacturing of precision molding and assembly systems during the year ended December 31, 2017 decreased to \$21.9 million from \$39.1 million in the same period in 2016. This decrease was primarily the result of reduced demand from our customers for precision molding and assembly systems from our Rhode Island facility. Total billings for the year ended December 31, 2017 increased by \$177.1 million or 23.2% to \$941.6 million compared to \$764.4 million in the same period in 2016. The net impact of the strengthening of the U.S. dollar against the Euro at our Turkey operations and the Chinese Renminbi at our China operations on consolidated net sales and total billings were both not material for the year ended December 31, 2017, as compared to reductions of 1.1% and 1.0%, respectively, in the same period in 2016.

Total cost of goods sold for the year ended December 31, 2017 was \$817.6 million and included aggregate costs of \$40.6 million related to startup costs in our new plants in Mexico and Turkey and the startup of new wind blade models for certain of our customers in Turkey and Dafeng, China. This compares to total cost of goods sold for the year ended December 31, 2016 of \$677.9 million which included aggregate costs of \$18.1 million related to startup costs in our new plants in Mexico and Turkey as well as the transition of wind blade models in our original plant in Mexico. Cost of goods sold as a percentage of net sales of wind blades decreased by 2.6% in the year ended December 31, 2017 as compared to the same period in 2016 driven by improved operating efficiency in China and

the impact of savings in raw material costs and foreign currency fluctuations, partially offset by higher operating costs in our Turkey and Mexico plants due to the startup costs incurred with the opening of new plants in both those segments. Cost of goods sold as a percentage of net sales from the manufacturing of precision molding and assembly systems increased by 4.2% during the year ended December 31, 2017 as compared to the same period in 2016. The impact of the strengthening of the U.S. dollar against the Euro, Turkish Lira, Mexican Peso and Chinese Renminbi reduced consolidated cost of goods sold by 1.7% for year ended December 31, 2017, compared to a reduction of 3.5% in the same period in 2016.

General and administrative expenses for the year ended December 31, 2017 totaled \$40.4 million as compared to \$33.9 million for the same period in 2016. As a percentage of net sales, general and administrative expenses were 4.3% for the year ended December 31, 2017, down from 4.5% in the same period in 2016. The increase in expenses was primarily driven by additional costs incurred related to the implementation of ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), costs related to our work related to the Sarbanes-Oxley Act, costs related to our secondary public offering and increased personnel costs from filling our key global positions to support our growth and diversification strategy, partially offset by a \$2.3 million decrease in share-based compensation costs in the 2017 period as compared to the same period in 2016, which was the period in which we recorded the expense from the original grant date of the awards.

Other expense decreased to \$15.6 million for the year ended December 31, 2017 from \$22.3 million for the same period in 2016. The decrease was primarily due to a \$9.5 million decrease in interest expense, related to the expensing of \$4.5 million of deferred financing costs and prepayment penalties related to the refinancing of our previous credit facility in 2016 and the decrease in 2017 non-cash interest expense due to the write off in 2016 of the beneficial conversion feature and deferred financing costs under our previous credit facility. In addition, there was a \$1.0 million increase in miscellaneous income, partially offset by a \$3.7 million increase in realized losses on foreign currency remeasurement for the year ended December 31, 2017 as compared to the same period in 2016.

Income tax provision increased to \$13.1 million for the year ended December 31, 2017 from \$7.0 million for the same period in 2016. The lower effective tax rate was primarily due to our second plant in Turkey, which operates within a tax-free zone, recognized pre-tax income in 2017 as compared to a pre-tax loss in 2016.

Net income for the year ended December 31, 2017 was \$43.7 million, as compared to \$13.8 million in the same period in 2016. The increase was primarily due to the reasons set forth above.

Net income attributable to preferred stockholders was \$5.5 million during the year ended December 31, 2016 and there was none in the 2017 period as following our IPO in July 2016, all of the previously outstanding preferred shares were converted into common shares.

Net income attributable to common stockholders increased to \$43.7 million during the year ended December 31, 2017 from \$8.4 million in the same period in 2016. This increase was primarily due to the improved operating results discussed above as well as the decrease in the net income attributable to preferred stockholders. Diluted earnings per share for the year ended December 31, 2017 was \$1.25 compared to \$0.48 for the year ended December 31, 2016.

Segment Discussion

The following table summarizes our net sales and income (loss) from operations by our four geographic operating segments for the years ended December 31:

	<u>2017</u>	<u>2016</u>
	(in thousands)	
Net Sales		
U.S.	\$ 181,889	\$ 190,092
Asia	361,696	301,893
Mexico	195,960	129,756
EMEA	190,736	133,136
Total net sales	<u>\$ 930,281</u>	<u>\$ 754,877</u>

	2017	2016
	(in thousands)	
<u>Income (Loss) from Operations</u>		
U.S.	\$ (39,571)	\$ (25,099)
Asia	77,106	64,393
Mexico	13,130	9,546
EMEA	21,671	(5,727)
Total income from operations	<u>\$ 72,336</u>	<u>\$ 43,113</u>

U.S. Segment

Net sales in the year ended December 31, 2017 decreased by \$8.2 million or 4.3% to \$181.9 million compared to \$190.1 million in the same period in 2016. The decrease was primarily driven by lower net sales from the manufacturing of precision molding and assembly systems at our Rhode Island facility during the year ended December 31, 2017 of \$7.7 million compared to \$21.1 million during the same period in 2016. There was also a slight decrease in our net sales of wind blades which totaled \$159.6 million during the year ended December 31, 2017 as compared to \$160.0 million in the same period of 2016. This decrease was driven by a decline in the average sales prices of the same wind blade models delivered in both periods as a result of savings in raw material costs, a portion of which we share with our customers, partially offset by a 3% increase in the number of wind blades delivered. These decreases were partially offset by a \$5.6 million increase in non-wind related net sales during the year ended December 31, 2017 as compared to the same period in 2016.

The loss from operations for the year ended December 31, 2017 was \$39.6 million as compared to \$25.1 million in the same period in 2016. These amounts include corporate general and administrative costs of \$40.4 million and \$33.9 million for the years ended December 31, 2017 and 2016, respectively. The increase in the corporate general and administrative costs was primarily due to additional costs incurred related to the implementation of Topic 606, costs related to our work related to the Sarbanes-Oxley Act, costs related to our secondary public offering and increased personnel costs from filling our key global positions to support our growth and diversification strategy, partially offset by a \$2.3 million decrease in share-based compensation costs during the year ended December 31, 2017 as compared to the same period in 2016. The operating results were also unfavorably impacted by slightly lower gross profit on wind blades delivered during the year ended December 31, 2017 as compared to the 2016 period as well as the lower precision molding volume discussed above during the year ended December 31, 2017 as compared to the 2016 period.

Asia Segment

Net sales in the year ended December 31, 2017 increased by \$59.8 million or 19.8% to \$361.7 million compared to \$301.9 million in the same period in 2016. Net sales of wind blades were \$347.5 million in the year ended December 31, 2017 as compared to \$283.9 million in the same period in 2016. The increase was the result of a 29% increase in the number of wind blades delivered during the year ended December 31, 2017 compared to the same period in 2016. These increases were partially offset by a change in the mix of wind blade models sold, lower average sales prices of the same wind blades sold in both periods due to savings in raw material costs, a portion of which we share with our customers and the unfavorable impact of the fluctuation of the U.S. dollar relative to the Chinese Renminbi of 0.8% during the year ended December 31, 2017 as compared to an unfavorable impact of 2.7% during the comparable 2016 period. Net sales from the manufacturing of precision molding and assembly systems during the year ended December 31, 2017 were \$14.2 million compared to \$18.0 million during the same period in 2016.

Income from operations in the Asia segment for the year ended December 31, 2017 was \$77.1 million as compared to \$64.4 million in the same period in 2016. In addition to the factors noted above, the increase in income from operations reflects higher gross margins on wind blade sales driven by operating efficiencies and the favorable impact on cost of goods sold of the fluctuation of the U.S. dollar relative to the Chinese Renminbi of 1.5%, as well as lower overhead costs in the 2017 period as compared to 2016. The favorable impact of the strengthening of the U.S. dollar against the Chinese Renminbi on cost of goods sold for year ended December 31, 2016 was 6.7%.

Mexico Segment

Net sales in the year ended December 31, 2017 increased by \$66.2 million or 51.0% to \$196.0 million compared to \$129.8 million in the same period in 2016, reflecting a 16% increase in wind blade volume at our first Mexico plant and the beginning of wind blade production in our second and third plants, partially offset by lower average sales prices of wind blades delivered in both periods. Net sales of wind blades represents the entirety of net sales in the Mexico segment in the 2017 and 2016 periods.

Income from operations in the Mexico segment for the year ended December 31, 2017 was \$13.1 million as compared to \$9.5 million in the same period in 2016. The increase was largely driven by the increase in wind blade volume in the 2017 period as compared to 2016 and operating efficiencies at our first Mexico plant, as well as from savings in raw material costs, partially offset by the startup losses incurred at two of our new Mexico facilities. The fluctuating U.S. dollar against the Mexican Peso was not significant for the year ended December 31, 2017 but had a favorable impact of 2.3% for the year ended December 31, 2016.

EMEA Segment

Net sales during the year ended December 31, 2017 increased by \$57.6 million or 43.3% to \$190.7 million compared to \$133.1 million in the same period in 2016. The increase was driven by the beginning of wind blade production in our second Turkey plant, partially offset by a 15% decrease in wind blade volume at our first Turkey plant as a result of GE Wind only purchasing the minimum volume required under its supply agreement after its decision to not renew its supply agreement with us beyond 2017. We completed 100% of this volume by the end of June to enable us to accelerate the transition of those manufacturing lines to two new manufacturing lines for another customer. Other items having a favorable impact on net sales include the mix of wind blades sold during the period as well as overall higher average sales prices of wind blades delivered due to the beginning of wind blade production in our second Turkey plant in the period as compared to 2016. The fluctuating U.S. dollar against the Euro had a favorable effect on net sales of 1.8% for the year ended December 31, 2017 but did not have a significant effect in 2016. Net sales of wind blades represents the majority of net sales in the EMEA segment in 2017 and 2016.

The income from operations in the EMEA segment for the year ended December 31, 2017 was \$21.7 million as compared to a loss of \$5.7 million in the same period in 2016. The increase was primarily driven by the wind blade production in our second Turkey plant, improved operating efficiencies at our first Turkey plant, savings in raw material costs, and a warranty reserve provided in 2016 related to one of its customers to resolve a potential warranty claim arising from wind blades primarily manufactured in 2014 as well as the net favorable impact on cost of goods sold of the fluctuation of the U.S. dollar relative to the Turkish Lira and Euro of 5.4%. This compares to the favorable impact of the fluctuation of the U.S. dollar relative to the Turkish Lira and Euro of 4.8% for the year ended December 31, 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

The following table summarizes certain information relating to our operating results (in thousands) and related percentage of net sales for the years ended December 31 that has been derived from our consolidated financial statements:

	2016		2015	
Net sales	\$ 754,877	100.0%	\$ 585,852	100.0%
Cost of sales	659,745	87.4	528,247	90.2
Startup and transition costs	18,127	2.4	15,860	2.7
Total cost of goods sold	677,872	89.8	544,107	92.9
Gross profit	77,005	10.2	41,745	7.1
General and administrative expenses	33,892	4.5	14,126	2.4
Income from operations	43,113	5.7	27,619	4.7
Other expense	(22,276)	(3.0)	(15,960)	(2.7)
Income before income taxes	20,837	2.7	11,659	2.0
Income tax provision	(6,995)	(0.9)	(3,977)	(0.7)
Net income	13,842	1.8	7,682	1.3
Net income attributable to preferred stockholders	5,471	0.7	9,423	1.6
Net income (loss) attributable to common stockholders	\$ 8,371	1.1%	\$ (1,741)	(0.3)%

Net sales for the year ended December 31, 2016 increased by \$169.0 million or 28.9% to \$754.9 million compared to \$585.9 million in the same period in 2015. The increase was primarily driven by a 38% increase in the number of wind blades delivered during 2016 as compared to 2015, partially offset by a reduction in net sales from the manufacturing of precision molding and assembly systems. Net sales of wind blades were \$706.8 million for the year ended December 31, 2016 as compared to \$535.2 million in the same period in 2015. These increases were primarily the result of additional wind blade volume at each of our plants impacted by lower average sales price due to geographic mix, blade mix and the result of savings in raw material costs, a portion of which we share with our customers, partially offset by foreign currency fluctuations in Turkey and China. Net sales from the manufacturing of precision molding and assembly systems during the year ended December 31, 2016 decreased to \$39.1 million from \$47.3 million in the same period in 2015. This decrease was primarily the result of reduced demand from our customers for precision molding and assembly systems from our China facility. Total billings for the year ended December 31, 2016 increased by \$164.3 million or 27.4% to \$764.4 million compared to \$600.1 million in the same period in 2015. The impact of the strengthening of the U.S. dollar against the Euro at our Turkey operations and the Chinese Renminbi at our China operations on consolidated net sales and total billings were reductions of 1.1% and 1.0%, respectively, for the year ended December 31, 2016, with reductions of 4.8% and 4.1%, respectively, in the same period in 2015. Similar to the impact to net sales above, the impact of the strengthening of the U.S. dollar against the Euro, Turkish Lira, Mexican Peso and Chinese Renminbi reduced consolidated cost of goods sold by 3.5% for year ended December 31, 2016, compared to 4.7% in the same period in 2015.

Total cost of goods sold for the year ended December 31, 2016 was \$677.9 million and included aggregate costs of \$18.1 million related to startup costs in our new plants in Mexico and Turkey. This compares to total cost of goods sold for the year ended December 31, 2015 of \$544.1 million which included aggregate costs of \$15.9 million related to startup costs in our Mexico and Dafeng, China plants as well as the transition of wind blade models across all of our plants. Cost of goods sold as a percentage of net sales of wind blades decreased by 4.3% in the year ended December 31, 2016 as compared to the same period in 2015 driven by improved operating efficiency in China and the U.S., which was partially offset by higher operating costs in our Turkey and Mexico plants due to the startup costs incurred with the opening of new plants in both those segments. Cost of goods sold as a percentage of net sales from the manufacturing of precision molding and assembly systems increased slightly during the year ended December 31, 2016 as compared to the same period in 2015.

General and administrative expenses for the year ended December 31, 2016 totaled \$33.9 million as compared to \$14.1 million for the same period in 2015. As a percentage of net sales, general and administrative expenses were 4.5% for the year ended December 31, 2016, up from 2.4% in the same period in 2015. The increased expenditures

for general and administrative expenses were driven primarily by share-based compensation costs of \$8.4 million recorded in 2016 as well as the costs of enhancing our corporate support functions during this period of growth.

Other expense increased to \$22.3 million for the year ended December 31, 2016 from \$16.0 million for the same period in 2015. The increase was primarily due to the expensing of \$4.5 million of deferred financing costs and prepayment penalties related to the refinancing of our previous credit facility in 2016.

Income tax provision increased to \$7.0 million for the year ended December 31, 2016 from \$4.0 million for the same period in 2015. The increase was primarily due to the improved operating results in China and Mexico and an increase in China's statutory rate.

Net income for the year ended December 31, 2016 was \$13.8 million, as compared to \$7.7 million in the same period in 2015. The increase was primarily due to the reasons set forth above.

Net income attributable to preferred stockholders decreased to \$5.5 million during the year ended December 31, 2016 from \$9.4 million during the same period in 2015. This decrease was primarily due to the fact that immediately prior to the closing of the IPO in July 2016, all shares of the then-outstanding redeemable preferred shares converted into an aggregate of 21,110,204 shares of common stock.

Net income attributable to common stockholders increased to \$8.4 million during the year ended December 31, 2016 from a loss of \$1.7 million in the same period in 2015. This increase was primarily due to the improved operating results discussed above as well as the decrease in the net income attributable to preferred stockholders. Diluted earnings per share for the year ended December 31, 2016 was \$0.48 compared to a loss of \$0.41 for the year ended December 31, 2015.

Segment Discussion

The following table summarizes our net sales and income (loss) from operations by our four geographic operating segments for the years ended December 31:

	2016	2015
Net Sales	(in thousands)	
U.S.	\$ 190,092	\$ 149,614
Asia	301,893	206,779
Mexico	129,756	97,912
EMEA	133,136	131,547
Total net sales	<u>\$ 754,877</u>	<u>\$ 585,852</u>
Income (Loss) from Operations	(in thousands)	
U.S.	\$ (25,099)	\$ (13,405)
Asia	64,393	34,998
Mexico	9,546	7,531
EMEA	(5,727)	(1,505)
Total income from operations	<u>\$ 43,113</u>	<u>\$ 27,619</u>

U.S. Segment

Net sales in the year ended December 31, 2016 increased by \$40.5 million or 27.1% to \$190.1 million compared to \$149.6 million in the same period in 2015. Net sales of wind blades were \$160.0 million during the year ended December 31, 2016 as compared to \$122.4 million in the same period of 2015. The increase was driven by an increase in the number of wind blades delivered in the year ended December 31, 2016 compared to the same period in 2015 due to the transition in 2015 to the production of larger wind blade models at our customer's request, partially offset by lower pricing due to savings in raw material costs, a portion of which we share with our

customers. Net sales from the manufacturing of precision molding and assembly systems during the year ended December 31, 2016 were \$21.1 million compared to \$23.9 million during the same period in 2015.

The loss from operations for the year ended December 31, 2016 was \$25.1 million as compared to \$13.4 million in the same period in 2015. These amounts include corporate general and administrative costs of \$33.9 million and \$14.2 million for the years ended December 31, 2016 and 2015, respectively, with 2016 including \$8.4 million of share-based compensation costs as described above. Notwithstanding these costs, the operating results were driven by increased wind blade volume, the impact of savings in raw material costs and improved operating efficiency.

Asia Segment

Net sales in the year ended December 31, 2016 increased by \$95.1 million or 46.0% to \$301.9 million compared to \$206.8 million in the same period in 2015. Net sales of wind blades were \$283.9 million in the year ended December 31, 2016 as compared to \$183.4 million in the same period in 2015. The increase was the result of a 68% increase in the number of wind blades delivered during the year ended December 31, 2016 compared to the same period in 2015, which was primarily the result of the start of production for a new customer in our Dafeng facility during the latter half of 2015 as well as the addition of one manufacturing line for an existing customer, along with a change in the mix of wind blade models sold. These increases were partially offset by lower pricing due to savings in raw material costs, a portion of which we share with our customers and the unfavorable impact of the fluctuation of the U.S. dollar relative to the Chinese Renminbi of 2.7%. Net sales from the manufacturing of precision molding and assembly systems during the year ended December 31, 2016 were \$18.0 million compared to \$23.4 million during the same period in 2015. The decrease in sales was driven by the abnormally high demand from our customers for precision molding in the United States, China and Turkey in 2015 due to the transition to the production of large wind blade models at our customer's request.

Income from operations in the Asia segment for the year ended December 31, 2016 was \$64.4 million as compared to \$35.0 million in the same period in 2015. In addition to the factors noted above, this increase reflects the impact of savings in raw material costs, continued increasing operational efficiencies and other improvements in our Taicang Port and Dafeng wind blade facilities relative to the same period in 2015 and the favorable impact of the fluctuation of the U.S. dollar relative to the Chinese Renminbi of 6.7%.

Mexico Segment

Net sales in the year ended December 31, 2016 increased by \$31.8 million or 32.5% to \$129.8 million compared to \$97.9 million in the same period in 2015, reflecting a 23% increase in wind blade volume, notwithstanding the transition to the production of a larger wind blade model at our customer's request during the period, the mix of blades and lower average sales prices on certain blades related to savings in raw material costs, a portion of which we share with our customers. Net sales of wind blades represents the entirety of net sales in the Mexico segment in the 2016 and 2015 periods.

Income from operations in the Mexico segment for the year ended December 31, 2016 was \$9.5 million as compared to \$7.5 million in the same period in 2015. The improvement in income from operations was due to the increase in wind blade volume in 2016 compared to the same period in 2015 and the savings in raw material costs and the favorable impact of the fluctuation of the U.S. dollar relative to the Mexican Peso of 2.3%, partially offset by costs to transition to a larger wind blade model as described above.

EMEA Segment

Net sales during the year ended December 31, 2016 increased \$1.6 million or 1.2% to \$133.1 million compared to \$131.5 million in the same period in 2015. The increase in net sales was driven by a 3% increase in wind blade volume and changes in our wind blade mix, partially offset by lower sales prices related to savings in raw material costs, a portion of which we share with our customers. Net sales of wind blades represents the entirety of net sales in the EMEA segment in 2016 and 2015.

The loss from operations in the EMEA segment for the year ended December 31, 2016 was \$5.7 million as compared to a loss of \$1.5 million in the same period in 2015. The increase in the loss from operations was driven by an increase in the warranty reserve in 2016 which was partially offset by the higher wind blade volume noted above, improved operating performance and the savings in raw material costs and the net favorable impact of the fluctuation of the U.S. dollar relative to the Turkish Lira and Euro of 4.8% .

LIQUIDITY AND CAPITAL RESOURCES

Our primary needs for liquidity have been, and in the future will continue to be, capital expenditures, new facility startup costs, working capital and debt service costs. Our capital expenditures have been primarily related to machinery and equipment for new facilities or facility expansions. Historically, we have funded our working capital needs through cash flows from operations, the proceeds received from our credit facilities and from proceeds received from the issuance of stock. As discussed below, during 2017 we completed a secondary public offering of common stock for which we received no proceeds and during 2016 we completed an initial public offering of common stock for which we received net proceeds of \$67.2 million. There were no common or preferred shares offered during 2015. During the years ended December 31, 2017 and 2016, we had net repayments of financing arrangements and customer advances of \$8.1 million and \$15.4 million, respectively. We received net proceeds from financing arrangements and customer advances of \$1.6 million during the year ended December 31, 2015. As of December 31, 2017 and 2016, we had \$123.6 million and \$125.4 million in outstanding indebtedness, excluding debt issuance costs, respectively. As of December 31, 2017, we had an aggregate of \$60.7 million of remaining capacity and \$15.7 million of remaining availability under our various credit facilities. Working capital requirements have increased as a result of our overall growth and the need to fund higher accounts receivable and inventory levels as our business volumes have increased. Based upon current and anticipated levels of operations, we believe that cash on hand, available credit facilities and cash flow from operations will be adequate to fund our working capital and capital expenditure requirements and to make required payments of principal and interest on our indebtedness over the next twelve months.

In July 2016, we completed an IPO of 7,187,500 shares of our common stock at a public offering price of \$11.00 per share, which included 937,500 shares issued pursuant to the underwriters' over-allotment option. We received \$67.2 million in proceeds, net of underwriting discounts and offering expenses and intend to use the net proceeds from the public offering for our working capital and other general corporate purposes, including financing existing manufacturing operations, expansion in existing and new geographies and repayment of a customer advance. Immediately prior to the closing of the IPO, all shares of the then-outstanding redeemable preferred shares converted into an aggregate of 21,110,204 shares of common stock and the redeemable preferred share warrants were converted on a net issuance basis into 120,923 shares of common stock. In addition, concurrent with the closing of the IPO, certain subordinated convertible promissory notes in the aggregate principal and interest amount of \$11.9 million were converted into an aggregate of 1,079,749 shares of common stock at the public offering price of \$11.00 per share. Prior to the IPO, in July 2016 we also consummated a 360-for-1 forward stock split of our common stock.

In May 2017, we completed a secondary public offering of 5,075,000 shares of our common stock at a price of \$16.35 per share, which included 575,000 shares issued pursuant to the underwriters' option to purchase additional shares. All of the shares were sold by existing stockholders and certain of our executive officers. The selling stockholders received all of the net proceeds of \$78.8 million from the secondary public offering. We did not sell any shares and did not receive any of the proceeds from the offering and the costs paid by us in connection with the offering of \$0.8 million were recorded in general and administrative costs in the accompanying consolidated income statement.

We anticipate that any new facilities and future facility expansions will be funded through cash flows from operations, the proceeds of our IPO, the incurrence of other indebtedness and other potential sources of liquidity.

At December 31, 2017 and 2016, we had unrestricted cash, cash equivalents and short-term investments totaling \$148.1 million and \$119.1 million, respectively. The December 31, 2017 balance includes \$49.2 million of cash located outside of the United States, including \$46.3 million in China, \$0.7 million in Turkey and \$2.2 million in Mexico. The December 31, 2016 balance includes \$15.7 million of cash located outside of the United States, including \$12.3 million in China, \$2.5 million in Turkey and \$0.9 million in Mexico. Our ability to repatriate funds

from China to the United States is subject to a number of restrictions imposed by the Chinese government. We repatriate funds through several technology license and corporate/administrative service agreements. We are compensated quarterly based on agreed upon royalty rates for such intellectual property licenses and quarterly fees for those services. Certain of our subsidiaries are limited in their ability to declare dividends without first meeting statutory restrictions of the People's Republic of China, including retained earnings as determined under Chinese-statutory accounting requirements. Until 50% (\$11.6 million) of registered capital is contributed to a surplus reserve, our Chinese operations can only pay dividends equal to 90% of after-tax profits (10% must be contributed to the surplus reserve). Once the surplus reserve fund requirement is met, our Chinese operations can pay dividends equal to 100% of after-tax profit assuming other conditions are met. At December 31, 2017, the amount of the surplus reserve fund was \$5.6 million.

Operating Cash Flows

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net income	\$ 43,690	\$ 13,842	\$ 7,682
Depreciation and amortization	20,878	12,897	11,416
Share-based compensation expense	7,124	9,902	—
Other non-cash items	(161)	6,388	3,741
Changes in assets and liabilities	11,132	10,812	8,454
Net cash provided by operating activities	<u>\$ 82,663</u>	<u>\$ 53,841</u>	<u>\$ 31,293</u>

Net cash provided by operating activities totaled \$82.7 million for the year ended December 31, 2017 and was primarily the result of net income of \$43.7 million, non-cash depreciation and amortization charges totaling \$20.9 million, share-based compensation costs of \$7.1 as well as the net changes in working capital. The key components of the \$11.1 million increase in working capital includes a \$51.2 million increase in accounts payable and accrued expenses, an \$11.5 million increase in deferred revenue, a \$9.3 million increase in accrued warranty, an \$8.7 million increase in customer deposits, a \$7.5 million decrease in other noncurrent assets and a \$3.2 million decrease in prepaid expenses and other current assets. This was partially offset by a \$53.7 million increase in accounts receivable and a \$26.5 million increase in inventory. The working capital changes in accounts receivable, inventory, accounts payable and accrued expenses, accrued warranty and deferred revenue are primarily the result of the material increase in and the timing of sales in the year ended December 31, 2017.

Net cash provided by operating activities totaled \$53.8 million for the year ended December 31, 2016 and was primarily the result of net income of \$13.8 million, non-cash depreciation and amortization charges totaling \$12.9 million and other non-cash items of \$16.3 million, as well as net changes in working capital. The key components of the \$10.8 million increase in working capital includes a \$15.0 million increase in accounts payable and accrued expenses, a \$6.3 million increase in accrued warranty, a \$5.1 million decrease in accounts receivable and a \$4.0 million increase in deferred revenue. This was partially offset by an \$8.3 million increase in other noncurrent assets, a \$7.5 million increase in customer deposits and a \$5.0 million increase in inventory. The working capital changes in accounts receivable, inventory, accounts payable and accrued expenses, accrued warranty and deferred revenue are primarily the result of the material increase in and the timing of sales in the year ended December 31, 2016.

Net cash provided by operating activities totaled \$31.3 million for the year ended December 31, 2015 and was primarily the result of non-cash depreciation and amortization charges totaling \$11.4 million and other non-cash items of \$3.7 million, as well as net income of \$7.7 million and net changes in working capital. The key components of the \$8.5 million increase in working capital includes a \$34.4 million increase in accounts payable and accrued expenses, a \$7.7 million increase in accrued warranty, a \$6.0 million increase in deferred revenue and a \$4.2 million decrease in other noncurrent assets. This was partially offset by a \$29.7 million increase in accounts receivable, an \$11.0 million increase in prepaid expenses and other current assets and a \$3.2 million decrease in customer deposits. The working capital changes in accounts receivable, inventory, accounts payable, accrued warranty and accrued expenses and deferred revenue are primarily the result of the material increase in and the timing of sales in the year ended December 31, 2015.

Investing Cash Flows

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Purchase of property and equipment	\$ (44,828)	\$ (30,507)	\$ (26,361)
Proceeds from sale of assets	850	—	146
Net cash used in investing activities	<u>\$ (43,978)</u>	<u>\$ (30,507)</u>	<u>\$ (26,215)</u>

Net cash flows used in investing activities totaled \$44.0 million, \$30.5 million and \$26.2 million in the years ended December 31, 2017, 2016 and 2015, respectively, driven primarily by capital expenditures for new facilities and expansion or improvements at existing facilities. The capital expenditures for the year ended December 31, 2017 primarily related to the construction and outfitting of our second and third wind blade plants in Mexico and our second wind blade plant in Turkey, the expansion and improvements at certain of our existing wind blade plants and costs at our corporate office to enhance our information technology systems. The capital expenditures for the year ended December 31, 2016 primarily related to the plant build outs of three new wind blade facilities, two in Mexico and one in Turkey. The capital expenditures for the year ended December 31, 2015 primarily related to the expansion of our China and Iowa wind blade facilities.

We anticipate fiscal year 2018 capital expenditures of between \$85 million to \$90 million. We estimate that the cost after December 31, 2017 that we will incur to complete our current projects in process is approximately \$6.3 million. We have used and will continue to use cash flows from operations, the proceeds received from our credit facilities and the proceeds received from the issuance of stock for major projects currently being undertaken, which include new manufacturing facilities in Mexico and Iowa, continued investment in our existing China and Turkey wind blade facilities and costs at our corporate office to enhance our information technology systems.

Financing Cash Flows

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Proceeds from issuance of common stock sold in initial public offering, net of underwriters discount and offering costs	\$ —	\$ 67,199	\$ —
Net proceeds from (repayment of) term loans	(3,750)	(930)	19,375
Net repayments of accounts receivable financing	(1,020)	(5,385)	(2,472)
Net repayments of working capital loans	(4,638)	(4,290)	(12,572)
Net proceeds from (repayments of) other debt	1,313	(4,765)	(2,777)
Debt issuance costs	(454)	—	(1,113)
Proceeds from exercise of stock options	1,430	—	—
Repurchase of common stock including shares withheld in lieu of income taxes	(1,264)	—	—
Restricted cash and other	(1,590)	(499)	(2,864)
Net cash provided by (used in) financing activities	<u>\$ (9,973)</u>	<u>\$ 51,330</u>	<u>\$ (2,423)</u>

Net cash flows used in financing activities for the year ended December 31, 2017 totaled \$10.0 million. The net cash flows provided by financing activities totaled \$51.3 million for the year ended December 31, 2016. The net cash flows used in financing activities for the year ended December 31, 2015 totaled \$2.4 million. Net cash flows used in financing activities for the year ended December 31, 2017 primarily reflects the net repayment of working capital loans, term loans and accounts receivable financings. Net cash flows provided by financing activities for the year ended December 31, 2016 primarily reflects the net proceeds received from our initial public offering, partially offset by repayments of working capital loans and accounts receivable loans. Net cash flows used in financing

activities for the year ended December 31, 2015 primarily reflects the net repayments of working capital loans and accounts receivable loans as well as payments related to the acquisition of noncontrolling interest of our Turkey operation in 2013 and additions to restricted cash. This was partially offset by additional net proceeds from term loans.

Description of Our Indebtedness

Senior Financing Agreements (U.S.):

In December 2016, we amended and restated our previous credit facility (the Restated Credit Facility). The previous \$100.0 million of available principal was replaced with a \$75.0 million term loan and a \$25.0 million revolving credit facility, which originally included a \$15.0 million letter of credit sub-facility, which was increased to \$20.0 million in April 2017. The borrowings under the Restated Credit Facility bear interest at a variable rate through maturity at the London Interbank Offered Rate (LIBOR), with a 1.0% floor, plus 5.75%. The Restated Credit Facility requires us to make quarterly principal payments in the amount of \$0.9 million of the outstanding principal loan balance commencing in March 2017, with the remaining outstanding balance to be repaid on or before December 30, 2020. The Restated Credit Facility contains customary affirmative covenants, negative covenants and events of default, including covenants and restrictions that, among other things, require us and our subsidiaries to satisfy certain capital expenditure and other financial covenants, and restricts the ability of us and our subsidiaries to incur liens, incur additional indebtedness, enter into joint ventures or partnerships, engage in mergers and acquisitions, engage in asset sales and declare dividends on its capital stock without the prior written consent of the lenders. The obligations under the Restated Credit Facility are secured by a lien on substantially all tangible and intangible property of us and our domestic subsidiaries and by a pledge by us and our domestic subsidiaries of 65% of the equity of their direct foreign subsidiaries, subject to customary exceptions and exclusions from collateral.

If we prepay any of the outstanding principal loan balance prior to December 30, 2017, we are required to pay the lenders a premium in an amount equal to the amount of interest that otherwise would have been payable from the date of prepayment until December 30, 2017 plus 3.0% of the amount of the principal loan balance that was prepaid. None of the outstanding principal loan balance was prepaid prior to December 31, 2017. If we prepay any of the outstanding principal loan balance after December 30, 2017 through December 30, 2018, we are required to pay the lenders 2.0% of the principal loan balance that was prepaid, and if we prepay any of the outstanding loan balance after December 30, 2018 through December 30, 2019, we are required to pay a premium of 1.5% of the amount of the principal loan balance that was prepaid.

In connection with the Restated Credit Facility, in December 2016 we repaid our previous credit facility balance of \$74.4 million, plus accrued interest, closing fees, a prepayment penalty and the reimbursement of certain lenders expenses incurred. More specifically, we expensed \$2.4 million of the remaining deferred financing costs associated with the previous credit facility and the related \$2.1 million prepayment penalty within the caption "Loss on extinguishment of debt" in the accompanying consolidated income statements. In addition, we incurred debt issuance costs related to the Restated Credit Facility totaling \$2.2 million and these costs are being amortized to interest expense over the remaining term of the credit facility (48 months) using the effective interest method.

In December 2017, we amended the Restated Credit Facility to consent to the restructuring of our parent and subsidiaries, decreased the variable interest rate to LIBOR, with a 1.0% floor, plus 5.25% (6.94% as of December 31, 2017) and the amendment of certain capital expenditure and other financial covenants. In connection with this amendment, the amendment fee of \$0.4 million was recorded as a debt issuance cost and is being amortized to interest expense over the remaining term of the credit facility (36 months) using the effective interest method. As of December 31, 2017 and 2016, the aggregate outstanding balances under the Restated Credit Facility were \$74.1 million and \$77.8 million, respectively. We cannot assure you that we will be able to maintain appropriate minimum leverage or fixed-charge coverage ratio requirements in the future.

Accounts Receivable, Secured and Unsecured Financing:

EMEA: During 2014, we renewed a general credit agreement with a financial institution in Turkey to provide up to \$20.0 million (later increased to 21.0 million Euro, or approximately \$25.2 million as of December 31, 2017) of short-term collateralized financing on invoiced accounts receivable of one of our customers in Turkey. Interest

accrues annually at a variable rate of the annual Euro Interbank Offered Rate (EURIBOR) plus 5.75% (later updated to annual EURIBOR plus 5.95%) (5.95% as of December 31, 2017) and is paid quarterly. In December 2014, we obtained an additional \$7.0 million (later decreased to \$5.0 million) of unsecured financing in Turkey under the credit agreement, increasing the total facility. All credit agreement terms remained the same. The credit agreement does not have a maturity date, however the limits are reviewed in September of each year. Amounts outstanding under this agreement as of December 31, 2017 and 2016 include \$ 6.8 million and \$15.1 million of accounts receivable financing and none and \$4.6 million of unsecured financing, respectively.

In December 2014, we entered into a credit agreement with a Turkish financial institution to provide up to \$16.0 million of short-term financing of which \$10.0 million is collateralized financing on invoiced accounts receivable of one of our customers in Turkey, \$5.0 million is unsecured financing and \$1.0 million is related to letters of guarantee. Interest accrues at a variable rate of the three month EURIBOR plus 6.5% (6.5% as of December 31, 2017). The credit agreement does not have a maturity date, however the limits are reviewed in September of each year. No amounts were outstanding under this agreement as of December 31, 2017 and 2016.

In March 2016, we entered into a general credit agreement, as amended, with a Turkish financial institution to provide up to 36.0 million Euro (approximately \$43.1 million as of December 31, 2017) of short-term financing of which 20.0 million Euro (approximately \$23.9 million as of December 31, 2017) is collateralized financing based on invoiced accounts receivable of one of the EMEA segment's customers, 12.5 million Euro (later increased to 15.0 million Euro, or approximately \$18.0 million as of December 31, 2017) for the collateralized financing of capital expenditures and 1.0 million Euro (approximately \$1.2 million as of December 31, 2017). Interest on the collateralized financing based on invoiced accounts receivable accrues at the one month EURIBOR plus 5.75% (5.75% as of December 31, 2017) and is paid quarterly with a maturity date equal to four months from the applicable invoice date. Interest on the collateralized capital expenditures financing accrues at the one month EURIBOR plus 6.75% (6.75% as of December 31, 2017) with monthly principal repayments beginning in October 2017 with a final maturity date of December 2021. Interest on the letters of guarantee accrues at 2.00% annually with an original final maturity date of March 2017 but it was later updated to February 2018. As of December 31, 2017 and 2016, there was \$16.9 million and \$15.8 million outstanding under the collateralized financing of capital expenditures line, respectively. Additionally, as of December 31, 2017, there was \$7.3 million outstanding under the collateralized financing based on invoiced accounts receivables, with no corresponding amounts outstanding as of December 31, 2016.

Asia: In January 2016, we entered into a credit agreement with a Chinese financial institution to provide up to 95.0 million Renminbi (approximately \$13.6 million as of December 31, 2016) of short-term financing of which 85.0 million Renminbi (approximately \$12.2 million as of December 31, 2016) is collateralized financing based on invoiced accounts receivables of one of our Asia segment's customers and 10.0 million Renminbi (approximately \$1.4 million as of December 31, 2016) of working capital loans collateralized by one of our Asia segment location's machinery and equipment. Interest on the collateralized financing based on invoiced accounts receivable and the collateralized working capital loan accrues at a specified LIBOR rate plus an applicable margin and can be paid monthly, quarterly or at the time of the debt's final maturity (January 12, 2017). As of December 31, 2016, there were no amounts outstanding under these accounts receivable financing and working capital loans. This credit agreement matured in January 2017.

In February 2017, we entered into a credit agreement with a Chinese financial institution to provide an unsecured credit line of up to 150.0 million Renminbi (approximately \$23.0 million as of December 31, 2017) which can be used for the purpose of domestic and foreign currency loans, issuing letters of guarantee or other transactions approved by the lender. Interest on the credit line accrues at the LIBOR rate plus an applicable margin and can be paid monthly, quarterly or at the time of the debt's maturity (in February 2018). As of December 31, 2017, there were 127.0 million Renminbi (approximately \$19.5 million as of December 31, 2017) of letters of guarantee used for customs clearance outstanding.

Equipment Leases and Other Arrangements: We have entered into certain capital lease, sale-leaseback and construction loan arrangements in the United States, Mexico and EMEA for equipment used in our operations as well as for office use. These leases bear interest at rates ranging from 3.0% to 9.0% annually, and principal and interest are payable monthly. As of December 31, 2017 and 2016, there was \$18.5 million and \$12.1 million outstanding under these arrangements, respectively.

Customer Advances: In January 2016, we entered into an agreement with GE Wind and received an advance of \$2.0 million. These funds were used to expand the existing Mexico manufacturing facility to accommodate larger wind blade models. We were obligated to repay the advance, without interest, by providing future credits against a specified number of wind blade sets sold to GE Wind. If the Mexico operation failed to supply those wind blade sets by December 31, 2016, the then outstanding balance of the advance would have been immediately due and payable. The advance would have also been immediately due in full upon a change of control of the Company or within 30 days after the effective date of an initial public offering of our common stock. In August 2016, the customer advance was repaid in full.

Operating Leases: We lease various facilities and equipment under non-cancelable operating lease agreements. As of December 31, 2017, we leased a total of approximately 4.3 million square feet in Dafeng, China; Izmir, Turkey; Newton, Iowa; Juárez, Mexico; Matamoros, Mexico; Santa Teresa, New Mexico; Taicang City, China; Taicang Port, China; Warren, Rhode Island; and Fall River, Massachusetts, as well as our corporate office in Scottsdale, Arizona. The terms of these leases range from 12 months to 120 months with annual payments approximating \$21 million for the full year 2018.

Other Contingencies

Other than as noted in “Legal Proceedings” included in Part I, Item 3 of this Annual Report on Form 10-K as of December 31, 2017 and 2016, we were not involved in any material litigation. In the future, however, we may become involved in various claims and legal actions arising in the ordinary course of business which may have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Our wind blades and other composite structures are subject to warranties against defects in workmanship and materials, generally for a period of two to five years. We are not responsible for the fitness for use of the wind blade or the overall wind turbine system. If a wind blade is found to be defective during the warranty period as a result of a defect in workmanship or materials, among other potential remedies, we may need to repair or replace the wind blade (which could include significant transportation and installation costs) at our sole expense. At December 31, 2017 and 2016, we had accrued warranty reserves totaling \$29.2 million and \$19.9 million, respectively. The increase in the accrued warranty reserve during 2017 was primarily due to the accrual for fiscal 2017 sales, partially offset by reductions in the reserve due to the expiration of the warranty period for specific products.

We had no material operating expenditures for environmental matters, including government imposed remedial or corrective actions, during the years ended December 31, 2017, 2016 and 2015.

Off-Balance Sheet Transactions

We are not presently involved in any off-balance sheet arrangements, including transactions with unconsolidated special-purpose or other entities that would materially affect our financial position, results of operations, liquidity or capital resources, other than our operating lease arrangements and the accounts receivable assignment agreement described below. Furthermore, we do not have any relationships with special-purpose or other entities that provide off-balance sheet financing; liquidity, market risk or credit risk support; or engage in leasing or other services that may expose us to liability or risks of loss that are not reflected in consolidated financial statements and related notes.

In 2014, our Mexico segment entered into an accounts receivable assignment agreement with a financial institution. Under this agreement, the financial institution buys, on a non-recourse basis, the accounts receivable amounts related to one of our Mexico segment’s customers at a discount calculated based on an effective annual rate of LIBOR plus 2.75%. As these receivables are purchased by the financial institution, they are removed from the Mexico segment’s balance sheet. During the year ended December 31, 2017, \$78.1 million of receivables were sold to the financial institution.

Contractual Obligations

The following table summarizes certain of our contractual obligations as of December 31, 2017:

	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Long-term debt obligations (1)	\$ 35,506	\$ 82,240	\$ 5,810	\$ —	\$ 123,556
Operating lease obligations (2)	20,608	36,406	25,893	43,725	126,632
Purchase obligations	1,447	1,148	—	—	2,595
Estimated interest payments (3)	8,100	10,684	452	—	19,236
Total contractual obligations	<u>\$ 65,661</u>	<u>\$ 130,478</u>	<u>\$ 32,155</u>	<u>\$ 43,725</u>	<u>\$ 272,019</u>

- (1) See “—Description of Our Indebtedness” above.
- (2) Our operating lease obligations represent the contractual payments due for the lease of our corporate office in Scottsdale, Arizona in addition to facilities in Iowa, Massachusetts, Rhode Island, New Mexico, China, Mexico and Turkey.
- (3) Includes interest on variable rate debt based on interest rates as of December 31, 2017.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amount of our assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis, including those related to income taxes and warranty expense. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making the judgments we make about the carrying values of our assets and liabilities that are not readily apparent from other sources. Because these estimates can vary depending on the situation, actual results may differ from the estimates.

We believe the following critical accounting policies affect our more significant judgments used in the preparation of our consolidated financial statements.

Income Taxes. In connection with preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves our assessment of any net operating loss carryforwards, as well as estimating our actual current tax liability together with assessing temporary differences resulting from differing treatment of items, such as reserves and accrued liabilities, for tax and accounting purposes. We also have to assess whether any portion of our earnings generated in one taxing jurisdiction might be claimed as earned by income tax authorities in a differing tax jurisdiction. Significant judgment is required in determining our annual tax rate, the allocation of earnings to various jurisdictions and in the evaluation of our tax positions.

Additionally, we record the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss and tax credit carryforwards. We then assess the likelihood that our deferred income tax assets will be realized by evaluating all available positive and negative evidence in order to determine if it is more-likely-than-not that the deferred tax assets will be realized. To the extent we believe that the realization of our deferred tax assets is not more-likely-than-not, we are required to establish a valuation allowance. In doing so we considered our recent operating history, taxpaying history and future reversals of deferred tax liabilities based upon future operating projections. As a result of cumulative losses in the United States, we have determined that a valuation allowance for all of our U.S. deferred tax assets was appropriate. We periodically evaluate all available positive and negative evidence regarding the future recoverability of our deferred tax assets and, when we determine that the recoverability of deferred tax assets meets the criteria of more-likely-than-not, we reduce the valuation allowance

against our deferred tax assets. The effect of a change in judgment concerning the realizability of deferred tax assets would be included in provision for income taxes.

As of December 31, 2017, we have U.S. federal NOLs of approximately \$51.2 million, state NOLs of approximately \$92.6 million and foreign tax credits of approximately \$1.7 million available to offset future taxable income in the U.S. We also have tax incentives available to reduce approximately \$2.8 million of future taxes to be incurred by our original Turkey facility.

On December 22, 2017, President Trump signed into law Tax Reform, which significantly revised U.S. tax law by, among other things, lowering the statutory federal corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017, eliminating certain deductions, imposing a mandatory one-time transition tax, introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax. Tax Reform also includes many new provisions, such as changes to bonus depreciation, changes to deductions for executive compensation, interest expense limitations, net operating loss deduction limitations, tax on GILTI earned by foreign corporate subsidiaries, the BEAT, and a deduction for FDII. Many of these provisions, including the tax on GILTI, the BEAT, and the deduction for FDII, are not applicable to us until 2018, and we continue to evaluate the impact of such provisions of Tax Reform.

Tax Reform had minimum impact on our current earnings for the period ended December 31, 2017, due to the valuation allowances recorded against our U.S. deferred tax assets. The Transition Tax required us to recognize in the current year for US tax purposes \$74.3 million of net foreign earnings even though we intend to continue to reinvest our foreign earnings for our growth outside the United States. See Note 16 – *Income Taxes* for a further discussion on the impacts of Tax Reform. We believe that we have sufficient tax attributes to offset the impacts of Tax Reform in the near term.

Income tax expense or benefit, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect our best estimate of current and future taxes to be paid. We are subject to income taxes in both the U.S. and numerous foreign jurisdictions in which we operate, principally, China, Mexico, and Turkey. Significant judgements and estimates are required in determining our consolidated income tax expense. The statutory federal corporate income tax rate in the U.S. will decrease from 35% to 21% beginning in January 2018, while the tax rates in China and Mexico are 25% and 30%, respectively. During the fourth quarter of 2017, Turkey also modified its statutory corporate income tax rate from 20% to 22% for 2018, 2019, and 2020. Our second Turkey facility is located in a tax-free zone and is not subject to income taxes for its earnings recognized from its manufacturing activities.

Warranty Expense. As discussed above, our wind blades are subject to warranties against defects in workmanship and materials, generally for a period of two to five years. We are not responsible for the fitness for use of the wind blade in the overall wind turbine system. If a wind blade is found to be defective during the warranty period as a result of a defect in workmanship or materials, among other potential remedies, we may need to repair or replace the wind blade at our sole expense. We provide warranties for all of our products with terms and conditions that vary depending on the product sold. We record warranty expense based upon our estimate of future repairs using a probability-based methodology that considers previous warranty claims, identified quality issues and industry practices. Once the warranty period has expired, any remaining unused warranty accrual for the specific products is reversed against the current year warranty expense amount.

Our estimate of warranty expense requires us to make assumptions about matters that are highly uncertain, including future rates of product failure, repair costs, availability of materials, shipping and handling, and de-installation and re-installation costs at customers' sites, among others. When a potential or actual warranty claim arises, we may accrue additional warranty reserves for the estimated cost of remediation or proposed settlement. We accrued \$15.0 million during 2016 to cover the aggregate costs associated with the agreement that we entered into with Nordex to settle potential claims relating to a wind blade failure that occurred in 2015 and certain alleged defects with respect to that wind blade and certain other wind blades that were primarily manufactured in 2014. See “—Other Contingencies” above for more information. Except for these costs, we have not experienced other material warranty expenses beyond the provision described above in the years ended December 31, 2017, 2016 and 2015. However, changes in warranty reserves could have a material effect on our consolidated financial statements.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 1 – Summary of Significant Accounting Policies of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

Jumpstart Our Business Startups Act of 2012

On April 5, 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of our IPO; (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years or (iv) the date on which we are deemed to be a “large accelerated filer” under the rules of the SEC.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. These market risks are principally limited to changes in foreign currency exchange rates and commodity prices. We currently do not hedge our exposure to these risks.

Foreign Currency Risk. We conduct international operations in China, Mexico and Turkey. Our results of operations are subject to both currency transaction risk and currency translation risk. We incur currency transaction risk whenever we enter into either a purchase or sale transaction using a currency other than the local currency of the transacting entity. With respect to currency translation risk, our financial condition and results of operations are measured and recorded in the relevant domestic currency and then translated into U.S. dollars for inclusion in our consolidated financial statements. In recent years, exchange rates between these foreign currencies and the U.S. dollar have fluctuated significantly and may do so in the future. A hypothetical change of 10% in the exchange rates for the countries above would have resulted in a change to income from operations of approximately \$8.9 million and \$12.5 million for the years ended December 31, 2017 and 2016, respectively.

Commodity Price Risk. We are subject to commodity price risk under agreements for the supply of our raw materials. We have not hedged, nor do we intend to hedge, our commodity price exposure. We generally lock in pricing for our key raw materials for 12 months which protects us from price increases within that period. Additionally, the arrangements we have with our customers limit the impact of any price or cost increases. Finally, since many of our raw material supply agreements have meet or release clauses, if raw materials prices go down, we can also benefit from the reductions in price. We believe that this adequately protects us from increases in raw material prices but also enables us to take full advantage of decreases. We believe that a 10% change in the price of resin and resin systems, the commodities for which we do not have fixed pricing, would have had an impact to income from operations of approximately \$13.3 million and \$9.8 million for the years ended December 31, 2017 and 2016, respectively.

Interest Rate Risk. In our U.S. segment, we have an aggregate of \$74.1 million outstanding under the Restated Credit Facility that is tied to LIBOR, which is used to refinance existing indebtedness, fund future growth opportunities and current operations. Our EMEA segment currently has three general credit agreements with Turkish

financial institutions which are tied to EURIBOR. Each of the agreements contains collateralized financing on invoiced customer receivables, with two of the agreements also containing unsecured financing and the third agreement also containing collateralized financing of capital expenditures. As of December 31, 2017, there was \$14.1 million of collateralized financing on invoiced customer receivables and \$16.9 million of collateralized financing of capital expenditures outstanding. The Restated Credit Facility and three EMEA general credit agreements noted above are the only variable rate debt that we had outstanding as of December 31, 2017 as all remaining working capital loans, accounts receivable financing and capital lease obligations are fixed rate instruments and are not subject to fluctuations in interest rates. Due to the relatively low LIBOR and EURIBOR rates in effect as of December 31, 2017, a 10% change in the LIBOR or EURIBOR rate would not have a material impact on our future earnings, fair values or cash flows.

Item 8. Financial Statements and Supplementary Data

The financial statements required to be filed pursuant to this Item 8 are appended to this Report. An index of those financial statements is found in Item 15.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) promulgated under the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the design and operating effectiveness as of December 31, 2017 of our disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2017.

Management's Report on Internal Control Over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

As required by Rules 13a-15(f) promulgated under the Exchange Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. Management based its assessment on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2017 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm on our internal control over financial reporting due to an exemption established under the JOBS Act for "emerging growth companies."

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the three months ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference to “Business – Executive Officers” included in Part 1, Item 1 of this Annual Report on Form 10-K and the information that will be contained in our proxy statement related to the 2018 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the fiscal year ended December 31, 2017.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference to the information that will be contained in our proxy statement related to the 2018 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the fiscal year ended December 31, 2017.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference to the information that will be contained in our proxy statement related to the 2018 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the fiscal year ended December 31, 2017.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference to the information that will be contained in our proxy statement related to the 2018 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the fiscal year ended December 31, 2017.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to the information that will be contained in our proxy statement related to the 2018 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the fiscal year ended December 31, 2017.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements and Schedules

The financial statements listed in the accompanying Index to Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K.

(b) Exhibits

See Exhibit Index.

Item 16. Form 10-K Summary

Not applicable.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Balance Sheets as of December 31, 2017 and 2016</u>	F-3
<u>Consolidated Income Statements for the years ended December 31, 2017, 2016 and 2015</u>	F-4
<u>Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015</u>	F-5
<u>Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the years ended December 31, 2017, 2016 and 2015</u>	F-6
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015</u>	F-7
<u>Notes to Consolidated Financial Statements</u>	F-8

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
TPI Composites, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of TPI Composites, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits 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. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2008.

Phoenix, Arizona
March 8, 2018

TPI COMPOSITES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(In thousands, except par value data)

	December 31,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 148,113	\$ 119,066
Restricted cash	3,849	2,259
Accounts receivable (Note 3)	121,576	67,842
Inventories	67,064	53,095
Inventories held for customer orders	64,858	52,308
Prepaid expenses and other current assets	27,507	30,657
Total current assets	432,967	325,227
Property, plant and equipment, net	123,480	91,166
Goodwill	2,807	2,807
Intangible assets, net	150	265
Other noncurrent assets	14,130	17,741
Total assets	\$ 573,534	\$ 437,206
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 166,743	\$ 112,281
Accrued warranty	29,163	19,912
Deferred revenue	81,048	69,568
Customer deposits	10,134	1,390
Current maturities of long-term debt	35,506	33,403
Total current liabilities	322,594	236,554
Long-term debt, net of debt issuance costs and current maturities	85,879	89,752
Other noncurrent liabilities	4,444	4,393
Total liabilities	412,917	330,699
Commitments and contingencies (Note 14)		
Stockholders' equity: (Note 3)		
Common shares, \$0.01 par value, 100,000 shares authorized and 34,049 shares issued and 34,021 shares outstanding at December 31, 2017; 100,000 shares authorized and 33,737 shares issued and outstanding at December 31, 2016	340	337
Paid-in capital	301,543	292,833
Accumulated other comprehensive loss	(558)	(3,862)
Accumulated deficit	(140,197)	(182,801)
Treasury stock, at cost, 28 shares at December 31, 2017; no shares at December 31, 2016	(511)	—
Total stockholders' equity	160,617	106,507
Total liabilities and stockholders' equity	\$ 573,534	\$ 437,206

See accompanying notes to consolidated financial statements.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Consolidated Income Statements
(In thousands, except per share data)

	Year Ended December 31,		
	2017	2016	2015
Net sales (Note 3)	\$ 930,281	\$ 754,877	\$ 585,852
Cost of sales	776,944	659,745	528,247
Startup and transition costs	40,628	18,127	15,860
Total cost of goods sold	817,572	677,872	544,107
Gross profit	112,709	77,005	41,745
General and administrative expenses	40,373	33,892	14,126
Income from operations	72,336	43,113	27,619
Other income (expense):			
Interest income	95	344	161
Interest expense	(12,381)	(17,614)	(14,565)
Loss on extinguishment of debt	—	(4,487)	—
Realized loss on foreign currency remeasurement	(4,471)	(757)	(1,802)
Miscellaneous income	1,191	238	246
Total other expense	(15,566)	(22,276)	(15,960)
Income before income taxes	56,770	20,837	11,659
Income tax provision	(13,080)	(6,995)	(3,977)
Net income	43,690	13,842	7,682
Net income attributable to preferred stockholders	—	5,471	9,423
Net income (loss) attributable to common stockholders	\$ 43,690	\$ 8,371	\$ (1,741)
Weighted-average common shares outstanding:			
Basic	33,844	17,530	4,238
Diluted	34,862	17,616	4,238
Net income (loss) per common share:			
Basic	\$ 1.29	\$ 0.48	\$ (0.41)
Diluted	\$ 1.25	\$ 0.48	\$ (0.41)

See accompanying notes to consolidated financial statements.

TPI COMPOSITES, INC. AND SUBSIDIARIES

**Consolidated Statements of Comprehensive Income
(In thousands)**

	Year Ended December 31,		
	2017	2016	2015
Net income	\$ 43,690	\$ 13,842	\$ 7,682
Other comprehensive income (loss):			
Foreign currency translation adjustments	3,304	(3,837)	(2,363)
Comprehensive income	<u>\$ 46,994</u>	<u>\$ 10,005</u>	<u>\$ 5,319</u>

See accompanying notes to consolidated financial statements.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Deficit)
(In thousands)

	Common		Paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Treasury stock, at cost	Total stockholders' equity (deficit)
	Shares	Amount					
Balance at December 31, 2014	4,238	\$ —	\$ —	\$ 2,338	\$ (189,431)	\$ —	\$ (187,093)
Net income	—	—	—	—	7,682	—	7,682
Other comprehensive loss	—	—	—	(2,363)	—	—	(2,363)
Redeemable preferred shares fair value adjustment	—	—	—	—	(9,423)	—	(9,423)
Balance at December 31, 2015	4,238	—	—	(25)	(191,172)	—	(191,197)
Net income	—	—	—	—	13,842	—	13,842
Other comprehensive loss	—	—	—	(3,837)	—	—	(3,837)
Redeemable preferred shares fair value adjustment	—	—	—	—	(5,471)	—	(5,471)
Issuance of common stock sold in initial public offering (IPO), net of underwriters discount and offering costs	7,188	72	67,127	—	—	—	67,199
Conversion of convertible preferred shares into common stock upon consummation of IPO	21,110	253	202,993	—	—	—	203,246
Conversion of subordinated convertible promissory notes into common stock upon consummation of IPO	1,080	11	11,866	—	—	—	11,877
Conversion of redeemable preferred share warrants into common stock upon consummation of IPO	121	1	1,083	—	—	—	1,084
Share-based compensation expense	—	—	9,764	—	—	—	9,764
Balance at December 31, 2016	33,737	337	292,833	(3,862)	(182,801)	—	106,507
Cumulative-effect adjustment of the adoption of ASU 2016-09 on January 1, 2017	—	—	1,072	—	(1,086)	—	(14)
Net income	—	—	—	—	43,690	—	43,690
Other comprehensive income	—	—	—	3,304	—	—	3,304
Common stock repurchased	—	—	—	—	—	(1,264)	(1,264)
Issuances under share-based compensation plan	312	3	674	—	—	753	1,430
Share-based compensation expense	—	—	6,964	—	—	—	6,964
Balance at December 31, 2017	34,049	\$ 340	\$ 301,543	\$ (558)	\$ (140,197)	\$ (511)	\$ 160,617

See accompanying notes to consolidated financial statements.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 43,690	\$ 13,842	\$ 7,682
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,878	12,897	11,416
Share-based compensation expense	7,124	9,902	—
Amortization of debt issuance costs and debt discount	573	4,681	4,319
Loss on extinguishment of debt	—	4,487	—
Loss on disposal of property and equipment	334	2	187
Deferred income taxes	(1,068)	(2,782)	(765)
Changes in assets and liabilities:			
Accounts receivable	(53,734)	5,071	(29,652)
Inventories	(26,519)	(4,967)	(626)
Prepaid expenses and other current assets	3,150	681	(10,978)
Other noncurrent assets	7,487	(8,291)	4,204
Accounts payable and accrued expenses	51,248	14,959	34,423
Accrued warranty	9,251	6,316	7,680
Customer deposits	8,744	(7,515)	(3,193)
Deferred revenue	11,480	4,048	6,044
Other noncurrent liabilities	25	510	552
Net cash provided by operating activities	<u>82,663</u>	<u>53,841</u>	<u>31,293</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment	(44,828)	(30,507)	(26,361)
Proceeds from sale of assets	850	—	146
Net cash used in investing activities	<u>(43,978)</u>	<u>(30,507)</u>	<u>(26,215)</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock sold in initial public offering, net of underwriters discount and offering costs	—	67,199	—
Proceeds from term loans	—	—	20,000
Repayments of term loans	(3,750)	(930)	(625)
Net repayments of accounts receivable financing	(1,020)	(5,385)	(2,472)
Proceeds from working capital loans	9,936	15,813	11,690
Repayments of working capital loans	(14,574)	(20,103)	(24,262)
Proceeds from (repayments of) other debt	1,313	(4,765)	(2,777)
Proceeds from customer advances	—	2,000	—
Repayments of customer advances	—	(2,000)	—
Debt issuance costs	(454)	—	(1,113)
Proceeds from exercise of stock options	1,430	—	—
Repurchase of common stock including shares withheld in lieu of income taxes	(1,264)	—	—
Payment on acquisition of noncontrolling interest	—	—	(1,875)
Restricted cash	(1,590)	(499)	(989)
Net cash provided by (used in) financing activities	<u>(9,973)</u>	<u>51,330</u>	<u>(2,423)</u>
Impact of foreign exchange rates on cash and cash equivalents	335	(1,515)	(330)
Net change in cash and cash equivalents	29,047	73,149	2,325
Cash and cash equivalents, beginning of year	119,066	45,917	43,592
Cash and cash equivalents, end of year	<u>\$ 148,113</u>	<u>\$ 119,066</u>	<u>\$ 45,917</u>
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 11,803	\$ 11,126	\$ 9,439
Cash paid for income taxes, net	17,263	8,506	3,087
Supplemental disclosures of noncash investing and financing activities:			
Conversion of subordinated convertible promissory notes into common stock	—	11,877	—
Accrued capital expenditures in accounts payable	5,725	2,664	1,860
Equipment acquired through capital lease and financing obligations	6,206	10,011	5,004
Customer advances applied to accounts receivable	—	—	1,171
Debt refinance and related fees	—	2,163	—

See accompanying notes to consolidated financial statements.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Summary of Operations and Significant Accounting Policies

(a) Description of Business and Basis of Presentation

TPI Composites, Inc. is the holding company that conducts substantially all of its business operations through its direct and indirect subsidiaries (collectively, the Company). The Company was founded in 1968 and has been producing composite wind blades since 2001. The Company's knowledge and experience of composite materials and manufacturing originates with its predecessor company, Tillotson Pearson Inc., a leading manufacturer of high-performance sail and powerboats along with a wide range of composite structures used in other industrial applications. Following the separation from the boat building business in 2004, the Company reorganized in Delaware as LCS Holding, Inc. and then changed its corporate name to TPI Composites, Inc. in 2008. Today, the Company is headquartered in Scottsdale, Arizona and has expanded its global footprint to include domestic facilities in Newton, Iowa; Fall River, Massachusetts; Warren, Rhode Island and Santa Teresa, New Mexico and international facilities in Dafeng, China; Taicang Port, China; Taicang City, China; Juárez, Mexico, Matamoros, Mexico, Izmir, Turkey and Kolding, Denmark.

The Company divides its business operations into four geographic operating segments—the United States, Asia, Mexico and Europe, the Middle East and Africa (EMEA), as follows:

- The U.S. segment includes (1) the manufacturing of wind blades at the Newton, Iowa plant, (2) the manufacturing of precision molding and assembly systems used for the manufacture of wind blades at the Warren, Rhode Island facility, (3) the manufacturing of composite solutions for the transportation industry, which the Company also conducts at its existing Rhode Island and Massachusetts facilities, (4) our advanced engineering center in Kolding, Denmark, which provides technical and engineering resources to our manufacturing facilities and (5) our corporate headquarters, the costs of which are included in general and administrative expenses. In January 2018, the Company entered into a new lease agreement with a third party for a new manufacturing facility in Newton, Iowa and they expect to commence operations at this facility in the first half of 2018.
- The Asia segment includes (1) the manufacturing of wind blades at the facility in Taicang Port, China and at its two facilities in Dafeng, China, (2) the manufacturing of precision molding and assembly systems at the Taicang City, China facility, (3) the manufacture of components at the second Taicang Port, China facility and (4) wind blade inspection and repair services.
- The Mexico segment manufactures wind blades from its three facilities in Juárez, Mexico, the most recent of which commenced operations in January 2017. In April 2017, the Company entered into a new lease agreement with a third party for a new manufacturing facility in Matamoros, Mexico and they expect to commence operations at this facility in the second half of 2018.
- The EMEA segment manufactures wind blades from its two facilities in Izmir, Turkey. The Company entered into a joint venture in 2012 to produce wind blades at the first Turkey plant and in 2013 became the sole owner of the Turkey operation with the acquisition of the remaining 25% interest. The EMEA segment commenced operations at its second facility during the third quarter of 2016.

The accompanying consolidated financial statements include the accounts of TPI Composites, Inc. and all majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

(b) Public Offerings and Stock Split

In July 2016, the Company completed an initial public offering (IPO) of 7,187,500 shares of its common stock at a price of \$11.00 per share, which included 937,500 shares issued pursuant to the underwriters' over-allotment option. Certain of the Company's existing stockholders, a non-employee director and executive officers purchased an aggregate of 1,250,000 shares of common stock in the IPO included in the total issuance above. The net proceeds from the IPO were \$67.2 million after deducting underwriting discounts and offering expenses. Immediately prior to the closing of the IPO, all shares of the then-outstanding redeemable preferred shares converted into an aggregate

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

of 21,110,204 shares of common stock and the redeemable preferred share warrants converted on a net issuance basis into 120,923 shares of common stock. In addition, concurrent with the closing of the IPO, certain subordinated convertible promissory notes in the aggregate principal and interest amount of \$11.9 million were converted into 1,079,749 shares of common stock at the public offering price of \$11.00 per share.

Prior to the IPO, in July 2016 the Company amended its amended and restated certificate of incorporation to effect a 360-for-1 forward stock split of its common stock. As a result of the stock split, the Company has adjusted the share amounts authorized and issuable under the share-based compensation plans. All share and per share common stock information (including the share-based compensation plans) referenced throughout the consolidated financial statements and notes thereto have been retroactively adjusted to reflect this stock split. The stock split did not cause an adjustment to the par value of the authorized shares of common stock.

In May 2017, the Company completed a secondary public offering of 5,075,000 shares of its common stock at a price of \$16.35 per share, which included 575,000 shares issued pursuant to the underwriters' option to purchase additional shares. All of the shares were sold by existing stockholders and certain of the Company's executive officers. The selling stockholders received all of the net proceeds of \$78.8 million from the secondary public offering. The Company did not sell any shares and did not receive any of the proceeds from the offering and the costs paid by the Company in connection with the offering of \$0.8 million were recorded in general and administrative costs in the accompanying consolidated income statement.

(c) Revenue Recognition

The Company records all sales of goods when a firm sales agreement is in place, when delivery has occurred (as defined by the sales contract), and collectability of the fixed or determinable sales price is reasonably assured. The basic criteria necessary for revenue recognition are: (1) evidence that a sales arrangement exists, (2) title and risk of loss have passed to the customer, (3) delivery of goods has occurred, (4) the seller's price to the buyer is fixed or determinable and (5) collectability is reasonably assured. The Company recognizes revenue at the time of delivery to customers as all criteria necessary for revenue recognition have occurred at this point.

The precision molding and assembly systems provided for in each customer's contract are based upon the specific engineering requirements and design of the customer relative to the wind blade design and function desired. From the customer's engineering specifications, a job cost estimate is developed along with a production plan, and margin is applied based on the location the work is to be performed, customer and complexity of the work to be performed. Precision molding and assembly systems are built to produce wind blades which are manufactured in production runs specified in the customer contract.

As wind blades and precision molding and assembly systems used in the production of composite products each have stand-alone value to the customer, revenue from these items are recognized when those specific items are accepted by the customer as meeting the contractual technical specifications and delivered to the customer. Delivery of wind blades and precision molding and assembly systems generally takes place as defined in the contract at the facility where the precision molding and assembly systems are produced at which point the precision molding and assembly systems become exclusive property of the customer. The customer is generally then responsible for transportation and may transport the composite mold to its own or the Company's wind blade production facility where the precision molding and assembly systems are placed into service. Revenue related to engineering and freight services provided under customer contracts is recognized upon completion of the services being provided. Customers usually pay the cost of shipping associated with items produced directly to the carrier, but if paid by the Company, that cost is included in cost of goods sold and amounts invoiced for shipping and handling are included in revenue.

The Company's customers may request, in situations where they do not have space available to receive products or do not want to take possession of products immediately for other reasons, that their finished composite products be stored by the Company in one of its facilities. The Company will bill for the components as allowed by the contract; however, revenue is deferred for financial reporting purposes until the Company delivers the finished composite product and all of the other requirements for revenue recognition have been met. Composite products that have been billed by the Company and continue to be stored by the Company at one of its facilities are included at

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

net realizable value in inventory held for customer orders included on the consolidated balance sheets. Inventory held for customer orders is physically segregated from finished goods and is accounted for separately within the Company's accounting records.

Wind blade pricing is based on annual commitments of volume as established in the customer's contract with orders less than committed volume resulting in additional costs per wind blade to customers; however, orders in excess of annual commitments may, but generally do not, result in discounts to customers from the contracted price for the committed volume. Customers may utilize early payment discounts which are reported as a reduction of revenue at the time the discount is taken.

(d) Cost of Goods Sold

Cost of goods sold includes the costs associated with products invoiced during the period as well as unallocated manufacturing overhead costs associated with startup and transition costs. Cost of sales includes all costs incurred at our production facilities to make products saleable, such as raw materials, direct labor and indirect labor and facilities costs, including purchasing and receiving costs, plant management, inspection costs, product engineering and internal transfer costs. In addition, all depreciation associated with assets used to produce composite products and make them saleable is included in cost of sales. Direct labor costs consist of salaries, benefits and other personnel related costs for employees engaged in the manufacture of our products.

Startup costs represent the unallocated overhead related to both new manufacturing facilities as well as new lines in existing manufacturing facilities. Transition costs represent the unallocated overhead related to the transition of wind blade models at the request of our customers. The startup and transition costs are primarily fixed overhead costs incurred during the period production facilities are under-utilized while transitioning wind blade models and ramping up manufacturing, which are not allocated to products and are expensed as incurred. The cost of sales for the initial wind blades from a new model manufacturing line is generally higher than when the line is operating at optimal production volume levels due to inefficiencies during ramp-up related to labor hours per blade, cycle times per blade and raw material usage. Additionally, manufacturing overhead as a percentage of net sales is generally higher during the period in which a facility is ramping up to full production capacity due to underutilization of the facility. Manufacturing overhead at each of our facilities includes virtually all indirect costs (including share-based compensation costs) incurred at the plants, including engineering, finance, information technology, human resources and plant management.

(e) General and Administrative Expense

General and administrative expenses are primarily incurred at the Company's corporate headquarters and research facilities and include salaries, benefits and other personnel related costs for employees engaged in research and development, engineering, finance, information technology, human resources, business development, global operational excellence, global supply chain, in-house legal and executive management. Other costs include outside legal and accounting fees, risk management (insurance), share-based compensation and certain other administrative and global resources costs. For the years ended December 31, 2017, 2016 and 2015, total research and development expenses not performed at our manufacturing facilities (included in general and administrative expenses) totaled \$1.6 million, \$1.5 million and \$0.9 million, respectively.

(f) Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value.

As of December 31, 2017 and 2016, the Taicang plants had unrestricted cash of \$42.8 million and \$8.3 million, respectively, in bank accounts in China. As of December 31, 2017 and 2016, the Dafeng plant had unrestricted cash of \$3.5 million and \$4.0 million, respectively, in bank accounts in China. The Chinese government imposes certain restrictions on transferring cash out of China. The local governments in Turkey and Mexico impose no such restrictions on transferring cash out of the respective country.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of December 31, 2017, the Company had provided for cash deposits for letters of guarantee used for customs clearance related to our China locations totaling \$3.8 million. As of December 31, 2016, the Company has provided fully cash-collateralized letters of credit in connection with certain facility leases and with one of the Company's workers' compensation providers totaling \$2.3 million. These amounts are reported as restricted cash in the Company's consolidated balance sheets.

As of December 31, 2017, the Company maintained a long-term deposit in interest bearing accounts, related to fully cash-collateralized letters of credit in connection with an equipment lessor in Iowa, totaling \$0.5 million. As of December 31, 2016, the Company maintained long-term deposits in interest bearing accounts, related to fully cash-collateralized letters of credit in connection with the facility leases at our Mexico locations and an equipment lessor in Iowa, totaling \$8.5 million. See Note 9, *Other Noncurrent Assets*.

(g) Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and generally do not bear interest. The Company follows the allowance method of recognizing uncollectible accounts receivable, which recognizes bad debt expense based on a review of the individual accounts outstanding and prior history of uncollectible accounts receivable. Credit is extended based on evaluation of each customer's financial condition and is generally unsecured. Accounts receivable are generally due within 30 days and are stated net of an allowance for doubtful accounts in the consolidated balance sheets. Accounts are considered past due if outstanding longer than contractual payment terms. The Company records an allowance based on consideration of a number of factors, including the length of time trade accounts are past due, previous loss history, the credit-worthiness of individual customers, economic conditions affecting specific customer industries, and economic conditions in general. The Company charges-off accounts receivable after all reasonable collection efforts have been exhausted. The Company credits payments subsequently received on such receivables to bad debt expense in the period payment is received. The Company records delinquent finance charges on outstanding accounts receivables only if they are collected. The Company wrote off \$0.2 million during 2017, \$0.5 million during 2016 and did not write off any material amounts due during 2015, and does not have any off-balance-sheet credit exposure related to its customers. See Note 4, *Accounts Receivable*.

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Cost is determined using the first-in, first-out method for raw materials and specific identification for work in process and finished goods inventories. Actual cost includes the cost of materials, direct labor, and applied manufacturing overhead. Write-downs to reduce the carrying cost of obsolete, slow-moving, and unusable inventory to net realizable value are recognized in cost of goods sold. The effect of these write-downs establishes a new cost basis in the related inventory, which is not subsequently written up. See Note 5, *Inventories*.

(i) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization of property, plant, and equipment is calculated on the straight-line method over the estimated useful lives of the assets. See Note 7, *Property, Plant and Equipment, Net*.

	Estimated useful lives
Machinery and equipment	7–10 years
Buildings	20 years
Leasehold improvements	5 to 10 years, or the term of the lease, if shorter
Office equipment and software	3 to 5 years
Furniture	5 years
Vehicles	5 years

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(j) Recoverability of Long-Lived Assets

The Company reviews property, plant and equipment and other long-lived assets in order to assess recoverability based on expected future undiscounted cash flows whenever events or circumstances indicate that the carrying value may not be recoverable. If the sum of the expected future net cash flows is less than the carrying value, an impairment loss is recognized. The impairment loss is measured as the amount by which the carrying value exceeds the fair value of the asset.

(k) Goodwill and Intangible Assets

Goodwill represents the excess of the acquisition cost of Composite Solutions, Inc. from True North Partners, LLC in 2004 over the fair value of identifiable assets acquired and liabilities assumed. Goodwill, which is entirely in the U.S. segment, is evaluated for impairment annually on October 31 and whenever events or circumstances make it likely that impairment may have occurred. In determining whether impairment has occurred, the Company uses a two-step approach. Step one compares the fair value of the related reporting unit (calculated using the discounted cash flow method) to its carrying value. If the carrying value exceeds the fair value, there is a potential impairment and step two must be performed. Step two compares the carrying value of the reporting unit's goodwill to its implied fair value (i.e., fair value of reporting unit less the fair value of the unit's assets and liabilities, including identifiable intangible assets). If the implied fair value of goodwill is less than the carrying amount of goodwill, impairment is recognized for that difference. The Company may first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The Company performed its annual goodwill impairment test during 2017 and determined that it is more-likely-than-not that its fair value exceeds its carrying amount.

Intangible assets were acquired in a business acquisition and provide contractual or legal rights, or other future benefits that could be separately identified. The Company's valuation of identified intangible assets was based upon discounted cash flow estimates that require significant management judgment with respect to revenue and expense growth rates, changes in working capital, and the selection and use of the appropriate discount rate. The intangible assets are amortized over their estimated useful life. Intangible assets with indefinite lives are evaluated at least annually for impairment or whenever events or circumstances make it likely that impairment may have occurred. See Note 8, *Intangible Assets, Net*.

(l) Warranty Expense

The Company provides a limited warranty for its mold and wind blade products, including parts and labor, with terms and conditions that vary depending on the product sold, generally for periods that range from two to five years. Warranty expense is recorded based upon estimates of future repairs using a probability-based methodology that considers previous warranty claims, identified quality issues and industry practices. Once the warranty period has expired, any remaining unused warranty accrual for the specific products is reversed against the current year warranty expense amount. See Note 10, *Accrued Warranty*.

(m) Foreign Currency Translation Adjustments

The reporting currency of the Company is the U.S. dollar. However, the Company has non-U.S. operating segments in Mexico, Turkey and China.

- The U.S. parent companies of the four Mexico operations, each of which are wholly-owned subsidiaries of TPI Composites, Inc., maintain their books and records in U.S. dollars.
- The Mexico operations maintain their books and records through multiple legal entities that are denominated in the local Mexican currency, the Peso.
- The Turkey operations maintain their books and records in the local Turkish currency, the Lira.
- The U.S. parent company of the China operations and a wholly-owned subsidiary of TPI Composites, Inc., maintains its books and records in U.S. dollars.
- The China operations maintain their books and records in the local Chinese currency, the Renminbi.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Foreign currency-denominated assets and liabilities are translated into U.S. dollars at exchange rates existing at the respective balance sheet dates. Results of operations of foreign subsidiaries are translated at the average exchange rates during the respective periods. Foreign currency transaction gains and losses are reported in realized loss on foreign currency remeasurement in the Company's consolidated income statements. Translation adjustments are reported in accumulated other comprehensive loss in the Company's consolidated balance sheets. Currency translation adjustments for the years ended December 31, 2017, 2016 and 2015 amounted to a gain of \$3.3 million and losses of \$3.8 million and \$2.4 million, respectively.

(n) Share-Based Compensation

The Company maintains two active incentive compensation plans: the 2008 Stock Option and Grant Plan and the Amended and Restated 2015 Stock Option and Incentive Plan (the 2015 Plan). In May 2015, the Company's board of directors and stockholders adopted and approved the 2015 Plan, which provides for the issuance of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock units, restricted stock awards, unrestricted stock awards, cash-based awards, performance share awards and dividend equivalent rights to certain employees, non-employee directors and consultants. The term of stock options issued under the 2015 Plan may not exceed ten years from the date of grant. Under the 2015 Plan, incentive stock options and non-qualified stock options are granted at an exercise price that is not to be less than 100% of the fair market value of the common stock of the Company on the date of grant, as determined by the Compensation Committee of the board of directors. Stock options become vested and exercisable at such times and under such conditions as determined by the Compensation Committee on the date of grant. Upon approval of the 2015 Plan, no future grants will be made from the 2008 Stock Option and Grant Plan.

The Company measures share-based compensation expense for stock options using the estimated fair value of the related award on the date of grant using the Black-Scholes valuation model as of the grant date using the following assumptions:

Expected Volatility . As the Company's common stock had not been publicly traded prior to July 2016, the expected volatility assumption reflects an average of volatilities of publicly traded peer group companies with a period equal to the expected life of the options.

Expected Life (years) . The Company uses the simplified method to estimate the expected term of stock options. The simplified method for estimating expected term is to use the mid-point between the vesting term and the contractual term of the option. The Company elected to use the simplified method because it did not have historical exercise data to estimate the expected term due to the limited time period its common stock had been publicly traded.

Risk-Free Interest Rate . The risk-free interest rate assumption is based upon the U.S. constant maturity treasury rates as the risk-free rate interpolated between the years commensurate with the expected life of the options.

Dividend Yield . The dividend yield assumption is zero since the Company does not expect to declare or pay dividends in the foreseeable future.

Forfeitures. Share-based compensation expense is reversed when the service-based award is forfeited.

Expected Vesting Period . The Company amortizes the share-based compensation expense over the requisite service period.

Share-based compensation expense related to restricted stock units is expensed over the vesting period using the straight-line method for Company employees and the Company's board of directors. The restricted stock units do not have voting rights. The Company calculates the fair value of share-based awards on the date of grant for employees and directors. The Company calculates the fair value of share-based awards to consultants on the date of vesting.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(o) Leases

Leases are classified as either operating leases or capital leases. Assets acquired under capital leases are amortized on the same basis as similar property, plant and equipment. Rental payments, including rent holidays, leasehold incentives, and scheduled rent increases are expensed on a straight-line basis over the lease term including any applicable renewals. Leasehold improvements are amortized over the shorter of the depreciable lives of the corresponding fixed assets or the lease term including any applicable renewals.

(p) Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 740, *Income Taxes*. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those differences are projected to be recovered or settled. Realization of deferred tax assets is dependent on the Company's ability to generate sufficient taxable income of an appropriate character in future periods. A valuation allowance is established if it is determined to be more-likely-than-not that a deferred tax asset will not be realized. Interest and penalties related to unrecognized tax benefits are reported in income tax expense, See Note 16, *Income Taxes*.

(q) Net Income Attributable to Preferred Stockholders

Net income attributable to preferred stockholders relates to the accrual of dividends on the Company's convertible and senior redeemable preferred shares, the accretion to redemption amounts on its convertible preferred shares and warrant fair value adjustment. Immediately prior to the closing of our IPO, all preferred shares were converted into shares of the Company's common stock and as a result, the accrual of dividends ceased.

(r) Net Income (Loss) Per Share Calculation

The basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding during a period. Diluted net income per common share is computed by dividing the net income, adjusted on an as-if-converted basis, by the weighted-average number of common shares outstanding plus potentially dilutive securities. The table below reflects the calculation of the weighted-average number of common shares outstanding, on an as if converted basis, used in computing basic and diluted earnings per common share for the years ended December 31:

	2017	2016	2015
		(in thousands)	
Basic weighted-average shares outstanding	33,844	17,530	4,238
Effect of dilutive stock options and warrants	1,018	86	—
Diluted weighted-average shares outstanding	34,862	17,616	4,238

The Company did not have potential dilutive securities that are not included in the diluted net income per share calculation for the years ended December 31, 2017 and 2016. The Company had potentially dilutive securities of 4,571,007 outstanding for the year ended December 31, 2015 that are not shown in the diluted net loss per share calculation because their effect would be anti-dilutive. The potentially dilutive securities excluded from the calculation include common shares issued upon conversion or exercise of options and warrants.

(s) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, realizability of intangible assets and deferred tax assets, inventory valuation, relative

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

selling prices for revenue recognition, fair value of stock options and warrants, warranty reserves and other contingencies.

(t) Fair Value of Financial Instruments

FASB ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value is follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimate of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, trade accounts receivable, income taxes receivable, accounts payable and accrued expenses and income taxes payable approximate fair value because of the short-term nature of these financial instruments. The carrying amount of working capital loans approximates fair value due to their short term nature and the loans carry a current market rate of interest, a level 2 input. The carrying value of long-term debt approximates fair value based on its variable rate index or based upon market interest rates available to the Company for debt of similar risk and maturities, both of which are level 2 inputs.

(u) Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, (Topic 606), which provides new recognition and disclosure requirements for revenue from contracts with customers that supersedes the existing revenue recognition guidance. The new recognition requirements focus on when the customer obtains control of the goods or services, rather than the current risks and rewards model of recognition. The core principle of the new standard is that an entity will recognize revenue when it transfers goods or services to its customers in an amount that reflects the consideration an entity expects to be entitled to for those goods or services. The new disclosure requirements will include information intended to communicate the nature, amount, timing and any uncertainty of revenue and cash flows from the applicable contracts, including any significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract. Entities will generally be required to make more estimates and use more judgment under the new standard.

The new requirements are effective for the Company beginning January 1, 2018, and may be implemented either retrospectively for all periods presented, or as a cumulative-effect adjustment as of the date of adoption.

The Company will adopt Topic 606 as of January 1, 2018 with retrospective application to January 1, 2016 through December 31, 2017. Based on the Company's evaluation of the new standard, revenue recognition in accordance with Topic 606 differs from the current guidance provided by GAAP as outlined in the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin 104, which requires the Company to defer recognition of revenue until the risk of loss has passed to the customer and delivery has been made or a fixed delivery schedule has been provided by the customer. As the Company's products have no alternative use to the Company due to contractual restrictions placed by each customer on the technical specifications and design of the products, the Company has determined that revenue upon adoption of Topic 606 will be recognized over time during the course of the production process and when control is transferred to the customer.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company expects that the adoption of Topic 606 will have a material impact on the amount of net sales, cost of goods sold and income from operations reported in the consolidated income statements in future periods. In accordance with Topic 606, revenues will be recognized over the course of the production process, whereas currently it is recognized as blades are delivered to the customer. An increased amount of revenue will be recognized at the beginning of production under a contract and upon contract amendments as the learning curve associated with starting up production and transitions of manufacturing lines generates revenue whereas previously these activities would be considered period costs and revenue was recognized when the product was delivered to the customer. Further, since revenue will be recognized over time for manufacturing contracts, future net sales will include amounts related to products that are in production as of the period end. Finally, the gross profit realized in the period and over the remaining term of the contract will be impacted by the changes related to the timing and amount of revenue recognized for products in the production process.

Although Topic 606 does not have a cash impact nor an effect on the economics of the Company's underlying customer contracts, applying Topic 606 to contracts in startup and transition will likely result in higher reported earnings in 2018 than under the previous guidance as revenue is shifted to the initial years of startup and transition activities of a contract. The Company expects a corresponding acceleration in timing of cost of goods sold recognition for these contracts upon adoption of Topic 606. Topic 606 will not change the total amount of revenue recognized under the Company's long-term supply contracts, only accelerate the timing of when the revenue is recognized.

Based on the progress made to date on the retrospective application of Topic 606, the Company's preliminary estimate of the restated net sales and income from operations for the year ended December 31, 2017 is \$955 million and \$70 million, respectively. Similarly, for the year ended December 31, 2016, the Company's preliminary estimate of the restated net sales and income from operations is \$770 million and \$54 million, respectively.

The changes noted above involving the timing of revenue recognition will materially impact the amount of reported assets and liabilities on the consolidated balance sheet associated with the Company's manufacturing contracts. Upon adoption of Topic 606, the Company will include amounts recognized in revenue for products in production as contract assets on the consolidated balance sheet, which differs from the current practice of including the balances in inventory, and will include an amount for the margin recognized to date. The Company will no longer report inventory held for customer orders since revenue will be recognized over the course of the production process, which will include an amount for the margin recognized to date, and before the product is delivered to the customer. Work performed as production takes place will lead to revenue recognition and be included in the consolidated balance sheet under contract assets. The Company expects that contract liabilities will be reported for amounts collected from customers in advance of the production of products. The Company does not expect to have deferred revenue as revenue for products will be recognized over time.

The Company does not anticipate a change in the timing of cash receipts and payments from customers as customers will continue to be invoiced as products are completed. In addition, the Company does not expect changes to the aggregate amount of cash flows from operating activities in the consolidated statements of cash flows; however, the impact of changes in the captions on the consolidated balance sheet will have a material effect on the captions within cash flows from operating activities in the consolidated statements of cash flows.

The Company has a project plan in place for the transition to revenue recognition in accordance with Topic 606 including necessary changes to accounting processes and procedures, the chart of accounts, the system of internal control and retrospective application of the standard to periods beginning January 1, 2016 through December 31, 2017.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company has performed the following steps in the project plan for the adoption of Topic 606 and the retrospective application:

- Completed an assessment identifying all customer contracts in place as of December 31, 2017, that would have had revenue recognized during the period from January 1, 2016, to current and determined the appropriate application of Topic 606.
- Identified the performance obligations within the customer contracts and determined the transaction price, variable consideration and allocation to each performance obligation.
- Determined that the performance obligations in our customer contracts are satisfied as control is transferred over time.
- Developed models to perform the recalculation of revenue as required by Topic 606 which facilitates the necessary adjusting entries to complete the retrospective application.
- Identified and begun necessary enhancements to the Company's enterprise resource management system to streamline future accounting and financial reporting functions and enhance the system of internal control over financial reporting.

The Company has not completed the final validation of the forecasted future net sales and costs and the evaluation of the results of the retrospective application. The Company plans to complete these final steps in time to report in accordance with Topic 606 for the first quarterly filing on Form 10-Q for the three months ended March 31, 2018. However, until these steps are completed, the preliminary estimates presented above are subject to change.

Cash Flow Presentation

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, that clarifies how certain cash receipts and cash payments are presented and classified in the consolidated statement of cash flows. In addition, in November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, that requires restricted cash and cash equivalents to be included with the amount of cash and cash equivalents that are reconciled to on the consolidated statement of cash flows. These ASUs are effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted. The Company does not believe that the adoption of ASU 2016-15 and 2016-18 on January 1, 2018 will have a material effect on the Company's financial position or results of operations.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 is a comprehensive new recognition model for leases requiring a lessee to recognize the asset and liability that arise from leases. For public companies, the amendment is effective for financial statements issued for annual periods beginning after December 15, 2018. Entities may elect to early adopt the lease standard in 2016. In adopting ASU 2016-02, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. Management is evaluating the provisions of ASU 2016-02 and has not yet selected a transition method nor determined what impact the adoption of ASU 2016-02 will have on the Company's financial position or results of operations.

Income Taxes

In December of 2017, the SEC staff issued Staff Accounting Bulletin 118 (SAB 118), which provides relief for companies that have not completed their accounting for the effects of The Tax Cuts and Jobs Act (Tax Reform) but can determine a reasonable estimate of those effects to allow them to include a provisional amount based on their reasonable estimate in their financial statements. The guidance in SAB 118 also allows companies to adjust the provisional amounts during a one-year "measurement period" which is similar to the measurement period used when accounting for business combinations. In the accompanying consolidated financial statements, the Company has not

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

completed its accounting for all the tax effects associated with the enactment of Tax Reform. However, the Company has, in certain cases made a reasonable estimate of the effects on its existing deferred tax balances and the one-time transition tax.

There have been no other recent accounting pronouncements or changes in accounting pronouncements during the current year that are of significance, or potential significance, to the Company.

Note 2. Significant Risks and Uncertainties

The Company's revenues and receivables are from a small number of customers. As such, the Company's production levels are dependent on these customers' orders. See Note 17, *Concentration of Customers*.

The Company maintains its U.S. cash in bank deposit accounts that, at times, exceed U.S. federally insured limits. U.S. bank accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) in an amount up to \$250,000 during 2017 and 2016. At December 31, 2017 and 2016, the Company had \$98.9 million and \$103.4 million, respectively, of cash in deposit accounts in high quality U.S. banks, which was in excess of FDIC limits. The Company has not experienced losses in any such accounts.

The Company also maintains cash in bank deposit accounts outside the U.S. with no insurance. At December 31, 2017, this includes \$0.7 million in Turkey, \$46.3 million in China and \$2.2 million in Mexico. The Company has not experienced losses in these accounts. In addition, the Company has short-term deposits in interest bearing accounts of \$3.8 million in China, which are reported as restricted cash in the Company's consolidated balance sheets. The Company also has long-term deposits in interest bearing accounts of \$0.5 million in Iowa. See Note 9, *Other Noncurrent Assets*.

Note 3. Related-Party Transactions

Related party transactions include transactions between the Company and certain of its affiliates. The following transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Company has entered into several agreements with subsidiaries of General Electric Company and its consolidated affiliates (GE) relating to the operation of its business. As a result of these agreements, GE has been a debtor, creditor and holder of both preferred and common shares. During the second quarter of 2017, GE reduced its holdings of the Company's common shares to less than five percent of the total shares outstanding and then completely divested of the Company's common shares during the third quarter.

The Company has entered into five separate supply agreements with GE to manufacture wind blades in Newton, Iowa; Taicang Port, China; Juárez, Mexico (2) and Izmir, Turkey. The supply agreements in Taicang Port, China and Izmir, Turkey expired in December 31, 2017 and GE decided not to renew or extend these two contracts. As a result of the supply agreements, GE is the Company's largest customer. For the six months ended June 30, 2017, the Company recorded related-party sales with GE of \$187.3 million. As disclosed in Note 17, *Concentration of Customers*, for the years ended December 31, 2017, 2016 and 2015, the Company recorded sales with GE of \$413.2 million, \$379.9 million and \$312.5 million, respectively. As of December 31, 2017 and 2016, the Company had accounts receivables related to sales to GE of approximately \$22.2 million and \$16.6 million, respectively.

In January 2016, the Company entered into an agreement with GE and received an advance of \$2.0 million, which the Company repaid in full in August 2016. See Note 11, *Customer Deposits and Customer Advances*.

Certain of the Company's existing stockholders, consisting of entities associated with Element Partners, Angeleno Group and Landmark Partners, each of which is an affiliate of a member of the board of directors, as well as certain executive officers and a director, purchased an aggregate of 1,250,000 shares of common stock in the IPO. In addition, all outstanding obligations and accrued interest under the Company's subordinated convertible promissory notes held by certain existing stockholders, including Element Partners, Angeleno Group and Landmark

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Partners, were converted into an aggregate of 1,079,749 shares of common stock concurrent with the closing of the IPO at the public offering price of \$11.00 per share.

In connection with the Company's secondary offering in May 2017, certain entities associated with Element Partners, Angeleno Group, Landmark Partners and NGP Energy Technology Partners, L.P, as well as certain executive officers of the Company sold an aggregate of 5,075,000 shares of common stock at the public offering price of \$16.35 per share.

Note 4. Accounts Receivable

Accounts receivable at December 31 consisted of the following:

	2017	2016
	(in thousands)	
Trade accounts receivable	\$ 117,794	\$ 66,612
Other accounts receivable	3,782	1,230
Total accounts receivable	\$ 121,576	\$ 67,842

Note 5. Inventories

Inventories at December 31 consisted of the following:

	2017	2016
	(in thousands)	
Raw materials	\$ 28,795	\$ 29,278
Work in process	33,623	21,169
Finished goods	4,646	2,648
Total inventories	\$ 67,064	\$ 53,095

Note 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at December 31 consisted of the following:

	2017	2016
	(in thousands)	
Refundable value-added tax	\$ 11,507	\$ 5,229
Prepaid customs and duty charges	280	8,289
Deposits	5,585	8,135
Prepaid rebates	—	519
Other prepaid expenses	9,357	8,130
Other current assets	778	355
Total prepaid expenses and other current assets	\$ 27,507	\$ 30,657

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 7. Property, Plant and Equipment, Net

Property, plant and equipment, net at December 31 consisted of the following:

	2017	2016
	(in thousands)	
Machinery and equipment	\$ 100,681	\$ 70,481
Buildings	14,711	13,449
Leasehold improvements	21,853	16,818
Office equipment and software	18,664	6,403
Furniture	19,017	15,883
Vehicles	294	342
Construction in progress	10,687	11,592
Total property, plant and equipment, gross	185,907	134,968
Accumulated depreciation	(62,427)	(43,802)
Total property, plant and equipment, net	\$ 123,480	\$ 91,166

As of December 31, 2017, the Company had undertaken projects including the construction and outfitting of its second and third wind blade production facilities in Juárez, Mexico, its second wind blade production facility in Izmir, Turkey, the expansion and improvements at certain of our existing wind blade production facilities and costs at our corporate office to enhance our information technology systems.

Total depreciation for the years ended December 31, 2017, 2016 and 2015 was \$20.8 million, \$12.7 million and \$10.6 million, respectively.

As of December 31, 2017, the cost and accumulated depreciation of property, plant and equipment that the Company is leasing under capital lease arrangements is \$29.7 million and \$8.0 million, respectively. As of December 31, 2016, the cost and accumulated depreciation of property, plant and equipment that the Company is leasing under capital lease arrangements is \$23.4 million and \$4.4 million, respectively.

Note 8. Intangible Assets, Net

Carrying values and estimated useful lives of intangible assets as of December 31, 2017, consisted of the following:

	Estimated Useful Life	Cost	Accumulated Amortization	Net
			(in thousands)	
Patents	13 years	\$ 2,000	\$ (2,000)	\$ —
Trademarks	Indefinite	150	—	150
Total intangible assets, net		\$ 2,150	\$ (2,000)	\$ 150

Carrying values and estimated useful lives of intangible assets as of December 31, 2016, consisted of the following:

	Estimated Useful Life	Cost	Accumulated Amortization	Net
			(in thousands)	
Patents	13 years	\$ 2,000	\$ (1,885)	\$ 115
Trademarks	Indefinite	150	—	150
Total intangible assets, net		\$ 2,150	\$ (1,885)	\$ 265

During the years ended December 31, 2017, 2016 and 2015, the Company recorded amortization expense of \$0.1 million, \$0.2 million and \$0.8 million, respectively.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9. Other Noncurrent Assets

Other noncurrent assets at December 31 consisted of the following:

	2017	2016
	(in thousands)	
Restricted cash	\$ 475	\$ 8,538
Deferred tax assets	8,304	5,131
Land use right	1,708	1,648
Deposits	3,238	2,422
Other	405	2
Total other noncurrent assets	<u>\$ 14,130</u>	<u>\$ 17,741</u>

As of December 31, 2017 and 2016, the Company maintained long-term deposits in interest bearing accounts related to fully cash-collateralized letter of credit in connection with an equipment lessor in Iowa totaling approximately \$0.5 million. As of December 31, 2016, the Company also maintained long-term deposits in interest bearing accounts, related to fully cash-collateralized letters of credit in connection with the facility leases at its Mexico locations, totaling approximately \$8.1 million.

As a result of the refinancing of our previous credit facility, in the first quarter of 2017, approximately \$8.1 million of long-term deposits in interest bearing accounts related to fully cash-collateralized letters of credit were returned to the Company and applied against its letter of credit sub-facility under the Restated Credit Facility.

The land use right was purchased during 2007 and permits the Company to use the land where the Taicang Port, China facility, owned by the Company, is situated. The Company is amortizing the land use right on a straight-line basis over its 50 year life. Amortization of the land use right began upon the opening of the plant in 2008.

Note 10. Accrued Warranty

Warranty accrual at December 31 consisted of the following:

	2017	2016	2015
	(in thousands)		
Warranty accrual at beginning of year	\$ 19,912	\$ 13,596	\$ 5,916
Accrual during the year	15,364	18,886	10,653
Cost of warranty services provided during the year (1)	(1,986)	(10,808)	(1,349)
Reduction of reserves	(4,127)	(1,762)	(1,624)
Warranty accrual at end of year	<u>\$ 29,163</u>	<u>\$ 19,912</u>	<u>\$ 13,596</u>

(1) The 2016 amount includes an 8.0 million Euro (\$8.5 million) payment related to the Nordex settlement agreement.

Note 11. Customer Deposits

The Company regularly enters into contracts for the production of composite structures that require the purchase of raw materials specific to the customers' orders. As such, the Company may require that customers pay a deposit prior to the beginning of production. The customer deposits are recorded as current liabilities in the consolidated balance sheets and are reduced as the Company invoices its customers for work performed or the products are delivered. As of December 31, 2017 and 2016, the Company had customer deposits of \$10.1 million and \$1.4 million, respectively.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Share-Based Compensation

Since 2015, the Company has granted awards of stock options and restricted stock units (RSUs) to certain employees and non-employee directors under the 2015 Plan. Each award granted prior to the consummation of the Company's IPO included a performance condition that required the completion of an initial public offering by the Company and a required vesting period of one to four years commencing upon achievement of the performance condition. As the IPO was consummated in July 2016, the Company began recording compensation expense in July 2016 for the requisite service period from the grant date through the IPO date with the balance of the share-based compensation to be expensed over the remaining vesting period.

Upon completion of the IPO and the achievement of the performance condition, the Company was required to record share-based compensation expense for the requisite service period from the grant date which included approximately \$3.6 million related to the portion of the service period from the grant date through December 31, 2015. No share-based compensation expense was recorded during the year ended December 31, 2015.

The share-based compensation expense recognized in the consolidated income statements for the years ended December 31 was as follows:

	2017	2016
	(in thousands)	
Cost of goods sold	\$ 1,070	\$ 1,505
General and administrative expenses	6,054	8,397
Total share-based compensation expense	\$ 7,124	\$ 9,902

The share-based compensation expense recognized by award type for the years ended December 31 was as follows:

	2017	2016
	(in thousands)	
RSUs	\$ 2,808	\$ 3,457
Stock options	4,316	6,445
Total share-based compensation expense	\$ 7,124	\$ 9,902

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The summary of activity for the Company's incentive plans is as follows:

	Shares Available for Grant	Stock Options			RSUs	
		Shares	Weighted-Average Exercise Price	Options Exercisable	Shares	Weighted-Average Grant Date Fair Value
Balance as of December 31, 2014	1,032,950	35,703	\$ 8.49	35,703	—	\$ —
Increase in shares authorized	6,317,031	—	—	—	—	—
Granted	(4,001,040)	3,269,160	11.92	—	731,880	10.89
Exercised/vested	—	—	—	—	—	—
Forfeited/cancelled	43,200	(43,200)	10.87	—	—	—
Balance as of December 31, 2015	3,392,141	3,261,663	11.90	35,703	731,880	10.89
Increase in shares authorized	169,546	—	—	—	—	—
Granted	(493,990)	493,990	17.37	—	—	—
Exercised/vested	—	—	—	—	—	—
Forfeited/cancelled	519,995	(424,235)	11.78	—	(95,760)	10.87
Balance as of December 31, 2016	3,587,692	3,331,418	12.72	25,828	636,120	10.90
Increase in shares authorized	1,349,475	—	—	—	—	—
Granted	(433,700)	213,200	19.70	—	220,500	22.42
Exercised/vested	—	(138,878)	10.83	—	(218,040)	10.95
Forfeited/cancelled	227,650	(202,450)	11.54	—	(25,200)	10.87
Balance as of December 31, 2017	<u>4,731,117</u>	<u>3,203,290</u>	13.34	890,433	<u>613,380</u>	15.02

The grant date fair value of RSUs which vested during the year ended December 31, 2017 was \$2.4 million. In addition, during 2017, the Company repurchased 68,815 shares for \$1.3 million related to tax withholding requirements on vested RSU awards.

The following table summarizes the outstanding and exercisable stock option awards as of December 31, 2017:

Range of Exercise Prices:	Options Outstanding			Options Exercisable	
	Shares	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$8.49	22,728	2.0	\$ 8.49	22,728	\$ 8.49
\$10.87	1,973,349	7.4	10.87	562,615	10.87
\$11.00 to \$16.53	656,523	8.0	16.12	198,472	16.27
\$17.68 to \$18.70	342,790	8.4	18.68	106,618	18.68
\$18.77 to \$22.34	207,900	9.7	19.79	—	—
\$8.49 to \$22.34	<u>3,203,290</u>	7.8	13.34	<u>890,433</u>	12.95

The following table contains additional information pertaining to stock options for the years ended December 31:

	2017	2016	2015
	(in thousands)		
Total intrinsic value of stock options outstanding	\$ 22,804	\$ 12,251	\$ 34,388
Total intrinsic value of stock options exercisable	6,688	195	498
Cash received from the exercise of stock options	1,430	—	—
Fair value of stock options vested	4,931	—	—

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of December 31, 2017, the unamortized cost of the outstanding RSUs was \$ 5.0 million, which the Company expects to recognize in the consolidated financial statements over a weighted-average period of approximately 1.5 years. Additionally, the total unrecognized cost related to non-vested stock option awards was \$ 4.8 million, which the Company expects to recognize in the consolidated financial statements over a weighted-average period of approximately 1.8 years. As of December 31, 2016, the unamortized cost of the outstanding RSUs was \$2.8 million, which the Company expected to recognize in the consolidated financial statements over a weighted-average period of approximately 1.8 years. Additionally, the total unrecognized cost related to non-vested stock option awards was \$7.3 million, which the Company expected to recognize in the consolidated financial statements over a weighted-average period of approximately 2.1 years.

The fair value of the stock options granted during the years ended December 31 were calculated using the Black-Scholes option pricing model with the following assumptions:

	2017	2016	2015
Weighted-average fair value	\$ 9.10	\$ 5.14	\$ 5.02
Expected volatility	45.0%	45.2%	42.7%
Expected life	6.3 years	6.3 years	6.3 years
Risk-free interest rate	1.5%	0.9%	0.7%
Dividend yield	0.0%	0.0%	0.0%

Note 13. Long-Term Debt, Net of Debt Issuance Costs and Current Maturities

Long-term debt, net of debt issuance costs and current maturities, as of December 31 consisted of the following:

	2017	2016
	(in thousands)	
Senior term loan—U.S.	\$ 71,250	\$ 75,000
Senior revolving loan—US	2,820	2,820
Accounts receivable financing—EMEA	14,100	15,120
Unsecured financing—EMEA	—	4,638
Equipment financing—EMEA	16,901	15,813
Equipment capital lease—U.S.	536	2,016
Equipment capital lease—EMEA	5,058	1,898
Equipment capital lease—Mexico	12,844	8,037
Equipment loan—Mexico	47	103
Total debt - principal	123,556	125,445
Less: Debt issuance costs	(2,171)	(2,290)
Total debt, net of debt issuance costs	121,385	123,155
Less: Current maturities of long-term debt	(35,506)	(33,403)
Long-term debt, net of debt issuance costs and current maturities	\$ 85,879	\$ 89,752

Senior Financing Agreements (U.S.):

In December 2016, the Company amended and restated the previous credit facility (the Restated Credit Facility). The previous \$100.0 million of available principal was replaced with a \$75.0 million term loan and a \$25.0 million revolving credit facility, which originally included a \$15.0 million letter of credit sub-facility, which was increased to \$20.0 million in April 2017. The borrowings under the Restated Credit Facility bear interest at a variable rate through maturity at the London Interbank Offered Rate (LIBOR), with a 1.0% floor, plus 5.75%. The Restated Credit Facility requires us to make quarterly principal payments in the amount of \$0.9 million of the outstanding principal loan balance commencing in March 2017, with the remaining outstanding balance to be repaid on or before December 30, 2020. The Restated Credit Facility contains customary affirmative covenants, negative covenants and events of default, including covenants and restrictions that, among other things, require the Company

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

and its subsidiaries to satisfy certain capital expenditure and other financial covenants, and restricts the ability of the Company and its subsidiaries to incur liens, incur additional indebtedness, enter into joint ventures or partnerships, engage in mergers and acquisitions, engage in asset sales and declare dividends on its capital stock without the prior written consent of the lenders. The obligations under the Restated Credit Facility are secured by a lien on substantially all tangible and intangible property of the Company and its domestic subsidiaries and by a pledge by the Company and its domestic subsidiaries of 65% of the equity of their direct foreign subsidiaries, subject to customary exceptions and exclusions from collateral.

If the Company prepays any of the outstanding principal loan balance prior to December 30, 2017, the Company is required to pay the lenders a premium in an amount equal to the amount of interest that otherwise would have been payable from the date of prepayment until December 30, 2017 plus 3.0% of the amount of the principal loan balance that was prepaid. None of the outstanding principal loan balance was prepaid prior to December 31, 2017. If the Company prepays any of the outstanding principal loan balance after December 30, 2017 through December 30, 2018, the Company is required to pay the lenders 2.0% of the principal loan balance that was prepaid, and if the Company prepays any of the outstanding loan balance after December 30, 2018 through December 30, 2019, the Company is required to pay a premium of 1.5% of the amount of the principal loan balance that was prepaid.

In connection with the Restated Credit Facility, in December 2016 the Company repaid our previous credit facility balance of \$74.4 million, plus accrued interest, closing fees, a prepayment penalty and the reimbursement of certain lenders expenses incurred. More specifically, the Company expensed \$2.4 million of the remaining deferred financing costs associated with the previous credit facility and the related \$2.1 million prepayment penalty within the caption "Loss on extinguishment of debt" in the accompanying consolidated income statements. In addition, the Company incurred debt issuance costs related to the Restated Credit Facility totaling \$2.2 million and these costs are being amortized to interest expense over the remaining term of the credit facility (48 months) using the effective interest method.

In December 2017, the Company amended the Restated Credit Facility to consent to the restructuring of our parent and subsidiaries, decreased the variable interest rate to LIBOR, with a 1.0% floor, plus 5.25% (6.94% as of December 31, 2017) and the amendment of certain capital expenditure and other financial covenants. In connection with this amendment, the amendment fee of \$0.4 million was recorded as a debt issuance cost and is being amortized to interest expense over the remaining term of the credit facility (36 months) using the effective interest method. As of December 31, 2017 and 2016, the aggregate outstanding balances under the Restated Credit Facility were \$74.1 million and \$77.8 million, respectively. The Company cannot assure you that they will be able to maintain appropriate minimum leverage or fixed-charge coverage ratio requirements in the future.

Accounts Receivable, Secured and Unsecured Financing:

EMEA: During 2014, the Company renewed a general credit agreement with a financial institution in Turkey to provide up to \$20.0 million (later increased to 21.0 million Euro, or approximately \$25.2 million as of December 31, 2017) of short-term collateralized financing on invoiced accounts receivable of one of the EMEA segment's customers. Interest accrues annually at a variable rate of the annual Euro Interbank Offered Rate (EURIBOR) plus 5.75% (later updated to annual EURIBOR plus 5.95%) (5.95% as of December 31, 2017) and is paid quarterly. In December 2014, Turkey obtained an additional \$7.0 million (later decreased to \$5.0 million) of unsecured financing in Turkey under the credit agreement, increasing the total facility. All credit agreement terms remained the same. The credit agreement does not have a maturity date, however the limits are reviewed in September of each year. Amounts outstanding under this agreement as of December 31, 2017 and 2016 include \$6.8 million and \$15.1 million of accounts receivable financing and none and \$4.6 million of unsecured financing, respectively.

In December 2014, the Company entered into a credit agreement with a Turkish financial institution to provide up to \$16.0 million of short-term financing of which \$10.0 million is collateralized financing on invoiced accounts receivable of one of Turkey's customers, \$5.0 million is unsecured financing and \$1.0 million is related to letters of guarantee. Interest accrues at a variable rate of the three month EURIBOR plus 6.5% (6.5% as of December 31, 2017). The credit agreement does not have a maturity date, however the limits are reviewed in September of each year. No amounts were outstanding under this agreement as of December 31, 2017 and 2016.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In March 2016, the Company entered into a general credit agreement, as amended, with a Turkish financial institution to provide up to 36.0 million Euro (approximately \$ 43.1 million as of December 31, 2017) of short-term financing of which 20.0 million Euro (approximately \$23.9 million as of December 31, 2017) is collateralized financing based on invoiced accounts receivable of one of the EMEA segment's customers, 12.5 million Euro (later increased to 15.0 million Euro, or approximately \$18.0 million as of December 31, 2017) for the collateralized financing of capital expenditures and 1.0 million Euro (approximately \$1.2 million as of December 31, 2017) related to letters of guarantee. Interest on the collateralized financing based on invoiced accounts receivable accrues at the one month EURIBOR plus 5.75% (5.75% as of December 31, 2017) and is paid quarterly with a maturity date equal to four months from the applicable invoice date. Interest on the collateralized capital expenditures financing accrues at the one month EURIBOR plus 6.75% (6.75% as of December 31, 2017) with monthly principal repayments beginning in October 2017 with a final maturity date of December 2021. Interest on the letters of guarantee accrues at 2.00% annually with an original final maturity date of March 2017 but it was later updated to February 2018. As of December 31, 2017 and 2016, there was \$16.9 million and \$15.8 million outstanding under the collateralized financing of capital expenditures line, respectively. Additionally, as of December 31, 2017, there was \$7.3 million outstanding under the collateralized financing based on invoiced accounts receivables, with no corresponding amounts outstanding as of December 31, 2016.

Asia: In January 2016, the Company entered into a credit agreement with a Chinese financial institution to provide up to 95.0 million Renminbi (approximately \$13.6 million as of December 31, 2016) of short-term financing of which 85.0 million Renminbi (approximately \$12.2 million as of December 31, 2016) is collateralized financing based on invoiced accounts receivables of one of its Asia segment's customers and 10.0 million Renminbi (approximately \$1.4 million as of December 31, 2016) of working capital loans collateralized by one of its Asia segment location's machinery and equipment. Interest on the collateralized financing based on invoiced accounts receivable and the collateralized working capital loan accrues at a specified LIBOR rate plus an applicable margin and can be paid monthly, quarterly or at the time of the debt's final maturity (January 12, 2017). As of December 31, 2016, there were no amounts outstanding under these accounts receivable financing and working capital loans. This credit agreement matured in January 2017.

In February 2017, the Company entered into a credit agreement with a Chinese financial institution to provide an unsecured credit line of up to 150.0 million Renminbi (approximately \$23.0 million as of December 31, 2017) which can be used for the purpose of domestic and foreign currency loans, issuing letters of guarantee or other transactions approved by the lender. Interest on the credit line accrues at the LIBOR rate plus an applicable margin and can be paid monthly, quarterly or at the time of the debt's maturity (in February 2018). As of December 31, 2017, there were 127.0 million Renminbi (approximately \$19.5 million as of December 31, 2017) of letters of guarantee used for customs clearance outstanding.

Equipment Leases and Other Arrangements:

U.S.: In March 2014, the Company entered into a lease agreement with a leasing company for the initial lease of up to \$2.2 million of machinery and equipment at its Iowa facility. The lease agreement was subsequently amended and the amount of machinery and equipment available for lease was increased to \$5.4 million. The lease includes an implied effective interest rate of 4.3% annually and requires monthly payments during each 24 month term. As of December 31, 2017 and 2016, there was \$0.5 million and \$2.0 million outstanding under this agreement.

EMEA: In 2013, the Company entered into a finance lease agreement with a financial institution in Turkey for the initial lease of up to \$4.9 million of machinery, equipment and building improvements at its Turkey facility. The term of the lease was for four years at an effective interest rate of 6.0%. The loan is to be repaid in monthly installments through 2017. The financing agreement was subsequently amended in 2017 to include Turkey's second facility and increase the amount of machinery, equipment and building improvement available for lease to \$10.0 million. As a result of the amendment, the loan is to be repaid in monthly installments through 2022. All other financing agreement terms remained the same. The balance outstanding as of December 31, 2017 and 2016 was \$5.1 million and \$1.9 million, respectively.

Mexico: In January 2016, the Company entered into a lease agreement with a leasing company for the initial lease of up to \$9.5 million (subsequently amended to \$10.0 million) of machinery and equipment at its second

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Mexico facility. The lease includes an implied effective interest rate of 4.3% annually and requires monthly payments during each 24 month term. The amount s outstanding under this agreement as of December 31, 2017 and 2016 w ere \$5.0 million and \$8.0 million , respectively .

In March 2017, the Company entered into a sale-lease agreement with a leasing company for the initial lease of up to \$12.0 million of machinery and equipment at its second Mexico facility. The lease includes an implied effective interest rate of 4.3% annually and requires monthly payments during each 24 month term. The amount outstanding under this agreement as of December 31, 2017 was \$7.4 million.

Due to the short-term nature of the unsecured financings in the EMEA segment, the Company estimates that fair-value approximates the face value of the notes.

Costs associated with the issuance of debt are presented net of the related debt and are amortized over the term of the debt using the effective interest rate method. For the years ended December 31, 2017, 2016 and 2015, \$0.6 million, \$1.7 million and \$1.3 million of debt issuance costs were amortized to interest expense in the Company's consolidated income statements.

The average interest rate on the Company's short-term borrowings as of December 31, 2017 and 2016 was approximately 5.9% and 5.8%, respectively.

The future aggregate annual principal maturities of debt at December 31, 2017, are as follows (in thousands):

2018	\$	35,506
2019		13,146
2020		69,094
2021		4,723
2022		1,087
Total debt - principal	\$	<u>123,556</u>

Note 14. Commitments and Contingencies

(a) Operating Leases

The Company leases various facilities and equipment under noncancelable operating leases with terms ranging from 12 months to 120 months. Scheduled rent increases are recorded on a straight-line basis over the entire term of the lease.

Rental expense charged under all operating leases (including leases with terms of less than one year) was \$19.3 million, \$11.5 million and \$8.4 million for the years ended December 31, 2017, 2016 and 2015, respectively. Future minimum lease payments under noncancelable operating leases with terms of one year or more as of December 31, 2017 are as follows (in thousands):

2018	\$	20,608
2019		19,050
2020		17,356
2021		14,090
2022		11,803
Thereafter		43,725
Total future minimum lease payments	\$	<u>126,632</u>

(b) Common Stock Warrants

In connection with the note purchase agreement dated December 29, 2014, for the purchase of \$10.0 million of subordinated convertible promissory notes, a minimum of 160,424 warrants were issued to purchase common

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

stock with an exercise price equal to the lesser of \$24.30 or 85% of the IPO price of \$11.00 per share, accordingly, after the IPO, the exercise price is \$9.35. The warrants are immediately exercisable and expire no later than eight years from the date of issuance. The unamortized fair value of the warrants was expensed upon conversion of the convertible promissory notes concurrent with the IPO. These warrants all remain outstanding as of December 31, 2017.

(c) Legal Proceedings

From time to time, the Company may be involved in disputes or litigation relating to claims arising out of its operations.

In March 2015, a complaint was filed against the Company in the Superior Court of the State of Arizona (Maricopa County) by a former employee of the Company, alleging that the Company had agreed to make certain cash payments to such employee upon any future sale of the Company. The Company filed a motion to dismiss the complaint in April 2015, which was denied. The Company subsequently filed an answer to the complaint in July 2015 denying the substantive allegations of the complaint. The parties completed court-ordered mediation in December 2015 but were not able to reach a settlement. The Company filed a motion for summary judgment to dismiss the complaint in April 2016 and the court denied our motion in August 2016. The court set a trial date for September 2017. In May 2017, the Company filed a motion for continuance to change the trial date and the court granted its motion. The court has set a trial date in August 2018. The Company continues to deny the substantive allegations of the complaint and intends to vigorously defend this lawsuit; however, the Company is currently unable to determine the ultimate outcome of this case.

In August 2015, the Company entered into a transition agreement with its former Senior Vice President – Asia (SVP-Asia), pursuant to which he transitioned out of this role at the end of 2015 and was to serve in a consulting capacity in 2016 and 2017. In January 2016, following our discovery that he had materially violated the terms of his transition agreement, the Company terminated his consultancy for cause. In April 2016, he filed an arbitration claim in China with the Taicang Labor and Personnel Dispute Arbitration Committee alleging that the Company improperly terminated his transition agreement. He is demanding that the Company continue to honor the terms of the transition agreement and pay him compensation and fees owed to him under the transition agreement, which in the aggregate totals approximately \$2.6 million. In addition, he is also challenging the validity of the Company's termination of his option to purchase 164,880 shares of the Company's common stock and 77,760 restricted stock units under the 2015 Plan, which were canceled in January 2016 when the Company terminated his consultancy. The Company is awaiting a final decision on this matter. The Company previously established a reserve for these matters and does not believe the award, if upheld on appeal, will have a material impact on its operating results or financial condition.

From time to time, the Company is party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of business, some of which are covered by insurance. Upon resolution of any pending legal matters, the Company may incur charges in excess of presently established reserves. Management does not believe that any such charges would, individually or in the aggregate, have a material adverse effect on the Company's financial condition, results of operations or cash flows.

(d) Insurance/Self-Insurance

The Company uses a combination of insurance and self-insurance for a number of risks, including claims related to employee health care, workers' compensation and general liability. Liabilities associated with these risks are estimated based on, among other things, historical claims experience, severity factors, and other actuarial assumptions. The Company's loss exposure related to self-insurance is limited by stop loss coverage on a per occurrence and aggregate basis. The Company regularly analyzes its reserves for incurred but not reported claims, and for reported but not paid claims related to self-funded insurance programs. While the Company believes reserves are adequate, significant judgment is involved in assessing these reserves such as assessing historical paid claims, average lags between the claims' incurred date, reported dates and paid dates, and the frequency and severity of claims. There may be differences between actual settlement amounts and recorded reserves and any resulting adjustments are included in expense once a probable amount is known.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(e) Dividend Restrictions

Certain subsidiaries of the Company are limited in their ability to declare dividends without first meeting statutory restrictions of the People's Republic of China, including retained earnings as determined under Chinese-statutory accounting requirements. Until 50% (\$11.6 million) of registered capital is contributed to a surplus reserve, the Company's Chinese operations can only pay dividends equal to 90% of after-tax profits (10% must be contributed to the surplus reserve). Once the surplus reserve fund requirement is met, the Company can pay dividends equal to 100% of after-tax profit assuming other conditions are met. At December 31, 2017, the amount of the surplus reserve fund was \$5.6 million.

(f) Collective Bargaining Agreement

In May 2016, the Company entered into a new three-year collective bargaining agreement with certain of its Turkish employees at their first facility. The new agreement resulted in an average increase in pay of approximately 20% for employees covered by the agreement. In addition, beginning on July 1, 2017, these collective bargaining arrangements also covered similarly situated employees at their second facility. In March 2018, the Company entered into a collective bargaining agreement with a labor union for certain of its employees at the Matamoros, Mexico facility. Currently, there are no other employees covered by collective bargaining agreements. The Company believes that its relations with employees are good, and there have been no major work stoppages in recent years.

Note 15. Defined Contribution Plan

The Company maintains a 401(k) plan for all of its U.S. employees. Under the 401(k) plan, eligible employees may contribute, subject to statutory limitations, a percentage of their salaries. The Company currently matches 50 percent of the participants' contributions up to 8 percent of eligible compensation.

Participant vesting occurs in the Company matching contributions according to the schedule below:

<u>Years of service</u>	<u>Vesting Percentage</u>
1-year anniversary	34%
2-year anniversary	66%
3-year anniversary	100%

The Company's matching contributions to the 401(k) plan were \$0.6 million, \$0.3 million and \$0.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. The Company's matching contributions are accrued and recorded as expense during each payroll period. Effective January 1, 2017, the Company changed the 401(k) plan to include an auto enrollment feature, increased the Company match from 25% of the first 8% to 50% of the first 8% and reduced the vesting period from six years to three years.

In Mexico, the Company maintains an annual savings fund, which matches the employee contribution each week, based on the Mexican statutory maximum of 13% of actual minimum salary rates. The savings fund period runs from November to October each year, and is distributed to employees in full, during the first week of November each year. For the years ended December 31, 2017, 2016 and 2015, the Company incurred matched savings expense of \$1.3 million, \$0.6 million and \$0.5 million, respectively.

In Turkey, the Company maintains a retirement fund that is based on a formula of annual salary multiplied by the number of years of service for the Company. The Company accrues a retirement fund liability for this each month. As of December 31, 2017 and 2016, the Company accrued \$1.5 million and \$1.0 million, respectively, based on the service periods of eligible employees greater than one year.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 16 . Income Taxes

Geographic sources of income before income taxes are as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(in thousands)		
United States	\$ 2,894	\$ 5,406	\$ (3,165)
China	41,075	22,826	18,420
Turkey	9,160	(8,564)	(4,552)
Mexico	3,641	1,169	956
Total income before income taxes	<u>\$ 56,770</u>	<u>\$ 20,837</u>	<u>\$ 11,659</u>

As of December 31, 2017, the Company has not completed its accounting for all of the tax effects associated with the enactment of Tax Reform. However, the Company has, in certain cases made a provisional estimate of the effects on its existing deferred tax balances and the one-time transition tax. Consequently, the Company has adjusted its US gross deferred tax assets for the reduction in the income tax rate and provisionally estimated the impact of the one-time transition tax on earnings. The provisional transition tax required the Company to recognize \$74.3 million of previously untaxed foreign earnings in its 2017 U.S. income tax calculation and to include additional indirect foreign tax credits of \$7.4 million. The Company will finalize the provisional amounts within one year from the date of enactment.

As a result of Tax Reform, the Company provisionally recognized a total benefit of approximately \$0.1 million (net of valuation allowance) from the reduced income tax rate from 35% to 21% that was applied to certain of the Company's net deferred tax liabilities and the realization of a benefit from its alternative minimum tax credit carryover. All other material income tax benefits and expenses associated with the enactment of Tax Reform are not reflected in the income tax provision as the Company continues to record a valuation allowance against its U.S. federal and state deferred tax assets.

Because the Company previously asserted permanent reinvestment, it did not record a deferred tax liability related to unremitted foreign earnings. The Company intends to continue to permanently reinvest such earnings. In addition, the Company's ability to repatriate funds from China to the United States is subject to a number of restrictions imposed by the Chinese government. As the Company obtains and analyzes information related to the deemed repatriation of foreign earnings under Tax Reform, the Company will finalize the provision within one year of the enactment date. Additionally, there is uncertainty as to what portion, if any, of Tax Reform will be adopted by the U.S. state and local taxing authorities.

The income tax provision includes U.S. federal, state, and local taxes, Turkey, China and Mexico taxes currently payable and those deferred because of temporary differences between the financial statement and the tax bases of assets and liabilities. The components of the income tax provision for the years ended December 31 are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(in thousands)		
Current:			
U.S. federal	\$ (49)	\$ —	\$ (51)
U.S. state and local taxes	(3)	(196)	55
Foreign	14,200	9,973	4,738
Total current	<u>14,148</u>	<u>9,777</u>	<u>4,742</u>
Deferred:			
U.S. federal	(20)	51	—
U.S. state and local taxes	—	—	—
Foreign	(1,048)	(2,833)	(765)
Total deferred	<u>(1,068)</u>	<u>(2,782)</u>	<u>(765)</u>
Total income tax provision	<u>\$ 13,080</u>	<u>\$ 6,995</u>	<u>\$ 3,977</u>

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following is a reconciliation from the U.S. statutory income tax rate to the Company's effective income tax rate for the years ended December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
United States statutory income tax rate	35.0%	34.0%	34.0%
Foreign rate differential	(11.1)	5.3	(23.9)
Foreign permanent differences	1.2	2.4	4.1
China rate change	—	(4.8)	—
U.S. rate change	19.9	—	—
Withholding taxes	5.0	6.8	3.4
Foreign tax credits	(5.0)	(7.9)	0.0
IRC Section 965 dividend	20.3	—	—
Foreign tax credits - 965 dividend	(13.1)	—	—
Nondeductible interest expense	—	11.5	—
Valuation allowance	(28.0)	(14.3)	17.3
State taxes	—	(0.6)	0.5
Deferred tax adjustments	3.7	(0.1)	2.3
Research and development	(1.2)	(3.0)	(3.0)
U.S. foreign income inclusions	—	2.0	—
Turkey incentive credits	(5.3)	(2.2)	(0.4)
Other	1.6	4.5	(0.2)
Effective income tax rate	<u>23.0%</u>	<u>33.6%</u>	<u>34.1%</u>

The following is a summary of the components of deferred tax assets and liabilities at December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>(in thousands)</u>		
Deferred tax assets:			
Net operating loss and credit carry forwards	\$ 18,913	\$ 25,354	\$ 32,294
Deferred revenue	2,616	5,373	6,563
Non-deductible accruals	9,557	8,316	4,825
Equity compensation	3,489	3,503	—
Equity investment	390	633	653
Amortization of intangible assets	320	472	720
Tax credits	4,582	2,914	384
Other	3,424	1,248	1,671
Total deferred tax assets	<u>43,291</u>	<u>47,813</u>	<u>47,110</u>
Valuation allowance	<u>(29,141)</u>	<u>(40,596)</u>	<u>(41,216)</u>
Net deferred tax assets	<u>14,150</u>	<u>7,217</u>	<u>5,894</u>
Deferred tax liabilities:			
Deferred revenue	(1,497)	—	(615)
Depreciation	(3,489)	(1,714)	(1,831)
Other	(1,972)	(423)	(1,787)
Total deferred tax liabilities	<u>(6,958)</u>	<u>(2,137)</u>	<u>(4,233)</u>
Net deferred tax assets	<u>\$ 7,192</u>	<u>\$ 5,080</u>	<u>\$ 1,661</u>

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The deferred tax valuation allowance at December 31 consisted of the following:

	2017	2016	2015
	(in thousands)		
Allowance at beginning of year	\$ (40,596)	\$ (41,216)	\$ (39,347)
Benefits obtained (expenses incurred)	11,455	620	(1,869)
Allowance at end of year	<u>\$ (29,141)</u>	<u>\$ (40,596)</u>	<u>\$ (41,216)</u>

The valuation allowance relates to deferred taxes that the Company believes do not meet the more-likely-than-not criteria for recording the related benefits.

During the period ended September 30, 2017, the Company released the valuation allowance recorded against deferred tax assets reported in Turkey. The release of this valuation allowance resulted in the recognition of a non-cash tax benefit of \$2.6 million for the year. The Company also recognized \$2.7 million of benefit during the year from the receipt of a new tax incentive from the Turkish government that will be used to reduce future cash taxes.

The Company has U.S. federal net operating losses (NOLs) of approximately \$51.2 million, state NOLs of approximately \$92.6 million and foreign tax credits of approximately \$1.7 million available to offset future U.S. taxable income. The federal and state net operating loss carryforwards expire in varying amounts through 2037 and the foreign tax credits which expire in 2026. The Company also has Turkey investment tax incentives of approximately \$2.8 million that do not expire.

Sections 382 and 383 of the Internal Revenue Code of 1986, contain rules that limit the ability of a company that undergoes an “ownership change” to utilize its net operating loss and tax credit carry forwards and certain built-in losses recognized in years after the ownership change. An “ownership change” is generally defined as any change in ownership of more than 50% of a corporation’s stock over a rolling three-year period by stockholders that own (directly or indirectly) 5% or more of the stock of a corporation, or arising from a new issuance of stock by a corporation. If an ownership change occurs, Section 382 generally imposes an annual limitation on the use of pre-ownership change NOLs to offset taxable income earned after the ownership change. The annual limitation is equal to the product of the applicable long-term tax exempt rate and the value of the company’s stock immediately before the ownership change. This annual limitation may be adjusted to reflect any unused annual limitation for prior years and certain recognized built-in gains and losses for the year. In addition, Section 383 generally limits the amount of tax liability in any post-ownership change year that can be reduced by pre-ownership change tax credit carryforwards. In 2008, the Company had an “ownership change” and the pre-ownership change NOLs existing at the date of change of \$25.6 million were subject to an annual limitation of \$4.3 million. As of December 31, 2016, the pre-ownership change NOLs are no longer limited. Certain of these NOLs may be at risk of limitation in the event of a future ownership change.

The Company recognizes the impact of a tax position in its financial statements if that position is more-likely-than-not to be sustained on audit, based on the technical merits of the position. The Company discloses all unrecognized tax benefits, which includes the reserves recorded for uncertain tax positions on filed tax returns and the unrecognized portion of affirmative claims. The Company’s policy regarding uncertain tax positions is to recognize potential accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of December 31, 2017, the Company has not identified any unrecognized tax benefits.

The Company operates in and files income tax returns in various jurisdictions in China, Mexico, Turkey and the U.S., which are subject to examination by tax authorities.

During the year, the Company settled tax audits conducted by the China tax authorities for the years 2014 through 2016, and by the Turkish tax authorities for the years 2012 through 2014. The amount of the settlement of these audits was immaterial to the current year income tax provision.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 17 . Concentration of Customers

Revenues from certain customers (in thousands) in excess of 10 percent of total consolidated Company revenues for the years ended December 31 are as follows:

Customer	2017		2016		2015	
	Revenues	% of Total	Revenues	% of Total	Revenues	% of Total
Customer 1 - GE	\$ 413,245	44.4%	\$ 379,941	50.3%	\$ 312,495	53.3%
Customer 2 - Vestas	264,774	28.5%	152,106	20.1%	50,031	8.5%
Customer 3 - Nordex Acciona	153,962	16.6%	131,775	17.5%	154,927	26.5%
Customer 4 - Siemens Gamesa	83,895	9.0%	81,463	10.8%	60,544	10.3%
Other	14,405	1.5%	9,592	1.3%	7,855	1.4%
Total	\$ 930,281	100.0%	\$ 754,877	100.0%	\$ 585,852	100.0%

Trade accounts receivable from certain customers in excess of 10 percent of total consolidated Company trade accounts receivable at December 31 are as follows:

Customer	2017	2016
	% of Total	% of Total
Customer 1 - GE	18.9%	24.9%
Customer 2 - Vestas	52.4%	26.2%
Customer 3 - Nordex Acciona	19.5%	26.8%
Customer 4 - Siemens Gamesa	4.9%	16.2%

Note 18. Segment Reporting

FASB ASC Topic 280, *Segment Reporting*, establishes standards for the manner in which companies report financial information about operating segments, products, services, geographic areas and major customers. In managing the Company's business, management focuses on growing its revenues and earnings in select geographic areas serving primarily the wind energy market. The Company has operations in the United States, China, Turkey and Mexico. The Company's operating segments are defined geographically as the United States, Asia, EMEA and Mexico. Financial results are aggregated into four reportable segments based on quantitative thresholds. All of the Company's segments operate in their local currency except for the Mexico and Asia segments, which both include a U.S. parent company.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables set forth certain information regarding each of the Company's segments for the years ended December 31:

	2017	2016	2015
	(in thousands)		
Net sales by segment:			
U.S.	\$ 181,889	\$ 190,092	\$ 149,614
Asia	361,696	301,893	206,779
Mexico	195,960	129,756	97,912
EMEA	190,736	133,136	131,547
Total net sales	<u>\$ 930,281</u>	<u>\$ 754,877</u>	<u>\$ 585,852</u>
Net sales by geographic location (1):			
United States	\$ 181,889	\$ 190,092	\$ 149,614
China	361,696	301,893	206,779
Mexico	195,960	129,756	97,912
Turkey	190,736	133,136	131,547
Total net sales	<u>\$ 930,281</u>	<u>\$ 754,877</u>	<u>\$ 585,852</u>
Depreciation and amortization:			
U.S.	\$ 4,821	\$ 3,336	\$ 3,477
Asia	6,083	4,534	4,181
Mexico	5,365	2,328	1,533
EMEA	4,609	2,699	2,225
Total depreciation and amortization	<u>\$ 20,878</u>	<u>\$ 12,897</u>	<u>\$ 11,416</u>
Capital expenditures			
U.S.	\$ 10,575	\$ 4,056	\$ 5,379
Asia	7,000	3,287	15,632
Mexico	20,033	5,565	2,897
EMEA	7,220	17,599	2,453
Total capital expenditures	<u>\$ 44,828</u>	<u>\$ 30,507</u>	<u>\$ 26,361</u>
Income (loss) from operations:			
U.S.	\$ (39,571)	\$ (25,099)	\$ (13,405)
Asia	77,106	64,393	34,998
Mexico	13,130	9,546	7,531
EMEA	21,671	(5,727)	(1,505)
Total income from operations	<u>\$ 72,336</u>	<u>\$ 43,113</u>	<u>\$ 27,619</u>
Tangible long-lived assets:			
U.S.	\$ 24,575	\$ 16,740	
Asia (China)	28,887	26,341	
Mexico	39,756	24,842	
EMEA (Turkey)	30,262	23,243	
Total tangible long-lived assets	<u>\$ 123,480</u>	<u>\$ 91,166</u>	
Total assets:			
U.S.	\$ 141,846	\$ 115,213	
Asia	225,537	172,315	
Mexico	88,914	68,231	
EMEA	117,237	81,447	
Total assets	<u>\$ 573,534</u>	<u>\$ 437,206</u>	

- (1) Net sales are attributable to countries based on the location where the product is manufactured or the services are performed. In 2015, the total assets of the parent company of Asia were included in the U.S. segment's total assets, whereas in 2016 and 2017, their total assets are included in the Asia segment's total assets.

TPI COMPOSITES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 19 . Selected Quarterly Financial Data (Unaudited)

The following tables set forth certain unaudited financial information for each quarter of 2017 and 2016. The unaudited quarterly information includes all normal recurring adjustments that, in the opinion of management, are necessary for the fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of the results for any future period. The unaudited quarterly results are as follows:

	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share data)			
Net sales	\$ 191,602	\$ 248,186	\$ 243,354	\$ 247,139
Income from operations	9,714	23,799	23,546	15,277
Net income	3,545	13,858	20,398	5,889
Net income attributable to common stockholders	3,545	13,858	20,398	5,889
Net income per common share:				
Basic ⁽¹⁾	\$ 0.11	\$ 0.41	\$ 0.60	\$ 0.17
Diluted ⁽¹⁾	\$ 0.10	\$ 0.41	\$ 0.58	\$ 0.17

	2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share data)			
Net sales	\$ 176,110	\$ 194,255	\$ 198,938	\$ 185,574
Income from operations	8,189	17,478	8,137	9,309
Net income (loss)	1,746	11,555	2,797	(2,256)
Net income (loss) attributable to common stockholders	(691)	9,117	2,201	(2,256)
Net income (loss) per common share:				
Basic ⁽¹⁾	\$ (0.16)	\$ 2.15	\$ 0.08	\$ (0.07)
Diluted ⁽¹⁾	\$ (0.16)	\$ 2.15	\$ 0.08	\$ (0.07)

- (1) The sum of the quarterly net income (loss) per common share amounts may not equal the annual net income (loss) per common share amount due to rounding.

Note 20. Subsequent Event

In January 2018, the Company entered into a credit agreement with a Chinese financial institution to provide an unsecured credit line of up to 150.0 million Renminbi, of which 40.0 million Renminbi can be used for working capital loans, with the remaining credit line to be used for the purpose of domestic and foreign currency loans, issuing letters of guarantee or other transactions approved by the lender. Interest on the credit line accrues at the LIBOR rate plus an applicable margin and can be paid monthly, quarterly or at the time of the debt's maturity (in January 2019).

Exhibit Index

Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on July 11, 2016)</u>
3.2	<u>Second Amended and Restated By-laws of the Registrant, as currently in effect (incorporated by reference to Exhibit 3.4 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on July 11, 2016)</u>
4.1	<u>Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on July 11, 2016)</u>
4.2	<u>Third Amended and Restated Investor Rights Agreement by and among the Registrant and the investors named therein, dated June 17, 2010, as amended (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
4.3	<u>Form of senior indenture, to be entered into between the Registrant and the trustee designated therein (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-3 (File No. 333-220307) filed on September 1, 2017)</u>
4.4	<u>Form of subordinated indenture, to be entered into between the Registrant and the trustee designated therein (incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement on Form S-3 (File No. 333-220307) filed on September 1, 2017)</u>
10.1†	<u>2008 Stock Option and Grant Plan, as amended by Amendment No. 1, dated August 14, 2008 and Amendment No. 2, dated December 30, 2008, and forms of award agreements thereunder (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.2†	<u>Amended and Restated 2015 Stock Option and Incentive Plan and forms of award agreements thereunder (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.3†	<u>Amendment No. 5 to Financing Agreement dated as of August 19, 2014, entered into as of December 30, 2016, by and among the Registrant, certain of its domestic subsidiaries, HPS Investment Partners, LLC as Administrative Agent and Collateral Agent, Capital One, N.A., as Revolving Loan Representative and the lenders from time to time party thereto, as amended (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K/A (File No. 001-37839) filed on May 5, 2017)</u>
10.4†	<u>Amended and Restated Financing Agreement entered into as of December 30, 2016, by and among the Registrant, certain of its domestic subsidiaries, HPS Investment Partners, LLC as Administrative Agent and Collateral Agent, Capital One, N.A., as Revolving Loan Representative and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K/A (File No. 001-37839) filed on April 20, 2017)</u>
10.5†	<u>Supply Agreement between General Electric International, Inc. and TPI Mexico III, LLC, entered into as of October 4, 2016 (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K/A (File No. 001-37839) filed on April 20, 2017)</u>
10.6†	<u>Amended and Restated Supply Agreement between General Electric International, Inc. and TPI Iowa, LLC, entered into as of October 4, 2016 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K/A (File No. 001-37839) filed on April 20, 2017)</u>
10.7†	<u>Supply Agreement between General Electric International, Inc. and TPI Mexico, LLC, entered into as of October 18, 2013, as amended (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>

Number	Description
10.8 †	<u>First Amendment to Supply Agreement between General Electric International, Inc. and TPI Mexico, LLC, entered into as of October 4, 2016 (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K/A (File No. 001-37839) filed on April 20, 2017)</u>
10.9	<u>Lease between TPI Iowa, LLC and Opus Northwest L.L.C., dated November 13, 2007, as amended (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.10	<u>Commencement Date Memorandum between TPI Iowa LLC and Opus Northwest, L.L.C., entered into as of July 25, 2008 (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.11	<u>Lease between TPI Kompozit Kanat Sanayi ve Ticaret A.S. and Med Union Containers A.S., dated March 16, 2012 (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.12	<u>Lease between TPI Wind Blade Dafeng Company Limited and Jiangsu Erhuajie Energy Equipment Co., Ltd, dated November 27, 2013, as amended (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.13	<u>Lease between the Registrant (f/k/a LCSI Holding, Inc.) and Gainey Center II LLC, dated June 12, 2007, as amended (incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.14	<u>Lease between TPI, Inc. (f/k/a TPI Composites, Inc.) and Borden & Remington Fall River LLC, dated as of December 1, 2008, as superseded by Standard Industrial Lease between TPI, Inc. and Borden & Remington Fall River LLC, dated June 28, 2010, as amended (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.15	<u>Lease between Composite Solutions, Inc. and TN Realty, LLC, dated September 30, 2004, as amended (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.16	<u>Lease between TPI-Composites S. de R.L. de C.V. and Deutsche Bank México, S.A. Institución de Banca Múltiple, Division Fiduciaria, as Trustee of Trust F/1638, dated April 15, 2013, as amended (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.17	<u>Lease between TPI-Composites S. de R.L. de C.V. and The Bank of New York Mellon, S.A., as Trustee in the Trust F/00335, dated September 25, 2013 (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.18	<u>Lease between TPI Mexico, LLC and Trailer Transfer, Inc., dated October 16, 2013 (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.19	<u>Lease between TPI Mexico, LLC and Lanestone 1, LLC, dated April 14, 2014 (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.20	<u>Plant and Equipment Lease between TPI Composites (Taicang) Co., Ltd. and Suzhou Tianneng Power Wind Mold Co., Ltd, dated May 1, 2014 (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.21 ‡	<u>Form of Employment Agreement between the Registrant and each of its executive officers (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>

Number	Description
10.22	<u>Form of Indemnification Agreement (incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.23	<u>Contract between TPI Composites (Taicang) Co. Ltd. and Mr. Jun Ji, dated August 4, 2015 (incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.24	<u>Lease between TPI Composites, S. de R.L. de C.V. and Vesta Baja California, S. de R.L. de C.V., dated November 20, 2015 (incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.25	<u>Lease between TPI Turkey IZBAS, LLC and Dere Konstruksiyon Demir Celik Insaat Taahhut Muhendislik Musavirlik Sanayi ve Ticaret Anonim Sirketi, dated December 9, 2015 (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.26	<u>Lease between TPI Composites (Taicang) Co., Ltd. and Suzhou Suchen Chemical & Plastics Co., Ltd., dated August 5, 2014 (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.27	<u>Lease between TPI Wind Blade Dafeng Co., Ltd. and Jiangsu Jianhao Transmission Machinery Co., Ltd., commencing January 1, 2016 (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.28	<u>Lease between TPI Kompozit Kanat San. ve Tic. A.S. and BORO Insaat Yatirim Sanayi ve Ticaret A.S., dated October 16, 2015 (incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.29	<u>Sublease between TPI Inc. and Nordex Energy GmbH, dated April 24, 2015 (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.30†	<u>Settlement Agreement and Release between the Registrant and Nordex SE, dated June 3, 2016 (incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
10.31	<u>Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on July 11, 2016)</u>
10.32	<u>Senior Executive Cash Incentive Bonus Plan (incorporated by reference to Exhibit 10.34 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on July 11, 2016)</u>
10.33*	<u>Lease between Phoenix Newton LLC and TPI Iowa II, LLC, dated January 5, 2018.</u>
10.34*	<u>Master Lease Agreement Subject to Condition between TPI Composites II, S. de R.L. de C.V. and QVC II, S. de R.L. de C.V. dated May 25, 2017, as amended.</u>
21.1	<u>List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-212093) filed on June 17, 2016)</u>
23.1*	<u>Consent of KPMG LLP, Independent Registered Public Accounting Firm</u>
24.1	<u>Power of Attorney (incorporated by reference to the signature page of this Annual Report on Form 10-K)</u>
31.1*	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2*	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1**	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2**	<u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

Number	Description
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
*	Filed herewith.
**	The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.
†	Confidential treatment has been requested for certain provisions of this Exhibit pursuant to Rule 406 promulgated under the Securities Act of 1933.
‡	Indicates compensatory plan or arrangement

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.

TPI COMPOSITES, INC.

Date: March 8, 2018

By: /s/ William E. Siwek

William E. Siwek

Chief Financial Officer

(Principal Financial and Accounting Officer)

We, the undersigned officers and directors of TPI Composites, Inc., hereby severally constitute and appoint Steven C. Lockard and William E. Siwek, and each of them singly (with full power to each of them to act alone), our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution in each of them for him or her and, place and stead, and in any and all capacities, to sign conformed for us and in our names in the capacities indicated below any and all signatures and amendments to this report, and to file the same, with all exhibits thereto, filing date and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as full to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Steven C. Lockard</u> Steven C. Lockard	President, Chief Executive Officer and Director (Principal Executive Officer)	March 8, 2018
<u>/s/ William E. Siwek</u> William E. Siwek	Chief Financial Officer (Principal Financial and Accounting Officer)	March 8, 2018
<u>/s/ Stephen B. Bransfield</u> Stephen B. Bransfield	Director	March 8, 2018
<u>/s/ Michael L. DeRosa</u> Michael L. DeRosa	Director	March 8, 2018
<u>/s/ Jayshree S. Desai</u> Jayshree S. Desai	Director	March 8, 2018
<u>/s/ Philip J. Deutch</u> Philip J. Deutch	Director	March 8, 2018
<u>/s/ Paul G. Giovacchini</u> Paul G. Giovacchini	Director and Chairman of the Board	March 8, 2018
<u>/s/ Jack A. Henry</u> Jack A. Henry	Director	March 8, 2018
<u>/s/ James A. Hughes</u> James A. Hughes	Director	March 8, 2018
<u>/s/ Daniel G. Weiss</u> Daniel G. Weiss	Director	March 8, 2018

L E A S E

THIS LEASE is made this 5th day of January, 2018, by and between Phoenix Newton LLC, a Wisconsin limited liability company (“Landlord”), and TPI Iowa II, LLC, a Delaware limited liability company (“Tenant”), who hereby mutually covenant and agree as follows:

I. GRANT AND TERM

1.0 Grant. Landlord, for and in consideration of the rents herein reserved and of the covenants and agreements herein contained on the part of Tenant to be performed, hereby leases to Tenant, and Tenant hereby lets from Landlord, on the terms contained in this Lease, approximately 106,121 square feet of the floor area commonly known as Suite A, identified as the crosshatched area on the site plan attached hereto as Exhibit A and incorporated herein (hereinafter referred to as the “Leased Premises” or “Premises”), in building 143 (the “Building”) located within the industrial complex commonly known as the Newton Business Center (the “Complex”), located on the real property at 927 N 19th Avenue, Newton, Iowa, said property being legally described on Exhibit A attached hereto and incorporated herein by this reference (the “Property”), together with the non-exclusive right of ingress and egress and parking of vehicles by Tenant and its employees, customers and invitees over the drives and parking areas located on the Property. Access and use of the entire Leased Premises shall be granted to Tenant upon the Delivery Date without regard to the structured rental payments outlined in Exhibit C.

1.1 Term. The initial term of this Lease (the “Initial Term”) shall be for a period of approximately sixty (60) months commencing on March 1, 2018 (the “Commencement Date”), and ending at 11:59 p.m. on February 28, 2023, unless renewed or sooner terminated, in each case in accordance with this Lease. On or before the date this Lease is executed (the “Delivery Date”), Tenant shall be given possession of the Leased Premises for the purpose of commencing the Tenant’s Work (defined below), placing its fixtures, stocking and doing such work as may be required of it pursuant to the terms hereof or necessary in preparing the same for Tenant’s business all at Tenant’s risk and expense. The payment of Rent (as hereinafter defined) set forth at paragraph 3.0 hereafter shall commence on March 1, 2018 (the “Rent Commencement Date”), which shall include such elements of Additional Rent (as hereinafter defined) in accordance with this Lease. If the foregoing dates change for any reason, the parties agree, at the request of either, to execute and deliver an instrument confirming the Commencement Date, the Rent Commencement Date, and the expiration date of the Term.

1.2 Option To Extend Term. Provided that this Lease is in full force and effect and Tenant has performed all of its obligations and covenants hereunder and is not otherwise in default of this Lease either at the time of notice and/or at the time of commencement of the Extended Term (as hereinafter defined) beyond any applicable notice and/or cure periods, Tenant shall have the option to extend the Initial Term for two (2), sixty (60)-month renewal term (the “Extended Term”; and together with the “Initial Term”, the “Term”) by providing Landlord with irrevocable written notice of its intent to renew at least one hundred eighty (180) days prior to the expiration of the then current Term. Any such extension of the Term pursuant to the provisions hereof shall commence immediately after the expiration of the prior Term and shall be upon all the same terms, covenants, provisions and conditions as provided for in this Lease. For purposes of clarity, if Tenant exercises its first option to extend the Term, then after expiration of the Extended Term, Tenant has no additional options to renew the Term.

II. PURPOSE

2.0 Purpose. The Leased Premises shall be used and occupied only for the purpose of warehousing and manufacturing of fiberglass components and any ancillary uses thereto, including offices.

2.1 Uses Prohibited. Tenant will not permit the Leased Premises to be used in any manner that would render the insurance thereon void or the insurance risk more hazardous than that which is commercially reasonable for the purpose described above. Tenant shall not use or occupy the Leased Premises, or permit the Leased Premises to be used or occupied, which would in any manner do or constitute any of the following: (i) violate any federal, state or local governmental statute, rule, order, ordinance, requirement or regulation applicable thereto at any time during the Lease, or violate any rule or regulation imposed by Landlord in accordance with Section 9.2 hereof or violate any covenants, conditions or other restrictions applicable to the Property; or (ii) violate any certificate of occupancy affecting the Property; or (iii) cause structural injury to the Property or the improvements therein; or (iv) cause the value or usefulness of the Property or improvements therein, or any part thereof, to materially diminish, provided however, Tenant's purpose described in Section 2.0 above shall not be deemed to diminish the value or usefulness; or (v) constitute a public or private nuisance or waste; or (vi) violate any local fire or life safety ordinances, or require a higher density or alternative method of fire suppression other than those required by Tenant's use described in Section 2.0 above; or (vii) require Landlord or Tenant to obtain a conditional use permit or variance from any federal, state or local authorities.

2.2 Prohibition of Use. During the Term, Tenant shall maintain, at Tenant's sole cost and expense, the necessary municipal approvals for occupancy of the Leased Premises and Tenant's use of the Leased Premises pursuant to Section 2.0 hereof. If Tenant's use of the Leased Premises pursuant to Section 2.0 hereof should at any time during the Term be prohibited by law or ordinance or prevented by injunction as a result thereof for a period of more than ninety (90) days ("Prevented Use"), Landlord or Tenant shall have the right to terminate this Lease, and upon thirty (30) days' written notice from Landlord, this Lease shall terminate. If Tenant's use of the Leased Premises as permitted hereunder requires alterations in order to comply with applicable laws, rules, or regulations, then Tenant shall perform such alterations and such alterations shall be at Tenant's sole cost and expense.

2.3 Reservation of Rights. Landlord reserves to itself the right, from time to time, to grant such easements, rights and dedications that Landlord deems necessary or desirable, and to cause the recordation of plats and restrictions, so long as such easements, rights, dedications, plats and restrictions do not unreasonably interfere with the use or occupancy of the Premises of Tenant.

III. RENT

3.0 Rent. Beginning with the Rent Commencement Date, Tenant shall pay to Landlord, base rent in the amount set forth on Exhibit C attached hereto and incorporated herein by this reference ("Base Rent"). Base Rent payable during the Extended Term shall be for the amounts set forth on Exhibit C attached hereto and incorporated herein by this reference. Such rental amount shall, without prior notice or demand, be payable monthly in advance on the first day of each calendar month during the Term. All payments of Rent shall be made without deduction, set off, discount or abatement in lawful money of the United States, except as otherwise expressly permitted in this Lease.

Base Rent and all other sums payable by Tenant hereunder (collectively, “ Additional Rent ” ; together, Base Rent and Additional Rent may be referred to herein as “ Rent ”) shall be paid to Landlord at the address set forth below or at such other place as Landlord may from time to time designate:

Phoenix Newton LLC
401 East Kilbourn Avenue, Suite 201
Milwaukee, WI 53202
Attn: Accounts Receivable

3.1 Absolute Net Lease. Except as expressly set forth in this Lease, it is intended hereby that all rental payable under the terms of this Lease shall be an absolute net return to Landlord for the Term, free from any expense, charge, offset or deduction by reason of any obligation of Landlord or for any other reason, except as expressly provided herein.

3.2 Interest on Late Payments. Tenant covenants and agrees that all sums to be paid under this Lease, if not paid when due within five days thereafter, shall bear interest on the unpaid portion thereof at the lesser of the maximum allowable legal rate or the rate of fifteen percent (15%) per annum from the date that is five days after the date when the same is due and payable under the terms of this Lease until the same shall be paid. In addition, if Landlord fails to receive timely payment of any sum to be paid by Tenant hereunder within five (5) days of the due date, a late charge of one-hundred dollars (\$100.00) for each unpaid sum or installment shall be imposed. All obligations hereunder shall survive the expiration or termination of this Lease or the termination of Tenant’s tenancy in the Leased Premises.

IV. TAXES

4.0 Payment by Tenant. From and after the Commencement Date, Tenant shall pay as Additional Rent for the Leased Premises, Tenant’s proportionate share described below of the taxes and assessments, general and special, water rates and all other impositions, ordinary and extraordinary, of every kind and nature whatsoever, which may be levied, assessed or imposed upon the Property, or any part thereof, or upon any improvements at any time situated thereon, accruing or becoming due and payable during the term of the Lease (“Impositions”); provided, however, that the general taxes levied against the Leased Premises shall be prorated between Landlord and Tenant as of the Commencement Date for the Initial Term and as of the expiration date of the Term, the latter to be determined on the basis of the then most recently ascertainable real estate tax bills. Tenant’s proportionate share as herein defined shall be equal to the product obtained by multiplying the total amount of Impositions by seven and seventy-one hundredths percent (7.710%); provided, however, Tenant’s proportionate share of Impositions shall not include a proportionate share of any extraordinary Impositions that are triggered, identifiable, and attributable to a specific tenant in the Complex, such as the impact on water rates by another high water using tenant. Landlord shall take the benefit of the provisions of any statute or ordinance permitting any special or other assessment to be paid over a period of years, and Tenant shall be obligated to pay such Impositions payable with respect to the Term. Notwithstanding the foregoing, Tenant is receiving a tax credit from the City of Newton applicable to the Building, which Tenant has agreed to have paid directly to Landlord. Landlord shall credit against Tenant’s share of the Impositions due hereunder, the full amount of all such tax credits specifically related to the Tenant and/or Leased Premises received by Landlord. As security for the obligations contained in this Article, Tenant shall deposit monthly with Landlord, or such other entity as Landlord may designate, on the first day of each and every month of the Term, a sum equal to one-twelfth (1/12) of Tenant’s share of the last ascertainable amount of such Impositions, or at Landlord’s election, if Landlord’s interest hereunder is subject to the lien of a mortgage or trust deed, a

sum equal to one-twelfth (1/12) of the mortgagee's estimate of the current amount of Tenant's share of the Impositions, which monthly deposits shall be held by Landlord or such other entity and shall be used as a fund to be applied, to the extent thereof, to the payment of said Impositions as the same become due and payable. The existence of said fund shall not limit or alter Tenant's obligation to pay the Impositions respecting which the fund was created; provided, however, that said fund shall be fully utilized for the payment of such Impositions. Annually, within 30 days after receipt of the tax bills, Landlord shall reconcile the amounts previously paid and provide Tenant a statement in writing of the actual and adjusted amounts payable hereunder, with any changed amount becoming payable on the first day of the month commencing at least thirty days after receipt of such notice, to reflect the actual amount of said Impositions. Tenant shall pay to Landlord, or Landlord shall credit against the next payment due from Tenant, as the case may be, the difference between the estimated payments made by Tenant during the prior period and Tenant's correct share of the actual cost and expenses for such period, as shown on such statement. Tenant shall not be entitled to interest on said fund. Such funds need not be held in trust and may be commingled with other funds of Landlord. Any unused portion of Tenant's deposit shall be returned to Tenant at the end of the Term. Tenant's obligation with respect to payment of such expenses and costs shall survive with expiration or termination of this Lease or the termination of Tenant's tenancy in the Leased Premises.

4.1 Alternative Taxes. If at any time during the Term the method of taxation prevailing at the commencement of the Term hereof shall be altered so that any new tax, assessment, levy, imposition or charge, or any part thereof, shall be measured by or be based in whole or in part upon the Lease or Leased Premises, or the rent, additional rent or other income therefrom and shall be imposed upon the Landlord, then all such taxes, assessments, levies, impositions or charges, or the part thereof, to the extent that they are so measured or based, shall be deemed to be included within the term Impositions for the purposes hereof, to the extent that such Impositions would be payable if the Leased Premises were the only property of Landlord subject to such Impositions, and Tenant shall pay and discharge the same as herein provided in respect of the payment of Impositions. There shall be excluded from Impositions and the obligations under this Section 4.1, all federal and state income taxes, federal and state excess profit taxes, franchise, capital stock and federal or state estate or inheritance taxes, or similar taxes of Landlord.

V. LANDLORD AND TENANT'S WORK

5.0. Landlord's Work; As Is. Landlord, at Landlord's cost and expense, shall construct the improvements to the Leased Premises which are identified and described on Exhibit D ("Landlord's Work"). Landlord's Work shall be done in a good and workmanlike manner in compliance with all building codes and regulations on or before the deadlines for completion established on Exhibit D. Landlord shall warrant Landlord's Work for one (1) year after the Commencement Date. Other than the Landlord's Work, Landlord shall deliver Leased Premises in broom clean "AS IS" condition to Tenant, and the Premises' building equipment and systems, including without limitation office lights, dock equipment and doors, HVAC, sprinklers, plumbing etc., shall be delivered in good working order. EXCEPT FOR THE LANDLORD'S WORK AND BUILDING EQUIPMENT AND SYSTEMS DESCRIBED ABOVE, LANDLORD MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE PREMISES OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, SUITABILITY, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE. EXCEPT AS EXPRESSLY STATED IN THIS LEASE, TENANT ACKNOWLEDGES THAT THE PREMISES HAS BEEN INSPECTED BY TENANT AND IS SATISFACTORY TO IT. EXCEPT AS EXPRESSLY STATED IN THIS LEASE, LANDLORD HEREBY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES OF

MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE RELATIVE TO THE PREMISES OR ANY COMPONENT PART THEREOF.

5.1 Tenant's Work. After the Commencement Date, Tenant, at Tenant's sole cost and expense, shall perform any and all alterations, improvements and work (other than Landlord's Work) necessary to complete construction of the Leased Premises and to use and occupy the same for the purposes permitted hereunder ("Tenant's Work"). Tenant's Work shall be done in a good and workmanlike manner in compliance with all building codes and regulations and in accordance with plans and specifications first approved in writing by Landlord as described below. Notwithstanding any provision hereof to the contrary, Landlord may demand Tenant make such variations in the work to be performed by it as may be reasonably necessary or appropriate for the development of the Building and construction of the Leased Premises and the Building, but no such changes shall materially alter the general appearance or amount of floor space in the Leased Premises nor substantially affect the quality or substantially change the interior arrangement of the Leased Premises. Tenant shall indemnify Landlord and save Landlord harmless from and against any and all claims, costs, damages, and expenses on account of such Tenant's Work.

Notwithstanding the foregoing, Tenant shall furnish to Landlord, at least five (5) days before any improvements are made by Tenant, preliminary drawings or reasonably detailed drawings or explanations of work (the "Plans and Specifications") showing all improvements to be constructed, installed or placed by Tenant in the Leased Premises. Landlord shall review the Plans and Specifications and either approve the same or state what commercially reasonable changes, if any, Landlord requires therein within five (5) days after receipt thereof, which approval shall not be unreasonably withheld, delayed or conditioned. If Landlord requires any changes, Tenant shall cause the Plans and Specifications to be revised in accordance with any requirements of Landlord and shall resubmit the same to Landlord for its review in accordance with the timelines above. Tenant acknowledges and agrees that Landlord shall have no liability whatsoever for any defects, errors or omissions as a result of its approval of Tenant's Plans and Specifications. Promptly after approval of Tenant's Plans and Specifications, Tenant shall, at its own costs and expense, obtain all necessary governmental approvals and permits in connection with Tenant's Work. Upon Tenant's receipt of all necessary governmental approvals and permits, Tenant shall promptly commence and proceed to substantially complete Tenant's Work.

Landlord shall provide Tenant with a tenant improvement allowance not to exceed \$500,000.00 (the "Improvement Allowance") to pay the costs and expenses for the portion of the Tenant's Work that constitutes Leasehold Work (as hereinafter defined), the actual disbursed amount of which Landlord will amortize over three years of Initial Term at an annual interest rate of five percent (5%), payable by Tenant monthly in the same manner and at the time Tenant pays Base Rent; provided, however, that Tenant may reimburse Landlord in such additional amounts or in full for the Improvement Allowance at any time during the Initial Term without penalty. If the actual costs of the Leasehold Work exceed the Improvement Allowance, Tenant shall solely be responsible for the additional cost. The Improvement Allowance shall be used to pay for the portion of the Tenant's Work described on Exhibit E attached hereto and to be performed by Tenant (the "Leasehold Work").

5.2 Disputes. Tenant shall employ only such labor in performing said work or any other construction work in or about the Leased Premises during the Term as will not cause any conflict or controversy with any labor organization representing building trades performing work for Landlord or other tenants in or about the Building and Leased Premises. Any dispute between Landlord and Tenant regarding Tenant's Work or Landlord's Work shall be resolved as provided in Section 8 of Exhibit F hereof.

5.3 Encumbrances. Nothing contained in this Article or in any part of this Lease shall be taken or construed to create any agency between Landlord and Tenant or to authorize the Tenant to do any act or thing or to make any contract so as to encumber in any manner the title of the Landlord to the Leased Premises, Building or Property or to create any claim or lien upon the interest of the Landlord in the Leased Premises, Building or Property it being expressly agreed and covenanted that all of the cost and expense of Tenant for Tenant's work as referred to in this Article, or any other work undertaken by Tenant affecting the Leased Premises, Building or Property shall be promptly paid by the Tenant as required by the terms of its contracts or agreements with the general contractor and all subcontractors and materialmen. If any lien is at any time filed or recorded, Tenant shall immediately obtain the release and satisfaction of record of such lien.

5.4 Delay of Delivery. Landlord acknowledges that Tenant intends to start construction of Tenant's Work on the Delivery Date and intends to have the Premises ready for operation on or before the Commencement Date, and that delays in completion of Landlord's Work beyond those the deadlines for completion established on Exhibit D will cause Tenant to suffer certain losses which are difficult to quantify including, by way of illustration and not of limitation, lost profits, construction delay costs and employee wages. If Landlord has not completed the Landlord's Work prior to the deadlines for completion established on Exhibit D, Landlord shall nevertheless allow Tenant early entry to commence the Tenant's Work. If Tenant is not able to commence the Tenant's Work due to Landlord's delays (regardless of the fact that Tenant may have elected to enter the Premises to perform Tenant's work prior to Landlord's Work being completed, but excepting any delays caused solely by the willful misconduct of Tenant), then Tenant shall give written notice to Landlord of such delay and if Landlord does not cure such delay within fifteen (15) days after Landlord's receipt of written notice, as compensation in the form of liquidated damages, Tenant shall be entitled to one (1) day of free Base Rent and Additional Rent for every two (2) days of delay accruing from the applicable deadline for completion established on Exhibit D to the actual date of completion of the applicable portion of Landlord's Work. Landlord and Tenant agree that the foregoing free rent determination is a liquidated damages remedy to compensate Tenant based on Landlord and Tenant's best estimate of the daily damages, including but not limited to lost sales and business opportunity that Tenant will incur as a result of Landlord's failure to deliver the Premises timely, and such amount is not to be deemed a penalty.

VI. INSURANCE

6.0 Landlord's Insurance. Landlord shall procure and maintain policies of insurance, insuring:

(a) the improvements at any time situated upon the Property against loss or damage by fire, lightning, wind storm, hail storm, aircraft, vehicles, smoke, explosion, riot or civil commotion as provided by the Standard Fire and Extended Coverage Policy and all other risks of direct physical loss as insured against under Special Extended Coverage Endorsement. The insurance coverage shall be for up to the greater of one hundred percent (100%) of the full replacement cost or the market value of such improvement with all proceeds of insurance payable to Landlord. The full replacement cost of improvements and the market value shall be determined from time to time by an insurance appraiser selected by Landlord and paid for by Tenant. The insurance appraiser shall submit a written report of his appraisal and if said report shows that the improvements are not sufficient, Landlord shall promptly obtain, at Tenant's proportionate cost, such additional insurance as is required.

(b) as the primary commercial general liability insurance policies (including contractual liability) respecting the Common Areas and exterior of the Premises (which policies will be non-contributory at all levels [including, without limitation, basic and umbrella] with any insurance maintained by Tenant), the following

commercial general liability insurance coverage and limits : (a) personal and bodily injury and damage to property of \$1,000,000 per occurrence, with an annual aggregate limit of \$2,000,000; and (b) an umbrella policy of \$5,000,000 per occurrence, with an annual aggregate limit of \$5,000,000 (together, subs. (a) and (b) may be referred to herein as “Landlord’s Liability Insurance”) . Landlord may insure with coverages and amounts in excess of Landlord’s Liability Insurance, but any such excess coverages or amounts shall not be included in the charges to Tenant under Section 6.1 below.

6.1 Payment by Tenant. From and after the Commencement Date, Tenant shall pay as Additional Rent for the Leased Premises, Tenant’s proportionate share of the insurance cost for the policy of insurance procured by Landlord pursuant to paragraph 6.0 (and its subparagraphs and any additional commercially reasonable insurance procured by Landlord). Tenant’s obligation with respect to payment of such expenses and costs shall survive with expiration or termination of this Lease or the termination of Tenant’s tenancy in the Leased Premises. Tenant’s proportionate share as herein defined shall be equal to the product obtained by multiplying the total amount of all insurance obtained under Section 6.0 above by six and two hundred ninety six thousandths percent (6.296%). As security for the obligations contained in this Article, Tenant shall deposit monthly with Landlord, or such other entity as Landlord may designate, on the first day of each and every month of the Term, a sum equal to one-twelfth (1/12) of the Tenant’s share of the insurance costs or at Landlord’s election, if Landlord’s interest hereunder is subject to the lien of a mortgage or trust deed, a sum equal to one-twelfth (1/12) of the mortgagee’s estimate of the current amount of Tenant’s share of the insurance costs, which monthly deposits shall be held by Landlord or such other entity and shall be used as a fund to be applied, to the extent thereof, to the payment of said insurance costs. The existence of said fund shall not limit or alter Tenant’s obligation to pay the insurance costs respecting which the fund was created; provided, however, that said fund shall be fully utilized for the payment of such costs. The amount of the fund shall be readjusted annually to reflect the actual costs of said insurance. Tenant shall not be entitled to interest on said fund. Such funds need not be held in trust and may be commingled with other funds of Landlord.

6.2 Tenant’s Insurance. Tenant shall procure and maintain policies of insurance, at its own cost and expense, as follows:

(a) a policy insuring claims, demands or actions for injury to or death of any person in an amount of not less than \$1,000,000.00, for injury to or death of more than one person in any one occurrence to the limit of \$2,000,000.00 and for damage to property in amount of not less than \$1,000,000.00 made by, or on behalf of, any person or persons, firm or corporation arising from, related to or connected with the use of the Leased Premises. Said insurance shall include full coverage for the indemnity set forth in paragraph 13.1 hereof;

(b) a policy meeting State of Iowa requirements insuring Tenant’s workmen’s compensation claims;

(c) coverage for breakage of all plate glass utilized in the improvements on the Leased Premises;

(d) by requiring such contractor to carry and maintain, at no expense to Landlord, commercial general liability insurance, builder’s risk insurance (if applicable), including but not limited to contractor’s liability coverage, completed operations coverage, broad form property damage endorsement, workers compensation, and contractor’s protection liability coverage in such amounts and with such deductibles and such companies as are customary for the work to be performed. Upon Landlord or Landlord’s mortgagee’s written request, Tenant shall provide evidence of that such insurance is in full force and effect; and

(e) a policy insuring against loss of Rent during the period while the Leased Premises are untenable due to fire or other casualty (for the maximum period for which such insurance is available or to a limit of not less than \$250,000) but the purchase of such rent insurance shall not relieve Tenant from the primary obligation to pay Rent as required under this Lease .

6.3 Form of Insurance . The aforesaid insurance shall be by companies and in form, substance and amount (where not stated above) reasonably satisfactory to Landlord and any mortgagee of Landlord, shall name Landlord as an additional insured on the general liability policy, and shall contain standard mortgage clauses reasonably satisfactory to Landlord's mortgagee. The original insurance policies (or certificates thereof satisfactory to Landlord) together with satisfactory evidence of payment of the premiums thereon, shall be deposited with Landlord at the Commencement Date and renewals thereof not less than thirty (30) days prior to the end of the term of each such coverage.

6.4 Mutual Waiver of Subrogation Rights . Whenever (a) any loss, cost, damage or expense resulting from fire, explosion or any other casualty or occurrence is incurred by either of the parties to this Lease in connection with the Leased Premises, and (b) such party is then covered in whole or in part by general liability, workers compensation, or property insurance with respect to such loss, cost, damage or expense, then the party so insured hereby releases the other party from any liability it may have on account of such loss, cost, damage or expense to the extent of any amount recovered by reason of such insurance and waives any right of subrogation which might otherwise exist in or accrue to any person on account thereof, provided that such release of liability and waiver of the right of subrogation shall not be operative in any case where the effect thereof is to invalidate such insurance coverage or increase the cost thereof (provided that in the case of increased cost the other party shall have the right, within thirty (30) days following written notice, to pay such increased cost, thereupon keeping such release and waiver in full force and effect).

VII. DAMAGE OR DESTRUCTION

7.0 Landlord's Duty To Restore . If the Leased Premises, the Building (including machinery or equipment used in its operation) or Common Areas shall be damaged by fire or other casualty, then Landlord shall, subject to the limitations set forth below, commence to repair or restore such damage within one hundred eighty (180) days of such damage and complete such restoration and repair with reasonable promptness thereafter but in any event within three hundred sixty-five (365) days of such damage, subject to delays caused by matters beyond Landlord's reasonable control. If any such damage renders all or a substantial portion of the Leased Premises or Building untenable or if available insurance proceeds are inadequate to cover 100% of the cost of repair, Landlord shall have the right to terminate this Lease as of the date of such damage (with appropriate prorations of rentals, taxes and other charges as of the date of such damage) upon giving written notice to Tenant at any time within sixty (60) days after the date of such damage.

In the event that Landlord fails to commence repair and restoration of the Leased Premises or Building or Common Area within one hundred eighty (180) days of the occurrence of the casualty, or such repair and restoration is not actually completed within one (1) year from the date of the damage, subject to reasonable delays for matters beyond Landlord's reasonable control, Tenant shall have the right, as its sole and exclusive remedy hereunder, to terminate this Lease, exercisable upon written notice to Landlord to terminate this Lease effective no earlier than thirty (30) days after receipt by Landlord of such notice, unless prior to such effective date such repair and restoration shall have been substantially completed (in which case any exercise of such termination right shall be deemed nullified).

Rent shall abate as to those portions of the Leased Premises as are, from time to time, untenable or inaccessible, in Tenant's reasonable determination, as a result of such damage until Landlord shall have completed the repairs and restorations required of Landlord hereunder and tendered possession of the Leased Premises to Tenant.

In the event of any damages or destruction to the Building or the Leased Premises by any of the foregoing perils, Tenant shall, upon notice of Landlord, move, at its sole cost and expense, such portion or all of the personal property belonging to or in the care, custody or control of Tenant or its subtenants from such portion or all of the Building or the Leased Premises, as Landlord shall reasonably determine necessary in order to perform and complete its work.

Notwithstanding anything herein to the contrary, but without modification of either parties' right to terminate this Lease or obligation to repair, in the event the holder of a mortgage covering the Property requires that all or any part of the insurance proceeds be applied to the secured indebtedness, and the amount of such insurance proceeds available after application to the secured indebtedness is not sufficient to perform any necessary repair and restoration, then Landlord or Tenant may terminate this Lease. If neither party terminates this Lease, Landlord agrees to use reasonable efforts to replace the financing for the Property, including sufficient funds to repair and rebuild the Leased Premises and Building as required by this Article. If Landlord is unable to obtain a commitment for such replacement financing on terms acceptable to it within sixty (60) days after the occurrence of the damage, then Landlord or Tenant shall have the right to terminate this Lease by written notice to the other, whereupon this Lease shall end on the date of such damage as if such date were fixed as the date of expiration of the Term hereof. If Landlord procures a financing commitment that is acceptable to it, then this Lease shall continue in full force and effect on the same terms and conditions as contained herein. Landlord's duty to repair and restore is limited to repairing or restoring those parts of the Leased Premises that were provided by Landlord or at Landlord's expense as of the Commencement Date. Tenant shall repair or restore all other leasehold improvements and alterations to the Leased Premises made by it. If Tenant desires any additional repairs or restoration work and if Landlord consents thereto, such other additional repair or restoration shall be done at Tenant's expense.

Tenant acknowledges that when Landlord is expressly obligated hereunder to repair or restore leasehold improvements, then the full proceeds of any insurance coverage thereof, whether carried by Landlord or Tenant, shall be provided to Landlord to reimburse it for the costs of such repair or restoration work.

Notwithstanding anything contained in this Article VII to the contrary, if the Premises is damaged or destroyed by fire or other casualty to any material extent in the last one (1) year of the then current Term, Tenant may, at its option, by notice in writing to Landlord, terminate this Lease.

VIII. CONDEMNATION

8.0 Taking of Whole. If the whole of the Leased Premises, or so much thereof, or such portion of the Common Areas, shall be taken or condemned for a public or quasi-public use or purpose by any competent authority and as a result thereof the balance of the Leased Premises cannot be practicably used by Tenant for the same purpose as expressed in Article II (as reasonably determined by Tenant), then and in either of such events, the Term shall terminate when possession of the Leased Premises shall be so taken and surrendered, and any award, compensation or damages (hereinafter sometimes called the "award"), shall be paid to and be the sole property of Landlord whether such award shall be made as compensation for diminution of the value of the leasehold or the fee of the Leased Premises or otherwise and Tenant hereby assigns to Landlord

all of Tenant's right, title and interest in and to any and all such award. Tenant shall continue to pay Rent until the Lease term is terminated and any taxes and/or insurance premiums paid by Tenant, or any tax and insurance premium deposits with Landlord, shall be adjusted between the parties. Nothing herein provided shall prevent Tenant from seeking an independent award for its loss of business and personal property or relocation costs, to the extent not inconsistent with the Landlord award herein set forth.

8.1 Partial Taking. If only a part of the Leased Premises or the Common Areas shall be so taken or condemned, and as a result thereof the balance of the Leased Premises can practicably be used by Tenant for the same purpose as expressed in Article II (as reasonably determined by Tenant), this Lease shall not terminate and Landlord shall repair and restore the Leased Premises. Landlord shall promptly and diligently proceed to make a complete architectural unit of the remainder of the Leased Premises. For such purpose, Landlord shall receive the amount of the award relating to the Leased Premises which shall be applied to the cost of said repairing and/or restoration. Any portion of such award as may not have to be expended for such repairing and/or restoration shall be retained by Landlord. If Landlord does not make a complete architectural unit of the remainder of the improvements within a reasonable period after such taking or condemnation, not to exceed one hundred eighty (180) days after such taking, then Tenant shall have the right, as its sole and exclusive remedy hereunder, exercisable upon written notice to Landlord to terminate this Lease effective no earlier than thirty (30) days after receipt by Landlord of such notice, unless prior to such effective date such repair and/or restoration shall have been substantially completed (in which case any exercise of such termination right shall be deemed nullified). Rent shall abate as to those portions of the Leased Premises as are, from time to time, untenable, in Tenant's reasonable determination, as a result of such taking until Landlord shall have completed the repairs and restorations required of Landlord hereunder and tendered possession of the Leased Premises to Tenant. In addition, there shall be an equitable reduction of Rent as a result of such portion of the Leased Premises permanently taken.

IX. COMMON AREA

9.0 Common Area. Throughout the Complex, Landlord shall provide paved drives and parking area for use in common by the customers and invites of Tenant and other tenants of the Building. Landlord shall maintain such parking area and all of the other common areas and facilities used for operation and maintenance of the Complex (collectively the "Common Areas" or the "Common Area"), including but not limited to, paved drives and other areas, parking area lighting standards, landscaped areas, if any, in good condition and repair. From and after the Commencement Date, Tenant agrees to pay Landlord, as Additional Rent, Tenant's proportionate share of the cost of managing, operating, lighting, landscaping and lawn care, cleaning, roofing, removing snow, policing and security, insuring, repairing, supplying, equipping, parking lot and driveway maintenance (including restriping, resealing, and repaving, not more than once every 3 years), trash removal and recycling, replacing and properly maintaining the Common Areas, the Building and all other areas, facilities, equipment, fixtures and buildings used in the maintenance and operation of the Property, provided that capital replacements shall be amortized over their useful life (without interest and determined in accordance with general accepted accounting principles), including a fee in an amount equal to Twelve Percent (12%) of the Common Area costs incurred as aforesaid to cover Landlord's administration and overhead cost (collectively, the "Operating Costs"). In addition, Landlord's costs to replace the existing building systems and equipment appurtenant to and/or serving the Building, which costs of maintenance shall be amortized over their useful life (without interest and determined in accordance with general accepted accounting principles), shall constitute part of the Operating Costs to be reimbursed by Tenant. Tenant's proportionate share as herein defined shall be equal to the product obtained by multiplying the total amount of all Operating Costs levied by seven and seventy-one hundredths percent (7.710%). Tenant's share of such Operating Costs shall be paid in

advance in monthly installments on the first day of each calendar month during the Term in an amount estimated by Landlord from time to time to provide funds sufficient to pay Tenant's annual obligation for such Operating Costs. Within ninety (90) days after the end of each year during the Term, Landlord shall furnish Tenant with a statement of the actual amount of, and Tenant's proportionate share of, such Operating Costs for such period (the "Annual Statement"). Within thirty (30) days after delivery of each Annual Statement to Tenant by Landlord, Tenant shall pay to Landlord, or Landlord shall credit against the next payment due from Tenant, as the case may be, the difference between the estimated payments made by Tenant during the prior period and Tenant's correct share of the actual Operating Costs for such period, as shown on such statement. From time to time, Landlord shall notify Tenant in writing of the amount of Tenant's monthly installments due hereunder and adjustments thereto, and Tenant shall make its installment payments accordingly. Tenant's obligation with respect to payment of such Operating Costs incurred during the Term shall survive expiration or termination of this Lease or the termination of Tenant's tenancy in the Leased Premises.

Notwithstanding the foregoing, replacements to the roof of the Building or other buildings within the Complex shall not constitute Operating Costs for which Tenant is responsible to share payment of; provided however, Tenant shall be responsible to reimburse Landlord the actual out of pocket expenses of Landlord in replacing the roof of the Premises amortized over its useful life, provided that Tenant shall have received 3 months' prior notice and estimated cost of any proposed roof replacement, other than in an emergency situation, and such roof replacement shall not be conducted more often than every ten (10) years.

Landlord reserves the right to make changes to the Property and the layout of the common area, structures, and all other improvements located therein. Landlord may at any time close temporarily any Common Area to make repairs or changes, to prevent the acquisition of public rights in such area or to discourage non-customer parking, and may do such other acts in and to the Common Areas as in its judgment may be desirable to improve the convenience thereof; provided that such additions or modifications do not materially affect access or parking for the Premises.

9.1 Audit Rights. Tenant and its representatives may, upon 72 hours' prior written notice, examine, audit, and copy the records of Landlord regarding each Annual Statement at Landlord's office during normal business hours within one hundred twenty (120) days after receipt of the Annual Statement by Tenant ("Tenant's Review"). Tenant shall have an additional ninety (90) days after Landlord has given Tenant access to Landlord's books and records to file a written exception with Landlord to any of Operating Costs described in Section 9.0 above. If Landlord does not agree with Tenant's written exception within thirty (30) days of receipt, Landlord and Tenant shall meet and negotiate in good faith to resolve the discrepancies. If despite their good faith efforts, the parties are unable to resolve any dispute hereunder, either party may, upon written notice to the other, submit such dispute to the parties' executive officers, who shall meet to attempt to resolve the dispute by good faith negotiations. If the parties are unable to resolve such dispute within thirty (30) days after such notice is received, either party may submit the dispute to binding arbitration before a reputable firm of independent certified public accountants chosen jointly by Landlord and Tenant and to be paid for equally by Landlord and Tenant; except that if the arbitrator's award finds that Landlord overstated Common Area expenses payable by Tenant by more than ten percent (10%) then Landlord shall be responsible for all costs and expenses associated with Tenant's Review and the arbitration. Tenant acknowledges and agrees to exercise good faith in connection with its audit rights under Section 9.1 and specifically covenants to not use such audit rights to delay payment.

9.2 Rules and Regulations. For the welfare of all tenants in the Building, and their employees, agents, customers and invites, Tenant's use of the parking area and other Common Areas and facilities of the Property shall be subject to the rules and regulations attached hereto as Exhibit B. Said rules and regulations

may be amended from time to time by Landlord in its sole discretion reasonably exercised with due regard to a balancing of any material adverse effect on Tenant, provided, Tenant acknowledges that the welfare of all tenants may be given paramount consideration to the interest of Tenant. Such amendments may be adapted with or without advance notice, and all such amendments shall be effective upon delivery of a copy thereof to Tenant. Substantially similar rules and regulations shall be imposed upon all tenants of the Complex and enforced in a non-discriminatory manner. For the enforcement of said rules and regulations, after any applicable notice and cure periods, Landlord shall have available to it all remedies provided in this Lease in the event of a breach thereof and all legal remedies whether or not provided for in this Lease by law or in equity.

9.3 Exclusive Use of Parking Areas. During the Term, Tenant shall have the exclusive right to use 400 parking areas within the area designated on Exhibit A-1 hereto (the "Exclusive Parking Areas"). Landlord agrees that it has not and will not grant exclusive parking rights to any person or entity within the Exclusive Parking Areas. If Tenant notifies Landlord of any misuse or overuse of the parking areas within the Exclusive Parking Areas, Landlord shall use commercially reasonable efforts to alleviate the complained of parking issue. Landlord agrees that it will not change, in any material manner, the following without Tenant's prior written consent: (i) the location or configuration of the access points, loading areas and the driveways providing access to the Leased Premises and Exclusive Parking Areas; and (ii) the layout, striping, and location of all parking, access ways and related improvements within the Exclusive Parking Areas.

X. ASSIGNMENT AND SUBLETTING

10.0 Consent Required. Tenant shall not, without Landlord's prior written consent, which may be withheld in Landlord's reasonable discretion, directly or indirectly, (a) assign, convey, mortgage or otherwise encumber this Lease or any interest under it; (b) allow any transfer thereof or any lien upon Tenant's interest by operation of law; (c) sublet the Leased Premises or any part thereof; or (d) permit the use or occupancy of the Leased Premises or any part thereof by anyone other than Tenant. Tenant shall provide Landlord with a minimum of thirty (30) days' notice of a request for an assignment or sublet of this Lease. In the event Tenant solicits Landlord's consent to sublease the Premises, Landlord may, in lieu of granting such consent, elect to terminate this Lease, effective on the commencement date specified in the sublease to which Landlord's consent was requested, by sending written notice of such election to Tenant. However, Tenant may nullify and supersede Landlord's termination election by delivering written notice to Landlord withdrawing Tenant's assignment or sublease request on or before fifteen (15) days after receipt of Landlord's termination notice. No permitted assignment or subletting shall relieve Tenant of Tenant's covenants and agreements hereunder and Tenant shall continue to be liable as a principal and not as a guarantor or surety, to the same extent as though no assignment or subletting had been made. Consent by Landlord of one or more assignment of this Lease or to one or more subletting of said Leased Premises shall not operate to exhaust Landlord's rights under this Article.

10.1 Assignments Defined. The following shall be deemed to be an assignment of this Lease within the meaning of paragraph 10.0: (a) the sale, issuance, or transfer of any voting capital stock of Tenant or of Tenant's permitted assigns (if Tenant or such assigns be a corporation), which results in a change in the voting control of Tenant or such assigns; (b) the sale, issuance, or transfer of any partnership interest in Tenant or in Tenant's permitted assigns (if Tenant or such assigns be a partnership); (c) the sale, issuance, or transfer of any membership interest in Tenant or in Tenant's permitted assigns (if Tenant or such assigns be a limited liability company); and (d) the death or incapacity of Tenant or of Tenant's permitted assigns (if Tenant or such assigns or subtenants be a natural person).

10.2 Permitted Assignments. Notwithstanding the foregoing, Tenant may, without the consent of Landlord assign or otherwise transfer in any manner its rights and obligations under this Lease: (1) to Tenant's parent, subsidiary, an affiliated entity or other entity controlling, controlled by, or under common control with Tenant (including, without limitation, TPI Composites, Inc. or one of its affiliates, so long as such entity has a direct or indirect interest in Tenant), (2) by way of transfers of publicly traded stock in Tenant, its parent, subsidiary or affiliated entity, (3) for collateral or security purposes or (4) in connection with any merger, acquisition or consolidation involving Tenant or the sale, transfer or other disposition of all or substantially all of Tenant's assets in the metropolitan area where the Premises are located or all of Tenant's assets with respect to the segment of Tenant's business operation being conducted within the Premises, provided that (a) such transaction is for a legitimate business purpose and not for the purpose of circumventing the restrictions on transfers and the transferee assumes the terms and conditions of the Lease, (b) such permitted transferee and any guarantor of such permitted transferee has a combined net worth and net income (using GAAP standards) equal to or greater than that of Tenant and the Guarantor on the Commencement Date, (c) such permitted transferee expressly assumes this Lease in writing, and (d) Tenant provides to Landlord contact information and net worth and net income information of such permitted transferee no less than ten (10) days prior to the date of such assignment.

10.3 Landlord's Expenses. In the event that Landlord shall review any assignment, subletting or other transfer of Tenant's interest in this Lease, then Tenant shall reimburse Landlord up to One Thousand Dollars (\$1,000.00) for Landlord's actual legal fees and expenses incurred in connection with such review and the drafting and preparation of appropriate documentation effecting the assignment, subletting or other transfer in question.

XI. LIENS AND ENCUMBRANCES

11.0 Encumbering of Title. Tenant shall not do any act which shall in any way encumber the title of Landlord in and to the Leased Premises, nor shall the interest or estate of Landlord in the Leased Premises be in any way subject to any claim by way of lien or encumbrance, whether by operation of law or by virtue of any express or implied contract by Tenant. Any claim to, or lien upon, the Leased Premises arising from any act or omission of Tenant shall accrue only against the leasehold estate of Tenant and shall be subject and subordinate to the paramount title and rights of Landlord in and to the Leased Premises.

11.1 Liens and Right to Consent. Tenant shall not permit the Leased Premises to become subject to any mechanics', laborers', materialmen's lien, or the like on account of labor or material furnished to Tenant or claimed to have been furnished to Tenant in connection with work of any character performed or claimed to have been performed on the Leased Premises by, or at the direction or sufferance of, Tenant; provided, however, that Tenant shall have the right to contest in good faith and with reasonable diligence (upon prior written notice to and consent from Landlord, which may not be unreasonably withheld, conditioned or delayed), the validity of any such lien or claimed lien if Tenant shall give to Landlord such security as may be deemed satisfactory to Landlord to insure payment thereof and to prevent any sale, foreclosure, or forfeiture of the Leased Premises by reason of non-payment thereof; provided further, however, that on final determination of the lien or claim for lien, Tenant shall immediately pay any judgment rendered, with all proper costs and charges, and shall have the lien released and any judgment satisfied.

XII . UTILITIES

12.0 Utilities. From and after the Commencement Date, Tenant shall be responsible for and promptly pay all charges for water, sewer, heat, electricity, telecommunication services (e.g., telephone, facsimile, and internet), and all other separately metered utility services used or consumed in the Leased Premises. In the event said services are not separately metered (i.e., sub-metered), Tenant shall pay its share of the charges for the service by multiplying the amount of the charge for the service times a fraction, the numerator of which shall be the total amount of square feet contained in the Leased Premises and the denominator of which shall be the total gross leasable area of all of the premises sharing a meter monitoring such service. Tenant shall keep the Leased Premises sufficiently heated so as to prevent freezing and deterioration thereof and/or the equipment and facilities contained therein. Except to the extent of Landlord's negligence or willful misconduct, Landlord shall not be liable for an interruption or failure in the supply of any utility used or consumed in the Leased Premises. Should Landlord elect to supply any utility used or consumed in the Leased Premises, Tenant agrees to pay for the actual cost of same as Additional Rent. Tenant's obligation with respect to payment of such utility expenses and costs incurred during the Term shall survive expiration or termination of this Lease or the termination of Tenant's tenancy in the Leased Premises.

XIII. INDEMNITY

13.0 Intentionally Deleted.

13.1 Landlord's Non-liability; Indemnification of Landlord. Except for Landlord's negligence or willful misconduct, Landlord shall not be liable for any loss, damage or injury of any kind or character to any person or property, arising from any use of the Premises, or any part thereof, or caused by any defect in any improvements located on the Premises, or any part thereof, or in any equipment or other facility therein (except as provided in Section 5.0 above), or caused by or arising from any act or omission of Tenant, or of any subtenants, agents, employees, contractors, subcontractors, licensees, or invitees of Tenant, or arising out of any work or alterations performed by Tenant or any subtenant, or by or from any accident on the Premises, or any part thereof, or any fire or other casualty thereon, or occasioned by the failure of Tenant to maintain the Premises, or any part thereof, in safe condition. Except to the extent of Landlord's negligence or willful misconduct, Tenant agrees to pay, and to protect, indemnify, and save harmless Landlord from and against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands, or judgments of any nature whatsoever arising from (i) any injury to or the death of, any person, or damage to property, in, on or about the Premises, or any part thereof or connected with the use, nonuse, condition, or occupation of the Premises, or any part thereof; (ii) violation by Tenant of any agreement or condition of this Lease; (iii) violation by Tenant of any contract or agreement to which Tenant is a party or of any statute, law, ordinance, or regulation, in each case affecting Tenant's use of the Premises, or any part thereof; (iv) performance of any labor or services or the furnishing of any materials or other property in respect of the Leased Premises or any part thereof. Landlord, as used in this Section 13.1 shall include the Landlord's Mortgagee and their shareholders, directors, officers, employees, agents, representatives, members, managers, and partners. Any indemnification under this Section 13.1 shall constitute Additional Rent payable within twenty (20) days of demand and shall survive the expiration or termination of this Lease or the termination of Tenant's tenancy in the Leased Premises, including without limitation, the termination or rejection of this Lease in bankruptcy, but only for such matters that may arise due to the acts or omissions of Tenant or occurring during the Term of the Lease, as applicable.

XIV . INSPECTION

14.0 Inspection. Upon reasonable advance written notice (but no less than 48 hours' notice) Landlord, or Landlord's agent, may enter the Leased Premises during normal business hours, except during emergencies wherein Landlord may enter at any time, for the purpose of inspecting the same, or of making repairs which Landlord deems necessary or appropriate, and also for the purpose of showing the Leased Premises to persons wishing to purchase the same, or within 180 days prior to the expiration of the Term, to persons wishing to rent the Leased Premises. Tenant shall within 270 days prior to the expiration of the Term, permit the usual notice of "To Let" or "For Sale" to be placed on the Leased Premises and to remain thereon without molestation.

XV. QUIET ENJOYMENT

15.0 Quiet Enjoyment. Landlord covenants that it has the right to enter into this Lease and that if Tenant shall timely pay all Rent and perform all of Tenant's covenants, obligations, terms, conditions and agreements in this Lease, Tenant shall be entitled to peaceably and quietly occupy and enjoy possession of the Premises, without molestation or hindrance by Landlord or any party claiming through or under Landlord.

15.1 Compliance with Laws; Waste. Tenant shall at all times comply with all laws, statutes, ordinances, regulations, codes, orders, court decisions, or procedural requirements of any governmental authority governing Tenant's particular manner of use of the Premises. Tenant shall not cause or permit any waste to occur in the Leased Premises and shall not overload the floor of any mechanical, electrical, plumbing or utility systems servicing the Leased Premises. At all times during the Term, Tenant, at Tenant's sole cost and expense, shall make all necessary arrangements for the removal of all waste generated by Tenant, in accordance with all applicable rules, regulations and environmental laws regulating disposal of such waste, and shall cause any subtenants or others occupying any portion of the Leased Premises to dispose of all their waste in the same manner.

XVI. SUBORDINATION OR SUPERIORITY

16.0 Subordination or Superiority. As a condition precedent to the occurrence of the Commencement Date, Landlord will deliver to Tenant from the current holder ("Mortgagee") of any existing mortgage or deed of trust (collectively, "Mortgage") of the Property which is senior in priority to this Lease, a subordination, non-disturbance and attornment agreement containing customary provisions recognizing Tenant's right to quiet possession of the Premises and the other rights, benefits, privileges and remedies specified in this Lease ("SNDA") in the form attached hereto as Exhibit G. This Lease will become subject and subordinate to the lien of any future Mortgage of the Property only if and when the applicable future holder of any Mortgage and Tenant enter into an SNDA that is reasonably acceptable to such future holder, Landlord, and Tenant. Tenant shall from time to time, within fifteen (15) days from the request of Landlord or Landlord's mortgagee, execute, acknowledge and deliver to Landlord and Landlord's mortgagee, an SNDA in the form attached hereto or such other form reasonably acceptable to Landlord, Landlord's mortgagee, and Tenant. If any existing Mortgagee requires that this Lease have priority over such Mortgage, Tenant will, upon request of such Mortgagee, execute, acknowledge and deliver to such Mortgagee an agreement acknowledging such priority, in form reasonably approved by Tenant. In no event will any of Tenant's trade fixtures, inventory, books or records, accounts or other property or assets be or become subject or subordinate to any Mortgage or other lien of any kind in favor of Landlord or granted by Landlord to any Mortgagee or other person.

XVII. SURRENDER

17.0 Surrender. Upon the termination of this Lease, whether by forfeiture, lapse of time or otherwise, or upon the termination of Tenant's right to possession of the Leased Premises, Tenant will at once surrender and deliver up the Leased Premises, together with all improvements thereon, to Landlord in good condition and repair, reasonable wear and tear excepted, and in broom clean condition. Said improvements shall include all plumbing, lighting, electrical, heating, cooling and ventilating fixtures and equipment used in the operation of the Leased Premises, together with all duct work. All additions, hardware, non-trade and trade fixtures and all other improvements, in or upon the Leased Premises placed there by Tenant, including those portions of Leasehold Work noted on Exhibit E as being removed by Tenant shall remain Tenant's property and may be removed by Tenant from the Leased Premises upon such termination of this Lease by lapse of time or otherwise; provided, however, that (i) Tenant shall pay the cost of such removal, (ii) Tenant shall be responsible for repairing any damage caused to the Leased Premises in connection with such removal on demand, and (iii) all electrical, plumbing, and heating outlets shall be allowed to remain in place. If the Tenant fails to remove such alterations, decorations, additions and improvements and restore the Leased Premises, then upon the expiration of this Lease or upon Tenant's vacating the Premises prior to such expiration, all such alterations, decorations, additions and improvements shall become, at Landlord's option, the property of the Landlord and Tenant shall pay the cost of such removal, delivery, and warehousing to Landlord on demand.

17.1 Removal of Tenant's Property. Upon the termination of this Lease by lapse of time, Tenant may remove Tenant's trade fixtures and all of Tenant's personal property and equipment other than such personal property and equipment as are referred to in subsection 17.0; provided, however, that Tenant shall repair any injury or damage to the Leased Premises which may result from such removals. If Tenant does not remove Tenant's furniture, machinery, trade fixtures and all other items of personal property of every kind and description from the Leased Premises prior to the end of the Term, however ended, Landlord may, at its option, remove the same and deliver the same to any other place of business of Tenant or warehouse the same, and Tenant shall pay the cost of such removal (including the repair of any injury or damage to the Leased Premises resulting from such removal), delivery and warehousing to Landlord on demand, or Landlord may treat such property as having been conveyed to Landlord with this Lease as a Bill of Sale, without further payment or credit by Landlord to Tenant.

17.2 Holding Over. Any holding over by Tenant without consent of Landlord after the expiration of this Lease shall operate and be construed to be tenancy from month to month only, at a monthly rental of 150% of the Base Rent previously payable hereunder for the Term. If, for any reason, Tenant fails to surrender the Leased Premises on the expiration or earlier termination of this Lease with such removal and repair obligations completed, then, in addition to the provisions and Landlord's rights and remedies under this Lease, Tenant shall indemnify, defend (by counsel reasonably approved in writing by Landlord) and hold Landlord harmless from and against any and all claims, judgments, suits, causes of action, actual damages, losses, liabilities and expenses (including attorneys' fees and court costs) resulting from such failure to surrender, including, without limitation, any claim made by any succeeding tenant based thereon. The foregoing indemnity shall survive the expiration or termination of this Lease or the termination of Tenant's tenancy in the Leased Premises.

XVIII. DEFAULTS AND REMEDIES

18.0 Defaults. Tenant agrees that any one or more of the following events shall be considered events of default as said term is used herein:

(a) Tenant shall become insolvent, file a petition in bankruptcy or a petition to take advantage of any insolvency statute, make an assignment for the benefit of creditors, make a transfer in fraud of creditors, apply for or consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable law or statute of the United States or any state thereof and said act, filing or proceedings shall not be dismissed, revoked or terminated within thirty (30) days following such action; or

(b) The Leased Premises are levied upon by any revenue officer or similar officer; or

(c) Tenant fails to vacate the Leased Premises immediately upon termination or expiration of this Lease, by lapse of time or otherwise, or fails to vacate the Leased Premises upon termination of Tenant's right to possession only, or abandons the Leased Premises during the Term hereof and the continuance of such abandonment for a period of more than thirty (30) days after Landlord has delivered to Tenant written notice thereof; or

(d) Tenant shall fail to contest the validity of any lien or claimed lien and give security to Landlord to insure payment thereof, or having commenced to contest the same and having given such security, shall fail to prosecute such contest with diligence, or shall fail to have the same released and satisfy any judgment rendered thereon, and such default continues for twenty (20) days after notice thereof in writing to Tenant; or

(e) Tenant shall default in any monthly payments of Base Rent required to be made by Tenant hereunder when due as herein provided and such default continues five (5) days after written notice of such default from Landlord; or

(f) Tenant's failure to perform any other covenant or condition of this Lease within thirty (30) days after written notice and demand, unless the failure is of such a character as to require more than thirty (30) days to cure, in which event Tenant's failure to proceed diligently to cure such failure shall constitute an event of default; or

(g) Tenant fails to maintain the insurance required under Section 6.2; or

(h) Tenant shall assign, transfer, sublet, or convey, by operation of law or otherwise, any interest in this Lease, except as may be expressly permitted by the terms of this Lease.

(i) In the event Landlord has given Tenant two or more notices under subparagraph (f) and Tenant again defaults in any of the other covenants and agreements of this Lease within one (1) year of giving of a notice under subparagraph (f), Landlord may proceed as listed below after giving five (5) days written notice of such default whether or not such default continues after said notice; or

(j) A court of competent jurisdiction shall enter an order, judgment or decree adjudicating Tenant bankrupt, or appointing a receiver of Tenant, or of the whole or any substantial part of its property, without the consent of Tenant, or approving a petition filed against Tenant seeking reorganization or arrangement of Tenant under the bankruptcy laws of the United States, as now in effect or hereafter amended, or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (6 0) days from the date of entry thereof.

18.1 Remedies. Upon the occurrence of any one or more of such events of default hereunder:

(a) Landlord may immediately proceed to collect or bring action for Rent in arrears, the unamortized costs of the Leasehold Work, or may file a Proof of Claim in any bankruptcy or insolvency proceedings for such Rent and the unamortized costs of the Leasehold Work actually paid to Tenant as the Improvement Allowance, or Landlord may institute any other proceedings, whether similar to the foregoing or not, to enforce payment thereof.

(b) Landlord may re-enter and re-possess the Leased Premises and any part thereof and attempt to relet all or any part of such Leased Premises for the account of Tenant for such rent and upon such terms and to such persons, firms or corporations and for such period or periods as Landlord, in its reasonable discretion, shall determine, including a term beyond the termination of this Lease and Landlord shall not be required to accept any tenant offered by Tenant or observe any instruction given by Tenant about such reletting, or do any act or exercise any care or diligence with respect to such reletting or to the mitigation of damages, except to the extent required by law. For the purpose of such reletting, to the extent commercially reasonable, Landlord may decorate or make repairs, changes, alterations or additions in or to the Leased Premises to the extent necessary, and the cost of such decoration, repairs, changes, alterations or additions shall be charged to and be payable by Tenant as Additional Rent hereunder, as well as any reasonable brokerage and legal fees expended by Landlord in connection with such reletting efforts, and any sums collected by Landlord from any new tenant obtained on account of the Tenant shall be credited against the balance of the Rent due hereunder as aforesaid.

(c) Landlord, at its option, may serve notice upon Tenant that this Lease and the then unexpired Term hereof shall cease and expire and become void on the date specified in such notice and thereupon, and at the expiration of the time limited in such notice this Lease and the Term hereof granted, as well as all of the right, title and interest of the Tenant hereunder, shall cease, expire and become void in the same manner and with the same force and effect (except as to Tenant's liability) as if the date fixed in such notice were the date herein specified for expiration of the Term. Thereupon, Tenant shall immediately quit and surrender to Landlord the Leased Premises, and Landlord may enter into and repossess the Leased Premises by summary proceedings, detainer, ejectment or otherwise, and remove all occupants thereof and, at Landlord's option, any property thereon without being liable to indictment, prosecution or damages therefor or any other claim related thereto. If Landlord so terminates the Lease, Landlord may recover from Tenant as damages, the following:

(i) The worth at the time of award of any unpaid Rent or other charges which had been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid Base Rent, Operating Costs, Additional Rent or other charges which would have been earned after termination until the time of award exceeds the amount of such loss Tenant proves could have been reasonably avoided; plus

(iii) The amount by which the unpaid Base Rent , Operating Costs , Additional Rent or other charges for the balance of the Lease Term after the time of award exceeds the amount of such loss that Tenant proves could be reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to any costs or expenses incurred by Landlord in (1) retaking possession of the Premises, including reasonable attorneys' fees, (2) maintaining or preserving the Premises after the occurrence of an Event of Default, and (3) preparing the Premises for reletting to a new tenant, including repairs or alterations to the Premises for such reletting; plus

(v) The unamortized costs of the Leasehold Work actually paid to Tenant as the Improvement Allowance.

As used in subparagraphs (i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the rate provided for in Section 3.2.

(d) Landlord shall use commercially reasonable efforts to mitigate its damages and relet the Premises upon terms and conditions satisfactory to Landlord. In no event shall Tenant be liable to Landlord for any indirect or consequential, special or punitive damages.

18.2 Remedies Cumulative. No remedy herein or otherwise conferred upon or reserved to Landlord shall be considered to exclude or suspend any other remedy but the same shall be cumulative and shall be in addition to every other remedy given hereunder now or hereafter existing at law or in equity or by statute, and every power and remedy given by this Lease to Tenant may be exercised from time to time and as often as occasion may rise or as may be deemed expedient. No delay or omission of Landlord to exercise any right or power arising from any default, shall impair such right or power or shall be construed to be a waiver of such default or any acquiescence therein. Neither the rights herein given to receive, collect, sue for or distrain for any rent or rents, moneys or payments, or to enforce the terms, provisions and conditions of this Lease, or to prevent the breach or non-observance thereof, or the exercise of any such right or of any other right or remedy hereunder or otherwise granted or arising, shall in any way affect or impair or toll the right or power of Landlord to declare the Term hereby granted ended, and to terminate this Lease as provided for in this Lease, or to repossess without terminating the Lease, because of any default in breach of the covenants, provisions or conditions of this Lease.

18.3 No Waiver. No waiver of any breach of any of the covenants of this Lease shall be construed, taken or held to be a waiver of any other breach or waiver, acquiescence in or consent to any further or succeeding breach of the same covenant.

18.4 Costs and Legal Fees. In the event Landlord commences an action for the recovery of possession of the Leased Premises or for the recovery of Rent or because of the breach of any covenant of this Lease by Tenant, Tenant shall pay all costs and expenses of such litigation including actual attorneys' fees incurred by Landlord, provided Landlord is the prevailing party, as determined by a court of competent jurisdiction.

18.5 Default by Landlord. If Landlord defaults in the performance of any of the terms, covenants and conditions of this Lease, Tenant shall promptly notify Landlord in writing. If Landlord fails to cure such default within thirty (30) days after receipt of such notice, or if the default is of such character as to require more than thirty (30) days to cure and Landlord fails to commence to cure within thirty (30) days after receipt of such notice and thereafter diligently proceed to cure such default, then, in either such event, Tenant may cure such default and setoff or deduct any expense so incurred from the Base Rent, Additional Rent or any other charges otherwise due and/or bring an action against Landlord, at law or in equity, arising out of such breach. Failure of Landlord to pay or reimburse any sums due Tenant hereunder shall constitute a default by Landlord.

XIX MAINTENANCE AND REPAIR

19.0 Landlord's Obligations. Landlord at its expense shall keep the exterior structure, to-wit, foundation and demising walls of the Leased Premises and shall keep the Common Areas in good condition and repair during the Term, or any renewal or extension thereof; provided, however, that if any such repairs shall be occasioned by the fault or neglect of Tenant or its employees or agents, then any such repairs shall be the obligation of the Tenant and the cost of such repairs shall be paid by Tenant. Landlord shall replace the existing building systems and equipment appurtenant to and/or serving the Leased Premises, as and when needed as determined by Landlord in its reasonable discretion, which costs of replacement shall be amortized over their useful life (without interest and determined in accordance with general accepted accounting principles) with such amortized costs being payable directly by Tenant as Additional Rent hereunder. It is agreed that the cost of maintaining and replacing the roof may be included as part of the Operating Costs under Section 9.0 hereof.

19.1 Tenant's Obligations. Tenant shall at all times during the Term, pay for and make all other necessary maintenance and repairs and replacements (as applicable) to the Leased Premises (other than those obligations of Landlord set forth in Section 19.0 above including, without limitation, structural repairs to the Building), including, but not limited to, the doors (including, without limitation, any fire doors, man doors, overhead doors) and all mechanical systems relating thereto, door checks, openings, windows, plate glass, store front, slab, dock levelers, dock locks, dock enclosures, overhead lights, fixtures, bulbs, ballasts, ceiling tiles, cranes, heating, plumbing, air conditioning, and electrical and sewage (to main sewer lines) facilities of the Leased Premises (including all components thereof located within the Leased Premises), and keep and maintain the same in good condition and repair so that at the expiration of the Lease, or any renewal or extension thereof, the Leased Premises shall be surrendered to Landlord in the same condition that the same are in at the commencement of said Lease, ordinary wear and tear excepted. Tenant shall not defer any repairs or replacements to the Leased Premises by reason of the anticipation of the expiration of the Term hereof. The surrender of the Leased Premises upon the expiration or early termination of this Lease shall not relieve Tenant of the obligation to pay for all repairs or replacements to the Leased Premises which Tenant was obligated to perform during the Term, which obligation shall survive the expiration or termination of this Lease or the termination of Tenant's tenancy in the Leased Premises. Tenant shall keep the Leased Premises in a clean, tenable condition and shall not permit any garbage, rubbish, refuse or dirt of any kind to accumulate in or about the Leased Premises.

19.2 Refuse. Landlord shall designate areas within the Property for placement of dumpsters and Tenant shall supply said dumpsters and provide for refuse removal therefrom, and the costs and expenses attributable thereto shall be paid directly by Tenant when such costs and expenses are due and payable. Notwithstanding the foregoing, Tenant shall arrange for regular janitorial services and maintenance services

within the Leased Premises, and shall be responsible for all costs and expenses associated therewith. Refuse generated by Tenant on the Property shall be handled by Tenant pursuant to its own waste agreement(s).

19.3 Landlord's Right to Repair. In the event Tenant fails to timely perform the maintenance obligations required of it under this Article, Landlord may perform such obligations, and Tenant shall immediately pay Landlord for its costs incurred, plus an administration fee equal to eighteen percent (18%) of said costs, upon receipt of the invoice therefor.

19.4 Alterations. Tenant shall not create any openings in the roof or exterior walls without the prior written consent of Landlord. Tenant shall make all additions, improvements, alterations and repairs on the Leased Premises and on and to the appurtenances and equipment thereof, required by any such governmental authority or which may be made necessary by the act or neglect of Tenant.

XX. MISCELLANEOUS

20.0 Estoppel Certificates. Tenant shall from time to time, within ten (10) days from the request of Landlord, execute, acknowledge and deliver to Landlord, in form reasonably satisfactory to Landlord and/or Landlord's mortgagee, a written statement certifying, if true and, if not, Tenant's information and belief as to representations that Tenant has accepted the Leased Premises, that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same are in full force and effect as modified and stating the modifications), that the Landlord is not in default under the Lease or any modifications thereto, the date to which the rental and other charges have been paid in advance, if any, or such other accurate certification regarding the Lease as may be commercially typical for an estoppel and reasonably required by Landlord or Landlord's mortgagee. It is intended that any such statement delivered pursuant to this subsection may be relied upon by a prospective purchaser of the Leased Premises, mortgagee of the Leased Premises and their respective successors and assigns.

20.1 Landlord's Right to Cure. Landlord may, but shall not be obligated to, cure any default by Tenant specifically including, but not by way of limitation, Tenant's failure to pay impositions, obtain insurance, make repairs, or satisfy lien claims, after complying with any notice provisions set forth in this Lease; and whenever Landlord so elects, all costs and expenses paid by Landlord in curing such default, including without limitation reasonable attorneys' fees, shall be so much Additional Rent due on the next rent date after such payment together with interest (except in the case of said attorneys' fees) at the rate of fifteen percent (15%) per annum from the date of advancement to the date of repayment by Tenant to Landlord.

20.2 Amendments Must be in Writing. None of the covenants, terms or conditions of this Lease, to be kept and performed by either party, shall in any manner be altered, waived, modified, changed or amended except by a written instrument, duly signed and delivered by each party; and no act or acts, omission or omissions or series of acts or omissions, or waiver, acquiescence or forgiveness by Landlord as to any default in or failure of performance, either in whole or in part, by Tenant, of any of the covenants, terms and conditions of this Lease, shall be deemed or construed to be a waiver by Landlord of the right at all times thereafter to insist upon the prompt, full and complete performance by Tenant of each and all the covenants, terms and conditions hereof thereafter to be performed in the same manner and to the same extent as the same are herein covenanted to be performed by Tenant.

20.3 Notices. All notices to or demands upon Landlord or Tenant desired or required to be given under any of the provisions hereof, shall be in writing. Any notices or demands from shall be deemed to

have been duly and sufficiently given if a copy thereof has been mailed via overnight delivery by a nationally recognized express transportation company or by United States registered or certified mail in an envelope properly stamped and addressed as follows:

To Landlord: Phoenix Newton LLC
401 East Kilbourn Avenue, Suite 201
Milwaukee, WI 53202
Attn: David Marks and Joseph F. LaDien, Esq.

To Tenant: TPI Iowa II, LLC
8501 N. Scottsdale Rd., Suite 100
Scottsdale, AZ 85253
Attn: General Counsel

Either party may, upon prior notice to the other, specify a different agent and/or address for the giving of notice.

20.4 Intentionally Deleted.

20.5 Time of Essence. Time is of the essence of this Lease, and all provisions herein relating thereto shall be strictly construed.

20.6 Relationship of Parties. Nothing contained herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership, or of joint venture by the parties hereto, it being understood and agreed that no provision contained in this Lease nor any acts of the parties hereto shall be deemed to create any relationship other than the relationship of Landlord and Tenant.

20.7 Captions. The captions of this Lease are for convenience only and are not to be construed as part of this Lease and shall not be construed as defining or limiting in any way the scope or intent of the provisions hereof.

20.8 Severability. If any term or provision of this Lease shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Lease shall not be affected thereby, but each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

20.9 Law Applicable. This Lease shall be construed and enforced in accordance with the laws of the State where the Leased Premises are located.

20.10 Covenants Binding on Successors. All of the covenants, agreements, conditions and undertakings contained in this Lease shall extend and inure to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto, the same as if they were in every case specifically named, and wherever in this Lease reference is made to either of the parties hereto, it shall be held to include and apply to, wherever applicable, the heirs, executors, administrators, successors and assigns of such party. Nothing herein contained shall be construed to grant or confer upon any person or persons, firm, corporation or governmental authority, other than the parties hereto, their heirs, executors, administrators,

successors and assigns, any right, claim or privilege by virtue of any covenant, agreement, condition or undertaking in this Lease contained.

20.11 Brokerage. Landlord and Tenant each represent and warrant to the other that, except for commissions agreed to be paid by Tenant to CBRE (the “**Broker**”) pursuant to a separate agreement between the Broker and Tenant, there are no commissions, finder’s fees or brokerage fees arising out of the transactions contemplated by this Lease as a result of Landlord’s or Tenant’s actions. Landlord shall indemnify and hold Tenant harmless from and against any and all liabilities, claims, demands, damages costs and expenses, including, without limitation, reasonable attorneys’ fees and court costs, in connection with claims for any such commissions, finders’ fees or brokerage fees arising out of Landlord’s actions. Tenant shall indemnify and hold Landlord harmless from and against any and all liabilities, claims, demands, damages, costs and expenses, including, without limitation, reasonable attorneys’ fees and court costs, in connection with claims for any such commissions, finders’ fees or brokerage fees arising out of Tenant’s actions.

20.12 Landlord Means Owner. The term “Landlord” as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the fee of the Leased Premises, and in the event of any transfer or transfers of the title to such fee, Landlord herein named (and in case of any subsequent transfer or conveyances, the then grantor) shall be automatically freed and relieved, from and after the date of such transfer or conveyance, of all liability as respects the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed; provided that any funds in the hands of such Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be turned over to the grantee, and any amount then due and payable to Tenant by Landlord or the then grantor under any provisions of this Lease, shall be paid to Tenant. In the event Tenant makes any claim or asserts any cause of action against Landlord as a result of Landlord default: (a) Tenant’s sole and exclusive remedy shall be against the Property and all rents, issues, profits, and other income Landlord receives from its operation of the Complex, net of all current operating expenses, liabilities, reserves, and debt service associated with said operation (“Net Income” for purposes of this Section 20.12 only), (b) no other real, personal or mixed property of Landlord, wherever located, shall be subject to levy on any judgment obtained against Landlord, (c) if such Net Income is insufficient to satisfy any judgment, Tenant will not institute any further action, suit, claim or demand, in law or in equity, against Landlord for or on the account of such deficiency. The limitations set forth in this Section 20.12 shall be applicable to, and enforceable by, Landlord and/or by any partner, trustee, officer, employee, agent or property manager of Landlord.

20.13 Intentionally Deleted.

20.14 Signs and Trade Fixtures. Tenant shall not place any new or different shade, awning, fence, sign or any structure or device upon or above the exterior of the Leased Premises without first obtaining the written consent of the Landlord in each instance, which will not be unreasonably withheld, delayed or conditioned. Tenant may place signs upon the interior of the Leased Premises without first obtaining the written consent of the Landlord in each instance provided such signage complies with applicable laws. Tenant may place signs upon the eastern exterior of the Leased Premises and in the Common Areas near the Leased Premises and its main access and parking areas advertising its business after first obtaining the written consent of the Landlord in each instance, which shall not be unreasonably withheld, conditioned, or delayed, and provided such signage complies with applicable laws. Tenant shall maintain, repair and replace such signs and lights.

20.15 Environmental ; Indemnity . From and after the Commencement Date and thereafter during the entire Term, Tenant in the operation of its business on the Leased Premises shall comply with all applicable Environmental Laws which relate to the manufacture, ownership, use, storage and disposal of Hazardous Materials . Without limiting the generality of the foregoing, Tenant shall specifically comply with all applicable Environmental Laws. Tenant shall obtain all environmental licenses, permits, approvals, authorizations, exemptions, classifications, certificates and registrations (collectively, “ Permits ”) and make all applicable filings required of Tenant to operate at the Leased Premises. The Permits and required filings shall be made available for inspection and copying by Landlord upon reasonable notice and during business hours. Tenant agrees to hold harmless and indemnify Landlord from any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys’ fees and expenses), causes of action, suits, claims, demands, or judgments of any nature whatsoever arising from (1) the presence or discharge of Hazardous Materials on or from the Leased Premises from the transportation or disposal of Hazardous Materials to and from the Premises in each case to the extent caused by Tenant or its employees, invitees, agents, or contractors during the Term in violation of Environmental Laws (as defined below), (2) any liens against the Premises, or any part thereof, permitted or imposed by any Environmental Laws (as defined below), or any actual or asserted liability or obligations of Landlord or any of its affiliates or subsidiaries under any Environmental Laws caused by Tenant , and (3) any actual or asserted liability or obligations arising from the actions of Tenant or any of its affiliates or subsidiaries under any Environmental Laws . The foregoing indemnification shall survive the expiration or termination of this Lease or the termination of Tenant ’ s tenancy in the Leased Premises. In no way shall Tenant ever be held liable for Hazardous Materials on, upon or appurtenances thereto which were introduced prior to the Term, or by the Landlord, its employees, agents, invitees, contractors or other tenants of the Property .

Landlord shall hold harmless and indemnify Tenant from any liability, claim or injury resulting from the presence or discharge of Hazardous Materials on or from the Property, unless the same is caused by Tenant or its employees, agents, or contractors. The foregoing indemnification shall survive the expiration or termination of this Lease or the termination of Tenant’s tenancy in the Leased Premises.

“Hazardous Material” means any hazardous substance or any pollutant or contaminant defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation, and Liability Act, any so-called “Superfund” or “Superlien” law, The Toxic Substances Control Act, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree, now or hereafter in force, regulating, relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material; asbestos or any substance or compound containing asbestos; polychlorinated biphenyls or any substance or compound containing any polychlorinated biphenyl; petroleum and petroleum products; pesticides; and any other hazardous, toxic or dangerous waste, substance or material.

“Environmental Laws” means the Comprehensive Environmental Response, Compensation, and Liability Act, any so-called “Superfund” or “Superlien” law, the Toxic Substances Control Act, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree, now or hereafter in force, regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Material.

20.16 Security Deposit . Tenant shall, concurrently with the execution of this Lease, deliver to Landlord thirty thousand four hundred sixty seven and 50/100 Dollars (\$30,467.50) as security for the faithful performance by Tenant of all the terms, conditions and provisions of this Lease to be performed by Tenant. Such security deposit shall be refunded to Tenant within thirty (30) days after the expiration of this Lease and after Tenant has vacated the Leased Premises, but only on the condition that Tenant not be in default under this Lease and that the Leased Premises are returned to Landlord in the condition specified in this Lease. Should Tenant fail to carry out and perform any of the terms and provisions contained in this Lease after the expiration

of any notice and/or cure periods , then and in that event, Landlord, at its option and in addition to any other rights or remedies Landlord may have, may use such security deposit or any part thereof for the purpose of remedying such default, in which event the original amount of such security deposit shall be promptly replenished by Tenant. In no event may Tenant require Landlord to apply such security deposit or any part thereof for rent past due or to accrue hereunder. Such security deposit shall not be deemed to be trust funds and may be commingled with other funds of Landlord without any interest thereon being payable to Tenant. The relationship between Landlord and Tenant with respect to such security deposit shall be debtor and creditor only, subject only to the provisions of this Lease.

20.17 Tenant Identity. Tenant represents and warrants that the execution and delivery of this Lease has been duly authorized by all necessary company action, and the officers of Tenant who are executing and attesting to this Lease have full power, authority and right to do so.

20.18 Intentionally Deleted.

20.19 Lender's Requirements. If any mortgagee or committed financier of Landlord should require, as a condition precedent to the closing of any loan or the disbursal of any money under the loan, that this Lease be amended or supplemented in any commercially reasonable manner (provided that such changes shall not (a) materially impair Tenant's ability to use the Premises for the use described in Section 2.0, (b) materially increase Tenant's monetary or non-monetary obligations hereunder, or (c) materially decrease Tenant's rights hereunder), Landlord shall give written notice thereof to Tenant, which notice shall be accompanied by a Lease Supplement Agreement embodying such amendments and supplements. Tenant shall, within twenty (20) days after the effective date of Landlord's notice, either consent to such amendments and supplements and execute the tendered Lease Supplement Agreement, or deliver to Landlord a written statement of its reason or reasons for refusing to so consent and execute. Failure of Tenant to respond within said twenty (20) day period shall be a default under this Lease without further notice. If Landlord and Tenant are then unable to agree on a Lease Supplement Agreement satisfactory to each of them and to the lender within thirty (30) days after delivery of tenant's written statement, Landlord or Tenant shall have the right to terminate this Lease within sixty (60) days after the end of said thirty (30) day period.

20.20 Certificate of Occupancy. During the Term, Tenant shall, if required, obtain and pay the cost of obtaining a Certificate of Occupancy (or analogous or similar municipal permit or approval) for Tenant's use of the Leased Premises (and any repairs or modifications that may be required to obtain such certificate of occupancy) and shall maintain such Certificate of Occupancy (or analogous or similar municipal permit or approval) throughout the Term.

20.21 Sale or Transfer of Property. Landlord shall have the right to sell, assign or otherwise transfer, in whole or in part, its interest in the Leased Premises and the Property without Tenant's consent.

20.22 No Personal Liability. In no event shall any mortgagee of the Property, or any part thereof, its nominee, or the purchaser at a foreclosure sale have any personal liability whatsoever for any representations, warranties, covenants or agreements of Landlord hereunder or in connection herewith, or any liability for any security deposit or other sums deposited with Landlord, or for any previous prepayment of Rent to Landlord.

20.23 Financial Information. Tenant shall, from time to time at reasonable intervals upon Landlord's request no more often than twice per year and also in the event of a Tenant default hereunder

beyond any applicable notice and cure period , deliver to Landlord a copy of Tenant’s most recent income statement and balance sheet if privately held, or if Tenant is publicly traded , as applicable, its and its parent company’s annual reports and forms 10Q and 10K (financial statements, annual reports and forms hereinafter referred to as “ Financial Documents ”) .

20.24 Guaranty . Landlord’s obligations under this Lease and in all Exhibits attached hereto are conditioned upon receipt of a Guaranty of Lease in the form attached hereto as Exhibit H executed by each Guarantor satisfactory to Landlord in its sole discretion. The death or dissolution of any Guarantor of this Lease shall be considered a material default under the Lease.

20.25 Intentionally Deleted .

20.26 Exhibits; Addenda . All exhibits, schedules, and addenda attached to this Lease are specifically incorporated herein and made part of this Lease

20.27 Counterparts; Signatures . This Lease may be executed in counterpart signatures, each of which shall be deemed an original and together shall constitute one instrument. Facsimile and electronic “PDF” signatures of this Lease shall be treated as original signatures and given full force and effect.

[Rest of page intentionally left blank. Signature on following page.]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease the day and year first above written.

LANDLORD:

PHOENIX NEWTON, LLC,
a Wisconsin limited liability company

By: /s/ David Mars

Name: David Mars

Title: Manager

TENANT:

TPI IOWA II, LLC,
a Delaware limited liability company

By: /s/ William E. Siwek

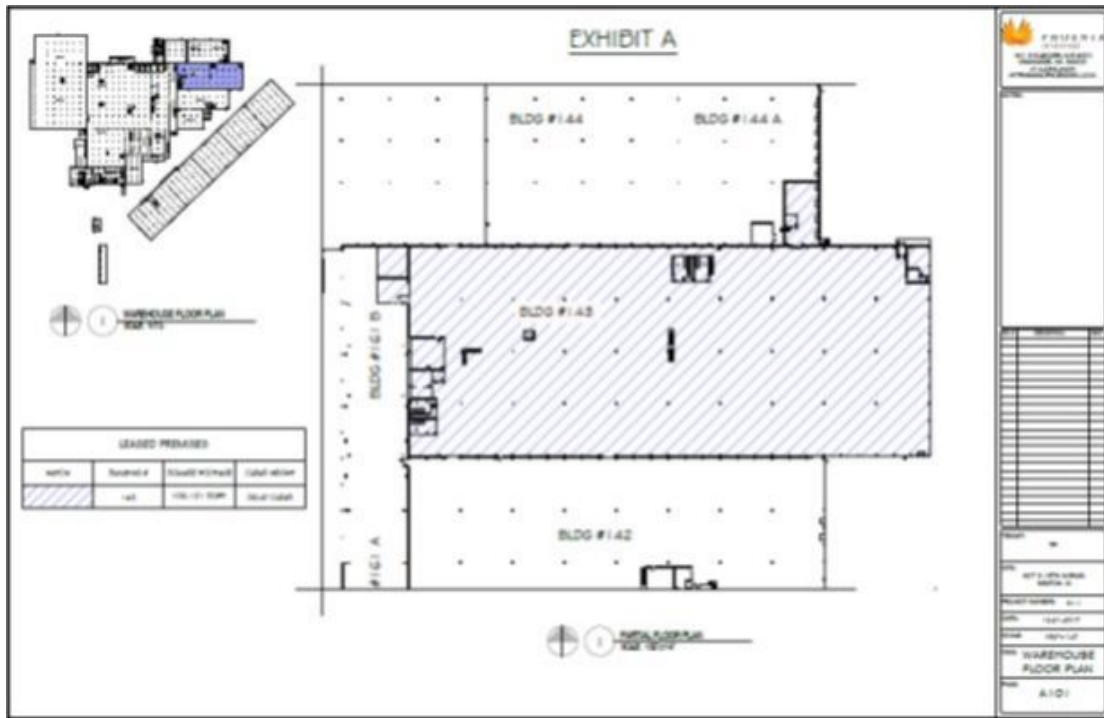
Name: William E. Siwek

Title: CFO

Signature Page to Lease by and between Phoenix Newton LLC and TPI Iowa II,, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

EXHIBIT A

SITE PLAN OF PREMISES



LEGAL DESCRIPTION OF THE PROPERTY

Parcel 1:

THAT PART OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 23, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA, WHICH IS BORDERED ON THE EAST BY THE COUNTY ROAD DESIGNATED AS E. 19TH STREET NORTH AND BORDERED ON THE SOUTH BY THE CITY STREET DESIGNATED AS N. 19TH AVENUE EAST AND BORDERED ON THE NORTHWEST BY THE CHICAGO, ROCK ISLAND & PACIFIC RAILROAD RIGHT OF WAY.

Parcel 2:

THAT PART OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, WHICH LIES NORTH AND WEST AND SOUTH AND EAST OF THE CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD RIGHT OF WAY, OF SECTION 26, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA.

EXCEPT: THAT PART OF THE NORTHWEST ¼ OF THE NORTHWEST ¼ SOUTH AND EAST OF THE CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD RIGHT OF WAY BEING PART OF, AND NOW KNOWN AS, RDC SUBDIVISION OF PARCEL .H. IN THE NORTH ½ OF THE NORTHWEST ¼ OF SECTION 26, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., CITY OF NEWTON, JASPER COUNTY, IOWA., AS SHOWN IN PLAT CABINET .A., PAGE 666 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

Exhibit A to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

Parcel 3 & 4:

LOT 3 OF RDC SUBDIVISION OF PARCEL .H. IN THE NORTH ½ OF THE NORTHWEST ¼ OF SECTION 26, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., CITY OF NEWTON, JASPER COUNTY, IOWA., AS SHOWN IN PLAT CABINET .A., PAGE 666.,

EXCEPT: PARCEL .A. OF LOT 3, RDC SUBDIVISION AS SHOWN IN BOOK 1156, PAGE 190, AND EXCEPT: PARCEL .B. OF LOT 3, RDC SUBDIVISION AS SHOWN IN BOOK 1157, PAGE 54, IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

Parcel 5:

LOTS 9, 10 AND 11 OF THE NORTHEAST ¼ OF SECTION 27, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA, AS APPEARS IN PLAT RECORDED IN PLAT BOOK B, PAGE 274 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA. AND PARCEL .A. IN LOTS 7 & 8 OF THE SUBDIVISION OF THE NORTHEAST ¼ OF SECTION 27, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA AS SHOWN IN FILE 2009-00002178 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

EXCEPT: THAT PART DEEDED TO THE CITY OF NEWTON FOR RIGHT OF WAY PURPOSES IN FILE 2009-00004936 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

Parcel 6:

PART OF LOT 2 OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA, AS APPEARS IN PLAT RECORDED IN PLAT BOOK B PAGE 274 IN THE OFFICE OF THE RECORDER OF SAID COUNTY DESCRIBED AS: FROM THE POINT OF INTERSECTION OF THE CENTER LINE OF EAST 8TH STREET NORTH IN THE CITY OF NEWTON, IOWA (FORMERLY THE COLLEGE FARM ROAD) WITH THE SOUTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 27, WHICH POINT IS 158.7 FEET WEST OF THE SOUTHEAST CORNER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 27, RUN THENCE NORTH ALONG THE CENTER LINE OF SAID STREET, 922.2 FEET, THENCE, RUN EAST 583.2 FEET TO THE POINT OF BEGINNING; FROM THIS POINT OF BEGINNING RUN SOUTH PARALLEL TO THE CENTER LINE OF SAID STREET, 384.9 FEET TO THE NORTH BOUNDARY LINE OF THE CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD RIGHT OF WAY, THENCE NORTHEASTERLY ALONG SAID RIGHT OF WAY LINE 561 FEET, THENCE WEST 402.9 FEET TO THE PLACE OF BEGINNING AND THAT PART OF SAID LOT 2

DESCRIBED AS: FROM THE POINT OF INTERSECTION OF THE CENTER LINE OF EAST 8TH STREET NORTH IN THE CITY OF NEWTON, IOWA (FORMERLY THE COLLEGE FARM ROAD) WITH THE SOUTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 27, WHICH POINT IS 158.7 FEET WEST OF THE SOUTHEAST CORNER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 27, RUN THENCE NORTH ALONG THE CENTER LINE OF SAID STREET, 922.2 FEET TO THE POINT OF BEGINNING; FROM THIS POINT OF BEGINNING RUN NORTH 360 FEET TO THE NORTHWEST CORNER OF SAID LOT 2, THENCE EAST 1352 FEET TO THE NORTHEAST CORNER OF SAID LOT 2, THENCE SOUTHWESTERLY ALONG THE NORTH LINE OF THE CHICAGO, ROCK ISLAND & PACIFIC RAILROAD RIGHT OF WAY 510.3 FEET, THENCE WEST 986.1 FEET TO THE PLACE OF BEGINNING.

EXCEPT: THAT PART DEEDED TO THE CITY OF NEWTON FOR RIGHT OF WAY PURPOSES IN FILE 2009-00004936 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

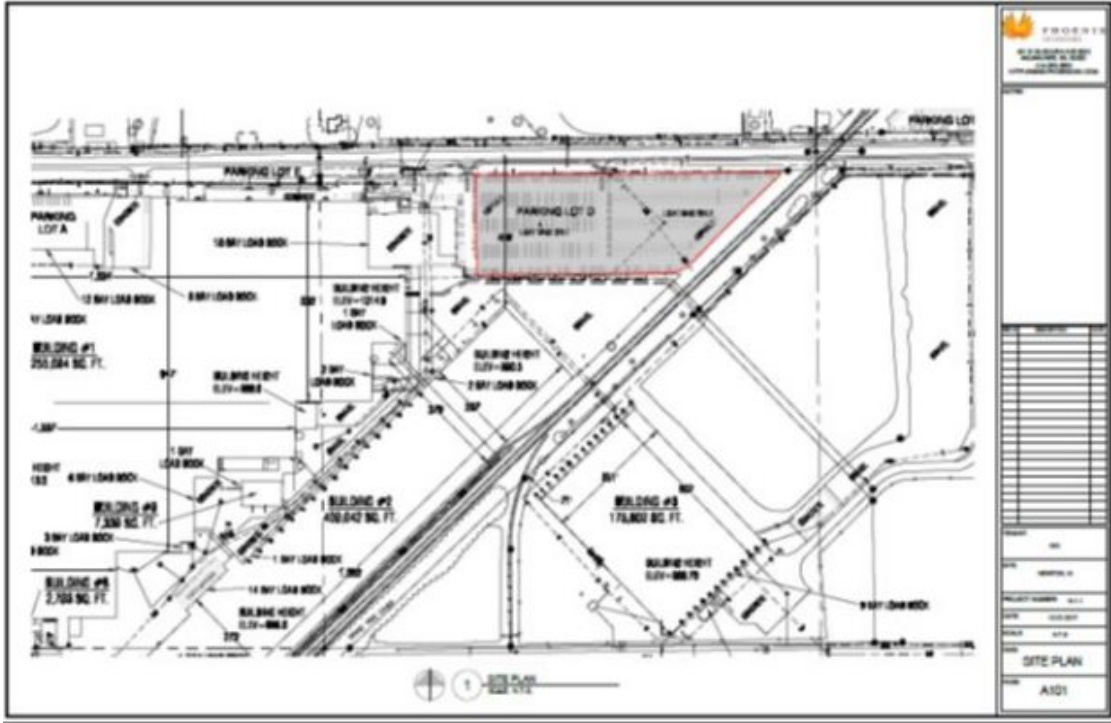
Parcel 7:

THE NORTH 257.9 FEET OF THE WEST 583.2 FEET OF THE SOUTH 11 ACRES OF LOT 2, SUBDIVISION OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA, AS APPEARS IN PLAT BOOK D, PAGE 119, IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

Exhibit A to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19 th Avenue in Newton, Iowa

EXHIBIT A -1

SITE PLAN OF EXCLUSIVE PARKING AREA



After the execution of this Lease, the Landlord and Tenant shall mutually agree on the 400 parking spaces in Parking Lot D to which Tenant shall have the right to exclusively utilize.

Exhibit A-1 to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

EXHIBIT B

RULES AND REGULATIONS

1. All deliveries are to be made to designated service or receiving areas in the back of the Leased Premises and Tenant shall request delivery trucks to approach their service or receiving areas by designated service routes and drives.
2. Tractor trailers which must be unhooked or parked must use steel plates under dolly wheels to prevent damage to the asphalt paving surface. In addition, wheel blocking must be available for use.
3. Tenant is responsible for storage and removal of trash, refuse and garbage from the interior of the Premises. Tenant shall not dispose of the following items in sinks or commodes: plastic products (plastic bags, straws, boxes); sanitary napkins; tea bags, cooking fats, cooking oils; any meat scraps or cutting residue; petroleum products (gasoline naphtha, kerosene, lubricating oils); paint products (thinner, brushes); or any other item which the same are not designed to receive.
4. Other than as permitted under the provisions of Section 20.14, Tenant shall not permit or suffer any advertising medium to be placed on walls, on Tenant's exterior windows, on standards in the Common Area, if any, on the sidewalks or on the parking lot areas or light poles. Other than as permitted under the provisions of Section 20.14, no permission, expressed or implied, is granted to exhibit or display any banner, pennant, sign, and trade or seasonal decoration of any size, style or material within the Building or outside the Leased Premises.
5. Tenant shall not permit or suffer the use of any advertising medium that can be heard or experienced outside of the Leased Premises, including without limiting the generality of the foregoing, flashing lights, searchlights, loud speakers, phonographs, radios, or television. Except as provided herein, no radio television or other communication antenna equipment or device is to be mounted, attached or secured to any part of the roof, exterior surface, or anywhere outside the Leased Premises, unless Landlord has previously given its written consent. It is agreed that Tenant shall be allowed to install a satellite dish (approximately 3' in diameter) on the roof of the Leased Premises and shall be permitted to install security cameras and related equipment on the exterior and interior of the Premises and Building. However, no other roof penetrations will be allowed without Landlord's written consent.
6. Tenant shall not permit or suffer any portion of the Leased Premises to be used for lodging purposes.
7. Tenant shall not, in or on any part of the Common Area:

Exhibit B to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

- (a) Vend, peddle, or solicit orders for sale or distribution of any merchandise, device, service, periodical, book, pamphlet, or other material whatsoever;
- (b) Exhibit any sign, placard, banner, notice or other written material, except for activities as approved by Landlord;
- (c) Distribute any circular, booklet, handbill, placard or other material, except for activities as approved by Landlord;
- (d) Solicit membership in any organization, group or association or contribution for any purpose;
- (e) Create a nuisance;
- (f) Use any Common Area for any purpose when none of the other retail establishments within the Building is open for business or employment, except for activities as approved by Landlord;
- (g) Throw, discard, or deposit any paper, glass or extraneous matter of any kind except in designated receptacles, or create litter or hazards of any kind;
- (h) Deface, damage or demolish any sign, light standard or fixture, landscaping materials or other improvements within the Building, or the property of customers, business invites, or employees situated within the Building.

8. Tenant's use of the Leased Premises or any Common Area shall not violate any local fire or life safety ordinances, or require a higher density or alternative method of fire suppression, except as otherwise permitted under this Lease.

Exhibit B to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

EXHIBIT C

BASE RENT SCHEDULE

Initial Term*

<u>Lease Year/Months</u>	<u>Sq. Ft.</u>	<u>Base Rent Per Sq. Ft</u>	<u>Monthly Rent</u>	<u>Annual Rent</u>
03/01/2018 – 08/31/2018	60,000	\$3.50	\$17,500.00	\$105,000.00
09/01/2018 – 02/28/2019	80,000	\$3.50	\$23,333.33	\$140,000.00
03/01/2019 – 02/29/2020	106,121	\$3.61	\$31,924.73	\$383,096.81
03/01/2020 – 02/28/2021	106,121	\$3.71	\$32,809.08	\$393,708.91
03/01/2021 – 02/28/2022	106,121	\$3.82	\$33,781.85	\$405,382.22
03/01/2022 – 02/28/2023	106,121	\$3.94	\$34,843.06	\$418,116.74

* Monthly Base Rent payable during the first three (3) years of the Initial Term is subject to additional costs of amortizing the Improvement Allowance pursuant to Section 5.1 of the Lease as shown on Exhibit C-1 attached hereto.

First Extended Term

<u>Lease Year/Months</u>	<u>Sq. Ft.</u>	<u>Base Rent Per Sq. Ft</u>	<u>Monthly Rent</u>	<u>Annual Rent</u>
03/01/2023 – 02/29/2024	106,121	\$4.06	\$35,904.27	\$430,851.26
03/01/2024 – 02/28/2025	106,121	\$4.18	\$36,965.48	\$443,585.78
03/01/2025 – 02/28/2026	106,121	\$4.31	\$38,115.13	\$457,381.51
03/01/2026 – 02/28/2027	106,121	\$4.44	\$39,264.77	\$471,177.24
03/01/2027 – 02/28/2028	106,121	\$4.57	\$40,414.41	\$484,972.97

Second Extended Term

<u>Lease Year/Months</u>	<u>Sq. Ft.</u>	<u>Base Rent Per Sq. Ft</u>	<u>Monthly Rent</u>	<u>Annual Rent</u>
03/01/2028 – 02/29/2029	106,121	\$4.71	\$41,652.49	\$499,829.91
03/01/2029 – 02/28/2030	106,121	\$4.85	\$42,890.57	\$514,686.85
03/01/2030 – 02/28/2031	106,121	\$4.99	\$44,128.65	\$529,543.79
03/01/2031 – 02/29/2032	106,121	\$5.14	\$45,455.16	\$545,461.94
03/01/2032 – 02/28/2028	106,121	\$5.30	\$46,870.11	\$562,441.30

Exhibit C to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

EXHIBIT C-1

IMPROVEMENT ALLOWANCE AMORTIZATION SCHEDULE

The amortization schedule on the next page assumes that the entire Improvement Allowance is actually reimbursed to Tenant on or before April 1, 2018. The actual payment amortization will be calculated based upon such portion of the Improvement Allowance actually reimbursed to Tenant, with payments starting on the first of the month that is at least 30 days after the date of the final disbursement.

The parties agree to execute and deliver an instrument that confirms the total amount of the Improvement Allowance actually reimbursed to Tenant and includes a final amortization schedule.

Exhibit C-1 to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

Simple Loan Calculator

	Enter values
Loan amount	\$ 500,000.00
Annual interest rate	5.00%
Loan period in years	3
Start date of loan	04/01/2018
Monthly payment	\$ 14,985.45
Number of payments	36
Total interest	\$ 39,476.15
Total cost of loan	\$ 539,476.15

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
1	05/01/2018	\$ 500,000.00	\$ 14,985.45	\$ 12,902.12	\$ 2,083.33	\$ 487,097.88
2	06/01/2018	\$ 487,097.88	\$ 14,985.45	\$ 12,955.87	\$ 2,029.57	\$ 474,142.01
3	07/01/2018	\$ 474,142.01	\$ 14,985.45	\$ 13,009.86	\$ 1,975.59	\$ 461,132.15
4	08/01/2018	\$ 461,132.15	\$ 14,985.45	\$ 13,064.06	\$ 1,921.38	\$ 448,068.09
5	09/01/2018	\$ 448,068.09	\$ 14,985.45	\$ 13,118.50	\$ 1,866.95	\$ 434,949.59
6	10/01/2018	\$ 434,949.59	\$ 14,985.45	\$ 13,173.16	\$ 1,812.29	\$ 421,776.43
7	11/01/2018	\$ 421,776.43	\$ 14,985.45	\$ 13,228.05	\$ 1,757.40	\$ 408,548.39
8	12/01/2018	\$ 408,548.39	\$ 14,985.45	\$ 13,283.16	\$ 1,702.28	\$ 395,265.22
9	01/01/2019	\$ 395,265.22	\$ 14,985.45	\$ 13,338.51	\$ 1,646.94	\$ 381,926.71
10	02/01/2019	\$ 381,926.71	\$ 14,985.45	\$ 13,394.09	\$ 1,591.36	\$ 368,532.62
11	03/01/2019	\$ 368,532.62	\$ 14,985.45	\$ 13,449.90	\$ 1,535.55	\$ 355,082.73
12	04/01/2019	\$ 355,082.73	\$ 14,985.45	\$ 13,505.94	\$ 1,479.51	\$ 341,576.79
13	05/01/2019	\$ 341,576.79	\$ 14,985.45	\$ 13,562.21	\$ 1,423.24	\$ 328,014.58
14	06/01/2019	\$ 328,014.58	\$ 14,985.45	\$ 13,618.72	\$ 1,366.73	\$ 314,395.86
15	07/01/2019	\$ 314,395.86	\$ 14,985.45	\$ 13,675.47	\$ 1,309.98	\$ 300,720.39
16	08/01/2019	\$ 300,720.39	\$ 14,985.45	\$ 13,732.45	\$ 1,253.00	\$ 286,987.95
17	09/01/2019	\$ 286,987.95	\$ 14,985.45	\$ 13,789.67	\$ 1,195.78	\$ 273,198.28
18	10/01/2019	\$ 273,198.28	\$ 14,985.45	\$ 13,847.12	\$ 1,138.33	\$ 259,351.16
19	11/01/2019	\$ 259,351.16	\$ 14,985.45	\$ 13,904.82	\$ 1,080.63	\$ 245,446.34
20	12/01/2019	\$ 245,446.34	\$ 14,985.45	\$ 13,962.76	\$ 1,022.69	\$ 231,483.58
21	01/01/2020	\$ 231,483.58	\$ 14,985.45	\$ 14,020.93	\$ 964.51	\$ 217,462.65
22	02/01/2020	\$ 217,462.65	\$ 14,985.45	\$ 14,079.35	\$ 906.09	\$ 203,383.30
23	03/01/2020	\$ 203,383.30	\$ 14,985.45	\$ 14,138.02	\$ 847.43	\$ 189,245.28
24	04/01/2020	\$ 189,245.28	\$ 14,985.45	\$ 14,196.93	\$ 788.52	\$ 175,048.35
25	05/01/2020	\$ 175,048.35	\$ 14,985.45	\$ 14,256.08	\$ 729.37	\$ 160,792.27
26	06/01/2020	\$ 160,792.27	\$ 14,985.45	\$ 14,315.48	\$ 669.97	\$ 146,476.79
27	07/01/2020	\$ 146,476.79	\$ 14,985.45	\$ 14,375.13	\$ 610.32	\$ 132,101.66
28	08/01/2020	\$ 132,101.66	\$ 14,985.45	\$ 14,435.02	\$ 550.42	\$ 117,666.64
29	09/01/2020	\$ 117,666.64	\$ 14,985.45	\$ 14,495.17	\$ 490.28	\$ 103,171.47
30	10/01/2020	\$ 103,171.47	\$ 14,985.45	\$ 14,555.57	\$ 429.88	\$ 88,615.90
31	11/01/2020	\$ 88,615.90	\$ 14,985.45	\$ 14,616.22	\$ 369.23	\$ 73,999.68
32	12/01/2020	\$ 73,999.68	\$ 14,985.45	\$ 14,677.12	\$ 308.33	\$ 59,322.57
33	01/01/2021	\$ 59,322.57	\$ 14,985.45	\$ 14,738.27	\$ 247.18	\$ 44,584.29
34	02/01/2021	\$ 44,584.29	\$ 14,985.45	\$ 14,799.68	\$ 185.77	\$ 29,784.61
35	03/01/2021	\$ 29,784.61	\$ 14,985.45	\$ 14,861.35	\$ 124.10	\$ 14,923.27
36	04/01/2021	\$ 14,923.27	\$ 14,985.45	\$ 14,923.27	\$ 62.18	\$ (0.00)

Exhibit C-1 to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

EXHIBIT D

GENERAL DESCRIPTION OF LANDLORD’S WORK

Item	Description	Due Date
1	Paint existing offices	March 31
2	Fully encapsulate all lead paint in the Premises and ensure the encapsulation remains intact during the Term, except for any disruptions to the encapsulation caused by Tenant or Tenant’s contractors or invitees	March 31
3	Remove and remediate mold, if any, in the Premises	March 31
4	Replace ceiling tiles in existing office	March 31
5	Remove all asbestos containing materials from the Premises in accordance with state and federal requirements; asbestos remediation shall be performed by an asbestos removal contractor licensed in the state of Iowa	March 31
6	Remove carpet in offices, grind and seal floors	March 31
7	Clean and paint restrooms and fixtures	March 31
8	New HVAC in office and restrooms	March 31
9	Install new lighting to tenant spec provided <ul style="list-style-type: none"> • <u>Provided, that,</u> Landlord shall pay the first \$60,000 of the related lighting bid, Tenant shall pay Landlord for amounts between \$60,001 and \$160,000, and Landlord shall pay for all amounts above \$160,000 	March 31
10	Install gas-fired heating units, plant must maintain 63° F with only this system running	March 31
11	Submeter gas and electric	March 31
12	Paint warehouse walls and deck	March 31
13	Ensure code compliant fire suppression system for standard nonflammable warehouse/distribution use; provided, that, the purchase of new sprinkler heads will be Tenant’s responsibility	March 31
14	Floor finish, including cleaning and leveling. Higher grade finishes will be at Tenant’s expense.	March 31
15	Parking lot lights	March 31
16	One (1) new grade level door on the east side of the Premises	March 31
17	Fire alarms and strobe lights per code/fire marshal	March 31
18	Clearly marked and maintained exit pathways, including pathways that lead through adjacent buildings for emergency exit	March 31

Landlord and Tenant shall cooperate in good faith to ensure that items of Landlord’s Work or areas in which Landlord’s Work will be performed in a manner to assist Tenant in timely coordinating and completion of Tenant’s Work, to the extent possible.

Exhibit D to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

EXHIBIT E

Description of Leasehold Work

Item	Description
1	Compressed air equipment and related plumbing
	- TPI will own and remove mechanical equipment at termination of lease
	- Installed plumbing would remain after termination of lease
2	Electrical upgrades to (Class I Division 2 changes)
	- Installed electrical equipment would remain after termination of lease.
3	Trash compactor
	- TPI will own and remove mechanical equipment at termination of lease
4	Back-up generator and associated wiring.
	- TPI will own and remove the back-up generator at termination of lease
	- Associated wiring would remain after termination of lease.
5	Modify and upgrade fire suppression system.
	- TPI will own and remove process specific fire suppression systems at termination of lease.
	- Fire suppression systems for general building protection would remain after termination of lease.
6	New lighting to Tenant's spec
	- <u>Provided, that,</u> Landlord shall pay the first \$60,000 of the related lighting bid, Tenant shall pay Landlord for amounts between \$60,001 and \$160,000, and Landlord shall pay for all amounts above \$160,000

Exhibit E to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

EXHIBIT F

Work Letter for Leasehold Work

Leasehold Work

1. **Authorized Representatives**.

(a) Tenant designates _____ (“**Tenant’s Authorized Representative**”) as the person authorized to approve in writing all plans, drawings, specifications, change orders, charges and approvals pursuant to this **Exhibit F** (and the acts of the aforementioned person shall be sufficient to bind Tenant). Tenant may designate a substitute Tenant’s Authorized Representative by written notice to Landlord. Landlord shall not be obligated to respond to any instructions, approvals, changes, or other communications from anyone claiming to act on Tenant’s behalf other than Tenant’s Authorized Representative. All references in this **Exhibit F** to actions taken, approvals granted, or submissions made by Tenant shall mean that such actions, approvals or submissions have been taken, granted or made, in writing, by Tenant’s Authorized Representative acting for Tenant. Except where expressly stated to the contrary, all approvals required of Tenant herein shall not be unreasonably withheld, conditioned or delayed.

(b) Landlord designates _____ (“**Landlord’s Authorized Representative**”) as the person authorized to approve in writing all plans, drawings, specifications, change orders, charges and approvals pursuant to this **Exhibit F** (and the acts of the aforementioned person shall be sufficient to bind Landlord). Landlord may designate a substitute Landlord’s Authorized Representative by written notice to Tenant. Tenant shall not be obligated to respond to any instructions, approvals, changes, or other communications from anyone claiming to act on Landlord’s behalf other than Landlord’s Authorized Representative. All references in this **Exhibit F** to actions taken, approvals granted, or submissions made by Landlord shall mean that such actions, approvals or submissions have been taken, granted or made, in writing, by Landlord’s Authorized Representative acting for Landlord. Except where expressly stated to the contrary, all approvals required of Landlord herein shall not be unreasonably withheld, conditioned or delayed.

2. **Intentionally Omitted**.

3. **Plans for Leasehold Work**. Tenant shall cause preliminary drawings or reasonably detailed drawings or explanations of work, to the extent applicable and practical, for each portion of the Leasehold Work for submission to Landlord. Tenant’s Authorized Representative and Landlord’s Authorized Representative, and such other representatives as either party desires, shall meet as needed to review, address concerns, and approve all such drawings. No material changes shall be made to the final preliminary drawings without Landlord’s prior written approval. As stated in this Section 3(a), the final preliminary drawings that have been submitted by Tenant and approved by Landlord shall hereinafter be referred to herein as the “**Leasehold Plans**”.

4. **Leasehold Contractors**. Upon Landlord’s approval of the Leasehold Plans, Tenant shall engage one or more appropriate licensed and qualified contractors (reasonably approved by Landlord) to perform the Leasehold Work. In addition to Tenant’s indemnification obligations elsewhere in this **Exhibit F** and the Lease, Tenant hereby agrees to indemnify and hold Landlord harmless from and

Exhibit F to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

against any loss, liability, costs and expenses (including, without limitation, attorneys' fees) incurred by or claimed against Landlord associated with any labor unrest as a result of or in any way arising from Tenant's use of non-union trades.

5. **Cost of Leasehold Work**. The cost of the design and construction of the Leasehold Work (including all "soft" costs, including costs paid by Landlord in association with the Leasehold Work [collectively, the "**Landlord's Costs**"]) (collectively, the "**Leasehold Cost**") shall be borne by Tenant, but subject to an offset based on the amount of the Improvement Allowance described in Section 6 below (which shall be borne by Landlord). Any portion of the Leasehold Cost that is in excess of the Improvement Allowance shall be borne by Tenant ("**Tenant's Expenses**").

6. **Improvement Allowance and Disbursements**. Landlord has agreed to provide Tenant with the Improvement Allowance set forth in Section 5.1 of the Lease. The Improvement Allowance shall be applied toward the Leasehold Cost as a reimbursement to Tenant as outlined in this Section 6. From time to time, but not more than twice in any calendar month (i) completion of any distinct portion of the Leasehold Work in accordance with the applicable Leasehold Plans, (ii) Landlord's receipt of a copy of the applicable invoice or contract being paid with such funds, (iii) Landlord's receipt of a copy of a final unconditional lien waiver from such materialman or contractor being paid with such funds to the extent Tenant is reasonably able to require lien waivers from such party and in such event Tenant is not able to obtain a lien waiver due to the type of supplier or vendor, Tenant shall provide such other evidence of payment as Landlord may reasonably request, Landlord will provide Tenant reimbursement for the portion of the applicable Leasehold Work, within five business days' after request in accordance with the above deliveries, in an aggregate amount not to exceed the Improvement Allowance. Following Landlord's payment of the entire Improvement Allowance, Landlord will amortize the entire Improvement Allowance over the first three years of the Lease term at an annual interest rate of five percent (5%), payable by Tenant monthly, subject to the repayment provision in Section 5.1 of the Lease. Tenant's failure to timely pay such amounts owed hereunder shall be considered a default under this Lease.

7. **Change Orders**. If, after preparation, review and approval of the Leasehold Plans, Tenant requests any change or addition to the work and materials to be provided pursuant to the Leasehold Plans that have a material impact on the Building systems, or structural integrity of the Building, Tenant shall obtain Landlord's consent, which may be withheld in Landlord's reasonable discretion. If such change order requested by Tenant also requires Landlord to make changes in the Building systems or the Building's structural components, then all additional costs and expenses incurred by Landlord attributable such changes shall also be included in the Leasehold Cost for purposes of the foregoing calculation.

8. **Disputes**. If Tenant's Authorized Representative and Landlord's Authorized Representative cannot agree upon any material approvals or actions hereunder despite their good faith efforts, either party may, upon written notice to the other, submit such dispute to the parties' executive officers, who shall meet to attempt to resolve the dispute by good faith negotiations. If the parties are unable to resolve such dispute within thirty (30) days after such notice is received, either party may submit the dispute to binding arbitration.

9. **Construction of the Leasehold Work**. Tenant shall contractually require the Leasehold Work to be completed in accordance with the terms of this **Exhibit F**; and specifically, all of the following:

Exhibit F to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

(a) Landlord's General Conditions. Tenant's and Tenant's Agents' (defined below) construction of the Leasehold Work shall comply with the following: (i) the Leasehold Work shall be constructed in material conformance with the Leasehold Plans; and (ii) Tenant shall abide by all reasonable rules made by Landlord's Authorized Representative with respect to the use of freight, loading dock and service elevators, storage of materials, coordination of work with the contractors of other tenants, and any other matter in connection with this **Exhibit F**. For purposes herein, Tenant's contractors and others retained by Tenant to perform the Leasehold Work shall collectively be referred to as "**Tenant's Agents**".

(b) Indemnity. Tenant's indemnity of Landlord as set forth in the Lease shall also apply with respect to any and all costs, losses, damages, injuries and liabilities related in any way to any negligent act or omission of Tenant or Tenant's Agents, or anyone directly or indirectly employed by any of them, or in connection with Tenant's non-payment of any amount arising out of the Leasehold Work.

(c) Requirements of Tenant's Agents. Each of Tenant's Agents shall warranty to Tenant and for the benefit of Landlord that the portion of the Leasehold Work for which it is responsible shall be free from any material defects in workmanship and materials for a period of not less than one (1) year from the date of completion thereof. Each of Tenant's Agents shall be responsible for the replacement or repair of all work done or furnished in accordance with its contract that shall become defective within one (1) year after the completion of the work performed by such contractor or subcontractors. The correction of such work shall include all additional expenses and damages incurred in connection with such removal or replacement of any or all part of the Leasehold Work, and/or the Building and/or Common Areas that may be damaged or disturbed thereby. All such warranties as to materials or workmanship of or with respect to the Leasehold Work shall be contained in the applicable contract or subcontract, as the case may be.

(d) Insurance Requirements.

(1) General Coverages. All of Tenant's Agents shall carry worker's compensation insurance covering all of their respective employees, and shall also carry public liability insurance, including property damage, all with limits, in form and with companies as are required to be carried by Tenant as set forth in the Lease.

(2) Special Coverages. Tenant shall require Tenant's Agents to carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of the Leasehold Work, and such other insurance as Landlord may reasonably require, it being understood and agreed that the Leasehold Work shall be insured by Tenant pursuant to the Lease immediately upon completion thereof. Such insurance shall be in amounts and shall include such extended coverage endorsements as may be reasonably required by Landlord including, but not limited to, the requirement that all of Tenant's Agents shall carry excess liability and Products and Completed Operation Coverage insurance, each in amounts not less than \$1,000,000 per incident, \$2,000,000 in aggregate, and in form and with companies as are required to be carried by Tenant as set forth in the Lease.

(3) General Terms. Certificates for all insurance carried by Tenant pursuant to this Section 9(d) shall be delivered to Landlord before the commencement of construction of the Leasehold Work and upon request as to any contractor. All such policies of insurance maintained by

Exhibit F to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

Tenant must contain a provision that the company writing said policy will give Landlord not less than thirty (30) days prior written notice of any cancellation of lapse of the effective date or any reduction in the amounts of such insurance. In the event that the Leasehold Work is damaged by any cause during the course of the construction thereof, Tenant shall immediately repair the same at Tenant's sole cost and expense; provided, however, Landlord shall bear the cost of such repair to the extent such damage is caused by Landlord's or its contractor's or representative's gross negligence or willful misconduct. Tenant's Agents shall maintain all of the foregoing insurance coverage in force until the Leasehold Work is fully completed and accepted by Landlord. All policies carried by Tenant under this Section 9(d) shall insure Landlord and Landlord's agents and Tenant, as their interests may appear. All insurance, except Workers' Compensation, maintained by Tenant's Agents shall preclude subrogation claims by the insurer against anyone insured thereunder. Such insurance shall provide that it is primary insurance as respects the owner and that any other insurance maintained by owner is excess and noncontributing with the insurance required hereunder. The requirements for the foregoing insurance shall not derogate from the provisions for indemnification of Landlord by Tenant under other sections of this **Exhibit F**.

(e) **Governmental Compliance**. The Leasehold Work shall comply in all respects with the following: (i) all applicable state, federal, city or quasi-governmental laws, codes, ordinances and regulations, as each may apply according to the rulings of the controlling public official, agent or other person; (ii) applicable standards of the American Insurance Association (formerly, the National Board of Fire Underwriters) and the National Electrical Code; and (iii) building material manufacturer's specifications.

(f) **Intentionally Omitted**.

(g) **Punchlist and Possession**. Prior to the Commencement Date, Tenant shall schedule a mutually agreeable time with Landlord to walk through the Premises and prepare a punch list setting forth any defects, damage or incomplete work (whether it be Tenant's Work (including Leasehold Work), Landlord's Work, as well as any building equipment or systems that are not in good working order). Landlord and Tenant, as applicable, will endeavor to cause the items described in the punch list to be corrected and completed within thirty (30) days after the punch list has been finalized. The existence of such punch list items shall not postpone the Commencement Date or the obligation of Tenant to pay Rent.

(h) **Inspection by Landlord**. Landlord shall have the right to inspect the Leasehold Work at all times, provided however, that Landlord's failure to inspect the Leasehold Work shall in no event constitute a waiver of any of Landlord's rights hereunder nor shall Landlord's inspection of the Leasehold Work constitute Landlord's approval of the same.

10. **Lease Default**. Notwithstanding any provision of the Lease or this **Exhibit F**, in the event of a default by Tenant beyond applicable cure periods under the Lease, in addition to all other rights and remedies available to Landlord, Landlord shall have the right to withhold payment of the Improvement Allowance.

Exhibit F to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

EXHIBIT G

FORM OF SNDA

SUBORDINATION, NONDISTURBANCE, ATTORNMENT
AND ESTOPPEL AGREEMENT

This Agreement is made and entered into as of _____, 2017, by, between and among _____, a _____ (“Tenant”), with a mailing address of _____, **PHOENIX NEWTON LLC**, a Wisconsin limited liability company (“Landlord”) with a mailing address of 1818 North Farwell Avenue, Milwaukee, Wisconsin 53202, and **TRUSTONE FINANCIAL FEDERAL CREDIT UNION** (“Lender”), with a mailing address of 1 4601 27th Avenue North, Suite 104, Plymouth, Minnesota 55447.

WITNESSETH:

WHEREAS, Tenant entered into a Lease (“Lease”) with Landlord whereby Landlord demised to Tenant certain premises located at Suite _____, _____ Newton, Iowa (“Leased Premises”) on a portion of the real property legally described in Exhibit A attached hereto (“Real Estate”).

WHEREAS, a copy of the Lease, as amended, is attached hereto as Exhibit B. [*If SNDA is being recording, the lease may not be attached*]

WHEREAS, Landlord intends to execute and deliver to Lender or has previously executed and delivered, a mortgage and assignment of leases, rents and purchase agreements (collectively, the “Mortgage and Assignment”) to be filed with the real estate records for Jasper County, Iowa encumbering the Real Estate.

WHEREAS, Lender, as a condition to make a loan secured by the Mortgage and Assignment (the “Loan”), has required the execution of this Agreement.

WHEREAS, Tenant, Landlord and Lender desire to confirm their understanding with respect to the Lease, the Mortgage and Assignment.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and to induce Lender to make the Loan to Landlord, the parties do hereby covenant and agree as follows:

1. The Lease and all rights of Tenant thereunder and Tenant’s interest in the Leased Premises and the Real Estate pursuant to the Lease shall be subject and subordinate to the lien of the Mortgage and Assignment and to all amendments, renewals, modifications, consolidations, replacements, and extensions thereof, to the full extent of the principal sum secured thereby and interest accrued and from time to time unpaid thereon.

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

2. So long as Tenant is not in default (beyond any period given Tenant to cure such default) in the payment of rent, additional rent or other charges, or in the performance of any of the terms, covenants or conditions of the Lease, on Tenant's part to be performed, or Tenant is not in default in any payment or performance due to Lender under any instrument evidencing any indebtedness of Tenant to Lender, if any, Tenant shall not be interfered with or disturbed by Lender in Tenant's possession and occupancy of the Leased Premises during the original or any renewal term of the Lease, or any extension thereof duly exercised by Tenant.

3. If the interests of Landlord shall be transferred to and/or owned by Lender by reason of judicial foreclosure, power of sale foreclosure or other proceedings brought by it in lieu of or pursuant to a foreclosure, or by any other manner including, but not limited to, Lender's exercise of its rights under any assignment(s) of leases and rents, and Lender succeeds to the interest of Landlord under the Lease, Lender shall, within sixty (60) days after the end of any redemption period, if any, or after execution and delivery of documents effecting such a transfer in lieu of foreclosure, provide written notice to Tenant of Lender's succession to Landlord's interest under the Lease; thereafter, subject to Tenant's and Lender's performance of all of its obligations under the Lease, Tenant shall be bound to Lender under all of the terms, covenants and conditions of the Lease, for the balance of the term thereof remaining and any renewal or extension thereof duly exercised by Tenant with the same force and effect as if Lender were the landlord under the Lease, and Tenant shall attorn to Lender as its landlord. Such attornment shall be effective and self-operative, without the execution of any further instruments on the part of any of the parties hereto, immediately upon Lender providing such notice on Tenant. The respective rights and obligations of Tenant and Lender upon such attornment shall, to the extent of the then remaining balance of the term of the Lease, and any period of renewal or extension duly exercised by Tenant as provided for in the Lease, be the same as now set forth therein, it being the intention of the parties hereto for this purpose to incorporate the Lease, in this Agreement by reference with the same force and effect as if set forth at length herein. After providing the notice specified herein to Tenant, Tenant shall, from and after such event, have the same remedies against Lender for the breach of an agreement contained in the Lease, that Tenant might have had under the Lease, against the prior landlord thereunder; provided, however, Lender shall not be:

- a. liable for any act or omission of any prior landlord, including, but not limited to, Landlord;
- b. subject to any offsets or defenses which Tenant might have against any prior landlord, including, but not limited to, Landlord;
- c. bound by any rent or additional rent which Tenant might have paid for more than one (1) month in advance to any prior landlord, including, but not limited to, Landlord;
- d. bound by any amendment or modification of the Lease without Lender's consent;
- e. bound by any provision in the Lease, granting Tenant an option or right of first refusal, to purchase the Real Estate or the Leased Premises; and

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

- f. have any obligation with respect to any security deposit made to Landlord, unless physically deposited with Lender.

Neither Lender nor any other party who, from time to time, shall be included in the definition of Lender hereunder shall have any liability or responsibility under or pursuant to the terms of this Agreement or the Lease, after such party ceases to own any interest in or to the Real Estate.

4. Tenant acknowledges that Landlord has assigned the Lease, and all rents and other payments due under the Lease, to Lender as security for the Loan. Tenant further acknowledges that Lender may, at its option, at any time direct that Tenant make all such rent and other payments directly to Lender or to any receiver duly appointed with respect to the Real Estate by written notice to Tenant. Upon receipt of such notice, Landlord hereby authorizes and directs Tenant and Tenant agrees to pay all such rent and other payments to Lender or to such receiver, as provided in said notice. However, neither the giving of such notice by Lender nor the payment of rent and other payments due under the Lease, to Lender shall affect the obligations of Landlord under the Lease, nor impose any obligations of Landlord under the Lease, upon Lender.

5. Notwithstanding anything herein or in the Lease to the contrary, any options or rights contained in the Lease, to acquire title to the Real Property or the Leased Premises, including any rights of first refusal, are hereby made subject and subordinate to the rights of Lender under the Mortgage and the Assignment and in the event Lender succeeds to the interests of Landlord under the Lease, by reason of a foreclosure sale under Lender's Mortgage lien on the Real Property and the Leased Premises, by other proceedings brought to enforce any rights under said lien, by deed-in-lieu of foreclosure, or by any other method, any such options or rights shall be extinguished and have no further force or effect.

6. The term "Lender" shall be deemed to include Lender and its successors and assigns, including anyone who shall have succeeded to Lender's interest by, through or under judicial or other foreclosure or other proceedings brought pursuant to the Mortgage, or deed in lieu of such foreclosure or proceedings, or otherwise.

7. This Agreement and the covenants and agreements contained herein shall be binding and inure to the benefit of the parties hereto and their respective heirs, administrators, representatives, successors and assigns.

8. In the absence of the prior written consent of Lender, Landlord and Tenant agree not to do any of the following: (a) prepay or allow prepayment of the rent under the Lease for more than one (1) month in advance, (b) enter into any agreement to amend or modify the Lease except for amendments or modifications specifically contemplated in the Lease for confirming the lease commencement date, the rent commencement date, the term, the square footage leased, the renewal or extension of the Lease, or the leasing of additional space at the Real Estate, (c) voluntarily surrender or accept surrender of the Leased Premises or terminate the Lease, without cause, unless expressly permitted under the Lease, and (d) sublease or assign the Leased Premises unless expressly permitted without Landlord consent under the Lease, and in the event there is a breach of any of the above, the resulting agreements and/or acts shall be deemed null and void at the option of Lender.

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

9. In the event Landlord shall fail to perform or observe any of the terms, conditions or agreements in the Lease, Tenant shall give written notice thereof to Lender at the address of Lender as set forth herein and Lender shall have the right (but not the obligation) to cure such failure. Tenant shall not take any action with respect to such failure under the Lease, including without limitation any action in order to cancel, terminate, rescind or avoid the Lease, or to abate or offset against or otherwise withhold any rent thereunder, for a period of thirty (30) days after receipt of such written notice by Lender; provided, however, that in the case of any default which cannot with reasonable diligence be cured within said 30 -day period, if Lender shall proceed promptly to cure such failure and thereafter prosecute the curing of such failure with reasonable diligence, the time within which such failure may be cured shall be extended for such period as may be necessary to complete the curing of such failure with reasonable diligence.

10. Tenant, with the understanding that Lender will rely upon the statements and representations made by Tenant herein in executing this Agreement, hereby certifies, represents, warrants and confirms to Lender, its successors and assigns, that, as of the date hereof:

- a. The Lease sets forth all of the agreements and understandings of Landlord and Tenant with respect to the Leased Premises; there are no other written or oral agreements or understandings between Tenant and Landlord with respect to the Leased Premises; the Lease is in full force and effect in accordance with its terms.
- b. The term of the Lease commenced or commences on _____ and expires on _____. Tenant has accepted and is in possession of the Leased Premises, without reservation. Landlord and Tenant have fulfilled and complied with all conditions precedent to the acceptance and possession of the Leased Premises by Tenant; and all duties of Landlord of an inducement nature under the Lease have been fully performed by Landlord.
- c. No default by Landlord or Tenant in the performance of the Lease to be by them respectively performed exists on the date hereof, and no event has occurred which, after the passage of time or expiration of any notice, grace or right to cure period, would constitute a default under the Lease.
- d. Tenant does not now have any claim against Landlord which might be set-off against past or future rents due under the Lease or which might be used as a defense to enforcement of the Lease.
- e. No rents have been prepaid under the Lease, except for the normal prepayment thereof for no more than one (1) rental period in advance.

11. This Agreement is to be governed and construed in accordance with the laws of the State of Iowa.

12. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular, and the masculine, feminine and neuter shall be freely interchangeable.

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

13. All notices or other communications required or permitted to be given pursuant to the provisions hereof shall be in writing and shall be considered as properly given if mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or by delivering same in person to the intended addressee. Notice so given by mail shall be effective three (3) days after deposit in the United States mail. Notice given in any other manner shall be effective only if and when received by the addressee. For purposes of notice, the addresses of the parties shall be as set forth above; provided, however, that any party shall have the right to change its address for notice hereunder to any other location within the continental United States by the giving of thirty (30) days' notice to the other parties in the manner set forth hereinabove.

14. This document may be signed in one or more counterparts, each of which shall constitute an original and collectively shall constitute one and the same agreement.

[signature page follows]

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

IN WITNESS WHEREOF, the parties have executed this Subordination, Nondisturbance, Attornment and Estoppel Agreement the day and year first above written.

TENANT:

By _____

Its _____

LANDLORD:
PHOENIX NEWTON LLC

LENDER:
**TRUSTONE FINANCIAL FEDERAL
CREDIT UNION**

By _____

Its _____

By _____

Its _____

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

STATE OF WISCONSIN)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me on this ___ day of _____, 2017, by _____, the _____ of Phoenix Newton LLC, a Wisconsin limited liability company, on behalf of said limited liability company.

Notary Public

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me on this ___ day of _____, 2017, by _____, the _____ of _____, a _____, on behalf of said _____.

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me on this ___ day of _____, 2017, by _____, the _____ of TruStone Financial Federal Credit Union, on behalf of the credit union.

Notary Public

This instrument was drafted by: (MRG)
Winthrop & Weinstine, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, MN 55402

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

**EXHIBIT A
LEGAL DESCRIPTION**

Parcel 1:
THAT PART OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 23, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA, WHICH IS BORDERED ON THE EAST BY THE COUNTY ROAD DESIGNATED AS E. 19TH STREET NORTH AND BORDERED ON THE SOUTH BY THE CITY STREET DESIGNATED AS N. 19TH AVENUE EAST AND BORDERED ON THE NORTHWEST BY THE CHICAGO, ROCK ISLAND & PACIFIC RAILROAD RIGHT OF WAY.

Parcel 2:
THAT PART OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER, WHICH LIES NORTH AND WEST AND SOUTH AND EAST OF THE CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD RIGHT OF WAY, OF SECTION 26, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA.

EXCEPT: THAT PART OF THE NORTHWEST $\frac{1}{4}$ OF THE NORTHWEST $\frac{1}{4}$ SOUTH AND EAST OF THE CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD RIGHT OF WAY BEING PART OF, AND NOW KNOWN AS, RDC SUBDIVISION OF PARCEL "H" IN THE NORTH $\frac{1}{2}$ OF THE NORTHWEST $\frac{1}{4}$ OF SECTION 26, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., CITY OF NEWTON, JASPER COUNTY, IOWA., AS SHOWN IN PLAT CABINET "A", PAGE 666 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

Parcel 3 & 4:
LOT 3 OF RDC SUBDIVISION OF PARCEL "H" IN THE NORTH $\frac{1}{2}$ OF THE NORTHWEST $\frac{1}{4}$ OF SECTION 26, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., CITY OF NEWTON, JASPER COUNTY, IOWA., AS SHOWN IN PLAT CABINET "A", PAGE 666.,

EXCEPT: PARCEL "A" OF LOT 3, RDC SUBDIVISION AS SHOWN IN BOOK 1156, PAGE 190,

AND EXCEPT: PARCEL "B" OF LOT 3, RDC SUBDIVISION AS SHOWN IN BOOK 1157, PAGE 54, IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

Parcel 5:
LOTS 9, 10 AND 11 OF THE NORTHEAST $\frac{1}{4}$ OF SECTION 27, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA, AS APPEARS IN PLAT RECORDED IN PLAT BOOK B, PAGE 274 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA. AND PARCEL "A" IN LOTS 7 & 8 OF THE SUBDIVISION OF THE NORTHEAST $\frac{1}{4}$ OF SECTION 27, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

5TH P.M., JASPER COUNTY, IOWA AS SHOWN IN FILE 2009-00002178 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

EXCEPT: THAT PART DEEDED TO THE CITY OF NEWTON FOR RIGHT OF WAY PURPOSES IN FILE 2009-00004936 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

Parcel 6:

PART OF LOT 2 OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5TH P.M., JASPER COUNTY, IOWA, AS APPEARS IN PLAT RECORDED IN PLAT BOOK B PAGE 274 IN THE OFFICE OF THE RECORDER OF SAID COUNTY DESCRIBED AS: FROM THE POINT OF INTERSECTION OF THE CENTER LINE OF EAST 8TH STREET NORTH IN THE CITY OF NEWTON, IOWA (FORMERLY THE COLLEGE FARM ROAD) WITH THE SOUTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 27, WHICH POINT IS 158.7 FEET WEST OF THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 27, RUN THENCE NORTH ALONG THE CENTER LINE OF SAID STREET, 922.2 FEET, THENCE, RUN EAST 583.2 FEET TO THE POINT OF BEGINNING; FROM THIS POINT OF BEGINNING RUN SOUTH PARALLEL TO THE CENTER LINE OF SAID STREET, 384.9 FEET TO THE NORTH BOUNDARY LINE OF THE CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD RIGHT OF WAY, THENCE NORTHEASTERLY ALONG SAID RIGHT OF WAY LINE 561 FEET, THENCE WEST 402.9 FEET TO THE PLACE OF BEGINNING AND THAT PART OF SAID LOT 2 DESCRIBED AS: FROM THE POINT OF INTERSECTION OF THE CENTER LINE OF EAST 8TH STREET NORTH IN THE CITY OF NEWTON, IOWA (FORMERLY THE COLLEGE FARM ROAD) WITH THE SOUTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 27, WHICH POINT IS 158.7 FEET WEST OF THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 27, RUN THENCE NORTH ALONG THE CENTER LINE OF SAID STREET, 922.2 FEET TO THE POINT OF BEGINNING; FROM THIS POINT OF BEGINNING RUN NORTH 360 FEET TO THE NORTHWEST CORNER OF SAID LOT 2, THENCE EAST 1352 FEET TO THE NORTHEAST CORNER OF SAID LOT 2, THENCE SOUTHWESTERLY ALONG THE NORTH LINE OF THE CHICAGO, ROCK ISLAND & PACIFIC RAILROAD RIGHT OF WAY 510.3 FEET, THENCE WEST 986.1 FEET TO THE PLACE OF BEGINNING.

EXCEPT: THAT PART DEEDED TO THE CITY OF NEWTON FOR RIGHT OF WAY PURPOSES IN FILE 2009-00004936 IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

Parcel 7:

THE NORTH 257.9 FEET OF THE WEST 583.2 FEET OF THE SOUTH 11 ACRES OF LOT 2, SUBDIVISION OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 80 NORTH, RANGE 19 WEST OF THE 5 TH P.M., JASPER COUNTY, IOWA, AS APPEARS IN PLAT BOOK D, PAGE 119, IN THE OFFICE OF THE RECORDER OF JASPER COUNTY, IOWA.

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19 th Avenue in Newton, Iowa

**EXHIBIT B
LEASE**

12966846v2

Exhibit G to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

EXHIBIT H

Guaranty of Lease

FOR VALUE RECEIVED and in consideration for and as an inducement to Landlord to lease the Leased Premises referred to in the annexed Lease to the Tenant therein named, the undersigned, jointly and severally (if more than one), do hereby guaranty to Landlord, for the term of this Lease, excluding any option periods, the punctual payment of the rent, additional rents and other charges (hereafter collectively called "rents") and the due performance of all other terms, covenants and conditions contained in said Lease on the part of the Tenant to be paid and/or to be performed thereunder, and if any default shall be made by Tenant under said Lease, the undersigned does hereby covenant and agree to pay to the Landlord in each and every instance such sum or sums of money as the Tenant is and shall become liable for and/or obliged to pay under said Lease and/or fully to satisfy and perform such other terms, covenants and conditions of said Lease on the part of the Tenant to be performed thereunder and to pay also any and all damages, expenses and reasonable attorney's fees (hereafter collectively called "damages") that may be suffered or incurred by Landlord in consequence of the non-payment of said rents or the non-performance of any such other terms, covenants and conditions of said Lease; such payments of rents to be made monthly or at such other intervals as the same shall or may become payable under said Lease, including any accelerations thereof, such performance of said other terms, covenants and conditions to be made within five (5) business days of notice from Landlord of a monetary guarantied obligation and within fifteen (15) business days of notice from Landlord of a non-monetary guarantied obligation; and the maintenance of any action or proceeding by the Landlord to recover any sum or sums that may be or become due under said Lease or to secure the performance of any of the other terms, covenants and conditions of said Lease or to recover damages, shall not preclude the Landlord from thereafter instituting and maintaining subsequent actions or proceedings for any subsequent default or defaults of Tenant under said Lease. The undersigned does hereby consent that without affecting the liability of the undersigned under this guaranty and without notice to the undersigned, time may be given by Landlord to Tenant for payment of rents and performance of said other terms, covenants and conditions, or any of them, and such time extended and indulgences granted, from time to time, or the Tenant may be dispossessed or the Landlord may avail itself of or exercise any or all of the rights and/or remedies against the Tenant provided by law or by said Lease, and may proceed either against the Tenant alone or jointly against the Tenant and the undersigned or against the undersigned alone without proceeding against the Tenant. The undersigned does hereby further consent to any subsequent change, modification and/or amendment of said Lease in any of its terms, covenants or conditions, or in the rents payable thereunder, and/or to any assignment or assignments of said Lease, and/or to any renewals or extensions thereof, all of which may be made without notice to or consent of the undersigned and without in any manner releasing or relieving the undersigned from liability under this guaranty. The undersigned does hereby further agree that in respect to any payments made by the undersigned hereunder, the undersigned shall not have any rights based on suretyship or otherwise to stand in the place of the Landlord so as to compete with Landlord as a creditor of Tenant, unless and until all claims

Exhibit H to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

of the Landlord under said Lease shall have been fully paid and satisfied. As a further inducement to Landlord to make said Lease and in consideration therefor, Landlord and the undersigned hereby agree that in any action, proceeding or counterclaim brought by either the Landlord or the undersigned against the other on any matters whatsoever arising out of or in any way connected with said Lease or this guaranty, that Landlord and the undersigned shall and do hereby waive a trial by jury. This guaranty or any of the provisions thereof cannot be modified, waived or terminated, unless in writing, signed by Landlord. The undersigned further agrees that this guaranty shall be a secured debt guaranteed by the undersigned and is non-dischargeable in any bankruptcy proceedings. The provisions of this guaranty shall apply to and bind and inure to the benefit of the undersigned and the Landlord and their respective heirs, legal representatives, successors and assigns; and if there is more than one (1) Guarantor, the liability hereunder shall be joint and several. The undersigned (if the tenant is a corporation) further represents to the Landlord, as an inducement for the Landlord to make said Lease, that the undersigned owns all of the entire outstanding capital stock of the Tenant. The undersigned (if a corporation) further represents to Landlord that the execution and delivery of this guaranty is not in contravention of its charter or by -laws or applicable state laws. The undersigned represents to the Landlord, as an inducement for the Landlord to make said Lease, that it has all the requisite power and authority to execute, deliver and be legally bound by this Guaranty of Lease on the terms and conditions stated herein . The undersigned (if the tenant is a limited liability company) further represents to the Landlord, as an inducement for the Landlord to make said Lease, that the undersigned owns all of the entire outstanding membership interests or membership units o f the Tenant. The undersigned (if a limited liability company) further represents to Landlord that the execution and delivery of this guaranty is not in contravention of its articles of organization (including any amendments thereto), operating agreement (including any amendments thereto), or applicable state laws, and has been duly authorized by its members and/or manager(s), as required by its governing organizational documents and applicable state laws . Upon request of Landlord, the Guarantor agrees to deliver to Landlord a members and/or manager(s) certification and company resolution authorizing the execution and delivery of this guaranty.

Dated this ____ day of January, 2018.

GUARANTOR:

TPI Composites, Inc.

By: _____

Name: _____

Title: _____

Exhibit H to Lease by and between Phoenix Newton LLC and TPI Iowa II, LLC
for certain premises located at 927 N 19th Avenue in Newton, Iowa

Contrato de Arrendamiento Maestro Sujeto a Condición (el "Contrato") de fecha 25 de mayo de 2017, que celebran:

1. TPI-Composites II, S. de R.L. de C.V., con el carácter de arrendatario (a quien en lo sucesivo se le denominará el "Arrendatario"), representado en este acto por Victor Manuel Saenz Saucedo; y
2. QVC II, S. de R.L. de C.V., (a quien en lo sucesivo se le denominará como el "Arrendador"), representada en este acto por los señores Lorenzo Manuel Berho Corona y Lorenzo Dominique Berho Carranza.

De conformidad con los siguientes antecedentes, declaraciones y cláusulas.

ANTECEDENTES

- I. A la fecha de celebración de este Contrato, el Arrendador se encuentra en proceso de análisis de la adquisición de uno o más lotes de terreno con una superficie de aproximadamente 21.6 has. (veintiuna punto seis hectáreas) parte del predio el Ballineño, que colindan con el Parque Industrial las Ventanas, en la ciudad de Matamoros, Tamaulipas (el "Terreno"), sobre el cual se construirá el Edificio (según se define más adelante) en los términos descritos más adelante. Un plano de ubicación del Terreno se acompaña como Anexo "1".

Master Lease Agreement Subject to Condition (the "Agreement"), dated May 25th, 2017, entered into by and among:

1. TPI Composites II, S de R.L. de C.V., as tenant (hereinafter referred to as the "Tenant"), represented herein by Mr. Victor Manuel Saenz Saucedo, and
2. QVC II, S. de R.L. de C.V., (hereinafter the "Landlord"), represented herein by Mr. Lorenzo Manuel Berho Corona and Mr. Lorenzo D ominique Berho Carranza.

In accordance with the following recitals, representations and clauses.

RECITALS

- I. As of the date hereof, the Landlord is in the process of analyzing the acquisition of one or more parcels of land having an area of approximately 21.6 hectares (twenty one point six hectares) part of the land called "*el Ballineño*", neighboring with "*Parque Industrial las Ventanas*", in the city of Matamoros, Tamaulipas (the "Land"), on which it will build the Building (as such term are defined below) and as set forth below. A location plan of the Land is attached hereto as Annex "1".

II. Sujeto al cumplimiento de las Condiciones (según se define más adelante), el Arrendador desarrollará dentro del Terreno un edificio industrial a la medida, con una superficie rentable de aproximadamente 48,635 m² (cuarenta y ocho mil seiscientos treinta y cinco metros cuadrados) (el “Edificio”) de conformidad con las especificaciones que debidamente aprobadas y firmadas por el Arrendador y el Arrendatario, se acompañarán al Anexo de Arrendamiento respectivo (según se define más adelante) (las “Especificaciones”); y en el entendido de que las Especificaciones en todo caso deberán sujetarse a las condiciones y lineamientos de inversión que se acompañan a este Contrato como Anexo “2” y conforme a los términos y condiciones establecidos en este Contrato y en el Anexo de Arrendamiento respectivo. En lo sucesivo al Terreno y al Edificio conjuntamente se les denominará como el “Inmueble”, mismo que será dado en arrendamiento al Arrendatario de conformidad con los términos y condiciones que en este Contrato y en el Anexo de Arrendamiento respectivo. En ningún caso el Arrendador o el Arrendatario estarán obligados a acordar Especificaciones que no estén de acuerdo a las condiciones y lineamientos de inversión que se acompañan a este Contrato como Anexo “2”.

DECLARACIONES

I. Declara el Arrendatario, a través de su representante, y bajo protesta de decir verdad, que:

- 1) Es una sociedad mercantil válidamente constituida y legalmente existente al amparo de las leyes aplicables en los Estados Unidos Mexicanos (“México”), según consta en la escritura pública número 105,626 de fecha 2 de mayo de 2017, otorgada ante la fe del Lic. Eduardo Romero Ramos, notario público número 4, en ejercicio para el Distrito Judicial Bravos, Estado de Chihuahua, cuyo primer testimonio está en trámite de inscripción ante el Registro Público de la Propiedad y del Comercio de Ciudad Juárez, Chihuahua. Una copia de dichos documentos ha sido entregada al Arrendador.

II. Subject to the fulfillment of the Conditions (as defined below), the Landlord will develop within the Land, a built to suit industrial building, having a leasable area of approximately 48,635 m² (forty eight thousand six hundred thirty five square meters) (the “Building”) pursuant to the specifications that duly approved and signed by the Landlord and the Tenant will be attached to the relevant Lease Schedule (as defined below) (the “Specifications”); and provided further that, in all cases the Specifications must meet the investment conditions and guidelines attached hereto as Annex “2” and according to the terms and conditions set forth in this Agreement and in the relevant Lease Schedule. Hereinafter, the Land when referred together with the Building, the “Premises”, which shall be leased to the Tenant in accordance to the terms and conditions detailed in this Agreement and the relevant Lease Schedule. In no case, will the Landlord or Tenant be obliged to agree to any Specifications that are not consistent with the investment conditions and guidelines attached hereto as Annex “2”.

REPRESENTATIONS

I. The Tenant, through its representative, represents, and under oath, that:

- 1) It is a company validly incorporated and legally existing under the laws applicable in the United Mexican States (“Mexico”), as evidenced by public instrument number 105,626, dated May 2nd, 2017, granted before Mr. Eduardo Romero Ramos, notary public number 4, for the Bravos Judicial District, State of Chihuahua, whose first original copy is in recordation process before the Office of Public Registry of Property and Commerce of Ciudad Juárez, Chihuahua. Non-certified copies of such documents were delivered to Landlord.

- 2) La celebración, entrega y cumplimiento del presente Contrato por parte del Arrendatario, están comprendidos dentro de su objeto social, en su caso, han sido debidamente autorizadas por todos los actos corporativos necesarios, y no viola, contraviene o incumple: (i) sus estatutos sociales vigentes, o (ii) ley o restricción contractual alguna que le obligue o afecte.
 - 3) No se requiere autorización o aprobación de, ni se requiere de cualquier otro acto por parte de, y no se requiere notificar o registrar ante, cualquier persona, órgano corporativo, autoridad gubernamental o agencia regulatoria alguna para la debida celebración, entrega y cumplimiento del presente Contrato por parte del Arrendatario.
 - 4) Conoce las condiciones y lineamientos de inversión que se acompañan como Anexo "2" y revisará y aprobará, las Especificaciones, que incluirán planos detallados, especificaciones y costos de construcción, a través de los especialistas que considere convenientes, a su sola y exclusiva discreción y responsabilidad, siendo su voluntad, una vez cumplidas las Condiciones y concluida la construcción de cada uno del Edificio que compone el Inmueble de acuerdo a las Especificaciones y a los términos de este Contrato, tomarlo en arrendamiento de conformidad con los términos y condiciones que en este Contrato se detallan.
 - 5) Cuenta con la capacidad, la solvencia económica y los recursos materiales y humanos suficientes para dar cumplimiento a las obligaciones que a cargo del Arrendatario que derivan de este Contrato, en específico a su obligación de pago de rentas en los términos aquí previstos.
 - 6) Los recursos que utilizará para dar cumplimiento a sus obligaciones derivadas del presente Contrato y de los Anexos de Arrendamiento provienen de fuentes lícitas.
 - 7) Una vez cumplidas las Condiciones (según se define más adelante), este Contrato constituirá obligaciones legales y válidas del Arrendatario, exigibles en su contra de conformidad con sus respectivos términos.
- 2) The execution, delivery and fulfillment of this Agreement by the Tenant, are considered within its corporate purpose, in its case, have been duly authorized by all necessary corporate actions, and does not violate or breach: (i) its current by-laws, or (ii) law or contractual restriction binding or affecting it.
 - 3) It does not require authorization or approval from, nor of any action by, or to notify or register before any person, corporate body, governmental authority or regulatory agency for the due execution, delivery and fulfillment of this Agreement by the Tenant.
 - 4) Knows the investment conditions and guidelines attached hereto as Annex "2" and will review and approve, the Specifications, which will include detailed blueprints, specifications and construction costs through the specialists that it considers appropriate at its own and exclusive discretion and responsibility, provided all Conditions are met, and upon conclusion of the construction of the Building comprising the Premises in accordance to the Specifications and terms of this Agreement, to lease them according to the terms and conditions set forth below.
 - 5) Has the capacity, economic solvency and material and human resources necessary to comply with the obligations of the Tenant under this Agreement, and specifically with respect to its obligation of paying rents as herein established.
 - 6) The resources to be used to perform its obligations hereunder and under the Lease Schedules derive from permitted sources.
 - 7) Upon fulfillment of the Conditions (as defined below), this Agreement will constitute legal and valid obligations of the Tenant, enforceable against it according to their own terms.

- 8) Toda la documentación que ha entregado al Arrendador, es verdadera y correcta en todos sus aspectos, y en especial aquella entregada de conformidad con lo establecido en la Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita. La documentación que ha sido entregada en copia simple, es una reproducción fiel de sus originales .
- 9) Ha sido informado, conoce, ha revisado y firmado de conformidad el aviso de privacidad de la información que entrega al Arrendador, así como sobre los derechos que le corresponden conforme a la Ley Federal de Datos Personales en Posesión de los Particulares, el cual está además disponible en la página de la red mundial <http://www.vesta.com.mx>, por lo que el Arrendador podrá utilizar la información que reciba del Arrendatario para todo lo relacionado con el presente Contrato, incluyendo sin limitar, para el ejercicio de cualquier derecho o acción conforme, derivado de, o de cualquier forma relacionado con este Contrato, así como para cumplir con cualquier obligación del Arrendador bajo las leyes aplicables y mandamientos de autoridades con jurisdicción sobre el Arrendador.
- 10) Reconoce que (i) su capacidad para dar cumplimiento sus obligaciones conforme a este Contrato, (ii) la Garantía del Arrendamiento (según se define más adelante) que emitirá TPI Composites Inc. (el “Fiador”) respecto del Anexo de Arrendamiento en términos del modelo que se acompaña como Anexo “6” (la “Garantía de Arrendamiento”) y (iii) la Garantía Adicional (según se define más adelante) a ser entregada en relación con cada Anexo de Arrendamiento, son los elementos que inducen al Arrendador a celebrar el presente Contrato, así como para invertir en la adquisición del Terreno y el desarrollo del Inmueble; y
- 11) Su representante legal cuenta con los poderes y las facultades necesarias para obligar al Arrendatario en los términos y condiciones del presente Contrato, mismas que a la fecha no le han sido modificadas, revocadas o restringidas de modo alguno, según consta en la escritura pública que en copia simple ha sido entregada al Arrendador.
- 8) All documents provided to the Landlord, are true and correct in all of their aspects, and especially that delivered in accordance to that set forth in the Federal Law to Prevent and Identify Transaction with Illegal Resources. The documents delivered as copies are true reproductions of their originals.
- 9) Has been informed, knows, has reviewed and executed the privacy notice related to the information delivered to the Landlord, as well as on the rights corresponding to it pursuant to the Federal Law of Personal Data in Possession of Private Parties, which is also available at the world wide web page of <http://www.vesta.com.mx>, therefore, the Landlord may use the information received from the Tenant for everything related to this Agreement, including without limitation, the exercise of any right or action pursuant to, derived from, or in any way related to this Agreement, as well as to comply any obligations of the Landlord according to applicable laws, and requirements of authorities with jurisdiction over the Landlord.
- 10) Acknowledges that: (i) its capacity to fulfill its obligations hereunder, (ii) the Lease Guaranty (as defined below), issued by TPI Composites, Inc. (the “Guarantor”) in connection with the Lease Schedule in terms of the model attached hereto as Annex “6” (the “Lease Guaranty”), and (iii) the Additional Collateral (as defined below) to be delivered with each Lease Schedule, are the elements inducing the Landlord to execute this Agreement as well as to invest in the acquisition of the Land and the development of the Premises; and
- 11) Its legal representative has the necessary authority to bind the Tenant in the terms and conditions of this Agreement, which as of the date hereof have not been modified, revoked or restricted in any manner, as evidenced by the public deed that as a non-certified copy has been delivered to the Landlord.

II . Declara el Arrendador, por conducto de sus representantes, bajo protesta de decir verdad, que:

- 1) Es una sociedad mercantil válidamente constituida y legalmente existente de conformidad con las leyes aplicables en México, según consta en la escritura pública número 65,785, de fecha 27 de octubre de 1994, otorgada ante la fe del Lic. Joaquín F. Oseguera, notario público número 99 de la Ciudad de México, cuyo primer testimonio quedó debidamente inscrito en el Registro Público de Comercio de Toluca, Estado de México, bajo el Libro 1, bajo la partida número 124-1412 del volumen 30- Fs. 40, de fecha 22 de septiembre de 1995, y su número de Registro Federal de Contribuyentes es el **QVC941103DK2**. Una copia simple de dichos documentos ha sido entregada al Arrendatario con anterioridad a la fecha de este Contrato.
- 2) La celebración, entrega y cumplimiento del presente Contrato por parte del Arrendador, están comprendidos dentro de su objeto social, y no viola, contraviene o incumple: (i) sus estatutos sociales vigentes, o (ii) ley o restricción contractual alguna que le obligue o afecte.
- 3) Excepto por las autorizaciones corporativas que a esta fecha ha obtenido y se encuentran vigentes, no requiere autorización o aprobación de, ni requiere de cualquier otro acto por parte de, y no requiere notificar o registrar ante, cualquier persona, órgano corporativo, autoridad gubernamental o agencia regulatoria alguna para la debida celebración, entrega y cumplimiento del presente Contrato por parte del Arrendador.
- 4) Una vez cumplidas las Condiciones (según se define más adelante), este Contrato constituirá obligaciones legales y válidas del Arrendador, exigibles en su contra de conformidad con sus respectivos términos.
- 5) Cuenta con la capacidad técnica, la solvencia económica y los recursos tanto humanos como materiales suficientes para dar cumplimiento a sus obligaciones conforme a este Contrato, en caso de cumplimiento de las Condiciones (según se define más adelante).

II. Landlord represents, through its representatives, under oath, that:

- 1) It is company validly incorporated and legally existing under the laws of Mexico, as provided in public deed number 65,785 dated October 27th, 1994, granted before Mr. Joaquin F. Oseguera, notary public number 99 of Mexico City, which first original was duly recorded before the Public Registry of Property and Commerce of Toluca, State of México, under Book 1, number 124-1412, volume 30-Fs. 40, on September 22nd, 1995, and its Federal Tax Payer number is **QVC941103DK2**. A non-certified copy of such documents have been delivered to Tenant before the date hereof.
- 2) The execution, delivery and performance of this Agreement by the Landlord, are considered within its corporate purpose, and do not contravene (i) its by-laws, or (ii) any law or contractual restriction binding or affecting it.
- 3) Except for the corporate authorizations, which as of the date hereof has obtained and are in full force and effect, it does not require authorization or approval from, nor of any action by, or to notify or register before any person, corporate body, governmental authority or regulatory agency for the due execution, delivery and fulfillment of this Agreement by the Landlord.
- 4) Upon fulfillment of the Conditions (as defined below), this Agreement will constitute legal and valid obligations of the Landlord, enforceable against it according to its terms.
- 5) Has the technical capability, economic solvency and resources, human and material, to fulfill its obligations pursuant to this Agreement, in case of fulfillment of the Conditions (as defined below).

- 6) Los recursos que, en su caso, utilizará para dar cumplimiento a sus obligaciones materia de este Contrato, especialmente para el desarrollo del Inmueble, provienen de fuentes lícitas.
- 7) (i) La veracidad y exactitud de las declaraciones del Arrendatario contenidas en el capítulo de Declaraciones de este Contrato, en especial aquellas relativas a su capacidad de cumplir las obligaciones que a su cargo derivan del presente Contrato, (ii) la Garantía del Arrendamiento a ser emitida por cada Anexo de Arrendamiento y (iii) la Garantía Adicional (según se define más adelante) a ser entregada con cada Anexo de Arrendamiento, son el motivo determinante de su voluntad para, en caso de cumplirse las Condiciones (según se define más adelante) adquirir el Terreno, desarrollar el Inmueble y dar el Inmueble en arrendamiento al Arrendatario de conformidad con los términos y condiciones que más adelante se detallan.
- 8) Sus representantes legales cuentan con las facultades necesarias para la celebración del presente Contrato, las que a la fecha no les han sido modificadas, revocadas o restringidas de modo alguno, según se acredita con la escritura pública número 32,368, de fecha 30 de noviembre de 2015, otorgada ante la fe del Lic. Ponciano López Juárez, notario público número 222 de la Ciudad de México, cuyo primer testimonio fue inscrito en el Instituto de la Función Registral del Estado de México, bajo el folio 3850, con fecha 27 de agosto de 2016. Una copia simple de dicho documento ha sido entregado al Arrendatario con anterioridad a la fecha de este Contrato; y
- 9) El Arrendador realizará una licitación entre por lo menos 3 (tres) contratistas generales de buena reputación, para la construcción del Edificio, y los costos serán suministrados al Arrendatario bajo el concepto de “libro abierto”, y el Arrendador determinará en definitiva y a su discreción quien será el contratista seleccionado para la el desarrollo del Inmueble.
- 6) The resources, that in its case will used to fulfill its obligations hereunder, especially to develop the Premises, are derived from permitted sources.
- 7) (i) The truthfulness and accuracy of the representations by Tenant in the Representations Section herein, especially those related to its ability to fulfill its obligations hereunder, (ii) the Lease Guaranty to be delivered with each Lease Schedule, and (iii) the Additional Collateral (as defined below) to be delivered along with each Lease Schedule, constitute the reasons inducing the Landlord to, upon fulfillment of the Conditions (as defined below), acquire the Land, develop the Premises and to lease the Premises to the Tenant under the terms and conditions set forth herein.
- 8) Its representatives have the authority to enter into this Agreement, which to date have not been modified, revoked or limited in any way, as evidenced by public deed number 32,368, dated as of November 30th, 2015, granted before Mr. Ponciano López Juárez, notary public number 222 of the Federal District, which first original was recorded at the *Instituto de la Función Registral del Estado de México*, under the folio number 3850, on August 27th, 2016. A non-certified copy of such document has been delivered to Tenant before the date hereof; and
- 9) Landlord shall make a competitive bidding process with at least 3 (three) qualified general contractors for the construction of the Building, and the costs shall be shared with the Tenant on a “open book” basis, and the Landlord shall definitively determine at its discretion who will be the contractor selected for the development of the Premises.

Estando de acuerdo con los antecedentes y las declaraciones que preceden, las partes convienen en sujetarse a lo que de común acuerdo establecen en las siguientes:

CLÁUSULAS
CLÁUSULA I
Condiciones

Inciso 1.01. Condiciones. Las partes convienen que todas y cada una de las obligaciones que derivan del presente Contrato se encuentran sujetas al cumplimiento de todas las condiciones suspensivas que a continuación se enumeran (las “Condiciones”):

- a) El resultado del análisis y revisión técnico, ambiental y legal por parte del Arrendador respecto del Terreno, sea satisfactorio para el Arrendador y el Arrendatario, el suministro de los servicios y accesos al Terreno sean factibles y el Terreno en general sea adecuado y pueda ser utilizado para el desarrollo del Inmueble, de acuerdo a las normas de desarrollo urbano y construcción aplicables y a las Especificaciones y el resultado de dicho análisis esté disponible en o antes del día 5 de junio de 2017. El Arrendador deberá dar aviso al Arrendatario, tan pronto como sea razonablemente posible si durante el proceso de análisis del Arrendador, tiene conocimiento de cualquier condición del Terreno que impida el desarrollo satisfactorio del Inmueble.
- b) El Arrendador adquiera la propiedad del Terreno libre de toda carga, gravamen o limitación de dominio alguna y al corriente en el pago de todos los impuestos y demás cargos que le sean aplicables, ya sea por ley o por cualquier disposición contractual y libre de cualquier contingencia o responsabilidad ambiental o de cualquier otra naturaleza, en o antes del día 14 de Julio de 2017 o en cualquier otra fecha posterior que las partes hubieran acordado por escrito.
- c) Las partes hayan celebrado un convenio de opción de compra en términos del formato que se acompaña como Anexo “8” (la “Opción de Compra”); y
- d) Que el Arrendador haya recibido las licencias de construcción y demás permisos requeridos para el desarrollo del Edificio.

Now therefore, in consideration of the foregoing recitals and representations, the parties expressly agree to be bound by that set forth in the following:

CLAUSES
CLAUSE I
Conditions

Section 1.01. Conditions. The parties agree that each and all of the obligations deriving hereof are subject to the performance of all the conditions precedent listed below (the “Conditions”):

- a) The results of the technical, environmental and legal due diligence of the Land, are satisfactory to the Landlord and Tenant, utilities and access to the Land are feasible and the Land in general is suitable and can be utilized for the development of the Premises, according to the applicable urban development and construction provisions, and to the Specifications, and said results are available on or before June 5th, 2017. Landlord shall give prompt reasonable notice to Tenant, if while performing its due diligence, it has knowledge of any condition of the Land that may cause it not be satisfactory to use for purposes of developing the Premises.
- b) The Landlord acquires ownership of the Land free of all lien, encumbrance or limitation of any kind and current in the payment of all applicable taxes and contributions to which, according to law or other contractual provision, and free of any environmental or any other contingency or liability, on or before July 14th, 2017, or any other date agreed in writing by the parties.
- c) The parties shall have executed the purchase option in the form attached hereto as Annex “8” (the “Purchase Option”); and
- d) That the Landlord had received the relevant construction licenses and other permits necessary for the development of the Building.

Inciso 1.02. No Cumplimiento de las Condiciones. En caso de que alguna de las Condiciones no sea satisfecha en la fecha en cada caso señalada, o en cualquier otra fecha posterior mutuamente acordada por escrito por las partes, o es debidamente renunciada por escrito por las partes, este Contrato **no** producirá efecto legal alguno y las partes no estarán obligadas en los términos del mismo.

En caso de que este Contrato se diera por terminado a causa del no cumplimiento de todas o alguna de las Condiciones, ninguna de las partes tendrá responsabilidad frente a la otra, salvo que el Arrendatario reembolsará al Arrendador hasta la cantidad de US\$130,000.00 (ciento treinta mil 00/100) dólares, moneda de curso legal de los Estados Unidos de América (“Dólares”), más el impuesto al valor agregado, por concepto de costos razonables incurridos por el Arrendador en términos de lo acordado por las partes en cierta carta de reembolso de gastos suscrita con fecha 28 de noviembre de 2016, la cual el Arrendatario en este acto, reconoce y ratifica (la “Carta de Reembolso”).

CLÁUSULA II
Construcción

Inciso 2.01. Construcción. El Arrendador, a su costo, gasto y riesgo, conviene en construir el Edificio, a través de contratistas, subcontratistas y proveedores seleccionados por el Arrendador, bajo su exclusiva responsabilidad, a través de una licitación bajo el concepto de “libro abierto” y tramitará y obtendrá todos los permisos, licencias, materiales, mano de obra, equipo y otros conceptos necesarios para el diseño y construcción del Edificio y actuando de conformidad con las Especificaciones, teniendo que entregar el Edificio al Arrendatario en condiciones de Ocupación Substantial (según se define más adelante), y en condiciones apropiadas para los usos permitidos conforme a la Cláusula III de este Contrato, en o antes de la Fecha de Entrega (según se define en el Anexo de Arrendamiento), y deberá conceder la Ocupación Benéfica (según se define más adelante) en la fecha prevista en el Anexo de Arrendamiento.

La construcción del Edificio será llevada a cabo con buena calidad y deberá cumplir con todas las leyes, regulaciones, decretos y códigos aplicables, incluyendo sin limitar, reglas de construcción, uso de suelo industrial, planes de desarrollo urbano, regulaciones estatales y municipales y la Legislación Ambiental (según se define más adelante).

Section 1.02. Non Fulfillment of the Conditions. In case that any of the Conditions is not met within the dates set forth in each case, or in any other date mutually agreed in writing by the parties, or if said non-fulfilled Condition is not waived in writing by the parties, this Agreement shall produce **no** legal effect and the parties will not be bound by its terms.

Should this Agreement be terminated by reason of non-fulfillment of all or any of the Conditions, the parties shall not be liable before the other, except that Tenant shall reimburse Landlord up to the amount of US\$130,000.00 (one hundred thirty thousand 00/100) dollars, legal currency of the united States of America (“Dollars”), plus value added tax, for reasonable out-of-pocket costs incurred by the Landlord pursuant to the terms of that certain expense reimbursement letter executed on November 28th, 2016, which the Tenant herein acknowledges and ratifies (the “Reimbursement Letter”).

CLAUSE II
Construction

Section 2.01. Construction. At Landlord’s sole cost, expense and risk, Landlord agrees to construct, build and develop the Building, through contractors, sub-contractors and suppliers selected by, and under the sole responsibility of Landlord, through a bidding process under an “open book basis”, and shall procure and obtain all of the permits, licenses, material, labor, equipment and all other items necessary for the design and construction of the Building in accordance with the Specifications, having to deliver the Building to Tenant in a state of Substantial Occupancy (as defined below) and in suitable conditions for its use as provided in Clause III hereof, on or before the Delivery Date (as such term is defined in the Lease Schedule) and shall allow Beneficial Occupancy (as defined below) in the date set forth in the Lease Schedule.

The construction of the Building shall be in good and workmanlike manner and shall comply with all applicable laws, regulations, decrees, codes, including without limitation construction rules, industrial zoning, urban development plans, state and municipal regulations and Environmental Laws (as defined below).

Las partes reconocen que el Inmueble incluirá un área de aproximadamente 9.4 has (nueve punto cuatro hectáreas) a ser destinadas para almacén y actividades de logística de producto terminado del Arrendatario, el cual cumplirá con las características que se detallan como parte de las Especificaciones (el “Área de Logística”).

Para efectos de claridad, las partes reconocen que el Arrendador no estará obligado y no llevará a cabo inversión alguna para el desarrollo de la espuela de ferrocarril y/o cualesquiera instalaciones accesorias a la misma que el Arrendatario desarrollará en el Inmueble, a su exclusivo costo y gasto. El Arrendador únicamente invertirá en las actividades relacionadas con el desarrollo del Área de Logística, incluyendo la limpieza del sitio y preparación de dicha área, sin estar obligado a exceder los límites de inversión que al respecto se detallan en el Anexo “2” de este Contrato.

Inciso 2.02. Ocupación Anticipada, Ocupación Substancial y Ocupación Benéfica. El Edificio estará completa y absolutamente terminado, de acuerdo a las Especificaciones, dentro de los 30 (treinta) días naturales posteriores a la Fecha de Ocupación Substancial establecida en el Anexo de Arrendamiento, dentro de dicho plazo de 30 (treinta) días, todos los puntos de la Lista de Pendientes deberán haber sido terminados.

El Arrendador entregará al Arrendatario reportes de avance semanal que reflejen el progreso hecho en la construcción del Edificio, desde el inicio y hasta la terminación del mismo. El Arrendador y el Arrendatario designan como sus representantes para efectos de la construcción del Inmueble a las personas que a continuación se listan, y el Arrendador y el Arrendatario se comunicarán sólo a través de dichas personas.

Por parte del Arrendador:

Diego Berho Carranza
Mario Chacón Gutiérrez

Por parte del Arrendatario:

Ariel Ventura
Ramesh Gopalakrishnan

The parties acknowledge that the Premises will include an area of approximately 9.4 hectares (nine point four hectares) for warehouse and logistics activities of finished products of the Tenant, which will comply with the characteristics included as part of the Specifications (the “Logistics Yard”).

For sake of clarity, the parties acknowledge that the Landlord will not be obliged and will not carry out any investment related to the development to of the rail spur and/or any accessories thereof, which the Tenant will carry out in the Premises, at its own cost and expense. Landlord will only invest in the activities related to the development of the Logistics Yard, including site clearing and preparation of such area, without being obliged to exceed the investment limits set forth in the Annex “2” hereto.

Section 2.02. Early Occupancy, Substantial Completion Date and Beneficial Occupancy. The Building will be fully and absolutely completed, according to the Specifications, within 30 (thirty) calendar days after the Substantial Occupancy Date set forth in the Lease Schedule, within such 30 (thirty) day term, all items included in the Punch List must be completed.

Landlord shall provide Tenant with weekly written reports reflecting the progress made of any construction work of the Building, from the beginning through the completion of the work. Landlord and Tenant hereby appoint as their representatives for the purposes of the construction of the Premises the persons listed below, and Landlord and Tenant shall only communicate through such persons.

By the Landlord:

Diego Berho Carranza
Mario Chacón Gutiérrez

By the Tenant:

Ariel Ventura
Ramesh Gopalakrishnan

El Arrendatario podrá inspeccionar el progreso de los trabajos de construcción en cualquier momento, y en caso de que determine que existe un incumplimiento con las Especificaciones y/o cualquier otro término de este Contrato, el Arrendatario podrá instruir al Arrendador, y el Arrendador deberá inmediatamente remover, reparar y/o reemplazar el trabajo defectuoso o inadecuado, por un trabajo correcto que cumpla con las Especificaciones, o demostrar al Arrendatario que el trabajo de que se trata cumple con dichas Especificaciones.

Si durante el proceso de la construcción las partes convienen cualquier cambio a las Especificaciones, las partes deberán celebrar el convenio modificatorio correspondiente para modificar el Anexo de Arrendamiento, en caso de que dicho cambio afecte las fechas de entrega, el monto de renta, el Plazo (según dicho término se define más adelante) o cualquier otro término de este Contrato o del Anexo de Arrendamiento, de lo contrario las partes evidenciarán el cambio de que trate a través de una orden de cambio por escrito y firmada por el Arrendador y el Arrendatario de acuerdo al forma estándar utilizado por el Arrendador.

Tenant may inspect the progress of the construction work at any time, and if any work is determined by Tenant not to be in compliance with the Specifications and/or other terms of this Agreement, Tenant may instruct Landlord, and Landlord shall immediately remove, repair and/or replace the defective or improper work with suitable and corrected work that complies with the Specifications, or demonstrate to Tenant that said works comply with such Specifications.

If during the construction works, the parties agree to any change to the Specifications, the parties shall execute the corresponding amendment to the Lease Schedule, in case that such change may affect the delivery dates, the amount of rent, the Term (as such term is defined below) or any other term of this Agreement or of the Lease Schedule, otherwise, the parties will evidence the relevant change by a change order made in writing and signed by each of the Landlord and the Tenant, according to the standard form of change orders used by the Landlord.

En cada una de las Fechas de Ocupación Anticipada, Ocupación Benéfica y de Ocupación Substantial del Edificio, el Arrendador y el Arrendatario se reunirán para inspeccionar el Edificio y suscribirán un certificado de entrega (el “Acta de Entrega”) en la que se hará constar: (i) la toma de posesión física y jurídica del Edificio por parte del Arrendatario, (ii) una descripción detallada del Edificio y de los bienes y accesorios con los que se entrega al Arrendatario, (iii) una memoria fotográfica del Edificio al momento de su entrega al Arrendatario, (iv) el estado de conservación y las condiciones de seguridad e higiene del Edificio al momento de la entrega, (v) en el caso de la Ocupación Substantial, una lista de aquellos trabajos que requieran ajuste o arreglo para que el Edificio cumpla con las Especificaciones; queda convenido que dichos trabajos deberán en todo caso corresponder a trabajos de mero ajuste, reemplazo de elementos menores que tuvieren algún defecto o serán de tipo cosmético, y que de ninguna manera podrán interferir con, o impedir el uso y goce normal del Edificio por parte del Arrendatario (la “Lista de Pendientes”), (vi) las fechas en las que los trabajos que se listen en la Lista de Pendientes será completados, el cual en ningún caso podrá exceder de 30 (treinta) días naturales después de la Fecha de Ocupación Substantial, salvo por causa debidamente justificada según lo convengan las partes, (vii) confirmación de la fecha de inicio de pago de renta y monto de la misma, (viii) confirmación de pago del Depósito en Garantía (según se define más adelante), (ix) aquellos otros asuntos o situaciones que, relacionados con la entrega del Edificio las partes deseen hacer constar en el Acta de Entrega, y (x) en el caso de la Ocupación Substantial, se agregará copia de las Licencias de Construcción (según se define más adelante).

Todas las Actas de Entrega deberán incluir una declaración por parte del supervisor de proyecto para la construcción del Edificio (el “Supervisor”), en la que establezca que el Edificio cumple con las condiciones establecidas en este Contrato y en las Especificaciones para ser considerado en estado de Ocupación Benéfica o Substantial, según sea el caso.

Para los efectos de este Contrato, los términos abajo mencionados tendrán los siguientes significados:

(a) Ocupación Anticipada: significa que el Edificio incluye: (i) paredes y techo suficientemente terminados para proteger de los elementos e inundaciones, (ii) bases de concreto para equipos y pisos terminados por lo menos al grado necesario para que los equipos del Arrendatario puedan ser instalados y probados, dicha área será determinada por acuerdo escrito entre el Arrendador y el Arrendatario, (iii) el piso del Edificio en general deberá estar limpio y compactado a un grado que permita maniobrar el equipo dentro de su ubicación, incluyendo incorporación de rampas de acceso temporales para acceder al piso de concreto, según lo acuerden el Arrendador y el Arrendatario por escrito, (iv) suministro de energía temporal a cargo del Arrendatario para ensamble de equipos, conexión y pruebas de 500 KVA’s con disponibilidad de conexiones de 480/277v y 220/125v en un área mutuamente designada, y (v) iluminación interior suficiente para que el Arrendatario pueda trabajar en las áreas designadas, misma que deberá ser independiente de los 500 KVA’s antes mencionados. Durante esta etapa los trabajos del Arrendador tendrán preferencia sobre los trabajos de instalación del Arrendatario.

El Arrendatario será responsable durante la Ocupación Anticipada de adoptar las medidas de seguridad que estime pertinentes respecto de los bienes que en esta etapa introduzca al Edificio, los que son introducidos a su propio riesgo, y el Arrendador no asume responsabilidad alguna al respecto, excepto en el caso de dolo o negligencia del Arrendador, sus contratistas, proveedores, empleados o cualquier otra persona por la que el Arrendador sea legalmente responsable.

On each of the Early Occupancy, Beneficial Occupancy and Substantial Occupancy Dates, Landlord and Tenant shall meet to inspect the Building, and will subscribe a delivery certificate (the “Delivery Certificate.”) which will include: (i) the delivery of the physical and legal possession of the Building to the Tenant, (ii) a detailed description of the Building and of the goods and accessories of the same being delivered to the Tenant, (iii) a photographic memory of the Building at the time of delivery to Tenant, (iv) the conservation and security conditions in which the Building is being delivered to the Tenant, (v) in the case of Substantial Occupancy, a list of those items requiring adjustment or repair for the Building to be in accordance to the Specifications; being hereby agreed that such items shall, in all cases, correspond to adjustments or replacement of minor elements having a defect, or of cosmetic type and that in no case will interfere with, or impede the normal use and enjoyment of the Building by the Tenant (the “Punch List”), (vi) the dates in which the items listed in the Punch List will be completed, which in no case may exceed of 30 (thirty) days from the Substantial Occupancy Date, except in duly justified cases as agreed by both parties, (vii) confirmation of the rental payment commencement date, (viii) confirmation of payment of the Security Deposit (as defined below), (ix) those other matters that related to the delivery of the Building the parties wish to include within the Delivery Minutes, and (x) in the case of Substantial Occupancy, a copy of the Construction Licenses (as defined below).

All Delivery Certificates must include a representation made by the project manager of the construction of the Building (the “Supervisor”), stating that the Building complies with all requirements set forth in the Specifications and in this Agreement to be considered in a condition of Beneficial Occupancy or Substantial Occupancy, as the case may be.

For purposes of this Agreement, the terms below will have the following meanings:

(a) Early Occupancy: means that the Building already includes: (i) walls and roof finished to an extent to be protected from the elements and flooding, (ii) equipment fixture concrete pads and floor slab finished to at least the extent where Tenant’s equipment will be installed and tested, which area must be agreed in writing by Tenant and Landlord, (iii) overall Building’s floor pad compacted base smooth and clean in order to safely maneuver equipment into place, including incorporation of temporary access ramps onto finished concrete floor slab, as per that mutually agreed in writing by the Landlord and Tenant, (iv) exclusive temporary electrical power, at Tenant’s cost, for equipment assembly, hook-up and testing up to 500 KVA’s with availability of 480/277v and 220/125v connections in the mutually designated area, and (v) sufficient interior building lighting for the Tenant to be able to work in the mutually designated areas, which power should be provided separate from the 500 KVA’s above. During this stage Landlord’s works shall have preference on the Tenant’s installation works.

Tenant shall be responsible during the Early Occupancy of adopting all the security measures it deems appropriate for the security of the goods that on this stage it may introduce to the Building, which in all cases are introduced at its own risk, and the Landlord shall not assume any kind of responsibility thereon, except in cases of willful misconduct or negligence of the Landlord, its contractors, suppliers, employees or any other person for whom the Landlord is legally responsible.

(b) Ocupación Benéfica : significa que la construcción del Edificio se encuentra en un estado de avance tal, que el Arrendatario puede ingresar al mismo con el único propósito de llevar a cabo labores de instalación y pruebas de sus equipos y maquinarias en un ambiente seguro. Para efectos de claridad, la infraestructura necesaria para conectar electricidad y otros servicios puede ser que aún **no** estuvieran terminadas y listas para su conexión, y el Edificio sólo contará con pisos, paredes y cubierta de techo debidamente instaladas, para cualquier prueba de equipos, el Arrendatario deberá proveer a su costo y riesgo los elementos que requiera, tales como energía temporal. El Arrendatario reconoce expresamente que, a la Fecha de Ocupación Benéfica, la construcción del Edificio aún no ha sido completamente terminada, por lo que las actividades del Arrendatario dentro del Edificio no podrán de forma alguna interferir con los trabajos de construcción e instalación del Arrendador, y el Arrendatario estará sujeto a todos y cada una de las regulaciones y medidas de seguridad que el Arrendador instituya dentro del Edificio durante el periodo de construcción del mismo, y los trabajos del Arrendador tendrán preferencia sobre los trabajos de instalación del Arrendatario.

El Arrendatario será responsable durante la Ocupación Benéfica de adoptar las medidas de seguridad que estime pertinentes respecto de los bienes que en esta etapa introduzca al Edificio, los que son introducidos a su propio riesgo, y el Arrendador no asume responsabilidad alguna al respecto, excepto en el caso de dolo o negligencia del Arrendador, sus contratistas, proveedores, empleados o cualquier otra persona por la que el Arrendador sea legalmente responsable.

(c) Ocupación Substancial: significa que, con excepción de los puntos que se detallan en la Lista de Pendientes, los trabajos de construcción e instalación a llevarse a cabo por parte del Arrendador de conformidad con las Especificaciones han sido concluidas y el Edificio se encuentra listo para su ocupación por parte del Arrendatario conforme a los términos de este Contrato y para ser utilizado para los fines aquí previstos.

(b) Beneficial Occupancy : means that the construction of the Building is in a state of progress in which Tenant may enter therein with the sole purpose of carrying out the installation and testing of its equipment and machineries in a safe environment. For sake of clarity, infrastructure to hook up electricity and other utilities may **not** be terminated and ready for connection, and the Building shall only have floors, walls and roof cover duly installed, for any testing of equipment, the Tenant must provide at its own cost and risk the required elements, such as temporary electricity. Tenant expressly acknowledges that at the Beneficial Occupancy Date, the construction of the Building has not been completely terminated; therefore, Tenant activities within the Building, may not interfere in any manner with the construction and installation works of Landlord, and Tenant will be subject to each and all of the regulations and security measures issued by the Landlord at the Building during the construction period, and in all cases Landlord's works shall have preference on the Tenant's installation works.

Tenant shall be responsible during the Beneficial Occupancy of adopting all the security measures it deems appropriate for the security of the goods that on this stage it may introduce to the Building, which in all cases are introduced at its own risk, and the Landlord shall not assume any kind of responsibility thereon, except in cases of willful misconduct or negligence of the Landlord, its contractors, suppliers, employees or any other person for whom the Landlord is legally responsible.

(c) Substantial Occupancy : means that, except for the items listed in the Punch List, the construction and installation works to be performed by Landlord pursuant to the Specifications have been fully completed and the Building is ready for occupation by Tenant, pursuant to the terms of this Agreement and to be used for the purposes set forth herein.

El Arrendatario será responsable durante la Ocupación Benéfica de adoptar las medidas de seguridad que estime pertinentes respecto de los bienes que en esta etapa introduzca al Edificio, los que son introducidos a su propio riesgo, y el Arrendador no asume responsabilidad alguna al respecto, excepto en el caso de dolo o negligencia del Arrendador, sus contratistas, proveedores, empleados o cualquier otra persona por la que el Arrendador sea legalmente responsable.

(c) Ocupación Substancial: significa que, con excepción de los puntos que se detallan en la Lista de Pendientes, los trabajos de construcción e instalación a llevarse a cabo por parte del Arrendador de conformidad con las Especificaciones han sido concluidas y el Edificio se encuentra listo para su ocupación por parte del Arrendatario conforme a los términos de este Contrato y para ser utilizado para los fines aquí previstos.

El Arrendador entregará el Edificio en la Fecha de Ocupación Substancial que corresponda con todos los sistemas en buen estado y las líneas de servicios públicos construidas hasta el Edificio y listas para recibir los servicios una vez que el Arrendatario haya contratado los servicios con los proveedores correspondientes. Sin embargo, en caso de que los servicios públicos no hayan sido conectados a la Fecha de Ocupación Substancial que corresponda por una razón diferente de un retraso por parte del Arrendador en desarrollar sus trabajos de construcción, entonces el equipo instalado en el Edificio será probado hasta que los servicios de energía, electricidad y cualquier otro hayan sido contratados por el Arrendatario, sin que se considere como un incumplimiento del Arrendador.

Tenant shall be responsible during the Beneficial Occupancy of adopting all the security measures it deems appropriate for the security of the goods that on this stage it may introduce to the Building, which in all cases are introduced at its own risk, and the Landlord shall not assume any kind of responsibility thereon, except in cases of willful misconduct or negligence of the Landlord, its contractors, suppliers, employees or any other person for whom the Landlord is legally responsible.

(c) Substantial Occupancy: means that, except for the items listed in the Punch List, the construction and installation works to be performed by Landlord pursuant to the Specifications have been fully completed and the Building is ready for occupation by Tenant, pursuant to the terms of this Agreement and to be used for the purposes set forth herein.

Landlord shall deliver the Building on the Date of Substantial Occupancy with all systems in good working order, and all utilities lines duly built up to the Building and ready for receiving the relevant services once that the Tenant had executed the respective service contracts with the utilities' providers. However, should the required utilities are not connected by the Date of Substantial Completion due to a reason other than from a delay by Landlord in performing the required construction works, the equipment installed at the Building shall be tested when energy, water and any other utility have been hired by Tenant, and it shall not be considered as Landlord's breach.

El Arrendador en todo caso cooperará y asistirá al Arrendatario en el proceso de contratación de los servicios públicos requeridos por el Arrendatario para su operación en el Inmueble, incluyendo sin limitar, el servicio de energía eléctrica, sin que dicha cooperación o asistencia represente una garantía de contratación o calidad de los servicios, o una responsabilidad para el Arrendador, pues su obligación se limita a invertir y llevar cabo las obras necesarias para que el Inmueble pueda recibir dichos servicios. La cooperación y asistencia aquí descrita consistirán en proporcionar documentos y elementos que los proveedores le soliciten al Arrendatario y que estén en poder del Arrendador, incluyendo aquellos relativos a las instalaciones hechas por el Arrendador conforme a este Contrato. La contratación de dichos servicios, será responsabilidad única y exclusiva del Arrendatario. Adicionalmente, el Arrendador pondrá a disposición del Arrendatario, a costo del Arrendatario, uno o más generadores eléctricos portátiles a fin de proveer energía temporal para permitir al Arrendatario probar moldes y otros equipos que serán instalados en el Edificio, según lo acuerden por escrito el Arrendador y el Arrendatario. El Arrendatario reconoce y asume el riesgo de cualesquiera daños a sus equipos y bienes causados por el uso de dichos fuentes temporales de energía para llevar a cabo dichas pruebas, y en este acto libera al Arrendador de cualquier responsabilidad al respecto.

Inciso 2.03. Trabajos de Construcción del Arrendador. (a) Toda la mano de obra y materiales empleados (i) en la construcción y (ii) todos los accesorios y equipos suministrados por los contratistas y subcontratistas del Arrendador e instalados en el Edificio, serán nuevos y de primera calidad, y salvo que el fabricante o contratista otorgue una garantía más prolongada, deberán estar garantizados por los contratistas y subcontratistas del Arrendador por el periodo de por lo menos dos (2) años contados a partir de la Fecha de Inicio de Arrendamiento, excepto por los sucesos y mal funcionamiento ocasionados por la negligencia o uso inapropiado o modificaciones no autorizadas por parte del Arrendatario, sus empleados, agentes, contratistas, representantes, invitados o cualquier persona por la que el Arrendatario pueda ser responsable, tales como apertura de sellos de calidad, modificación de equipos en contravención de lo dispuesto en los manuales de operación, sustitución de partes originales o violación de los términos de las garantías respectivas.

El Arrendador sólo será responsable de vicios ocultos en el Edificio en términos de lo previsto en este Contrato.

Con relación al techo y sus accesorios, incluyendo membrana impermeable, canalones y bajadas de agua, estas tendrán una garantía de 10 (diez) años más los plazos de las Prorroga(s). La garantía aquí otorgada estará sujeta a que durante el periodo de garantía, el Arrendatario contrate y mantenga vigente una póliza de mantenimiento adecuada a fin de mantener las garantías otorgadas al Arrendador por el contratista original. En caso de que el Arrendatario no contrate o en cualquier momento durante el plazo de la garantía aquí establecido deje, por cualquier causa, de contar con dicha póliza o no lleve a cabo las actividades requeridas bajo dicha póliza, la garantía aquí prevista perderá efecto y el Arrendador entonces sólo será responsable de los vicios ocultos en los términos que más adelante se detallan .

In all cases Landlord shall cooperate and assist the Tenant in the process of contracting the utilities required by the Tenant for its operation at the Premises, including without limitation electric energy, without such cooperation or assistance representing any guaranty of hiring or quality, or a responsibility to the Landlord, since its obligation is limited to invest and carry out the necessary works for the Premises to be able to receive such utilities. Said cooperation and assistance shall consist in providing documents and all elements that the service providers required to Tenant and that are in possession of the Landlord, including those related to the installations made by the Landlord pursuant to this Agreement. Tenant is the sole responsible for hiring all such services. In addition, Landlord shall make available to Tenant, at Tenant's cost, one or more portable electric generators to provide a temporary source of electricity to enable Tenant to test molds and other equipment that will be installed at the Building as mutually agreed upon in writing by Landlord and Tenant. Tenant acknowledges and assumes any risk for damages caused to its equipment and goods by using temporary sources of energy for testing it, and hereby releases Landlord from any liability.

Section 2.03. Construction Works by Landlord. (a) All workmanship and materials used (i) in the construction and (ii) in all fixtures and equipment furnished by Landlord's contractors and subcontractors and installed in the Building, shall be new and of first quality, and if no longer guaranty is provided by the manufacturer or contractor, shall be guaranteed by Landlord's contractors and subcontractors for a period of at least two (2) years after the Lease Commencement Date, except for occurrences and malfunctions due to negligence or improper use or unauthorized modifications by Tenant, its employees, agents, contractors, representatives, guests or any other person for which Tenant is responsible, such as opening quality seals, modifying the equipment in contravention to that set forth in the operating manuals, substitution of original components, or breaching the terms of the relevant guarantee.

Landlord shall only be responsible for hidden defects of the Building, in terms of that set forth in this Agreement.

With respect to the roof and its accessories, including waterproof membrane, gutters and downpours, shall be guaranteed for a term of 10 (ten) years plus any Extension(s). The guaranty granted herein shall be subject to, during the guaranty period, the hiring by the Tenant of a maintenance policy in order not to affect the respective warranties granted by the original roof contractors to the Landlord. Should the Tenant fail to hire or keep in effect, for any reason, during the time of the guaranty set forth herein, the maintenance policy or to carry out any action required under said policy, the guarantee granted herein shall become ineffective, and Landlord shall then only be liable for hidden defects according to the terms set forth below.

Cualquier parte del Inmueble sujeta a reparación bajo la garantía antes mencionada, deberá ser garantizada por el Arrendador o los contratistas o subcontratistas del Arrendador por un periodo de dos (2) años adicionales partir de la fecha de dicha reparación o reemplazo. El Arrendador cederá y transmitirá al Arrendatario todas las garantías de los proveedores en relación con los equipos y otras porciones del trabajo de construcción. Las garantías no cubrirán eventos o mal funcionamiento o modificaciones no autorizadas causados u ocasionados por negligencia o uso inapropiado del Arrendatario, sus empleados, agentes, contratistas, representantes, invitados o cualquier persona por la que el Arrendatario sea responsable, tales como apertura de sellos de calidad, modificación de equipos en contravención de lo dispuesto en los manuales de operación, sustitución de partes originales o violación de los términos de las garantías respectivas.

(b) El Arrendador construirá o hará que se construyan las obras que se detallan en las Especificaciones en forma correcta y profesional utilizando material de primera calidad y en cumplimiento con todas las leyes, reglamentos y regulaciones de carácter federal, estatal y municipal que resulten aplicables al Inmueble. El Arrendador en este acto garantiza y conviene en realizar cualquier reparación o reemplazo necesario al trabajo de construcción que no cumpla con dichas normas y reglamentos aplicables y con las Especificaciones.

(c) El Arrendador será responsable por el personal utilizado para la construcción del Edificio; por lo tanto se obliga a: (a) utilizar personal calificado y adecuado para tal efecto, (b) cerciorarse de que los contratistas y proveedores seleccionados para realizar la construcción del Edificio cuenten con la capacidad material y humana necesaria para llevar a cabo las actividades que se les encomienden, (c) que el personal que lleve a cabo la construcción del Edificio cuente con el equipo de seguridad necesario, (d) que los contratistas y proveedores cuenten con los seguros de responsabilidad civil que se acostumbren para la realización de los trabajos que cada uno llevará a cabo, (e) cerciorarse de que todos los contratistas seleccionados tenga a su personal debidamente inscrito en el Instituto Mexicano del Seguro Social y den cumplimiento a sus respectivas obligaciones como patrones, tanto de seguridad social, como fiscales y laborales, y (f) en todo caso, mantener al Arrendatario libre de responsabilidad y en paz y a salvo respecto de toda y cualquier reclamación de tipo laboral que dicho personal inicie en su contra, así como de cualquier responsabilidad por cualquier tipo de accidente o percance durante la realización de la construcción del Edificio, excepto cuando dicho accidente se derive de actos u omisiones del Arrendatario, sus directores, funcionarios, empleados, asesores, representantes, contratistas, factores, dependientes, visitantes o cualquier otra persona por la que el Arrendatario sea legalmente responsable.

Any part of the Premises subject to repair under the above mentioned guaranty shall be guaranteed by Landlord or Landlord's contractors and subcontractors for a period of two (2) additional years from the date of the repair or replacement thereof. Landlord shall assign and transfer to Tenant all of the manufacturers' warranties relative to equipment and other portions of the construction work. Guarantees shall not apply to occurrences and malfunction due to the negligence or improper use or unauthorized modifications by Tenant, its employees, agents, contractors, representatives, guests or any other person for which Tenant is responsible, such as opening quality seals, modifying the equipment in contravention to that set forth in the operating manuals, substitution of original components, or breaching the terms of the relevant guarantee.

(b) Landlord will build or will order the construction of the works listed in the Specifications in professional and correct form using first quality materials and in compliance with all federal, state and municipal laws and regulations applicable to the Premises. Landlord hereby guarantees and agrees to carry out any repair and/or replacement necessary to the construction works which do not comply with all applicable norms and regulations and with the Specifications.

(c) The Landlord shall be responsible for the personnel used for the construction of the Building; therefore, binds itself to (a) use qualified and adequate personnel to that end, (b) ensure that the selected contractors and suppliers for the construction of the Building have the material and human capacity to carry out the activities required from them, (c) that the personnel carrying out the construction of the Building has the necessary security equipment, (d) that the contractors and suppliers have all civil liability insurance policies customary for the type of works that each of them will be performing, (e) make sure that the selected contractors have registered their personnel before the Mexican Social Security Institute and comply with their respective obligations as employers, including social security, tax and other labor obligations, and (f) in all case, keep the Tenant safe and harmless with respect to any and all labor claim that such personnel may file against Tenant, as well as safe and harmless from any liability for any kind of accident during the construction of the Building, except is such accident derives from acts or omissions of the Tenant, its directors, officers, employees, consultants, representatives, contractors, managers, visitors or any other person for which the Tenant is legally liable.

(d) El Arrendatario podrá, pero no estará obligado, a su costo y cargo, inspeccionar el progreso de los trabajos de construcción del Edificio en cualquier momento, sin que esto se puede entender como una liberación de las obligaciones del Arrendador, quien será el único responsable de construir el Edificio conforme a lo previsto en este Contrato. En ningún caso dichas labores de inspección podrán interferir con los trabajos de construcción del Arrendador, y en ningún momento tendrá el Arrendatario autoridad alguna en el sitio de la construcción, salvo para detener trabajo defectuosos o que no esté en cumplimiento con las Especificaciones.

(e) El Arrendador deberá entregar el Edificio con todos sus sistemas listos y en buen estado y con las líneas de servicios públicos ubicadas y listas para recibir los servicios públicos correspondientes, una vez que el Arrendatario contrate dichos servicios públicos.

Inciso 2.04. Diseño de Construcción, Administración y Supervisión. El Arrendador será responsable de todos los trabajos necesarios o convenientes para el desarrollo del Edificio, sin responsabilidad alguna para el Arrendatario.

Inciso 2.05. Pena Convencional. Las partes convienen que en caso de que:

(i) La Fecha de Ocupación Substancial del Edificio se retrase por más de 10 (diez) días naturales, por causas atribuibles al Arrendador y/o a sus contratistas, subcontratistas o proveedores (excepto por casos de fuerza mayor en términos de lo previsto por la legislación aplicable; o condiciones climatológicas documentadas que en términos de las regulaciones aplicables impidan parcial o totalmente las actividades de construcción del Edificio, según lo certifique el Supervisor; o retraso de autoridades en la emisión de las Licencias de Construcción, en el entendido de que el Arrendador ha presentado en tiempo todos los documentos necesarios; o retraso en los procesos de conexión de los servicios públicos por causas que no sean atribuibles al Arrendador; o retrasos atribuibles al Arrendatario), el Arrendador pagará al Arrendatario como pena convencional por dicho retraso a partir del día 11 (once) siguiente a la Fecha de Ocupación Substancial, el equivalente a un día de pago de renta por cada día de retraso en la entrega de la Ocupación Substancial del Edificio conforme a este Contrato y al Anexo de Arrendamiento, en el entendido de que durante dicho retraso el Arrendatario no tendrá obligación de pagar renta por el Edificio; y

(d) Tenant may, but is not obligated to, at its own cost and expense, inspect the progress of the construction of the Building, at any time, without being deemed as a release Landlord's obligations, which shall be solely responsible for the construction of the Building pursuant to this Agreement. In no case such inspection activities may interfere with the construction works of the Landlord, and in no case, shall the Tenant have any kind of authority in the construction site, except as provided hereunder to stop defective or non-compliance work with the Specifications.

(e) The Landlord must deliver the Building with all of its systems ready and in good working condition and with all the lines for utilities duly located and ready to receive the corresponding services, once that the same are hired by the Tenant.

Section 2.04. Construction Design, Management and Supervision. Landlord shall be responsible for all the required or convenient work to develop the Building, without any responsibility to the Tenant.

Section 2.05. Penalty. The parties agree that in case that:

(i) The Substantial Occupancy Date of any of the Building be delayed for more than 10 (ten) calendar days, due to causes attributable to Landlord and/or its contractors, subcontractors or suppliers (except for force majeure cases according to applicable law; or documented weather conditions that according to applicable regulations prevent in part or in whole the construction activities at the Building, as certified by the Supervisor; or delay by the relevant authorities in delivering the Construction Licenses, provided that the Landlord has filed all necessary documents; or delay in the utilities' connection processes due to causes not attributable to Landlord; or delays attributable to Tenant), the Landlord will pay to the Tenant a conventional penalty for such delay, starting on day 11 (eleven) from the Substantial Occupancy Date, equivalent to one day of rental payment per each day of delay in delivering the Substantial Occupancy of the Building pursuant to this Agreement and the Lease Schedule; provided that, during such delay the Tenant shall have no obligation to pay rent for the Building; and

(ii) Si la Fecha de Ocupación Substantial del Edificio se retrasara por más de 30 (treinta) días naturales, por causas atribuibles al Arrendador y/o a sus contratistas, subcontratistas o proveedores

(excepto por casos de fuerza mayor en términos de lo previsto por la legislación aplicable; o condiciones climatológicas, documentadas que en términos de las regulaciones aplicables impidan parcial o totalmente las actividades de construcción del Edificio, según lo certifique el Supervisor; o retraso de autoridades en la emisión de las Licencias de Construcción, en el entendido de que el Arrendador ha presentado en tiempo todos los documentos necesarios; o retraso en los procesos de conexión de los servicios públicos por causas que no sean atribuibles al Arrendador; o retrasos atribuibles al Arrendatario), el Arrendador pagará al Arrendatario, a partir del día 31 (treinta y uno) después de la Fecha de Ocupación Substantial, una pena convencional por retraso igual a la cantidad equivalente a 2 (dos) días de pago de renta por cada día de retraso en la entrega de la Ocupación Substantial del Edificio conforme a este Contrato y al Anexo de Arrendamiento; en el entendido de que durante dicho retraso el Arrendatario no tendrá obligación de pagar renta por el Edificio.

En caso que la Fecha de Ocupación Substantial del Edificio demore más de 90 (noventa) días, o si al llegar la Fecha de Ocupación Substantial del Edificio es razonable prever que la Fecha de Ocupación Substantial del Edificio demorará más de 90 (noventa) días por causas atribuibles al Arrendador y/o a sus contratistas, subcontratistas o proveedores (excepto por casos de fuerza mayor en términos de lo previsto por la legislación aplicable; o condiciones climatológicas documentadas que en términos de las regulaciones aplicables impidan parcial o totalmente las actividades de construcción del Edificio, según lo certifique el Supervisor; o retraso de autoridades en la emisión de las Licencias de Construcción, en el entendido de que el Arrendador ha presentado en tiempo todos los documentos necesarios; o retraso en los procesos de conexión de los servicios públicos por causas que no sean atribuibles al Arrendador; o retrasos atribuibles al Arrendatario), el Arrendatario tendrá derecho a dar por terminado este Contrato, sin responsabilidad alguna frente al Arrendador, por ser este un incumplimiento substancial del Arrendador.

Dichas penas convencionales se computarán hasta el día en que el Arrendador notifique por escrito al Arrendatario que el Edificio se encuentra en estado de Ocupación Substantial conforme a las Especificaciones, según lo certifique por escrito el Supervisor .

Las penas que se llegaren a causar conforme a este Inciso, serán compensadas contra la renta pagadera por el Arrendatario al Arrendador conforme a la Cláusula V de este Contrato.

(ii) If the Substantial Occupancy Date of the Building be delayed for more than 30 (thirty) calendar days, due to causes attributable to Landlord and/or its contractors, subcontractors or suppliers (except for force majeure cases according to applicable law; or documented weather conditions that according to applicable regulations prevent in part or in whole the construction activities at the Building, as certified by the Supervisor; or delay by the relevant authorities in delivering the Construction Licenses, provided that the Landlord has filed all necessary documents; or delay in the utilities' connection processes due to causes not attributable to Landlord; or delays attributable to Tenant), the Landlord will pay to the Tenant, from the 31st (thirty first) day following the Date of Substantial Occupancy, a conventional penalty equivalent to 2 (two) days rental payment per each day of delay in delivering the Substantial Occupancy of the Building pursuant to this Agreement; provided that, during such delay the Tenant shall have no obligation to pay rent for the Building.

If the Date of Substantial Occupancy of Building is delayed for more than 90 (ninety) days, or if by the Date of Substantial Occupancy of the Building, is reasonably foreseen that the Date of Substantial Occupancy of the Building will be delayed more than 90 (ninety) days, due to causes attributable to Landlord and/or its contractors, subcontractors or suppliers (except for force majeure cases according to applicable law; or documented weather conditions that according to applicable regulations prevent in part or in whole the construction activities at the Building, as certified by the Supervisor, or delay by the relevant authorities in delivering the Construction Licenses, provided that the Landlord has filed all necessary documents; or delay in the utilities' connection processes due to causes not attributable to Landlord; or delays attributable to Tenant), or delays attributable to Tenant), Tenant shall have the right to terminate this Agreement, without any liability before the Landlord by deeming this delay as substantive breach of the Landlord.

Such conventional penalties shall be computed until the day in which the Landlord notifies the Tenant in writing that the Building is in condition of Substantial Occupancy as per that set forth in the Specifications, as certified in writing by the Supervisor.

The penalties caused pursuant to this Section, shall be offset against the rents payable by the Tenant to the Landlord pursuant to Clause V hereof.

Salvo por el derecho del Arrendatario de dar por terminado el Contrato, de conformidad con el segundo párrafo del inciso (ii) anterior, las penas convencionales aquí descritas, serán las únicas penalidades aplicables al incumplimiento consistente en el retraso en la entrega de cada del Edificio en condiciones de Ocupación Substantial.

El Edificio será entregado en estado de Ocupación Benéfica en la fecha que se establezcan en el Anexo de Arrendamiento; en el entendido de que el retraso en la Fecha de Ocupación Anticipada y en la Fecha de Ocupación Benéfica del Edificio no causará el pago de pena convencional alguna.

Inciso 2.06. Licencia de Construcción. El Arrendador, ya sea directamente o a través de sus contratistas, será el responsable de la obtención de todas aquellas licencias y permisos relativos al uso de suelo industrial, impacto ambiental, la licencia de construcción y el aviso de terminación de obra del Edificio, así como cualquier otro necesario para la construcción del mismo (conjuntamente las “Licencias de Construcción”). Copias de las Licencias de Construcción serán entregadas al Arrendatario tan pronto como sea posible pero no más tarde de la Fecha de Ocupación Substantial, a fin de que el Arrendatario pueda obtener las licencias y permisos que sean necesarias para el funcionamiento de su negocio o industria en el Inmueble.

Inciso 2.07. Certificación LEED. Las partes convienen que el Edificio, así como cualquier ampliación al mismo que en el futuro se haga conforme a lo previsto en este Contrato deberán obtener la certificación “Silver” de Liderazgo en Diseño de Energía y Ambiente “LEED” emitida por el *Green Building Council* de los Estados Unidos de América. Con el propósito de obtener y mantener dicha certificación “Silver” respecto del Edificio y las demás construcciones que componen el Inmueble, el Arrendador se obliga a llevar a cabo todos los actos necesarios por el lado de la construcción del Inmueble para tal efecto, y el Arrendatario se obliga a llevar a cabo todos los actos necesarios desde el punto de vista de la operación del Inmueble para tal efecto. Una vez satisfecho el proceso de certificación, el Arrendador deberá entregar al Arrendatario copias del certificado o cualquier otro documento que evidencie que el Edificio y cualquier otra construcción que integra el Inmueble han obtenido la certificación “Silver” LEED.

Except for Tenant’s right to terminate as set forth in the second paragraph on item (ii) above, the conventional penalties herein described, are the only penalties applicable to the breach consisting in the delay of delivery of the Building in a condition of Substantial Occupancy.

The Building will be available for Beneficial Occupancy by the date set forth in the Lease Schedule; provided that a delay in the Date of Early Occupancy and in the Date of Beneficial Occupancy of the Building will not cause the payment of any conventional penalty.

Section 2.06. Construction Licenses. Landlord whether on its own or through its contractors, will be responsible to obtain all permits and licenses related to industrial zoning (*uso de suelo*), environmental impact (*impacto ambiental*), the construction license (*licencia de construccion*) and the construction termination notice (*aviso de terminación de obra*) of the Building, as well as any other necessary for the construction of the same (collectively, the “Construction Licenses”). Copies of the Construction Licenses will be delivered to Tenant as soon as available but no later than the Date of Substantial Occupancy, so the Tenant may be able to obtain the licenses and permits necessary for the operation of its business or industry at the Premises.

Section 2.07. LEED Certification. The parties hereby agree that the Building, as well as any expansion of the same that in the future may be carried out according to that set forth in this Agreement, must obtain the “Silver” certification of Leadership in Energy and Environmental Design “LEED” issued by the Green Building Council of the United States of America. In order to obtain and maintain said “Silver” certification regarding to the Building, and constructions comprising the Premises, the Landlord binds itself carry out all necessary actions on the side of the construction of the Premises to that end, and the Tenant binds itself to carry out all actions necessary from the point of view of the operation of the Premises to that end. Upon completion of the certification process, Landlord shall deliver Tenant with copies of the certificate and any other evidence that the Building and all other constructions comprising the Premises are “Silver” LEED certified.

CLÁUSULA III
Arrendamiento Maestro

Inciso 3.01. Arrendamiento Maestro. Sujeto al cumplimiento de todas las Condiciones, el Arrendador y el Arrendatario convienen que este Contrato funcionará como un Contrato de Arrendamiento Maestro (el “Arrendamiento Maestro”) el cual aplicará para el Terreno y para el Edificio a ser construido sobre el Terreno de conformidad con los términos y condiciones del presente.

Las partes convienen que los términos de este Contrato constituirán los términos generales del arrendamiento del Inmueble y que celebrarán un anexo (el “Anexo de Arrendamiento”) en términos substancialmente iguales al formato que se acompaña como Anexo “3”, para el Edificio. El Anexo de Arrendamiento incluirá el costo del desarrollo del Edificio y el cálculo de la renta, así como un anexo identificando los bienes y equipo que instalará el Arrendatario en el Edificio. Para ser válido, el Anexo de Arrendamiento deberá ser firmado por apoderados de las partes y determinará la Fecha de Inicio del Arrendamiento para cada Edificio, los términos económicos, las Especificaciones, la ubicación y los términos y condiciones específicos para el Edificio.

Asimismo, las partes acuerdan que en caso de que en el futuro exista un acuerdo de las partes para el desarrollo de nuevos edificios, modificaciones o instalaciones adicionales en el Terreno que vayan a ser desarrolladas por el Arrendador y por ende sean sujetos de arrendamiento conforme a este Contrato, los mismos podrán ser documentados a través de anexos de arrendamiento adicionales, elaborados en términos sustancialmente iguales al formato que se acompaña como Anexo “3” de este Contrato y en dicho caso, los anexos de arrendamiento serán numerados de forma consecutiva.

Los términos generales de este Contrato junto con los términos de cualquier Anexo de Arrendamiento suscrito conforme a este Contrato, constituirán el acuerdo integral respecto del arrendamiento del Edificio y demás partes que constituyan el Inmueble.

El Arrendador dará en arrendamiento al Arrendatario y éste tomará en arrendamiento el Inmueble, sujeto a los términos y condiciones de este Contrato y a los términos específicos establecidos en el Anexo de Arrendamiento.

CLAUSE III
Master Lease

Section 3.01. Lease. Subject to the fulfillment of all the Conditions, Landlord and Tenant agree that this Agreement shall serve as a Master Lease Agreement (the “Master Lease”) governing the lease of the Land and of the Building to be developed at the Land pursuant to the terms and conditions hereof.

The parties agree that the terms of this Agreement shall provide the general lease terms for the Building and that there shall be a schedule (the “Lease Schedule”), substantially in the form attached hereto as Annex “3”, for each Building. The Lease Schedule shall set forth the development cost of the Building and the calculation of rent and include an annex identifying Tenant’s personal property and equipment that is intending to install at the Building. For the Lease Schedule to be valid, shall be signed by the legal representatives of the parties and will specify the Lease Commencement Date for the Building, the economic terms, the Specifications, the location of the Building and the specific terms and conditions for the Building.

Likewise, the parties agree that if in the future there is an agreement between the parties to develop new buildings, modifications or other installations at the Land, that are to be developed by the Landlord and therefore, be subject to lease under this Agreement, the same may be evidenced through additional lease schedules, which shall be prepared in substantially the same terms as the form attached hereto as Annex “3”, and in such case, the lease schedules will be consecutively numbered.

The general terms of this Agreement together with the specific terms of any Lease Schedule executed pursuant to the terms hereof, shall constitute the entire agreement with respect to the lease of the Building and all other parts comprising the Premises.

Landlord shall grant the lease to the Tenant, and the later will lease the Premises, subject to the terms and conditions of this Agreement and those specific terms set forth in the Lease Schedule.

Antes del inicio de la construcción del Edificio o de cualquier otra parte del Inmueble conforme a este Contrato, el Arrendador y el Arrendatario celebrarán un Anexo de Arrendamiento al respecto.

Una vez cumplidas las Condiciones, el Arrendatario y al Arrendador se obligan a (i) suscribir el Anexo de Arrendamiento, y (ii) el Arrendatario deberá entregar al Arrendador la correspondiente Garantía de Arrendamiento junto con la Garantía Adicional (según se define más adelante) no más tarde del día que sea 5 (cinco) días hábiles contados a partir de la fecha de firma del Anexo de Arrendamiento.

El Arrendador entregará al Arrendatario y éste tomará posesión del Edificio de conformidad con el Anexo de Arrendamiento aplicable, en estado físico apto para su uso, de higiene y en condiciones de seguridad, listo para los usos permitidos conforme al Inciso 3.03 siguiente, en la Fecha de Ocupación Substantial pactada en el Anexo de Arrendamiento y previa suscripción del Acta de Entrega aplicable.

Para efectos de este Contrato el Arrendatario actúa en nombre y por cuenta propia, y no asume ningún derecho ni obligación a nombre ni por cuenta de terceros, siendo el Arrendatario la única persona que se beneficie directamente de este Contrato y los documentos que del mismo se deriven.

Para los propósitos de este Contrato, las partes convienen que la Fecha de Ocupación Substantial establecida en el Anexo de Arrendamiento, será considerada como la “Fecha de Inicio del Arrendamiento” para el Edificio.

Para efectos de claridad, la totalidad del Terreno forma parte de este Contrato, a partir de la Fecha de Inicio del Arrendamiento del Edificio, por lo tanto, el Arrendatario tendrá derecho a utilizarlo como parte del Inmueble; por lo tanto el Terreno en su totalidad se considerará para todos los efectos como parte del Inmueble y su uso se sujetará a los términos y condiciones de este Contrato, salvo acuerdo escrito en contrario por las partes, y su uso y goce pacífico estará garantizado por el Arrendador e incluido dentro de la renta aplicable conforme a la Cláusula V siguiente.

Before starting the construction of the Building or any other part comprising the Premises pursuant to this Agreement, the Landlord and the Tenant will execute the relevant Lease Schedule.

Upon compliance of the Conditions, Tenant and Landlord (i) shall execute the Lease Schedule, and (ii) Tenant shall deliver to Landlord the corresponding Lease Guaranty along with the Additional Collateral (as such term is defined below) no later than the date that is 5 (five) business days from the date of execution of the Lease Scheduled.

Landlord shall deliver to, and the Tenant shall take possession of the Building according to the relevant Lease Schedule, in adequate physical and safety conditions and ready to be used for the permitted purposes according to Section 3.03 below, in the applicable Date of Substantial Occupancy and upon execution of the corresponding Delivery Certificate.

For the purposes of this Agreement, the Tenant acts in its own name and behalf and does not assume any right or obligations in the name or on behalf of any third party, being the Tenant the only party being directly benefited from this Agreement and the documents derived here from.

For the purposes of this Agreement, the parties agree that, the Date of Substantial Occupancy set forth in the Lease Schedule shall be considered as the “Lease Commencement Date” for the Building.

For sake of clarity, all the Land shall be a part of this Lease as of the Lease Commencement Date of the Building; therefore, Tenant shall have the right to use the Land as part of the Premises; therefore, all the Land shall be considered as part of the Premises and its use shall be subject to the terms and conditions herein, except as otherwise agreed in writing by the parties, its peaceful use and enjoyment shall be guaranteed by Landlord and its use shall be considered included in the applicable rent according to Clause V below.

Inciso 3.02. Uso y Goce Pacífico del Inmueble. En términos de lo previsto por el artículo 1724 IV del Código Civil para el Estado de Tamaulipas, el Arrendador garantiza al Arrendatario el uso y goce pacífico del Inmueble durante el Plazo (según se define más adelante) y la(s) Prorroga(s) (según se define más adelante), en la inteligencia de que esta obligación del Arrendador no comprende vías de hecho de parte de terceros que no aleguen derecho sobre el Inmueble, pero que de hecho impidan o interfieran con el uso o goce de la misma por parte del Arrendatario, contra los cuales el Arrendatario se obliga a hacer valer los derechos que como poseedor le confieren las leyes aplicables.

Inciso 3.03. Destino del Inmueble. El Arrendatario se obliga a destinar el Inmueble única y exclusivamente para sus actividades industriales que consisten principalmente en la fabricación de piezas para hélices de molinos de viento y otros productos de resinas, almacenamiento, oficinas administrativas y actividades relacionadas, derivadas o conexas con las anteriormente señaladas, no pudiendo variar el destino del Inmueble sin el previo consentimiento por escrito otorgado por el Arrendador para tal efecto; en el entendido de que en ningún caso se podrá variar el destino del Inmueble en contravención de las normas relativas al uso de suelo industriales aplicables al Inmueble.

Asimismo, el Arrendatario se obliga desde este momento a dar cumplimiento a todas y cada una de las leyes, reglamentos, circulares, ordenanzas, decretos, planes de desarrollo urbano (ya sean estatales o municipales) y toda y cualquier normatividad relativa al uso de suelo industrial aplicable y a las actividades que conforme al mismo puedan llevarse a cabo dentro del Inmueble.

El Arrendatario reconoce expresamente que está prohibido utilizar el Inmueble para almacenar, ocultar y/o mezclar bienes de procedencia ilícita o producto de actividades ilícitas; que sean instrumento, objeto o producto de un delito; producto de delitos patrimoniales o de delincuencia organizada; que estén siendo utilizados para la comisión de un delito; o de cualquier manera relacionados o vinculados con delitos, en especial aquellos descritos en la Ley Federal de Extinción de Dominio y sus correlativas en los estados de la República Mexicana.

Inciso 3.04. Bienes Introducidos al Inmueble. El Arrendatario reconoce y conviene que todo el equipo de cualquier tipo, maquinaria, mobiliario, vehículo y todo y cualquier otro bien que sea introducido a, o instalado por el Arrendatario en el Inmueble en cualquier momento desde la fecha de este Contrato, son introducidos a su propio riesgo y en todo momento serán responsabilidad única y exclusiva del Arrendatario y que el Arrendador **no** asume responsabilidad por dichos bienes así introducidos al Inmueble, incluyendo en caso de robo o extravío de cualquiera de dichos bienes o de cualquier parte de los mismos, excepto en caso de culpa o negligencia del Arrendador, directores, funcionarios, empleados, asesores, representantes, contratistas, factores, dependientes, visitantes o cualquier otra persona por la que el Arrendador sea legalmente responsable.

Section 3.02. Peaceful Use and Enjoyment of the Premises. In terms of the provisions set forth in article 1724 IV of the Civil Code for the State of Tamaulipas, Landlord guarantees Tenant the peaceful use and enjoyment of the Premises during the Term (as defined below) and the Extension(s) (as defined below), provided that this obligation of the Landlord does not cover actions of third parties alleging no right on the Premises, but that in their actions may interfere or impede the use and enjoyment of the same by the Tenant, against whom the Tenant binds to exercise the rights that as a possessor are afforded to it by applicable laws.

Section 3.03. Permitted Use of the Premises. The Tenant binds to use the Premises only and exclusively to carry out its industrial activities, which consist mainly of the manufacturing of windmill blades and other composite products, storage, administrative offices and related activities, derived or consequence to the above mentioned activities, and may not vary the use of the Premises without the previous written consent granted by the Landlord to that effect; provided that in no case, the use of the Premises be modified in contravention to that set forth in the industrial zoning rules applicable to the Premises.

Likewise, the Tenant covenants to comply with each and every one of the laws, rules, circulars, decrees, regulations, urban development plans (whether state or municipal) and each and all of the applicable legislation to the industrial use of land and the activities that according to that industrial zoning may be carried out at the Premises.

Tenant acknowledges that it is forbidden to use the Premises to keep, hide and/or mix goods coming from or product of illegal activities; that may be instrument, subject matter of, or product of a crime; product of patrimonial crimes or organized crime; used for committing a crime; or in any manner related to crimes, especially those described in the Federal Law for Extinction of Domain, and its correlative laws in the states of the Mexican Republic.

Section 3.04. Goods Introduced to the Premises. Tenant acknowledges and agrees that all equipment of any kind, machinery, furniture, vehicles and any and all goods introduced to, or installed by the Tenant at the Premises at any time from the date hereof, are introduced at its own risk and at all times will be the exclusive responsibility of the Tenant and that the Landlord shall **not** assume any liability for such goods introduced by Tenant into the Premises, including in case of theft or loss of any of such goods or a part thereof, except in the case of fault or negligence of the Landlord, its directors, officers, employees, consultants, representatives, contractors, managers, visitors or any other person for whom the Landlord is legally responsible.

Inciso 3.05. Lugares de Estacionamiento. Como parte del Inmueble, el Arrendatario tendrá el uso de los lugares de estacionamiento, andenes y rampas que forman parte del Inmueble y que se describen en las Especificaciones y en cada Anexo de Arrendamiento. El Arrendatario se obliga a no utilizar ninguna otra área del Inmueble (incluyendo sin limitar, las áreas verdes) para fines de estacionamiento de cualquier tipo de vehículo (ya sea particular o de carga, cajas de tráiler, planchas, montacargas, etc). El Arrendador no tendrá ninguna responsabilidad relacionada con robos o daños a los vehículos que utilicen dichos lugares de estacionamiento, o respecto de los objetos que se encuentren dentro de los mismos; excepto en caso de culpa o negligencia del Arrendador, sus directores, funcionarios, empleados, asesores, representantes, contratistas, factores, dependientes, visitantes o cualquier otra persona por la que el Arrendador sea legalmente responsable. No obstante, el Arrendatario podrá realizar actividades y maniobras que sean necesarias en el Terreno para la guarda, almacenamiento y transporte de los productos terminados.

Salvo en el uso permitido al Arrendatario bajo el Inciso 3.03 del presente, en lo que sea necesario para desarrollar sus actividades industriales, el Arrendatario se obliga a no utilizar, ni a permitir que sus directores, funcionarios, empleados, asesores, representantes, contratistas, factores, dependientes, visitantes o cualquier otra persona por la que el Arrendatario sea legalmente responsable, utilicen los lugares de estacionamiento para la realización de reparaciones a vehículos, siendo el Arrendatario responsable de todo y cualquier daño, perjuicio, pérdida, multa, penalidad, gasto o costo en que incurra el Arrendador con motivo del incumplimiento de esta obligación, especialmente aquellos relacionados con, o derivados de la Legislación Ambiental (según se define más adelante).

Inciso 3.06. Seguridad del Inmueble. El Arrendatario será el único responsable de contratar los servicios de seguridad que requiera de acuerdo a sus necesidades para el resguardo del Inmueble y de sus contenidos.

Inciso 3.07. Licencias; Permisos; Autorizaciones. El Arrendatario será el único responsable de la obtención de todas las licencias, autorizaciones y/o permisos de carácter federal, estatal y/o municipal, que sean necesarios para el legal funcionamiento y operación de su negocio en el Inmueble, incluyendo la correspondiente manifestación de impacto ambiental relativa a sus actividades en el Inmueble (los “Permisos Gubernamentales.”); en el entendido de que la falta de obtención de cualquiera de los Permisos Gubernamentales no liberará al Arrendatario de sus obligaciones conforme a este Contrato, especialmente de su obligación de pago de renta.

Section 3.05. Parking Spaces. As part of the Premises, the Tenant shall have the use of the parking spaces, trailer docks and ramps that are an integral part of the Premises as described in the Specifications and in each Lease Schedule. The Tenant agrees not to utilize any other area of the Premises (including without limitation the gardened areas) for parking vehicles of any kind (whether particular, trailers, boxes, beds, forklifts, etc). The Landlord shall have no responsibility related to theft or damage to the vehicles using such parking spaces, or with respect to object left therein; except in case of fault or negligence of the Landlord, its directors, officers, employees, consultants, representatives, contractors, managers, visitors or any other person for whom the Landlord is legally responsible. Notwithstanding, Tenant shall be allowed to carry out maneuvering and other activities in the Land as may be required by the storage, warehousing and transport of its finished products.

Except as permitted to Tenant under Section 3.03 hereunder, as may be required to carry out its industrial activities, Tenant agrees not to utilize, or to allow any of its directors, officers, employees, consultants, representatives, contractors, managers, visitors or any other person for whom the Tenant is legally responsible, for carrying out any kind of repairs to vehicles, being the Tenant responsible of any damage, loss, fine, penalty, expense or cost incurred by the Landlord by reason of the breach of this obligation, especially those related to the Environmental Laws (as defined below).

Section 3.06. Security at the Premises. Tenant shall be solely responsible for hiring the security services required according to its own needs to secure the Premises and its contents.

Section 3.07. Licenses, Permits and Authorizations. Tenant shall be solely responsible for obtaining all licenses, permits and authorizations, whether federal, state or municipal, for the legal operation of its business at the Premises, including the relevant environmental impact manifest related to its activities at the Premises (the “Governmental Permits”); provided that the failure to obtain any of the Governmental Permits shall not release the Tenant from its obligations hereunder, especially its rental payment obligation.

Queda expresamente convenido por las partes que el Arrendatario será el único y exclusivo responsable de mantener vigentes, conforme a la legislación aplicable, todos y cada uno de los Permisos Gubernamentales; en el entendido de que la falta de vigencia de todos o de cualquiera de dichos Permisos Gubernamentales por cualquier causa o motivo que no sea atribuible al Arrendador, aún en el supuesto de una clausura o cierre de las operaciones del Arrendatario en el Inmueble, no liberarán al Arrendatario de sus obligaciones de pago de renta, ni de sus demás obligaciones conforme al presente Contrato.

El Arrendatario por este medio se obliga a entregar al Arrendador, en un plazo no mayor de diez (10) días naturales siguientes a la solicitud por escrito del Arrendador, copia simple de cada uno de sus Permisos Gubernamentales, incluyendo, en su caso, cualquier permiso de tipo ambiental.

Inciso 3.08. Aplicación del Reglamento del Parque Industrial las Ventanas. Toda vez que el Inmueble colinda con el Parque Industrial Las Ventanas, y que dicho parque industrial proveerá al Inmueble de los servicios de agua potable, drenaje, tratamiento de aguas residuales y permitirá al Arrendatario y/o al Arrendador el uso de las áreas comunes de dicho parque industrial, incluyendo sin limitar, los accesos del parque, según lo establecido mediante contrato entre el Arrendador y dicho parque industrial, el Arrendatario reconoce que estará obligado a suscribir con la administración del Parque Industrial Las Ventanas los acuerdos que sean necesarios para documentar la prestación de los servicios que dicho parque proveerá al Arrendatario, así como para el pago de las cuotas de administración y/o mantenimiento que derivan del reglamento del Parque Industrial Las Ventanas (el “Reglamento del Parque”), el cual el Arrendatario conviene en acatar y cumplir durante el Plazo y la(s) Prorroga(s). Una copia del Reglamento del Parque se acompaña como Anexo “4”.

It is expressly agreed by the parties that the Tenant shall be solely and exclusively responsible of keeping current, each and all of the Governmental Permits; provided that the lack of any or all of the Governmental Permits for any reason not attributable to Landlord, even in the case of suspension or closing of Tenant activities at the Premises, shall not release Tenant from its rental payment obligations, nor from its other obligations hereunder.

Tenant by this means agrees to deliver to Landlord, within a term not exceeding ten (10) calendar days following the Landlord’s written request, a non-certified copy of each and all of the Governmental Permits, including in its case, any permit of environmental nature.

Section 3.08. Application of the Regulations of “Las Ventanas” Industrial Park. Since the Premises are neighboring the Industrial Park “Las Ventanas”, and that said industrial park will supply the Premises with the services consisting in fresh water, drainage, waste water treatment and will allow the Tenant and/or the Landlord the use of the common areas of such industrial park, including without limitation, the accesses to the park, as set forth in the contract between the Landlord and said industrial park, the Tenant acknowledges that it will be bound to execute with the administration of Las Ventanas Industrial Park, those agreements required to evidence the provision of the services to be supplied by the park to the Tenant, as well as for the payment of the common area maintenance and administration quotas derived from the regulations of Las Ventanas Industrial Park (the “Park Regulations”), which the Tenant agrees to apply and comply during the Term and the Extension(s). A copy of the Park Regulations is attached hereto as Annex “4”.

In ciso 3.09. Expansión del Inmueble. En caso de que el Arrendatario requiera el desarrollo de un segundo edificio en el terreno adyacente al Terreno, el Arrendatario deberá primero ofrecer la oportunidad de desarrollar la expansión (el “ Desarrollo de la Expansión ”) al Arrendador siguiente el procedimiento establecido en este Inciso. El Arrendador tendrá un plazo de 10 (diez) días calendario a partir de la fecha en que el Arrendatario presente al Arrendado el Desarrollo de la Expansión para decidir negociar un acuerdo por escrito con el Arrendatario para dicho Desarrollo de al Expansión. Si el Arrendador decide negociar dicho acuerdo, el Arrendador deberán dentro de dicho periodo de 10 (diez) días calendario entregar al Arrendatario una notificación escrita al respecto. Inmediatamente después de la recepción de dicha notificación, las partes comenzarán negociaciones de buena fe de modo exclusivo con cada uno por un periodo que no excederá de 45 (cuarenta y cinco) días calendario siguientes a la fecha en que el Arrendador entregue al Arrendatario la notificación mencionada, las cuales incluirán la cesión de los derechos derivados de cualquier opción de compra o promesa de compraventa que el Arrendatario tenga sobre dicho terreno adyacente. Si el Arrendatario no recibe dicha notificación dentro del periodo de 10 (diez) días calendario o si el Arrendatario recibe dicha notificación y las partes no llegan a un acuerdo legal y obligatorio por escrito para el Desarrollo de la Expansión dentro de dicho periodo de 45 (cuarenta y cinco) días calendario, entonces el Arrendatario estará en libertad de llegar a un acuerdo con un tercero para el Desarrollo de la Expansión.

En el supuesto de que el Arrendador no participara en el Desarrollo de la Expansión, las partes convienen que durante el Plazo y la(s) Prorroga(s) el Arrendador suscribirá con el desarrollador de dicho segundo edificio los acuerdos de servicios compartidos que sean necesarios para permitir la interconexión de los servicios, instalaciones e infraestructura de dicho segundo edificio a los del Edificio, tales como el sistema contra incendio, instalación de agua potable, drenaje, etc.

Con el fin de inducir al Arrendador a la suscripción de los acuerdos referidos en el párrafo que antecede, el Arrendatario desde este momento se obliga expresamente a pagar todos y cada uno de los costos, gastos y responsabilidades que se deriven de: (i) la conexión de dichas instalaciones al momento de desarrollo del segundo edificio, y (ii) la desconexión de las mismas en la fecha en que el Plazo y la(s) Prorroga(s) expiren, ya sea por vencimiento anticipado o programado, obligándose además a pagar dichos costos y gastos a la vista contra entrega de las facturas correspondientes, dichos costos y gastos estarán también garantizados por el Depósito en Garantía (según se define más adelante) y por la Garantía del Arrendamiento y la Garantía Adicional.

CLÁUSULA IV
Plazo; Prorrogas

Inciso 4.01. Plazo. Las partes convienen expresamente que este Contrato estará en vigor mientras lo esté el Anexo de Arrendamiento (excepto por cualquier obligación que bajo este Contrato deba de sobrevivir a la terminación del mismo). El plazo inicial del Anexo de Arrendamiento será de 10 (diez) años calendario contados a partir de la Fecha de Inicio del Arrendamiento del Edificio (el “ Plazo ”).

Section 3.09. Expansion of the Premises. If the Tenant requires the development of a second building within the land adjacent to the Land, Tenant shall first offer the expansion development opportunity (the “ Expansion Development ”) to Landlord following the procedures set forth in this Section. Landlord shall have 10 (ten) calendar days following the date Tenant first presents Landlord the Expansion Development to decide whether to try to negotiate a written agreement with Tenant for such Expansion Development. If Landlord desires to try to negotiate such an agreement, Landlord shall, within said 10 (ten) calendar day period, deliver to Tenant written notice thereof. Promptly after receipt of such notice, the parties shall commence good faith negotiations exclusively with each other for a period not to exceed 45 (forty five) calendar days after the date Landlord gives the requisite notice to Tenant, which negotiations must include the assignment of the rights from any purchase option or promise agreement that the Tenant may have on the adjacent land. If Tenant does not receive said notice within the 10 (ten) calendar day period, or if Tenant receives such notice and the parties do not enter into a legally binding written agreement for the Expansion Development within said 45 (forty five) calendar day period, then Tenant shall be free to enter into an agreement with a third party for the Expansion Development.

In the case that the Landlord does not to participate in the Expansion Development, the parties agree that during the Term and the Extension(s) the Landlord will execute with the developer of the second building, those shared services agreements as may be required to allow the interconnection of the utilities, infrastructure and installations of the second building to those of the Building, such as the fire protection system, fresh water installation, drainage, etc.

In order to induce the Landlord to the enter into the agreements referred to in the paragraph above, the Tenant, from the date hereof, expressly agrees to pay each and all of the costs, expenses and responsibilities derived from: (i) the connection of such installations at the time of development of the second building, and (ii) the disconnection of the same at the expiration, whether scheduled or anticipated, of the Term and the Extension(s), being obliged to pay such costs and expenses on demand on the date of receipt of the relevant invoices, such costs and expenses will also be guarantee by the Security Deposit (as defined below) and by the Lease Guaranty and the Additional Collateral.

CLAUSE IV
Term; Extensions

Section 4.01. Term. The parties hereby expressly agree that this Agreement will be in effect while the Lease Schedule is in effect (except for any obligation that under this Agreement is intended to survive the termination of this Agreement). The initial term of the Lease Schedule shall be for 10 (ten) calendar years mandatory for the parties from the Lease Commencement Date of the Building (the “ Term ”).

En términos de lo previsto por el artículo 1806 del Código Civil para el Estado de Tamaulipas, las partes reconocen que el Anexo de Arrendamiento se celebrará por tiempo determinado y por lo tanto concluirá en la fecha ahí señalada, sin necesidad de aviso, notificación o cualquier otro acto por parte del Arrendador, excepto que el Arrendatario ejerza su derecho de prorrogar el plazo del Anexo de Arrendamiento conforme a este Contrato.

Las partes convienen que el Plazo del Anexo de Arrendamiento se extenderá automáticamente a fin de igualar al vencimiento de cualquier posterior Anexo de Arrendamiento que suscriban las partes conforme a este Contrato, sin necesidad de ninguna acción, aviso, notificación, o comunicación por parte del Arrendador.

Inciso 4.02. Prórroga(s). Sujeto a la condición de que el Arrendatario esté al corriente en el pago de las rentas y en cumplimiento con todas y cada una de las obligaciones materiales que le derivan conforme al presente Contrato, el Arrendatario tendrá el derecho, al final del Plazo, de prorrogar el Anexo de Arrendamiento, en 2 (dos) ocasiones cada una por periodos de 7 (siete) años calendario (la(s) "Prórroga(s)"). Una vez ejercida cada Prórroga, ésta constituirá un plazo forzoso para las partes.

Para efectos de claridad las partes hacen constar que las Prórrogas operarán respecto del Inmueble en su totalidad.

Queda convenido que durante la(s) Prórroga(s), los términos y condiciones de este Contrato serán aplicables sin modificación alguna.

La renta mensual aplicable al primer año de la primera Prórroga, será equivalente al 95% (noventa y cinco por ciento) de la renta pagada por el Arrendatario al Arrendador durante el mes calendario anterior al inicio de dicha primera Prórroga ajustado conforme a lo previsto en el Inciso 5.02 siguiente, siempre y cuando durante el Plazo el Arrendador no hubiera hecho inversiones adicionales en el Inmueble, y a partir del segundo año de dicha Prórroga la renta mensual se incrementará en términos de lo previsto en el Inciso 5.02 siguiente. Se acuerda que el costo de todas aquellas mejoras "*above standard*" identificadas como "*ASTIs*" en el Anexo "5" de este Contrato, cuya inversión hubiera sido totalmente amortizada por el Arrendador durante el Plazo, no será considerado para determinar la renta mensual de la primera renovación.

Pursuant to that provided for in article 1806 of the Civil Code for the State of Tamaulipas, the parties hereby acknowledge that the Lease Schedule will be entered into for a determined period of time; therefore it will end on the date set forth therein, without the need of further notice or any other act by the Landlord; except if Tenant exercises its right to extend the term of the Lease Schedule pursuant to this Agreement.

The parties agree that the Term of the Lease Schedule shall be automatically extended to match the termination date of any following the Lease Schedule executed by the parties according to this Agreement, without the need of any action, notice or communication by the Landlord.

Section 4.02. Extension(s). Subject to the condition that the Tenant be in compliance with the payment of rents hereunder, and with each and every one of its material obligations derived hereunder, the Tenant shall have the right, at the end of the Term, to extend the Lease Schedule twice for a periods of 7 (seven) calendar years each (the "Extension(s)"). Once each Extension is exercised, it shall constitute a mandatory term for the parties.

For sake of clarity the parties hereby acknowledge that the Extensions shall apply for the Premises in its entirety.

It is hereby agreed that during the Extension(s), the terms and conditions of this Agreement shall be applicable without any amendment thereto.

The monthly rent applicable to the first year of the first Extension shall be equivalent to 95% (ninety five percent) of the rent payable by the Tenant to the Landlord during the calendar month immediately preceding to the beginning of the first Extension adjusted pursuant to that set forth in Section 5.02 below, as long as during the Term the Landlord had not made any additional investments in the Premises, and monthly rent for the second year of said Extension the rent shall be increased in the terms of Section 5.02 below. It is hereby agreed that the cost of all above standard improvements designated "*ASTIs*" in Annex "5" hereto, which investment has been fully amortized by the Landlord during the Term, shall not be considered to determine the monthly rent applicable for the first renewal.

Para el primer año de la segunda Prórroga, la renta mensual aplicable será equivalente a la renta aplicable en el mes inmediato anterior al inicio de dicha segunda Prórroga, incrementada conforme a lo previsto en el Inciso 5.02 siguiente, y a partir de ese momento será incrementada anualmente de acuerdo a lo dispuesto en el Inciso 5.02 de este Contrato.

Inciso 4.03. Forma de Prorrogar Arrendamiento. En el supuesto de que el Arrendatario desee ejercer su derecho de prorrogar el presente Contrato conforme al Inciso 4.02 anterior, el Arrendatario deberá entregar por escrito al Arrendador un aviso de ejercicio de prórroga, con por lo menos 180 (ciento ochenta) días naturales de anticipación a la fecha en que el Plazo, o la Prórroga anterior esté programada para vencer. Dicho aviso de Prórroga deberá ir acompañado de (i) una obligación firmada por parte del Fiador, en la que manifieste su expresa voluntad de continuar garantizando las obligaciones del Arrendatario bajo este Contrato, en los términos de la Garantía de Arrendamiento, durante el tiempo que dure la Prórroga solicitada y (ii) la renovación de la Garantía Adicional (según dicho término se define más adelante) por el monto que al inicio de cada Prórroga determinen las partes de mutuo acuerdo, quedando expresamente convenido que sin dicha obligación por el Fiador y/o sin la renovación de la Garantía Adicional (según dicho término se define más adelante), la solicitud de Prórroga de que se trate no será efectivo y por tanto el Arrendador no estará obligado a otorgar dicha Prórroga.

La falta de entrega del aviso de prórroga respectiva en los términos previstos en el párrafo anterior y/o de la declaración del Fiador y/o la renovación de la Garantía Adicional (según dicho término se define más adelante), precluirá y cancelará su derecho a la Prórroga de que se trate, sin necesidad de aviso, demanda, notificación o cualquier otro requerimiento de cualquier naturaleza por parte del Arrendador, a todo lo cual el Arrendatario renuncia expresamente en este acto.

For the first year of the second Extension, the applicable monthly rent shall be equivalent to the rent paid for the calendar month immediately preceding to the starting date of such second Extension, increased according to that set forth in Section 5.02 below, and thereafter, will be increased annually according to Section 5.02 hereof.

Section 4.03. Form to Extend the Lease. In the case that the Tenant wills to exercise its right to extend this Agreement pursuant to Section 4.02 above, the Tenant shall deliver in writing to the Landlord an extension notice, with at least 180 (one hundred and eighty) calendar days in advance to the date in which the Term or the previous Extension is scheduled to expire. Such Extension notice must be accompanied by (i) a signed undertaking of the Guarantor, stating its express will to continue guaranteeing the obligations of the Tenant under this Agreement, in the terms set forth in the Lease Guaranty, during the time of the requested Extension and (ii) the renewal of the Additional Collateral (as such term is defined below) for the amount that the parties mutually agreed at the beginning of each Extension; being hereby expressly understood that, without such undertaking by the Guarantor and/or the renewal of the Additional Collateral (as such term is defined below), the relevant Extension request shall be deemed as void; and therefore, the Landlord shall be under no obligation to grant said Extension.

Lack of delivery of such extension notice in the terms set forth in paragraph above and/or of the undertaking by the Guarantor and/or the renewal of the Additional Collateral (as such term is defined below), shall void and cancel its right to the respective Extension, without need of notice, demand, notification or any other requirement of any nature by Landlord, all of which is hereby expressly waived by the Tenant.

Inciso 4.04. Vencimiento del Plazo y/o de la(s) Prórroga(s). Vencido el Plazo y, en su caso, la(s) Prórroga(s), ya sea por vencimiento programado o anticipado, el Arrendatario deberá desocupar y entregar al Arrendador el Inmueble con todas sus pertenencias y accesorios en el mismo estado en que dicho Arrendatario lo recibió (excepto por el desgaste natural del tiempo y el uso normal del Inmueble), en la fecha de vencimiento respectiva o terminación anticipada y sin necesidad de aviso, demanda, notificación o requerimiento de cualquier naturaleza por parte del Arrendador, de conformidad con lo establecido en el Inciso 7.05 siguiente y dando cumplimiento a todas las demás obligaciones relacionadas con la devolución del Inmueble que en este Contrato se consignan, incluyendo sin limitar, aquellas de tipo ambiental.

En el supuesto de que el Arrendatario continúe en posesión del Inmueble con posterioridad a la fecha de vencimiento del Plazo o de la(s) Prórroga(s), el Arrendatario pagará una renta por el Inmueble, igual al resultado de multiplicar el importe de la renta correspondiente al mes calendario anterior a la fecha de vencimiento del Plazo o de la Prórroga respectiva, por uno punto setenta y cinco (1.75), por cada mes calendario o fracción de mes calendario durante el cual dicho Arrendatario continúe en posesión del Inmueble. La recepción de dicho pago por parte del Arrendador no implicará: (i) prórroga o renovación de este Contrato, (ii) modificación alguna de este Contrato, (iii) consentimiento para que el Arrendatario continúe en posesión del Inmueble, (iv) renuncia alguna por parte del Arrendador a su derecho de recuperar la posesión de Inmueble por cualquier medio que la legislación aplicable le permita, ni (v) renuncia por parte del Arrendador a ningún otro de sus derechos conforme a este Contrato y/o a la legislación aplicable.

Section 4.04. Expiration of the Term and/or the Extension(s). Upon expiration of the Term and, in its case the Extension(s), whether scheduled or early, the Tenant shall vacate and deliver the Premises to the Landlord, with all its accessories and installations in the same conditions in which it received them (except for normal wear and tear from ordinary use and passage of time), in the corresponding expiration or early termination date, without need of notice, demand, notification or requirement of any nature by Landlord, according to that set forth in Section 7.05 below and in compliance with all other obligations that related to the delivery of the Premises are contained in this Agreement, including without limitation those of environmental nature.

Should the Tenant remain in possession of the Premises after expiration of the Term or the Extension(s), the Tenant shall pay a rent for the Premises equivalent to the result of multiplying the rent of the calendar month immediately preceding to the expiration date of the Term of the respective Extension, times one point seventy five (1.75), for each calendar month or part of calendar month during which the Tenant remained in possession of the Premises. The reception of such payment by Landlord shall not be considered as: (i) extension or renewal of this Agreement, (ii) modification to this Agreement, (iii) consent for the Tenant to remain in possession of the Premises, (iv) waiver by the Landlord to its right to recover possession of the Premises by any means permitted by applicable law, or (v) waiver by Landlord to any other right afforded to it by virtue of this Agreement and/or applicable laws.

En la fecha de devolución del Inmueble por parte del Arrendatario conforme a este Inciso, las partes deberán de suscribir un acta de devolución del Inmueble (el “ Acta de Devolución ”), en la que por lo menos hagan constar: (i) el estado físico en que el Arrendatario devuelve el Inmueble, (ii) una memoria fotográfica del Inmueble al momento de la devolución, (iii) un inventario detallado del Inmueble y de sus accesorios, (iv) la descripción de cualquier reparación que el Arrendatario deba de hacer al Inmueble con el propósito de devolver el mismo conforme a lo previsto en este Contrato, (v) la forma en que se cubrirán los gastos derivados de cualquiera dicha reparación, (vi) aquellas obligaciones que subsistirán a la terminación de este Contrato, si hubiera alguna, (vii) el monto que el Arrendador mantiene como Depósito en Garantía (según dicho término se define más adelante), (viii) las instrucciones del Arrendatario para la devolución del Depósito en Garantía (según dicho término se define más adelante), (ix) la descripción de cualquier instalación o mejora previamente autorizada conforme al presente Contrato y que, en su caso, las partes hubieren previamente acordado que se quedaran en beneficio del Inmueble (tales como instalaciones de electricidad, cableados de voz y datos, tuberías, etc.), así como un plano de ubicación de dichas instalaciones o mejoras y, en su caso, los manuales, verificaciones, inspecciones, mantenimientos, autorizaciones, pólizas de garantía y servicio y cualquier documento relacionado con dichas instalaciones o mejoras, y (x) se anexará el estudio ambiental que se describe en el Inciso 9.01 (D) siguiente.

Inciso 4.05. Derecho de Mostrar el Inmueble . En el caso de que el Arrendatario no ejerza la(s) Prórroga(s) conferidas conforme al Inciso 4.02 anterior, o al término de la última, el Arrendador tendrá el derecho de, en días y horas hábiles durante el periodo de 180 (ciento ochenta) días naturales anteriores a la fecha de terminación del Plazo o de la Prórroga que corresponda, entrar al Inmueble con el propósito de mostrar el mismo a cualquier prospecto arrendatario; lo anterior previa notificación por escrito al Arrendatario con por lo menos 2 (dos) días naturales de anticipación a la fecha de la visita. Las personas que acudan a dichas visitas deberán cumplir con todos los reglamentos y políticas internas de seguridad del Arrendatario y en ningún caso podrán interferir con las operaciones del Arrendatario en el Inmueble.

Bajo ninguna circunstancia, el Arrendador podrá llevar a competidores del Arrendatario a visitar el Inmueble. Al mostrar el Inmueble, el Arrendador y sus visitantes, deberán estar acompañados de un representante del Arrendatario, y en todo momento los procesos de manufactura del Arrendatario los inventarios y cualquier otra información confidencial del Arrendatario o sus clientes serán resguardados.

CLÁUSULA V Rentas

Inciso 5.01. Rentas . (a) El Arrendatario pagará al Arrendador una renta por el Inmueble por cada mes calendario (o fracción de mes calendario) que ocurra a partir de la Fecha de Inicio del Arrendamiento, igual al monto establecido en el Anexo de Arrendamiento, el cual será determinado mediante la aplicación de la mecánica de determinación de rentas que se acompaña a este Contrato como Anexo “5”.

(b) Dicha renta mensual será incrementada cada aniversario a partir de la Fecha de Inicio del Arrendamiento, conforme a lo previsto en el Inciso 5.02 siguiente.

In the date of delivery of the Premises by the Tenant pursuant to this Section, the parties shall execute return certificate of the Premises (the “ Return Certificate ”), in which shall, at least include: (i) the physical condition in which the Tenant is returning the Premises, (ii) a photographic memory of the Premises at the time of being returned, (iii) a detailed inventory of the Premises and its accessories, (iv) the description of any repair that Tenant must make in order to return the Premises pursuant to that set forth in this Agreement, (v) the manner in which the expenses derived from such repairs shall be covered, (vi) those obligations subsisting to the termination of this Agreement, if any, (vii) the amount of the Security Deposit (as such term is defined below) being held by the Landlord, (viii) the instructions by Tenant for the Landlord to return the Security Deposit (as such term is defined below), (ix) the description of any installation or improvement previously authorized pursuant to this Agreement and that, in its case, the parties have previously agreed to leave as a benefit of the Premises (such as electrical installations, voice and data cabling, pipes, etc.), as well as a location plan of such installation or improvements, and in its case, the manuals, verifications, inspections, maintenance, authorizations, guarantees and service policies and any other document related to such installations and improvements, and (x) a copy of the environmental study described in Section 9.01 (D) below.

Section 4.05. Right to Show the Premises . In case that the Tenant does not exercise the Extension(s) conferred upon by Section 4.02, or if having done so, by the end of the last of such Extension(s), the Landlord shall have the right, in business days and hours, during the period of 180 (one hundred and eighty) calendar days before the expiration of the Term or the corresponding Extension, access the Premises to show it to a prospective tenant; the above previous written notice to Tenant with at least 2 (two) calendar days in advance to the date of the visit. The persons attending such visits shall comply with each and every one of the regulations and internal security policies of the Tenant and in no case shall interfere with the operations of the Tenant at the Premises.

Under no circumstances, Landlord may take competitors of Tenant as visitors to the Premises. When showing the Premises, Landlord and its visitors shall be accompanied by a representative of Tenant and at all times, the manufacturing processes of Tenant, inventories and any other confidential information of Tenant or its clients shall be protected.

CLAUSE V Rents

Section 5.01 Rents . (a) Tenant will pay to Landlord a rent for the Premises for each month (or part of calendar month) of occupancy from the Lease Commencement Date, equivalent to the amount set forth in the Lease Schedule, which will be determined by applying the mechanics for rental determination attached hereto as Annex “5”.

(b) Said monthly rent shall be increased on each anniversary of the Commencement Date, according to that set forth in Section 5.02 below.

(c) Toda vez que el presente Contrato y el Anexo de Arrendamiento se pactan por un plazo forzoso, las partes reconocen que la contraprestación por el uso del Edificio, es igual al total de las rentas pagaderas durante todo el Plazo y, en su caso, la(s) Prórroga(s), y que el pago mensual que se hace de la misma durante dichos periodos, conforme a lo acordado en el Anexo de Arrendamiento, es sólo una forma de hacer el pago de la contraprestación total por el uso y goce del Inmueble.

(d) Excepto en los casos específicamente previstos en este Contrato, el Arrendatario no podrá, retener el pago de ninguna renta debida conforme a este Contrato y el Anexo de Arrendamiento.

Inciso 5.02. Incremento de Rentas. La renta establecida en el Anexo de Arrendamiento, será incrementada en cada aniversario de la Fecha de Inicio del Arrendamiento según sea establecida en el Anexo de Arrendamiento, con base en la variación experimentada por el índice de precios al consumidor (el “Índice”) publicado por el Departamento del Trabajo de los Estados Unidos de América (“**Consumer Price Index published by the United States Department of Labor**”) (*All Urban Consumers, Not Seasonally Adjusted, Area = US City Average, Items = All Items*), mismo que se encuentra disponible en la página de internet <http://data.bls.gov/cgi-bin/surveymost?cu>.

Para tales efectos, se determinará el factor de incremento correspondiente (el “Factor de Incremento”) dividiendo: (a) el Índice más recientemente publicado en el aniversario de la Fecha de Inicio del Arrendamiento, entre (b) el Índice vigente el mismo día del año calendario inmediato anterior. El Factor de Incremento así determinado expresado como porcentaje, constituirá el porcentaje de incremento a la renta mensual vigente durante el mes calendario inmediato anterior a la fecha en que se lleve a cabo la determinación del Factor de Incremento conforme a este Inciso 5.02. En ningún caso el Factor de Incremento podrá ser menor de 1.5% (uno punto cinco por ciento, ni mayor de 3% (tres por ciento).

Inciso 5.03. Forma de Pago. El Arrendatario conviene expresamente en este acto en pagar la renta mensual vigente de tiempo en tiempo durante el Plazo y la(s) Prórroga(s), los primeros días diez (10) de cada mes calendario que ocurra durante el Plazo y, en su caso, la(s) Prórroga(s) o mientras el Arrendatario continúe en posesión del Inmueble con posterioridad a dichas fechas; siempre y cuando el Arrendador entregue la factura que se señala en el Inciso 5.04 siguiente, mediante transferencia electrónica de fondos libre e inmediatamente disponibles a las siguientes cuentas bancarias a nombre del Arrendador:

(c) Considering that this Agreement and the Lease Schedule are being entered into for a mandatory term, the parties hereto acknowledge that the consideration for the use of the Building consists in the payment of the full amount of rent payable during the Term and, in its case, the Extension(s), and that the monthly payments agreed in each Lease Schedule are just a form of payment of the full consideration for the use of the Premises.

(d) Except for the cases specifically set forth in this Agreement, the Tenant may not withhold the payment of any rent owed pursuant to this Agreement and the Lease Schedule.

Section 5.02. Rent Increase. The rent set forth in the Lease Schedule, will be increased each anniversary of the Lease Commencement Date as set forth in the Lease Schedule, based upon the fluctuation of the Consumer Price Index (the “Index”), as published by the Labor Department of the United States of America (“**Consumer Price Index published by the Labor Department of the United States of America**”) (*All Urban Consumers, Not Seasonally Adjusted, Area = US City Average, Items = All Items*), available at the worldwide web page: <http://data.bls.gov/cgi-bin/surveymost?cu>.

For such purposes, the corresponding increase factor (the “Increase Factor”) will be determined by dividing: (a) the most recently published Index in effect on each anniversary of the Lease Commencement Date, by (b) the Index in effect on the same day of the immediately previous calendar year. The Increase Factor so determined, expressed as a percentage, will represent the percentage of the increase to the monthly rent in effect during the month immediately preceding to the date of calculation of the Increase Factor pursuant to this Section 5.02. In no case the Increase Factor shall be less than 1.5% (one point five percent) or higher than 3% (three percent).

Section 5.03. Form of Payment. Tenant expressly agrees to pay the monthly rent in effect from time to time during the Term or the Extension(s), within the first 10 (ten) calendar days of each calendar month occurring during the Term and, in its case, the Extension(s) or as long as the Tenant continues in possession of the Premises after such dates; provided that, Landlord delivers the invoice described in Section 5.04 below, through electronic transfer of freely and immediately available funds to the following bank accounts under the name of the Landlord:

Si en Pesos, moneda nacional/ If in Pesos, National Currency:

Banco: BBVA Bancomer, S.A.
Beneficiario: QVCII, S. de R.L.
de C.V.
Número de Cuenta: 0450275069
CLABE: 012180004502750694
Producto: 01/0300 CASH MANAGEMENT
M.N. C/INT.
Moneda: MXP PESOS MEXICANOS

Si en Dólares/ If in Dollars:

Banco: BBVA Bancomer, S.A.
Beneficiario: QVCII, S. de R.L. de C.V.
Número de Cuenta: 0450275085
CLABE: 012180004502750856
Producto: CASH MANAGEMENT DLLS C/INT.
Moneda: USD DOLAR USD

O mediante depósito a cualquier otra cuenta bancaria a nombre del Arrendador o de cualquiera de sus cesionarios permitidos conforme a este Contrato, que el Arrendador indique por escrito al Arrendatario con por lo menos 15 (quince) días hábiles de anticipación a la fecha del siguiente pago de renta, sin que el presente Contrato se entienda novado o modificado en forma alguna.

Conforme a lo dispuesto por el artículo 8 de la Ley Monetaria de los Estados Unidos Mexicanos, el Arrendatario podrá solventar el pago de cada renta conforme a este Contrato entregando al Arrendador el equivalente de dicha renta en pesos, moneda de curso legal de México (“ Pesos ”), al tipo de cambio vigente en la fecha de pago, según dicho tipo de cambio sea publicado y dado a conocer por el Banco de México a través del Diario Oficial de la Federación como el tipo de cambio para solventar obligaciones contraídas en moneda extranjera para ser pagadas en la República Mexicana.

Or through deposit to any other bank account under the name of the Landlord or of its permitted assignees according to this Agreement, that Landlord may notify in writing to Tenant with at least 15 (fifteen) business days in advance to the following payment date, without this Agreement be considered as novated or modified in any manner.

Pursuant to the provisions of article 8 of the Monetary Law for the United Mexican States, the Tenant may pay the rent pursuant to this Agreement, by delivering to Landlord the equivalent to such rent in pesos, national currency (“ Pesos ”), considering the exchange rate published by the Bank of Mexico at the Official Gazette of the Federation as the exchange rate for paying obligations agreed in foreign currency but payable within the Mexican Republic, for the date of the corresponding rent payment.

Inciso 5.04. Recibos. El Arrendador conviene en entregar al Arrendatario una factura electrónica que reúna todos los requisitos fiscales necesarios para su deducción por parte del Arrendatario conforme a la legislación aplicable, el primer día hábil de cada mes calendario que ocurran durante el Plazo y, en su caso, la(s) Prórroga(s). En ningún caso, el retraso en la entrega de dicho recibo liberará al Arrendatario de sus obligaciones de pago de renta conforme a este Contrato; sin embargo, el Arrendatario podrá retener el pago de la renta correspondiente hasta en tanto no le sea entregado el recibo correspondiente.

Dichas facturas evidenciarán el pago de la renta, únicamente en el caso de que estén acompañadas del comprobante de la transferencia bancaria correspondiente.

El Arrendatario designará por escrito las cuentas de correo electrónico a las que se deberán enviar dichas facturas, en el entendido de que la falta de designación expresa autorizará al Arrendador a enviar dichas facturas a cualquier cuenta de correo electrónico de cualquier empleado o aparente empleado del Arrendatario que tenga disponible, y dicho envío se considerará como debidamente hecho.

Inciso 5.05. Impuestos. Queda expresamente convenido por las partes que a las rentas pagaderas por el Arrendatario al Arrendador se agregará el impuesto al valor agregado vigente de tiempo en tiempo o cualquier otro impuesto que lo sustituya o adicione o cualquier impuesto que grave en forma directa el pago de dicha renta y que por ley sea a cargo del Arrendatario.

El Arrendatario reembolsará al Arrendador durante cada mes de enero que ocurra durante el Plazo y la(s) Prórroga(s), la cantidad correspondiente al impuesto predial aplicable para el Inmueble en su totalidad, prorrateado por el tiempo en que el Arrendatario hubiese ocupado el Inmueble. Este pago deberá realizarse por parte del Arrendatario dentro de los 10 (diez) días calendario siguientes a la fecha de recepción de la factura respectiva emitida por el Arrendador. En caso de que el Arrendador decidiera, a su sola discreción, el interponer algún recurso legal que derive en un descuento del impuesto predial, dicho beneficio será transmitido al Arrendatario.

Cualquier otro impuesto que afecte los activos o los ingresos del Arrendador será por cuenta exclusiva del Arrendador.

Section 5.04. Invoices. Landlord agrees to deliver to Tenant an electronic invoice that covers all fiscal requirements for its deduction by Tenant according to the applicable tax laws, the first business day of each calendar month occurring during the Term and, in its case, the Extension(s). In no case, the delay in delivering such invoice will release the Tenant from its rental payment obligations according to this Agreement; however, the Tenant may withhold the corresponding rental payment until delivery of the respective invoice.

Such invoices shall evidence rental payments, only in the case that the same are accompanied by the corresponding bank wire transfer.

The Tenant shall designate in writing the electronic mail accounts to which such invoices should be sent; provided that, lack of such designation shall be considered as an express authorization for the Landlord to send the electronic invoices to the electronic mail account of any employee or alleged employee of the Tenant that the Landlord may be aware of, and such delivery shall be considered as duly made.

Section 5.05. Taxes. The parties expressly agree that the rent owed by the Tenant to the Landlord will be subject to value-added tax imposed from time to time or any other tax substituting or adding such tax or any other tax imposed directly on the payment of said rent and that by law shall be payable by the Tenant.

The Tenant shall reimburse Landlord each January occurring during the Term and the Extension(s), the amount corresponding to the real estate tax applicable to the Premises in whole, prorated for the time in which Tenant occupied the Premises. The payment referred herein shall be done within the 10 (ten) calendar days following the reception of the relevant invoice by the Landlord. Should the Landlord decide, at its sole discretion, to initiate any legal recourse that may derive in a discount to the amount of the real estate tax payable, said benefit shall be conveyed to the Tenant.

Any other tax affecting the income or assets of the Landlord shall be borne by the Landlord.

Inciso 5.06. Interés Moratorio. Sin perjuicio de lo dispuesto por la Cláusula X siguiente, en caso de mora respecto de cualquier cantidad pagadera por el Arrendatario conforme a este Contrato, incluyendo sin limitar, cualquier pago de renta, o si cualquier otra cantidad debida no es pagada en su totalidad en la fecha en que corresponda conforme a este Contrato, el Arrendatario pagará intereses moratorios sobre dicha cantidad debida y no pagada a una tasa mensual igual al 5% (cinco por ciento) hasta la fecha de su pago íntegro.

CLÁUSULA VI
Depósito en Garantía

Inciso 6.01. Constitución del Depósito en Garantía. El Arrendatario conviene en entregar al Arrendador, dentro de los 10 (diez) días hábiles siguientes a la celebración del Anexo de Arrendamiento, un depósito en garantía (el “Depósito en Garantía”), equivalente a un (1) mes de renta conforme al Anexo de Arrendamiento y cualquier otro que en el futuro se suscriba respecto del Inmueble, para garantizar sus obligaciones de mantener y devolver el Inmueble en buena condición y sus obligaciones conforme al Inciso 9.01 de este Contrato.

Dicho Depósito de Garantía en ningún caso será considerado como pago anticipado de rentas futuras, ni como pago de servicios públicos, o reparaciones al Inmueble, ni tampoco devengará interés alguno a favor del Arrendatario. El Arrendador no tendrá derecho a compensación por actuar como depositario del Depósito en Garantía.

Inciso 6.02. Aplicación del Depósito en Garantía. El Arrendatario en este acto expresamente autoriza al Arrendador para que retire del Depósito de Garantía, hasta donde el mismo alcance, cualquier cantidad adeudada por el Arrendatario en los términos de este Contrato.

Section 5.06. Default Interest. Notwithstanding that set forth in Clause X below, in case of default in payment of any amount payable by Tenant under this Agreement, including without limitation, any rental payment, or if any due amount is not paid in full in the corresponding date pursuant to this Agreement, Tenant shall pay default interest on such due and unpaid amount at monthly interest rate of 5% (five percent) up to the date of its payment in full.

CLAUSE VI
Security Deposit

Section 6.01. Creation of the Security Deposit. Tenant agrees to deliver to Landlord, within the 10 (ten) business days following the execution of the Lease Schedule, a security deposit (the “Security Deposit”) in an amount equal to one (1) month of rent under the Lease Schedule and any other that in the future be executed in connection with the Premises, to guarantee its obligations to maintain and return the Premises in good condition and its obligations contemplated by Section 9.01 hereof.

Such Security Deposit shall in no case be considered as advanced payment of future rents, or as payment for utilities, or repairs to the Premises, nor will bear any interest for the benefit of the Tenant. The Landlord shall have no right to compensation for acting as depository of the Security Deposit.

Section 6.02. Application of the Security Deposit. The Tenant hereby expressly authorizes the Landlord to withdraw from the Security Deposit, up to its limit, any amount owed by the Tenant in the terms set forth in this Agreement.

A fin de que el Arrendador pueda disponer de cualquier parte del Depósito en Garantía según lo previsto en el párrafo anterior, las partes acuerdan que el Arrendador deberá dar aviso por escrito al Arrendatario, con por lo menos 5 (cinco) días naturales de anticipación a la fecha del pretendido retiro (excepto en caso de emergencia), respecto de cualquier cantidad que se vaya a retirar del Depósito en Garantía conforme a lo previsto en este Inciso 6.02, así como el motivo y la aplicación de dicho retiro. En caso de que el Arrendatario no cubriera la cantidad requerida dentro de dicho plazo de 5 (cinco) días naturales (excepto en caso de emergencia) el Arrendador se entenderá para todos los efectos

legales como expresa e irrevocablemente autorizado y facultado por el Arrendatario para llevar a cabo el retiro correspondiente en los términos notificados, liberando desde este momento al Arrendador de toda y cualquier responsabilidad derivada de la aplicación del Depósito en Garantía; siempre y cuando la aplicación hubiera sido para los fines notificados al Arrendatario conforme a lo previsto en este Inciso 6.02.

El Arrendatario conviene expresamente en reconstituir el Depósito en Garantía, dentro de los diez (10) días naturales siguientes a la fecha en que el Arrendador notifique al Arrendatario que efectivamente se aplicó alguna parte del Depósito en Garantía conforme a lo previsto en el párrafo anterior.

Inciso 6.03. Devolución del Depósito en Garantía. Dentro de los 30 (treinta) días naturales siguientes a la fecha de suscripción del Acta de Devolución; y siempre y cuando: (i) no exista insoluta cantidad alguna pagadera por el Arrendatario conforme a este Contrato, (ii) el Arrendatario hubiere dado cumplimiento a sus obligaciones conforme a este Contrato, incluyendo aquellas obligaciones aplicables a la devolución del Inmueble y las obligaciones de tipo ambiental que se contienen en la Cláusula IX de este Contrato y (iii) el Arrendatario hubiera entregado al Arrendador evidencia del pago completo de todos los servicios públicos contratados respecto del Inmueble durante el Plazo y la(s) Prórroga(s), así como de los demás pagos por los que el Arrendatario es responsable conforme a este Contrato; el Arrendador devolverá al Arrendatario el importe del Depósito en Garantía que en dicha fecha mantenga, conforme a las instrucciones del Arrendatario para tal efecto, las cuales deberán constar en el Acta de Devolución respectiva.

El Arrendatario reconoce y acepta que la devolución del Depósito en Garantía que haga el Arrendador conforme a las instrucciones del Arrendatario contenidas en el Acta de Devolución, liberarán al Arrendador de su obligación de devolver el Depósito en Garantía conforme a este Inciso, sin necesidad de ningún otro acto posterior, aceptación o confirmación de parte del Arrendatario.

CLÁUSULA VII
Modificaciones; Mantenimiento

In order for the Landlord to dispose of any part of the Security Deposit as set forth in paragraph above, the parties agree that Landlord shall give Tenant a written notice with at least 5 (five) calendar days in advance to the date of the foreseen withdrawal (except in case of emergency), with respect to any amount that will be withdrawn from the Security Deposit according to that set forth in this Section 6.02, as well as the reason and the application of such amount. Should the Tenant not pay such required amount within such term of 5 (five) calendar days (except in case of emergency), the Landlord shall be considered, for all legal purposes whatsoever, as expressly and irrevocably authorized and empowered by the Tenant to make the withdrawal in the terms so notified, the Landlord is from now on released from any liability derived from the application of the Security Deposit; as long as such application be notified to Tenant in the terms set forth in this Section 6.02.

The Tenant expressly agrees to replenish the Security Deposit within ten (10) calendar days following the date in which Landlord notifies the Tenant that any part of the Security Deposit was applied in accordance to paragraph above.

Section 6.03. Reimbursement of Security Deposit. Within the 30 (thirty) calendar days following the date of execution of the Return Certificate, and provided that: (i) there is no amount owed by Tenant to Landlord pursuant to this Agreement, (ii) the Tenant had complied with its obligations according to this Agreement, including those related to the return of the Premises and the environmental type obligations contained in Clause IX hereof and (iii) the Tenant had deliver to Landlord evidence of payment in full of the utilities hired with respect to the Premises during the Term and the Extension(s), as well as all other payments for which Tenant is responsible in accordance to this Agreement; the Landlord, shall return to Tenant the amount of the Security Deposit that Landlord holds as of such date, according to the instructions of the Tenant to that effect, which shall be included within the corresponding Return Minute.

Tenant hereby acknowledges that the return of the Security Deposit by the Landlord according to the instructions of Tenant in that regard set forth in the Return Certificate, shall release the Landlord from its obligation to deliver the Security Deposit in accordance to this Section, without the need of any other further action, acceptance or confirmation by the Tenant.

CLAUSE VII
Modifications; Maintenance

Inciso 7.01. Modificaciones. El Arrendatario requerirá de la aprobación expresa y por escrito del Arrendador para variar la forma del Inmueble o cualquier parte del mismo y/o para llevar a cabo mejoras en el Inmueble y/o para realizar cualquier modificación o instalación relevante en el Inmueble, cuya aprobación no podrá ser negada o demorada sin causa justificada.

Inciso 7.02. Aprobación del Arrendador. Con el propósito de obtener la aprobación del Arrendador a la que refiere el Inciso 7.01 anterior, el Arrendatario deberá entregar por escrito al Arrendador una solicitud de aprobación, la cual deberá de incluir todos los planos y especificaciones, así como la demás documentación e información relacionada que sea necesaria para que el Arrendador tenga todos los elementos requeridos para hacer el análisis de la solicitud correspondiente, con por lo menos veinte (20) días naturales de anticipación a la fecha en que pretenda llevar a cabo la obra de que se trate. En caso de aprobarse la solicitud del Arrendatario, la cual no podrá ser negada sin causa justificada, será notificada por escrito al Arrendatario dentro de los 10 (diez) días naturales siguientes a la fecha en que la solicitud correspondiente hubiere sido efectivamente recibida por el Arrendador para su revisión.

Las partes convienen que el Arrendador podrá solicitar información adicional a la presentada por el Arrendatario en la solicitud correspondiente; si empre y cuando dicha información adicional así solicitada tenga relación directa con la solicitud y sea necesaria y razonable para el análisis de la misma, en cuyo caso el plazo de 10 (diez) días naturales con que cuenta el Arrendador para resolver acerca de la solicitud presentada por el Arrendatario, comenzará a correr a partir de la fecha en que el Arrendatario entregue al Arrendador la información adicional solicitada.

Si dentro de los 10 (diez) días naturales siguientes a la fecha de presentación de la solicitud de aprobación del Arrendatario, el Arrendador no hubiere solicitado información adicional o no emite resolución alguna al respecto, se entenderá que el Arrendador ha aprobado la solicitud presentada por el Arrendatario en los términos de la solicitud del Arrendatario, y a partir de dicha fecha podrá el Arrendatario llevar a cabo la modificación de que se trate.

Section 7.01. Modifications. The Tenant will require express and written approval by the Landlord to modify the form of the Premises or any part hereof and/or to carry out improvements to the Premises and/or to carry out any relevant modification or installation to the Premises, which approval shall not be denied or delayed without reason.

Section 7.02. Landlord's Approval. In order to obtain the approval by the Landlord referred to in Section 7.01 above, the Tenant shall deliver to Landlord a request for approval, which must include all plans and specifications, as well as all other documents and information related that may be necessary for the Landlord to have all elements needed to make the analysis of the corresponding request, at least 20 (twenty) calendar days in advance to the date in which the works are intended to be carried out. In case of approval of such request by Tenant, which request shall not be denied without cause, shall be notified in writing to the Tenant within the 10 (ten) calendar days following the date in which the corresponding request had been effectively submitted for Landlord's review.

The parties agree that Landlord may request information in addition to that submitted by the Tenant with the respective request; provided that, such additional information directly related with the request, is necessary and reasonable to make the analysis of the request, in which case the 10 (ten) calendar days period for the Landlord to resolved on the request submitted by the Tenant shall commence on the date in which the Tenant delivers the additional information so requested.

If within the 10 (ten) calendar days following the date of submission of the request for approval by Tenant, Landlord had not requested additional information or issued a resolution on that regard, it shall be considered that the Landlord has approved the request in accordance with the submitted terms, and as of such date, the Tenant shall carry out the related works.

La obtención de todas las licencias, permisos y autorizaciones que se requieran de parte de las autoridades federales, estatales y/o municipales para llevar a cabo las construcciones de que se trate, incluyendo sin limitar, manifestaciones de impacto ambiental, informes preventivos, informes continuos, licencias de construcción, avisos de terminación de obra, licencias sanitarias, autorizaciones de autoridades laborales y cualquier tipo de estudio, permiso, licencia o autorización requerido por la legislación aplicable al Inmueble o al tipo de obra o instalación que el Arrendatario pretenda llevar a cabo dentro del Inmueble, así como de los seguros de responsabilidad y riesgos que sean adecuados a los trabajos de que se trate, será responsabilidad única y exclusiva del Arrendatario. Previo al inicio de los trabajos correspondientes, el Arrendatario se obliga a entregar al Arrendador, copias del certificado de seguro y demás documentos antes mencionados. Asimismo, será responsabilidad del Arrendatario mantener dichas licencias, permisos, autorizaciones, seguros y demás documentos vigentes durante el tiempo que sea necesario para llevar a cabo las obras o instalaciones de que se trate. Toda la mano de obra que utilice el Arrendatario para llevar a cabo las obras referidas en este Inciso, deberá estar debidamente inscrita en el Instituto Mexicano del Seguro Social.

Inciso 7.03. Inspección. Durante todo el tiempo en que el Arrendatario ocupe o tenga la posesión del Inmueble, el Arrendador, a su costa y bajo su propia responsabilidad, tendrá derecho de inspeccionar el mismo y podrá acceder para cumplir con sus obligaciones de mantenimiento o reparación. El Arrendatario conviene y se obliga a permitir que el Arrendador, a través de las personas que el Arrendador indique al Arrendatario por escrito con por lo menos 3 (tres) días hábiles de anticipación a la fecha en que la visita correspondiente vaya a llevarse a cabo tengan acceso al Inmueble. Las actividades de inspección, reparación y mantenimiento del Inmueble por parte del Arrendador deberán en todo caso llevarse a cabo en días y horas hábiles, deberán cumplir con los reglamentos y políticas internas, requerimientos de confidencialidad, y seguridad del Arrendatario y no podrán interferir o impedir las actividades del Arrendatario dentro del Inmueble y en todo caso en dichas visitas deberá estar presente un representante designado por el Arrendatario.

Obtaining of all licenses, permits and authorizations required by the federal, state or municipal authorities to carry out the related constructions, including without limitation, environmental impact reports, preventive reports, construction licenses, construction termination notices, sanitary authorization by labor authorities and any other study, permit, license or authorization required by the legislation applicable to the Premises or to the type of work or installation to be carried out by the Tenant at the Premises, as well as the liability and risk insurance policies adequate for such kind of works, shall be the sole responsibility of the Tenant. Previous to the commencement of the corresponding works, the Tenant binds to deliver to Landlord copies of the insurance policy and other documents mentioned above. Likewise, shall be the responsibility of the Tenant to keep such licenses, permits and authorizations, certificate of insurance and other documents, in effect during the time necessary to carry out the related works or installations. All workman force used by the Tenant to carry out the works referred to in this Section, must be duly registered with the Mexican Social Security Institute.

Section 7.03. Inspection. During the time in which the Tenant occupies or is in possession of the Premises, the Landlord, at its own cost and liability, shall have the right to inspect the Premises and shall be able to access the Premises to perform its repair and maintenance obligations. The Tenant agrees and binds to allow the Landlord through the persons notified in writing to Tenant with at least 3 (three) business days in advance to the date in which the corresponding visit is to take place, to have access to Premises. The inspection, repairs and maintenance activities to the Premises by Landlord shall in all cases be carried out in business days and hours, and shall comply with the internal regulations, confidentiality requirements, safety and security policies of Tenant, shall not interfere with or harm the activities of Tenant within the Premises, and in all cases such visits shall be accompanied by a representative of the Tenant.

Asimismo, el Arrendatario conviene y acepta que las labores de inspección que lleve a cabo el Arrendador dentro del Inmueble conforme a lo previsto en este Inciso, incluyen la facultad de las personas que lleven a cabo dichas actividades de inspección para: (i) tomar fotografías del Inmueble; en el entendido de que no podrán en ningún caso tomar fotografías de los productos del Arrendatario, ni las materias primas, materiales o cualquier posesión o propiedad del Arrendatario, ni de los procesos productivos del Arrendatario y que el Arrendatario a través del representante designado para presenciar la visita tendrá derecho de revisar las cámaras utilizadas en la visita y borrar aquellas fotografías que no correspondan únicamente al Inmueble y a los elementos estructurales e instalaciones del mismo, (ii) tomar muestras del suelo y agua dentro del Inmueble y sus alrededores, (iii) tomar fotografías y muestras de cualquier elemento que presumiblemente corresponda a una Condición de Contaminación (según se define más adelante) y (iv) tomar fotografías y muestras de cualquier daño encontrado en el Inmueble.

Inciso 7.04. Costos a Beneficio del Inmueble. Las obras e instalaciones que realice el Arrendatario en la Propiedad en Renta correrán en todo caso a cargo única y exclusivamente del Arrendatario. Excepto según se establece en el Inciso 7.05 siguiente, todas las obras e instalaciones llevadas a cabo por el Arrendatario en el Inmueble quedarán en beneficio del Inmueble y a favor del Arrendador, por lo que desde este momento el Arrendatario reconoce y conviene que el Arrendador no tendrá obligación de reembolsar al Arrendatario cantidad alguna por concepto de mejoras hechas por el Arrendatario en el Inmueble.

Inciso 7.05. Retiro de Bienes del Arrendatario. A la terminación, ya sea anticipada o programada, de este Contrato, el Arrendatario llevará a su cargo y costo, todas las labores necesarias para retirar del Inmueble, toda la maquinaria, equipo, mobiliario, instalaciones, cableados, vehículos y demás bienes, excepto aquellos que queden fijos al Inmueble y que no puedan ser retirados sin detrimento del Inmueble, a menos que el Arrendatario repare el Inmueble para devolverlo a su condición original, que el Arrendatario, sus empleados, representantes, directores, agentes, asesores, visitantes o cualquier otra persona hubieren introducido en el Inmueble durante el Plazo o la(s) Prorroga(s) o en cualquier momento anterior o posterior a dichas fechas.

A la terminación, ya sea anticipada o programada, de este Contrato, el Arrendatario deberá entregar el Inmueble en las mismas condiciones en que lo recibió del Arrendador, excepto por: (i) las construcciones, instalaciones y accesorios que hubieran sido adicionadas al Inmueble y que no puedan ser removidos sin detrimento del Inmueble, salvo que previo a la fecha de devolución del Inmueble, el Arrendatario haya llevado a cabo, a su cargo y costo, las obras necesarias para retirar dichas construcciones, instalaciones y accesorios y entregue el Inmueble en las condiciones en que lo recibió del Arrendador al inicio del Plazo, y (ii) el desgaste natural derivado del paso del tiempo y del uso normal que sufra el Inmueble mientras el mismo esté en posesión del Arrendatario.

Likewise, the Tenant agrees and accepts that the inspection activities to be carried out by the Landlord within the Premises pursuant to this Section, include the authority of the persons carrying out those inspection activities to: (i) take photographs of the Premises; provided that, such photographs shall not include under any circumstance, the products of the Tenant, raw materials, components or any property or possession of Tenant, shall not include production processes of the Tenant and that the Tenant, through the representative appointed to accompany the inspection visit, shall have the right to inspect and approve the cameras and photographs taken, and to delete those photographs that do not correspond solely and exclusively to the Premises and the structural elements and installations of the same, (ii) take samples of the soil and water of the Premises and its surroundings, (iii) take photographs and samples of any element that presumably constitutes a Contamination Condition (as defined below) and (iv) take photographs and samples of any damage to the Premises.

Section 7.04. Costs for the Benefit of the Premises. The works and installations conducted by the Tenant at the Premises will be in each case at the Tenant's sole and exclusive cost. Except for that established in Section 7.05 below, all the works and installations carried out by the Tenant on the Premises will inure to the benefit of the Premises, and for the benefit of the Landlord; therefore, from this moment Tenant acknowledges and agrees that Landlord will have no obligation to reimburse Tenant any amount by concept of improvements made in the Premises by Tenant.

Section 7.05. Removal of Tenant's Property. At the termination, whether scheduled or anticipated of this Agreement, the Tenant shall carry out, at its own cost and expense, all necessary works to remove from the Premises, all machinery, equipment, furniture, installations, cabling, vehicles and all other goods, except for those that because of being attached to the Premises cannot be removed without detriment to the Premises unless Tenant makes the necessary repairs to return the Premises in its original condition, that the Tenant, its employees, representatives, officers, agents, consultants, visitors or any other person may have introduced at the Premises during the Term and the Extension(s) or at any time before or after such dates.

At the expiration, whether scheduled or anticipated of this Agreement, the Tenant shall return the Premises in the same conditions in which it received it from Landlord, except for: (i) the constructions, installation and accessories that may have been added to the Premises and may not be removed without detriment to the Premises, except in the case that prior to the return of the Premises, Tenant has carried out, at its own cost and expense, the necessary works in order to remove such constructions, installations and accessories, and deliver the Premises in the same conditions in which it received it at the beginning of the Term, and (ii) the natural wear and tear due to the lapse of time and the normal use of the Premises while in possession of the Tenant.

Cualquier bien o propiedad del Arrendatario que permanezca en el Inmueble después de la terminación, ya sea anticipada o programada, de este Contrato, se entenderán abandonadas a favor del Arrendador, quien podrá disponer de ellos en la manera en que el Arrendador lo disponga. El Arrendatario reconoce que el Arrendador no incurrirá en responsabilidad alguna frente al Arrendatario o frente a cualquier tercero, al determinar el destino de los bienes abandonados en los términos de este párrafo, y el Arrendatario se obliga a mantener al Arrendador libre y en paz y a salvo de toda y cualquier responsabilidad a ese respecto.

Cualquier bien que quede abandonado en el Inmueble de acuerdo a lo establecido en el párrafo anterior, se considerará como dación en pago al Arrendador por parte del Arrendatario, por concepto de los gastos y costos en los que incurra el Arrendador en la remoción y disposición de dichos bienes así abandonados.

Inciso 7.06. Mantenimiento del Arrendatario. El Arrendatario a su costa deberá llevar a cabo las labores de mantenimiento del Inmueble y de las instalaciones y equipos instalados en la misma, incluyendo sin limitar, tuberías, aire acondicionado, calefacción, instalación eléctrica, ventanas, vidrios, andenes, puertas, señalamientos, pintura, alfombras, paredes no estructurales, divisiones, mantenimiento ordinario del sistema contra incendio y de aquellas labores de mantenimiento ordinario que se detallan en el manual de mantenimiento que se agregará al Anexo de Arrendamiento (el “ Manual de Mantenimiento ”), así como de aquellos daños causados por el Arrendatario, sus directores, funcionarios, empleados, asesores, representantes, contratistas, factores, dependientes, visitantes o cualquier otra persona por la que el Arrendatario sea legalmente responsable, o derivado de las actividades del Arrendatario en el Inmueble.

En todo caso el Arrendatario será responsable de mantener el Inmueble limpio y en buen estado, así como de contratar los servicios de recolección de basura y residuos peligrosos que se requieran de acuerdo a las actividades del Arrendatario en el Inmueble.

Any property of the Tenant that remain at the Premises after the expiration, whether scheduled or anticipated, of this Agreement, shall be considered as abandoned in favor of the Landlord, whom may dispose of such property in the manner that the Landlord may see fit. Tenant acknowledges that the Landlord will not incur in any liability before the Tenant or any third party, in determining the destiny of the abandoned property in the terms of this paragraph, and the Tenant agrees to keep the Landlord free and harmless of any and all liability in this regard.

Any abandoned property at the Premises pursuant to that set forth in paragraph above, shall be considered as payment in kind by Tenant to Landlord for those costs and expenses in which Landlord may incur in removing and disposing of such abandoned property.

Section 7.06. Maintenance by Tenant. Tenant at its own cost shall carry out all maintenance activities of the Premises, as well as its installations and equipment, including without limitation, pipes, air conditioning, heating, electrical installation, windows, glasses, doors, signage, paint, carpets, non-structural walls, ordinary maintenance of the fire protection system and those ordinary maintenance activities detailed in the maintenance manual to be attached to the Lease Schedule (the “ Maintenance Manual ”), as well as those damages caused by the Tenant, its directors, officers, employees, consultants, representatives, contractors, managers, visitors or any other person for which the Tenant is legally responsible or those derived from Tenant’s activities at the Premises.

In any case, Tenant shall be responsible of keeping the Premises clean and in good condition, as well as to hire those garbage and dangerous residuals generated by the activities of the Tenant at the Premises.

Todas las labores de mantenimiento que lleve a cabo el Arrendatario de conformidad con lo previsto en este Inciso, serán hechas con materiales de calidad y de modo tal que el Inmueble se conserve en el mismo estado en que fue recibido por el Arrendatario (excepto por el desgaste natural por el transcurso del tiempo y el uso normal del Inmueble) y dicho mantenimiento deberá cumplir con todas las regulaciones aplicables, así como con las disposiciones de este Contrato y del Manual de Mantenimiento.

Inciso 7.07. Vicios Ocultos o Desperfectos Estructurales. El Arrendador conviene expresamente y asume la obligación de llevar a cabo a su costo y gasto las reparaciones y reemplazos necesarios exclusivamente relacionados con: (i) vicios ocultos del Inmueble durante todo el Plazo y la(s) Prórroga(s), (ii) todas las reparaciones que sean aplicables durante el plazo de garantía del Edificio; (iii) reemplazo de equipo cuya vida útil haya transcurrido; y (iv) reparaciones a elementos estructurales del Inmueble durante todo el Plazo y la(s) Prórroga(s). Las obligaciones del Arrendador de conformidad con esta Sección, serán aplicables siempre y cuando la necesidad de llevar a cabo cualquiera de las reparaciones o reemplazos aquí mencionadas no derive de actos u omisiones de parte del Arrendatario, sus directores, funcionarios, empleados, asesores, representantes, contratistas, factores, dependientes, visitantes o cualquier otra persona por la que el Arrendatario sea legalmente responsable; o derive del negocio, industria o actividades del Arrendatario en el Inmueble.

Asimismo, el Arrendador reemplazará por su cuenta y costo aquellos elementos estructurales del Inmueble, así como equipo instalado que hubiere cumplido su ciclo de vida útil, incluyendo sin limitar, techo, HVAC, protección contra incendio, equipo de andén que hubieran llegado al final de su vida útil; siempre y cuando los mismos hayan sido sujetos a condiciones ordinarias de uso y hubieran recibido el mantenimiento preventivo apropiado por parte del Arrendatario.

Para los efectos del primer párrafo de este Inciso, se entenderá por omisión del Arrendatario el no cumplir con sus obligaciones de mantenimiento conforme a lo previsto en el Inciso 7.06 anterior.

En términos de lo previsto por el artículo 1759 del Código Civil para el Estado de Tamaulipas el Arrendatario deberá notificar por escrito al Arrendador, tan pronto como sea posible y siempre y cuando el Arrendatario efectivamente haya tenido conocimiento acerca de la existencia de cualquier defecto o falla de funcionamiento en el Inmueble que pudiera constituir un vicio oculto, o la necesidad de reemplazo de equipo, para que el Arrendador proceda a llevar a cabo las reparaciones o reemplazos necesarias; en la inteligencia de que el Arrendatario será responsable de los daños y perjuicios que su omisión cause.

All maintenance works carried out by the Tenant pursuant to this Section, shall be made with quality materials and in a manner that the Premises are preserved in the conditions in which it was delivered (except for the wear and tear due to the lapse of time and the normal use of the Premises) and such maintenance shall comply with all applicable regulations, as well as with the provisions of this Agreement and the Maintenance Manual.

Section 7.07. Hidden Defects or Structural Damages. Landlord expressly agrees and assumes the obligation to carry out at its own cost and expense, all necessary repairs and replacements exclusively related to: (i) hidden defects of the Premises during the Term and the Extension(s), (ii) all applicable repairs during the guaranty period of the Building; (iii) replace equipment which useful life has ended; and (iv) repair of structural elements of the Premises for the duration of the Term and the Extension(s). Landlord's obligations under this Section shall be applicable as long as the need of such repairs or replacements do not derive from actions or omissions of the Tenant, its directors, officers, employees, consultants, representatives, contractors, managers, visitors or any other person for which the Tenant is legally responsible; or derives from the business, industry or activities of the Tenant at the Premises.

Likewise, the Landlord shall replace at its own cost and expense, those structural elements of the Premises as well as installed equipment that had reached the end of their useful life, including without limitation roof, HVAC, fire protection and dock equipment, as long as the same had been subject to ordinary working conditions and had received proper preventive maintenance by the Tenant.

For the purposes of the first paragraph of this Section, lack of maintenance pursuant to Section 7.06 above, shall be considered an omission of the Tenant.

In terms of that set forth in article 1759 of the civil code for the state of Tamaulipas, the Tenant shall notify in writing to Landlord, as soon as possible and only if Tenant effectively had knowledge of the existence of any defect or malfunction in the Premises that may constitute a hidden defect or the need to replace equipment, for the Landlord to carry out the necessary repairs, or replacements, provided that the Tenant shall be responsible of all damages and losses caused due to its omission.

En caso de existir algún vicio oculto o daño estructural en el Inmueble, o necesidad de reemplazar equipo, el Arrendador acudirá al Inmueble con el propósito de evaluar el mismo dentro de los 5 (cinco) días naturales siguientes a la fecha en que hubiere recibido la notificación a que se hace referencia en el párrafo que antecede (salvo en caso de emergencia, en cuyo caso el Arrendador deberá acudir a más tardar al día siguiente a la fecha en que hubiere recibido la notificación). El Arrendador deberá presentar al Arrendatario, dentro de los cinco (5) días naturales siguientes a la fecha en que el Arrendador acudió al Inmueble para realizar la evaluación del desperfecto (salvo en caso de emergencia, en cuyo caso el Arrendador deberá presentarlo a más tardar al día siguiente a la fecha en que haya acudido al Inmueble para realizar la evaluación del desperfecto), un informe en el que (i) se detalle el vicio oculto o equipo que necesite reemplazo, (ii) según su opinión declare si es o no un vicio oculto o daño estructural, (iii) las causas probables del mismo, (iv) las acciones que se llevarán a cabo para su reparación o reemplazo en caso de ser responsabilidad del Arrendador conforme a este Contrato, (v) el tiempo estimado para completar la reparación de que se trate en el entendido de que el Arrendador hará sus mejores esfuerzos para que la reparación se lleve a cabo lo antes posible y (vi) la manera en que se llevará a cabo la reparación del mismo.

El Arrendatario deberá permitir al Arrendador, sus empleados, contratistas y demás personas designadas por el Arrendador, el acceso al Inmueble, con el fin de realizar las obras y reparaciones que fuesen necesarias en términos de este Inciso 7.07; siempre que el Arrendador envíe aviso por escrito al Arrendatario con por lo menos 2 (dos) días hábiles de anticipación, salvo en caso de emergencia donde no se requerirá de aviso previo; en el entendido de que, el Arrendador, sus empleados, contratistas y demás personas designadas por el Arrendador deberán cumplir con los reglamentos y políticas internas de seguridad del Arrendatario y en la medida de lo posible no deberán interferir con las operaciones del Arrendatario.

Si la realización de las reparaciones de que se trate requieren interferir con el uso y goce normal del Inmueble por el Arrendatario, las partes actuando de buena fe, acordarán por escrito la manera en que se llevarán a cabo las reparaciones para reducir al mínimo indispensable dicha interferencia. En este caso, el Arrendatario tendrá derecho a una reducción en la renta durante el tiempo en que no pueda hacer uso del Inmueble, pero sólo en la proporción que corresponda al porcentaje del Inmueble del cual no puede hacer uso.

In case of existence of any hidden defect or structural damage, in the Premises, or need to replace equipment, the Landlord shall appear to the Premises in order to evaluate the same within the 5 (five) calendar days following the notice referred to in paragraph above (except in case of emergency, in which case, the Landlord shall appear the following day of the reception of the notice). Landlord will submit to the Tenant, within the 5 (five) calendar days following the date in which the Landlord appeared at the Premises to evaluate the defect (except in case of emergency, in which case, the Landlord shall submit it at the day following the day in which the evaluation of the defect was made), a report (i) describing the defect, (ii) confirming, if in its opinion, is a hidden defect, or structural damage, (iii) the probable causes of the same, (iv) the actions to be carried out in case that the Landlord results responsible for repairing the defect or replacement by landlord in accordance to this agreement, (v) estimated time for its repair, in the understanding that the Landlord shall make is best effort to complete the relevant repair as soon as possible, and (vi) the manner in which the repair shall be carried out.

Tenant shall allow Landlord, its employees, contractors and other appointed persons, to access the Premises in order to carry out the necessary works and repairs in terms of this Section 7.07; provided that the Landlord notifies in writing to Tenant, with at least 2 (two) business days in advance, except in case of emergency, which will not require previous notice; in the understanding that, the Landlord, its employees, contractors and other appointed persons must comply with all internal regulations and policies and will avoid, as much as possible to interfere with Tenant's operations.

If the repairs interfere with the normal use and enjoyment of the Premises by Tenant, the parties acting in good faith, shall agree in writing the manner in which the repairs will be conducted in order to reduce such interference as much as possible. In this case, the Tenant shall have the right to a rental reduction during the time in which it cannot use the Premises, but only in proportion to the percentage of the Premises that cannot be used.

En caso de cualquier reparación o reemplazo a cargo del Arrendador, éste deberá cerciorarse de que el personal utilizado cuenta con la capacidad técnica y experiencia para hacer el trabajo que corresponda, y que dicho personal cuente con los seguros de responsabilidad civil necesarios para cubrir cualquier daño que pudieran causar a los bienes propiedad del Arrendatario que se encuentren dentro del Inmueble y mantendrá al Arrendatario libre, en paz y a salvo y le indemnizará respecto de cualquier daño, pérdida, costo o gasto relacionado con cualquier acción que dicho personal pudiera intentar en contra del Arrendatario alegando alguna relación o vínculo laboral con el Arrendatario, más no por responsabilidad civil del Arrendatario respecto de dicho personal por cualquier acción del Arrendatario, sus directores, funcionarios, empleados, asesores, representantes, contratistas, factores, dependientes, visitantes o cualquier otra persona por la que el Arrendatario sea legalmente responsable, que afecte a dichas personas.

Excepto por lo previsto en este Inciso, el Arrendador no está obligado a hacer ningún otro tipo de reparación, reemplazo o actividad de mantenimiento en el Inmueble.

CLÁUSULA VIII
Obligaciones

Inciso 8.01. Obligaciones del Arrendatario. Mientras el Arrendatario continúe en posesión del Inmueble, el Arrendatario expresamente conviene y se obliga a todo lo siguiente:

- a. Pagar la renta en los montos, forma y tiempo previstos por la Cláusula V de este Contrato.
- b. Responder de los daños que sufra el Inmueble por culpa o negligencia del Arrendatario, sus directores, funcionarios, empleados, asesores, representantes, contratistas, factores, dependientes, visitantes o cualquier otra persona por la que el Arrendatario sea legalmente responsable, salvo por aquellos que ingresen al Inmueble por solicitud o instrucción del Arrendador.
- c. Destinar el Inmueble exclusivamente a los usos permitidos conforme al Inciso 3.04 del presente Contrato.

In case of any repair or replacement by Landlord, it shall make sure that it hires the adequate personnel with the necessary technical capacity and experience to perform the corresponding works, and that such personnel has the necessary civil liability insurance necessary to cover any damage that they might cause to the property of the Tenant inside the Premises and will keep the Tenant safe and harmless and will indemnify the Tenant for any damage, loss, cost or expense related to any action that such personnel may try against the Tenant alleging any labor relationship with the Tenant, but not for Tenant's civil liability of Tenant, with respect to such personnel due to actions of the Tenant, its directors, officers, employees, consultants, contractors, representatives, managers, visitors or any other person for which the Tenant is legally responsible, affecting such personnel.

Except for that set forth in this Section, Landlord is not obligated to make any kind of repair, replacement or maintenance activity at the Premises.

CLAUSE VIII
Obligations

Section 8.01. Tenant's Obligations. While the Tenant remains in possession of the Premises, the Tenant expressly covenants to the following:

- a. Pay the rent in the amounts and the manner set forth in Clause V of this Agreement.
- b. Be liable for the damages suffered by the Premises due to fault or negligence of the Tenant its directors, officers, employees, consultants, contractors, representatives, managers, visitors or any other person for which the Tenant is legally responsible, except for those persons accessing the Premises at the request or instruction by the Landlord.
- c. Use the Premises exclusively for the permitted uses pursuant to Section 3.04 of this Agreement.

- d. Notificar al Arrendador acerca de la necesidad de llevar a cabo las reparaciones a que se refiere el Inciso 7.07 de este Contrato, bajo la pena de pagar los daños y perjuicios que su omisión causen conforme a lo previsto en el artículo 1759 del código civil para el Estado de Tamaulipas .
 - e. Notificar al Arrendador, dentro de un plazo razonable después de su descubrimiento, acerca de cualquier usurpación o novedad dañosa que otro haya hecho o abiertamente prepare en el Inmueble, so pena de pagar los daños y perjuicios que su omisión cause, en términos de lo previsto por el artículo 1747 del código civil para el Estado de Tamaulipas .
 - f. Notificar al Arrendador, de inmediato, respecto de cualquier reclamación notificada al Arrendatario por parte de cualquier autoridad o tercero, relativa a cualquiera de los asuntos a que se refiere la Cláusula IX del presente Contrato.
 - g. Cumplir en sus términos con todas las disposiciones de ley aplicables al Arrendatario (incluyendo, sin limitar, las disposiciones de la Legislación Ambiental (según dicho término se define más adelante) y, particularmente, con aquellas leyes, reglamentos, decretos, circulares y/o directrices de autoridades competentes, ya sean de carácter federal, estatal y/o municipal.
 - h. Cumplir en sus términos con el Reglamento del Parque y las obligaciones que del mismo derivan a los usuarios del Parque Industrial Las Ventanas.
- d. Notify the Landlord of the need to carry out the repairs referred to in Section 7.07 of this Agreement, under penalty of paying the damages and losses caused by its omission according to that set forth in article 1759 of the civil code for the State of Tamaulipas.
 - e. Notify the Landlord, within a reasonable term after getting knowledge of, any invasion or damage that another person have done or is preparing against the Premises, under penalty of paying the damages and losses caused by its omission, in terms of that set forth in article 1747 of the civil code for the State of Tamaulipas.
 - f. Immediately notify the Landlord with respect to any claim initiated against the Tenant by any authority or third party, related to any of the matters set forth in Clause IX of this Agreement.
 - g. Comply in its term with all applicable laws related to the Tenant (including without limitation, the provisions of the Environmental Legislation (as such term is defined below) and particularly to all those laws, regulations, decrees, circular and/or order of the competent authorities, whether federal, state or municipal.
 - h. Comply with the terms of the Park Regulations and with the obligations derived therefrom for the users of *Las Ventanas* Industrial Park.

i. Pagar las contribuciones, derechos, cuotas de conexión, aportaciones, depósitos de cargos, depósitos en garantía, gastos de elaboración de proyecto ejecutivo, aportaciones por KVA's (pero solo en caso de requerir KVA's adicionales a los descritos en el Inciso 8.06 siguiente) y/o cualquier otro cargo por derechos, consumos y conexión de servicios como agua potable, tratamiento de aguas residuales, drenaje, electricidad, alcantarillado, teléfono, sistema contra incendio y cualquier otro servicio que requiera el Arrendatario, los que serán contratados directamente por y a nombre del propio Arrendatario y pagados por éste a las empresas u organismos que presten cada uno de dichos servicios. El Arrendatario entregará al Arrendador, previa solicitud por escrito de este último, copias de las evidencias de pago de dichos servicios. El Arrendatario mantendrá en paz y a salvo al Arrendador respecto de cualquier demanda, cobro, costo, gastos, riesgo o reclamación proveniente de la falta de pago de cualquiera de dichos servicios. Esta obligación sobrevivirá a la terminación, ya sea anticipada o programada de este Contrato, respecto de aquellas reclamaciones que dichos proveedores tuvieran en contra del Arrendatario derivadas de, o relacionadas con los servicios contratados por éste.

El Arrendador no asume ningún tipo de responsabilidad por retrasos por parte de las empresas proveedoras de los servicios antes mencionadas, toda vez que el Arrendador no tiene control ni injerencia sobre ninguna de dichas empresas.

- j. Contratar las coberturas de seguro a que se refiere el Inciso 8.03 siguiente.
- k. Llevar a cabo las obras de mantenimiento y reparación del Inmueble previstos por el Inciso 7.06 de este Contrato.
- l. No ceder, subarrendar o de cualquier otra manera permitir el uso, goce, posesión o disfrute del Inmueble por cualquier tercero, excepto por lo previsto en este Contrato.
- m. Entregar al Arrendador, en la fecha de suscripción de cada Anexo de Arrendamiento, las correspondientes Garantía de Arrendamiento y Garantía Adicional (según se define más adelante).

i. Pay the contributions, rights, connection quotas, charge deposits, security deposits, expenses for elaboration of executive project, KVA's (but only if it required KVA's in addition to those described in Section 8.06 below) contributions and /or any other charge, consumptions and expenses for rights and connection to utilities such as fresh water, residual water treatment, drainage, electricity, sewer, telephone, fire protection system and any other utility required by the Tenant, which shall be directly hired by and in the name of the Tenant and shall be paid directly to each of the entities providing such services. Tenant shall deliver to Landlord, upon written request of the latter, copies of the payment evidence of such services. Tenant shall keep Landlord free and harmless of any claim, charge, cost, expense, risk or demand derived from lack of payment of any such services. This obligation shall survive the termination, whether scheduled or anticipated of this Agreement, with respect to those claims initiated by such service providers against the Tenant derived from, or related to the services hired by the latter.

Landlord does not assume any liability for delays by the above mentioned service providers, since the Landlord does not control or has any kind of influence on any such companies.

- j. Hire the insurance coverage described in Section 8.03 below.
- k. Carry out the maintenance and repair activities to the Premises, set forth in Section 7.06 of this Agreement.
- l. Not to assign, sublease or in any other manner allow the use, enjoyment or possession of the Premises to any third party, except as set forth in this Agreement.
- m. Deliver to Landlord, in the date of execution of each Lease Schedule, the corresponding Lease Guaranty and Additional Collateral (as defined below).

- n. Toda vez que no están incluidas en la renta establecida en la Cláusula V anterior, pagar a partir de la Fecha de Inicio del Arrendamiento, las cuotas de mantenimiento y/o administración correspondiente al Inmueble conforme al Reglamento del Parque. Dichas cantidades serán pagaderas directamente por el Arrendatario al administrador del Parque Industrial Las Ventanas o cualquier otra persona que conforme al Reglamento del Parque tenga el derecho a recibir dichas cuotas. Asimismo, el Arrendatario será también responsable del pago de los incrementos que a dichas cuotas se decreten conforme a lo previsto en el Reglamento del Parque, en las fechas y en el monto en que dichas cuotas así se determinen ; y
- o. No modificar en cualquier forma el Inmueble sin el consentimiento previo y por escrito del Arrendador para tal efecto y no llevar a cabo en el Inmueble mejoras sin el consentimiento previo y por escrito del Arrendador.

Inciso 8.02. Obligaciones del Arrendador . Mientras el Arrendatario continúe en posesión del Inmueble, el Arrendador expresamente conviene y se obliga a todo lo siguiente:

- a. Desarrollar el Inmueble, ya sea directamente o a través de los contratistas, subcontratistas y proveedores, en los términos que aquí se establecen.
- b. Otorgar el uso pacífico y posesión temporal del Inmueble al Arrendatario, en los términos y condiciones que se establecen en este Contrato.
- c. Responder de los daños, pérdidas, gastos y costos que sufra el Inmueble y/o el Arrendatario por culpa o negligencia del Arrendador, sus directores, funcionarios, empleados, agentes, representantes, contratistas, visitantes o cualquier otra persona por la que el Arrendador sea legalmente responsable.
- d. Llevar a cabo las reparaciones y reemplazos a que se refiere el Inciso 7.07 anterior; y
- e. Las demás que se establezcan en este Contrato y la legislación aplicable.

- n. Since they are not included in the rent payable pursuant to Clause V above, pay, from the Lease Commencement Date, the fees for maintenance and/or administration corresponding to the Premises in accordance to the Park Regulations. Said amounts shall be payable directly by the Tenant to the administrator of *Las Ventanas* Industrial Park, or any other person, that according to the Park Regulations may have the right to collect such fees. Likewise, the Tenant shall also be responsible for the payment of the increases to such fees according to that set forth in the Park Regulations, in the dates and in the amounts so determined; and
- o. Not to modify in any manner the Premises without the previous written consent of the Landlord to that effect and not to carry out any improvements to the Premises without the previous and written consent of the Landlord.

Section 8.02. Landlord's Obligations . While the Tenant remains in possession of the Premises, the Landlord expressly covenants to the following:

- a. Develop the Premises, whether directly or through the selected contractors, subcontractors and suppliers, pursuant to the terms established herein.
- b. Grant the temporal peaceful use and possession of the Premises to the Tenant, in the terms and conditions set forth in this Agreement.
- c. Be liable for the damages, losses, costs and expenses suffered by the Premises and/or the Tenant due to the fault or negligence of the Landlord, its directors, officers, employees, agents, representatives, contractors, visitors or any other person for which the Landlord is legally responsible.
- d. Carry out the repairs and replacements referred to in Section 7.07 above; and
- e. All other set forth in this Agreement and in the applicable legislation.

Inciso 8.03 . Seguros . Mientras el Arrendatario este en posesión del Inmueble o cualquier parte del mismo, el Arrendatario se obliga expresamente a contratar y mantener respecto del Inmueble, las siguientes coberturas de seguro:

- 1) Seguro de Cobertura Amplia comúnmente denominado “Responsabilidad Civil Arrendatario” o similar, que cubra cualesquiera daños causados al Inmueble, por una suma asegurada equivalente al valor de reposición del Inmueble (sin depreciación alguna), excluyendo el valor del Terreno pero incluyendo remoción de escombros; y
- 2) Seguro de Responsabilidad Civil Actividades e Inmuebles, que ampare daños a terceros lesiones y muerte por un mínimo de US \$2,000,000.00 (dos millones 00/100 de Dólares).
- 3) Seguro que proteja los bienes y posesiones del Arrendatario; y
- 4) Cualquier otra póliza de seguro que considere adecuado el Arrendatario para proteger sus bienes y su negocio.

En caso de un accidente que resulte en daño o destrucción d el Inmueble , el Arrendatario deberá informar inmediatamente al Arrendador y comenzar con los procedimientos de ajuste del daño y proceder al pago del deducible correspondiente.

El Arrendatario conviene en entregar al Arrendador, dentro de los 5 (cinco) días hábiles siguientes a la fecha de este Contrato, y posteriormente en la fecha de renovación de las pólizas de seguro de cobertura de Inmueble, un certificado de cobertura u otro documento emitido por la aseguradora de que se trate, en la que se haga constar que las coberturas de seguro mencionadas en los puntos 1 y 2 anteriores, han sido debidamente contratadas por el Arrendatario y que las primas correspondientes han sido pagadas en su totalidad. Si el Arrendatario omite entregar los certificados de cobertura y demás documentos aquí establecidos, existirá la presunción de que el Arrendatario ha incumplido con su obligación conforme a este Inciso 8.03 y el Arrendador, sin perjuicio de lo previsto por este Contrato, podrá, sin estar obligado a ello, adquirir dichas coberturas de seguro por cuenta del Arrendatario y, en dicho caso, el Arrendatario deberá reembolsar al Arrendador el costo de las primas de seguros pagadas por el Arrendador y dichas cantidades estarán garantizadas por el Depósito en Garantía y por la Fianza (según se define más adelante).

Section 8.03. Insurance . While the Tenant remains in possession of the Premises or any part thereof, the Tenant hereby expressly agrees to hire and maintain with respect to the Premises, the following insurance coverage:

- 1) Full Coverage Insurance commonly known as “Tenant’s Civil Liability” or similar, for any damages caused to the Premises, for an amount equivalent to the replacement value of the Premises (without any depreciation), excluding the value of the Land, including debris’ removal; and
- 2) Civil Liability Insurance for Tenant’s Activities, covering damages, injuries and death to third parties in their persons and property for at least US\$2,000,000.00 (two million 00/100 Dollars).
- 3) Asset Insurance to protect the assets and possessions of Tenant; and
- 4) Any other insurance that Tenant deems appropriate to protect its assets and business.

In case of an accident resulting in damage or destruction of the Premises, the Tenant must immediately inform the Landlord and commence the corresponding insurance procedures to evaluate the damage and pay the corresponding deductible.

The Tenant agrees to deliver to Landlord within the 5 (five) business days following the date of execution of this Agreement, and thereafter, in the date of renewal of the corresponding insurance policies, a coverage certificate or another document issued by the applicable insurance company, by which it is evidenced that the insurance policies mentioned in items 1 and 2 above have been duly hired by the Tenant and that the corresponding premiums have been paid in full. Should the Tenant fails to deliver the certificates of coverage and other documents herein mentioned, there shall be the presumption that the Tenant had breached its obligations pursuant to this Section 8.03 and Landlord, without prejudice of that set forth in this Agreement, may, without being obligated to do so, acquire such insurance policies on behalf of the Tenant, and in such case the Tenant shall reimburse the Landlord the cost of the insurance policies paid by the Landlord and such amounts shall be secured by the Security Deposit and the Guaranty (as defined below).

Todas las pólizas de seguros, o certificados de seguros, emitidas de conformidad con el punto 1 de este Inciso 8.03, deberá contener un endoso por el cual la aseguradora de que se trate acuerde que las pólizas de seguro por ella emitidas en relación con el Inmueble y este Contrato, no serán canceladas o modificadas sin que medie notificación al respecto al Arrendador, dada con por lo menos 30 (treinta) días hábiles de anticipación a la fecha en que se pretenda llevar a cabo la modificación o cancelación de que se trate, y que dicha notificación deberá darse en los términos previstos en el Inciso 12.03 de este Contrato.

Las partes reconocen que las coberturas de seguro antes mencionadas, ya sea que la aseguradora correspondiente pague o no cualquier cantidad conforme a las mismas, no será limitativa ni sustituirá la responsabilidad en la que el Arrendatario pueda incurrir frente al Arrendador y/o terceras personas por daños o responsabilidades consecuencia de actos u omisiones directamente causadas por el Arrendatario y debidamente probadas, por las cuales la parte de que se trate no hubiera sido totalmente indemnizado, siempre y cuando dichos daños o responsabilidades sean comprobables y sean imputables al Arrendatario.

Independientemente de cualquier otra disposición en este Contrato en contrario, siempre que: (i) cualquier pérdida, costo, daño o gasto que resulte de incendio, explosión o cualquier otro accidente o eventualidad sea incurrido ya sea por el Arrendador o el Arrendatario o por cualquier otra persona reclamando en representación de, a través de, o a nombre del Arrendador o el Arrendatario en relación con el Inmueble, y (ii) dicha parte sea indemnizada en todo o en parte por el seguro con respecto a dicha pérdida, costo, daño o gasto, entonces la parte así asegurada renuncia en este acto a cualquier demanda en contra y libera a la otra parte de cualquier responsabilidad, que la mencionada otra parte pudiera tener por dicha pérdida costo, daño o gasto en la medida de cualquier cantidad recuperada por razón de dicho seguro; en el entendido de que dicha renuncia a demandas o liberación de responsabilidades no serán operantes cuando el efecto del mismo sea invalidar dicha cobertura de seguro o incrementar su costo (excepto que en el caso de aumento en el costo, la otra parte tendrá el derecho, dentro de los siguientes treinta (30) días siguientes a la notificación por escrito, de pagar dicho costo aumentado, por lo tanto manteniendo dicha liberación o renuncia efectivas).

All insurance policies or certificates of coverage issued pursuant to item 1 of this Section 8.03, shall include a clause by which the relevant insurance policy agrees that the insurance policies issued in connection with the Premises and this Agreement, shall not be cancelled or modified without notice to Landlord, given with at least 30 (thirty) business days in advance to the date of the intended modification or cancellation, and that such notice shall be made according to that set forth in Section 12.03 hereof.

The parties acknowledge that the insurance coverage mentioned herein, whether or not the corresponding insurance company pays or not any amount thereunder, shall not limit or substitute the responsibility of the Tenant before the Landlord and/or third parties for damages in their persons or property consequence of duly proven actions or omissions of the Tenant, for which the relevant party has not been indemnified, as long as said damages or liabilities are duly proven and are attributable to the Tenant.

Independently of any other provision in this Agreement to the contrary, in the case that: (i) any loss, cost, damage or expense resulting from fire, explosion or any other accident, whether incurred by the Landlord or the Tenant or any other person claiming in representation of, through or in the name of the Landlord or the Tenant in connection with the Premises, and (ii) said party be indemnified all or in part by the insurance with respect to said loss, cost, damage or expense, then the party so insured waives herein any claim against and releases the other party of any responsibility, that said party may have for such loss, cost, damage or expense up to the amount so recovered by said insurance; provided that, said waiver to claim or release of responsibilities will not be effective when the purpose of the same is to invalidate said insurance coverage or increase its cost (except that in case of an increase in cost, the other party shall have the right, within the following 30 (thirty) days following the relevant written notice, to pay such increased cost, therefore, the release or waiver shall remain effective).

Inciso 8.04. Cumplimiento de las Obligaciones del Arrendatario por el Arrendador. En el caso de que el Arrendatario incumpla con sus obligaciones conforme a este Contrato, el Arrendador, después de 10 (diez) días calendario contados a partir del día siguiente a la fecha en que hubiera notificado por escrito al Arrendatario acerca de su incumplimiento (salvo en caso de emergencia) y sin que ello implique renuncia o liberación del cumplimiento de las obligaciones del Arrendatario conforme a este Contrato, podrá, sin estar obligado a ello, llevar a cabo cualquier acto en nombre del Arrendatario, e incluso entrar al Inmueble con el propósito de tomar las acciones correspondientes para solventar el incumplimiento del Arrendatario. Cualquier cantidad pagada por el Arrendador para el cumplimiento de las obligaciones del Arrendatario, serán por cuenta del Arrendatario y dichos costos serán reembolsados dentro de los 5 (cinco) días hábiles posteriores a la recepción de la documentación respectiva. En caso de que el Arrendatario no lleve a cabo dicho reembolso puntualmente, entonces, el Arrendatario deberá pagar al Arrendador intereses moratorios a una tasa igual a la establecida en el Inciso 5.06 anterior y dichas cantidades se entenderán también garantizadas por el Depósito en Garantía y por la Garantía del Arrendamiento y la Garantía Adicional (según se define más adelante).

Nada de lo aquí previsto implicará una obligación del Arrendador de subsanar un incumplimiento del Arrendatario antes de poder ejercer algún derecho o acción legal que le asista, ya sea por virtud de este Contrato o por virtud de la ley aplicable al mismo. En ningún caso, el Arrendador estará obligado a subsanar incumplimientos de pago del Arrendatario.

Section 8.04. Compliance of Tenant's Obligations by Landlord. In case that the Tenant fails to comply with its obligations hereunder, the Landlord after 10 (ten) calendar days following the day next to that in which the Tenant had been notified in writing on the corresponding breach (except in case of emergency) and without implying a waiver or release to the compliance of such obligations by Tenant pursuant to this Agreement, may, without being obligated to do so, carry out any action in the name and on behalf of the Tenant, including accessing to the Premises to take the actions necessary to resolve any breach by Tenant. Any amount paid by the Landlord to cure any breach by the Tenant, shall be on the account of the Tenant and such costs shall be reimbursed by the Tenant within the 5 (five) business days following the date in which Tenant received the relevant evidence. Should the Tenant fail to timely reimburse the corresponding amounts, then, the Tenant shall pay to Landlord default interests at the rate set forth in Section 5.06 above and such amounts shall also be guaranteed by the Security Deposit and the Lease Guaranty and the Additional Collateral (as defined below).

Nothing of that set forth herein will be considered as an obligation on the Landlord to cure any breach by the Tenant before exercising any right or legal action afforded to it by virtue of this Agreement or by the applicable law. In no case, the Landlord will be obliged to cure payment breaches by the Tenant.

Inciso 8.05. Cumplimiento de las Obligaciones del Arrendador por el Arrendatario. En el caso de que el Arrendador incumpla con las obligaciones que a su cargo derivan de este Contrato, el Arrendatario, después de 10 (diez) días calendario contados a partir del día siguiente a la fecha en que hubiera notificado por escrito al Arrendador acerca de su incumplimiento (salvo en caso de emergencia) y sin que ello implique renuncia o liberación del cumplimiento de las obligaciones del Arrendador conforme a este Contrato, podrá, sin estar obligado a ello, llevar a cabo cualquier acto en nombre y por cuenta del Arrendador para subsanar dicho incumplimiento. Cualquier cantidad pagada por el Arrendatario para el cumplimiento de las obligaciones del Arrendador, serán por cuenta del Arrendador y dichos costos serán reembolsados dentro de los 5 (cinco) días hábiles posteriores a la recepción de la documentación respectiva. En caso de que el Arrendador no lleve a cabo dicho reembolso puntualmente, entonces, el Arrendador deberá pagar al Arrendatario intereses moratorios a una tasa igual a la establecida en el Inciso 5.06 anterior.

Nada de lo aquí previsto implicará una obligación del Arrendatario de subsanar un incumplimiento del Arrendador antes de poder ejercer algún derecho o acción legal que le asista, ya sea por virtud de este Contrato o por virtud de la ley aplicable al mismo.

Inciso 8.06. KVA's. (A) Antes de la Fecha de Inicio del Arrendamiento, el Arrendador se obliga a ceder temporalmente para beneficio del Arrendatario los derechos correspondientes a una carga de 3,000 KVA's para ser utilizados única y exclusivamente en el Edificio, durante el Plazo y la(s) Prórroga(s). Cualesquiera pagos derivados de la contratación del servicio de energía eléctrica que requiera el Arrendatario incluyendo el costo de KVA's adicionales a los cedidos conforme a este párrafo, así como los consumos correspondientes serán a cargo y costo exclusivo del Arrendatario.

El Arrendatario reconoce y conviene que el Arrendador no asume ningún tipo de responsabilidad frente al Arrendatario respecto del servicio de energía eléctrica suministrado por parte de CFE, ni tampoco otorga ningún tipo de garantía respecto a la calidad, cantidad, contratación, gestoría o prestación de dicho servicio, toda vez que no depende del Arrendador y considerando que la única responsabilidad del Arrendador a este respecto consiste en adquirir la capacidad establecida y permitir el uso temporal de los derechos de los KVA's antes descritos al Arrendatario.

El Arrendatario podrá hacer uso de los KVA's durante todo el Plazo y la(s) Prórroga(s), y reconoce que los KVA's son propiedad única y exclusiva del Arrendador y no podrán ser trasladados ni utilizados en ningún otro lugar que no sea el Inmueble, puesto que el Arrendador los adquirirá para ser utilizados exclusivamente en el Inmueble.

(B) En la fecha de terminación, ya sea programada o anticipada de este Contrato, el Arrendatario se obliga a suscribir, sin costo alguno para el Arrendador, todos los documentos que sean necesarios a fin de ceder al Arrendador los derechos correspondientes a los KVA's asignados por el Arrendador al Arrendatario de acuerdo a este Inciso 8.06, de modo que a partir de dicha fecha, el Arrendador sea el único titular de esos derechos.

Section 8.05. Compliance of Landlord's Obligations by Tenant. In case that the Landlord fails to comply with its obligations hereunder, the Tenant, after 10 (ten) calendar days following the day next to that in which the Landlord had been notified in writing on the corresponding breach (except in case of emergency) and without implying a waiver or release to the compliance of such obligations by Landlord pursuant to this Agreement, may, without being obliged to do so, carry out any action in the name and on behalf of the Landlord, to cure such breach. Any amount paid by the Tenant to cure any breach by the Landlord, shall be on the account of the Landlord and such costs shall be reimbursed by the Landlord within the 5 (five) business days following the date in which Landlord received the relevant evidence. Should the Landlord fail to timely reimburse the corresponding amounts, then, the Landlord shall pay to Tenant default interests at the rate set forth in Section 5.06 above.

Nothing of that set forth herein will be considered as an obligation of the Tenant to cure any breach by the Landlord before exercising any right or legal action afforded to it by virtue of this Agreement or by the applicable law

Section 8.06. KVA's. (A) Prior to Lease Commencement Date, the Landlord binds to temporarily assign for the benefit of the Tenant the rights corresponding of up to 3,000 KVA's to be used exclusively in the Building during the Term and the Extension(s). Any payments derived from the contracts related to the electric energy required by the Tenant, including the cost of KVA's in addition to those assigned pursuant to this paragraph, as well as the relevant consumptions shall be borne by the Tenant.

The Tenant acknowledges and agrees that the Landlord assumes no kind of responsibility before the Tenant with respect to the electric energy service to be provided by CFE, or grants any kind of warranty with respect to the quality, amount, hiring, or delivery of said service, since it does not depend on the Landlord and considering that the only responsibility of the Landlord on this regard consists in purchasing the stated capacity and allowing the temporary use of the rights of the KVA's described herein by the Tenant.

The Tenant may use the KVA's during the Term and the Extension(s), and acknowledges that the KVA's are the exclusive property of the Landlord and may not be transferred or used in any location other than the Premises, because the Landlord will acquired them to be used at the Premises.

(B) In the termination date of this Agreement, whether scheduled or anticipated, the Tenant binds to subscribe, at no cost to the Landlord, all documents necessary in order to assign back to the Landlord the rights to the KVA's assigned by the Landlord to the Tenant according to this Section 8.06, so to as of said date, the Landlord becomes the only owner of said rights.

(C) Serán a cargo del Arrendatario todos y cada uno de los costos, derechos y en general, cualquier gasto derivado de la documentación de la transferencia de los KVA's objeto de este Inciso 8.06, tanto al momento de la cesión de los mismos del Arrendador al Arrendatario, como al momento de ser devueltos por el Arrendatario al Arrendador, de modo que dichas transferencias sean sin cargo alguno para el Arrendador.

(D) El Arrendatario como cesionario, será responsable de mantener los KVA's libres de toda carga, gravamen o limitación de dominio y llevar a cabo todos los actos necesarios para preservar la propiedad sobre los mismos, para beneficio del Arrendador.

(E) El Arrendatario será responsable de los daños y perjuicios causados al Arrendador con motivo de cualquier incumplimiento de su parte respecto de las obligaciones que a su cargo se establecen en este Inciso 8.06, y dichos daños y perjuicios estarán garantizados por el Depósito en Garantía y por la Garantía de Arrendamiento y la Garantía Adicional (según se define más adelante).

CLÁUSULA IX
Obligaciones Ambientales

Inciso 9.01. Obligaciones Ambientales. (A) El Arrendador declara que, hasta donde es de su conocimiento, hasta antes de la Fecha de Inicio del Arrendamiento, el Inmueble no ha contenido asbestos, transformadores de Bifenilos Policlorados (BPC) o cualquier otro Material Peligroso, o presentado alguna Condición de Contaminación, ni tampoco existen o han existido tanques subterráneos de almacenamiento diferentes de tanques de agua potable, ni se ha llevado a cabo cualquier almacenamiento, tratamiento, uso, disposición, descarga o descarga potencial de cualquier Material Peligroso en, dentro, debajo, alrededor, en el perímetro o cerca del Inmueble que pudiera causar una Condición de Contaminación en el Inmueble o en cualquier parte de él.

Dentro de los 45 (cuarenta y cinco) días naturales siguientes a la Fecha de Ocupación Substancial del Edificio, el Arrendador entregará al Arrendatario un estudio ambiental denominado Environmental Site Assessment phase 1 elaborado con base en la norma ASTM E 1527 – 05 en su última edición, emitido por un auditor ambiental independiente, que refleje que a la Fecha de Ocupación Substancial el Inmueble, no presenta ninguna Condición de Contaminación, y que la construcción del Edificio fue llevada a cabo de acuerdo a la Legislación Ambiental.

(C) Tenant shall be responsible for each and every cost, rights and in general, any expense derived from the documentation of the KVA's subject matter of this Section 8.06, at the time of being transferred from the Landlord to the Tenant and from the Tenant to the Landlord, so all said transfers are made at no cost to Landlord.

(D) The Tenant as assignee, shall be responsible of keeping the KVA's free of any lien, encumbrance or limitation of any kind and to carry out any necessary actions to preserve the ownership of the KVA's for the benefit of the Landlord.

(E) The Tenant shall be responsible of any damages and losses caused to the Landlord by reason of any breach on its side with respect to the obligations set forth in this Section 8.06, and said damages and losses shall also be secured by the Lease Guaranty and the Additional Collateral (as defined below).

CLAUSE IX
Environmental Obligations

Section 9.01. Environmental Obligations. (A) The Landlord hereby warrants and represents that up to the Lease Commencement Date the Premises does not contain asbestos, Polychlorinated Biphenyls (PCBs) transformers, or other Hazardous Materials, or present any Contamination Condition or underground storage tanks different from water tanks, nor has been used to keep, treat, use, dispose, release or potential release of any Hazardous Materials in, within, below, in the surroundings, in the perimeter, or nearby the Premises, that may cause a Contamination Condition of the Premises or any part thereof.

Within the 45 (forty five) calendar days following the Substantial Occupancy Date of the Building, the Landlord shall deliver to the Tenant an environmental study known as Environmental Site Assessment phase 1 based on norm ASTM E 1527 – 05 in its last edition, issued by and independent environmental auditor, which shall reflect that as of the Substantial Occupancy Date of the Premises, do not present any Contamination Condition and that the construction was carried out in accordance with the Environmental Laws.

El Arrendador conviene y se obliga a indemnizar y mantener al Arrendatario y a sus accionistas, directores, agentes, empleados, sucesores, representantes y cesionarios, libres y a salvo de cualquier reclamación, daño, responsabilidad, pérdida, resolución, acuerdo y costos (incluyendo sin limitación, honorarios razonables y documentados de abogados y gastos) en relación con la liberación o descarga de Materiales Peligrosos derivados de, o resultantes de, o en cualquier forma relacionados con, (i) violaciones a la Legislación Ambiental previo a, y durante el período de construcción del Inmueble o cualquier parte del mismo, y (ii) contaminación del Inmueble o cualquier parte del mismo por el Arrendador, sus directores, funcionarios, empleados, asesores, representantes, contratistas, factores, dependientes, visitantes o cualquier otra persona por la que el Arrendador sea legalmente responsable durante el Plazo o la(s) Prórroga(s). La presente indemnización estará limitada al monto que corresponda a las multas y gastos relacionados con cualquier sanción impuesta por las autoridades gubernamentales en materia ambiental, más los costos de las remediaciones que sean necesarias para corregir el incumplimiento de que se trate y los costos documentados efectivamente erogados por la parte que tenga derecho a dicha indemnización. En ningún caso existirá responsabilidad por daños consecuenciales.

(B) El Arrendatario, a su costa, se obliga a, y garantiza que, durante el Plazo y la(s) Prórroga(s), el Inmueble será mantenido y las operaciones del Arrendatario serán conducidas de acuerdo a la Legislación Ambiental aplicable al Arrendatario, que el Arrendatario no procesará, combinará, de ninguna forma utilizará, almacenará, desechará, derramará, reciclará, introducirá ni permitirá que se introduzca al Inmueble ningún Material Peligroso o considerado como contaminante por la Legislación Ambiental.

El almacenamiento temporal o permanente de sustancias peligrosas utilizadas en la operación ordinaria del Arrendatario o mantenimiento o limpieza del Inmueble, no implicarán un incumplimiento del Arrendatario conforme a este Inciso 9.01 (B), siempre y cuando, dichas sustancias sean manejadas con el cuidado debido y se encuentren en volúmenes acordes para su uso.

The Landlord covenants and agrees to indemnify and hold harmless Tenant, and its shareholders, directors, officers, employees, trustee delegates, successors, legal representatives and assigns from and against all claims, damages, liabilities, losses, judgments, settlements and costs (including, without limitation, reasonable attorney's fees and expenses) in connection with Hazardous Materials arising out of, or resulting from: (i) violations to the Environmental Law before and during the construction period of the Premises or any part thereof and (ii) contamination of the Premises or any part thereof by the Landlord or by its directors, officers, employees, consultants, representatives, contractors, managers, visitors or any other person for which the Landlord is legally responsible during the Term and the Extension(s). This indemnification shall be limited to the amount corresponding to the fines and expenses related to any sanction imposed by any governmental authority in environmental matters, plus the costs related to the remediation actions necessary to correct the relevant breach, and the documented costs effectively incurred by the party having the right to be indemnified. In no case shall exist responsibility for consequential damages.

(B) Tenant covenants and agrees that, at its own cost, that throughout the Term and the Extension(s), the Premises will be maintained and Tenant's operation will be conducted in accordance with the Environmental Law applicable to the Tenant, that Tenant will not process, combine, in any manner use, keep, dispose, spill, recycle or introduce or allow to be introduced at the Premises, any Hazardous Materials or any material considered as contaminant by the Environmental Law.

The use or temporary or permanent storage of hazardous materials in the ordinary operations of the Tenant, or for maintenance and cleaning of the Premises, will not imply a breach by Tenant to this Section 9.01 (B), as long as, such substances are being managed with the due care and in reasonable volumes for their intended use.

(C) En caso de así requerirlo el negocio o industria del Arrendatario a ser instalado en el Inmueble, éste realizará a su cargo todos y cada uno de los estudios de riesgo ambiental, impacto ambiental, reportes previos, reportes continuos, permisos para emisiones al ambiente de cualquier tipo, como generador de residuos y aquellos otros que de conformidad con la Legislación Ambiental se requieran, y deberá entregar al Arrendador copias de dichos documentos dentro de los 10 (diez) días calendario siguientes al requerimiento escrito del Arrendador.

Asimismo, el Arrendatario se obliga a contratar por su cuenta y riesgo, los servicios de disposición de desechos peligrosos que su negocio o industria requiera, debiendo entregar al Arrendador, previa solicitud por escrito de este último, evidencia de que los desechos peligrosos según dicho término se define en la Legislación Ambiental han sido dispuestos en términos de la Legislación Ambiental.

(D) El Arrendatario, a su costa, se obliga a entregar al Arrendador dentro de los 30 (treinta) días naturales siguientes a la fecha de terminación, ya sea anticipada o programada, del presente Contrato un estudio ambiental denominado Environmental Site Assessment phase I, elaborado con base en la norma ASTM E 1527 – 13 en su última edición, emitido por un auditor ambiental independiente, que refleje que durante el Plazo y la(s) Prórroga(s) y mientras el Arrendatario tuvo posesión del Inmueble o cualquier parte del mismo, con posterioridad a dichas fechas, el Arrendatario dio cumplimiento a sus obligaciones derivadas de la Legislación Ambiental, permitiendo en su caso el Arrendador al Arrendatario el acceso al Inmueble únicamente para este fin. En caso de que dicho estudio refleje la necesidad de llevar a cabo estudios adicionales y/o Acciones de Remediación, el Arrendatario se obliga a llevar a cabo todos dichos estudios adicionales y/o Acciones de Remediación.

(C) In case it is required by the business or industry of the Tenant to be conducted in the Premises, the Tenant will perform at its expense each and all of the studies of environmental risk and environmental impact, previous or continuous reports, permits for emissions to the environment, as generator of residues, and those others required pursuant to the Environmental Law, and must deliver to Landlord copies of all of said studies within the ten (10) calendar days following the written request of the Landlord.

Likewise, the Tenant hereby agrees to hire and maintain, at its own cost and expense, collection services for hazardous waste that its business or industry requires, having to deliver to Landlord, upon written request by the latter, evidence that hazardous wastes, as they are defined in Environmental Law, have been disposed according to the Environmental Law.

(D) Tenant agrees, at its cost, to provide to Landlord, within the 30 (thirty) calendar days following the termination, whether scheduled or anticipated, of this Agreement, a environmental report known as Environmental Site Assessment phase I, based on norm ASTM E 1527 – 13 in its last edition, issued by and independent environmental auditor, that will evidence that during the Term and the Extension(s) and during the term in which the Tenant had possession of the Premises or any part of it after said dates, the Tenant complied with its obligations derived from the Environmental Law, allowing the Tenant the access to the Premises for such purposes. In case that such assessment reflects the need to carry out additional studies and/or Remedial Actions, the Tenant binds itself to make those additional studies and /or Remedial Actions.

En la medida en que lo exija la Legislación Ambiental, será responsabilidad del Arrendatario el informar a las autoridades ambientales acerca de la terminación, ya sea anticipada o programada, de este Contrato y la suspensión de sus actividades en el Inmueble, dando para ello los avisos de abandono de sitio que sean necesarios, copias de los cuales junto con cualquier oficio emitido por dichas autoridades, deberán ser entregados al Arrendador a más tardar el día hábil anterior a la fecha en la que el Arrendador deba de devolver el Depósito en Garantía conforme a lo previsto en el Inciso 6.03 anterior; en el entendido de que, en caso que el Arrendatario incumpla con su obligación de entregar los documentos previstos en este apartado (D) en dicha fecha, el Arrendador se entenderá para todos los efectos como irrevocablemente autorizado por el Arrendatario para aplicar hasta donde alcance el Depósito en Garantía para efectos de dar dichos avisos a las autoridades y llevar a cabo cualquier acto necesario para tal efecto, en caso de que el Depósito en Garantía fuere insuficiente para tal propósito el Arrendatario conviene en pagar al Arrendador cualquier cantidad adicional que el Arrendador hubiera gastado para dicho fin, contra entrega de los comprobantes correspondientes. El retraso en dicho pago, obligará al Arrendatario al pago de intereses moratorios conforme a la tasa establecida en el Inciso 5.06 anterior y se entenderá garantizada por la Garantía de Arrendamiento y la Garantía Adicional (según se define más adelante).

(E) El Arrendatario conviene y se obliga a defender, indemnizar y mantener al Arrendador, y a sus accionistas, acreedores, directores, agentes, empleados, sucesores, delegados fiduciarios, representantes, cesionarios, subsidiarias, afiliadas y partes relacionadas del Arrendador, libres, en paz y a salvo de cualquier reclamación, daño, responsabilidad, pérdida, resolución, acuerdo, transacción, multas, penalidades, gastos y costos (incluyendo sin limitación, honorarios razonables y documentados de abogados y gastos) y gastos derivados o resultantes de, o en cualquier forma relacionados con: (i) la posesión del Inmueble o cualquier parte del mismo por parte del Arrendatario, o (ii) las actividades del Arrendatario en el Inmueble o cualquier parte del mismo, o (iii) cualquier elemento reflejado en el estudio Fase "I" o en el aviso de abandono de sitio a que se refiere el párrafo D) anterior, que sean atribuibles a la posesión del Inmueble o cualquier parte del mismo por el Arrendatario o a sus actividades en el mismo, o (iv) cualesquiera violaciones del Arrendatario respecto de la Legislación Ambiental. La presente indemnización estará limitada al monto que corresponda a las multas y gastos relacionados con cualquier sanción impuesta por las autoridades gubernamentales en materia ambiental, más los costos de las remediaciones que sean necesarias para corregir el incumplimiento de que se trate y los costos documentados efectivamente erogados por la parte que tenga derecho a dicha indemnización.

Para los efectos de este Contrato, los siguientes términos tendrán los significados que a continuación se les atribuyen:

To the extent required by Environmental Law, Tenant shall be responsible for notifying the environmental authorities of the termination, whether scheduled or anticipated of this Agreement) and the termination of its activities at the Premises, by giving the site abandonment notices that may be necessary, copies of which along with any answer issued by said authorities, shall be delivered to the Landlord at the latest on the day before the date in which the Landlord should return the Security Deposit pursuant to that provided in Section 6.03 above; provided that in case that the Tenant fails to deliver the documents referred to in this section (D), the Landlord shall be considered as irrevocably authorized by the Tenant to use the Security Deposit up to its limit to give all such notices to the authorities and to carry out any action required to that effect, in case that the Security Deposit be insufficient for such purposes, then Tenant agrees to pay to Landlord, any additional amount paid by the Landlord to that end, against delivery of the corresponding evidence. Delay in such payment shall bind the Tenant to pay default interest at the rate set forth in Section 5.06 above and shall be considered as covered by the Lease Guaranty and the Additional Collateral (as defined below).

(E) Tenant covenants and agrees to defend, indemnify and hold harmless Landlord, and its shareholders, lenders, directors, officers, employees, trustee delegates, successors, legal representatives, assignees, subsidiaries, affiliates and related parties of Landlord from and against all claims, damages, liabilities, losses, judgments, settlements, transactions, fines, penalties, expenses and costs (including, without limitation, reasonable attorney's fees and expenses) and expenses arising out of or resulting from: (i) Tenant's possession of the Premises or any part thereof, or (ii) Tenant's activities at the Premises or any part thereof, or (iii) any issue reflected in the Phase I or at the site abandonment notice referred to in paragraph D) above, attributable to Tenant's possession of, or activities at the Premises or any part thereof, or (iv) any violations by the Tenant to the Environmental Law. This indemnification shall be limited to the amount corresponding to the fines and expenses related to any sanction imposed by any governmental authority in environmental matters, plus the costs related to the remediation actions necessary to correct the relevant breach, and the documented costs effectively incurred by the party having the right to be indemnified.

For purposes of this Agreement, the following terms will have the meanings set forth herein:

“ Acciones de Remediación ” significa todas las medidas necesarias para efectos de dar cumplimiento o liberar cualquier obligación a la Legislación Ambiental, para (i) limpiar, remover, tratar, reparar, contener, eliminar, cubrir o de cualquier otra manera ajustar o regular los Materiales Peligrosos en áreas internas o externas, (ii) prevenir o controlar las liberaciones de Materiales Peligrosos de tal forma que se impida su migración, o acción perjudicial o amenaza a la salud, bienestar o en el medio ambiente, o (iii) llevar a cabo estudios o análisis para adoptar acciones correctivas, o proceder con investigaciones, estudios de restauración o reparación y estudios para adoptar acciones correctivas posteriores (o trabajo de limpieza posterior), evaluaciones, pruebas y supervisión en, o en las inmediaciones del Inmueble.

“ Condición de Contaminación ” significa, con respecto al Inmueble: (i) condiciones, actividades permanentes u omisiones en actuar, que contravengan la Legislación Ambiental, o que hayan tenido como resultado, o que desde un punto de vista razonable, amenacen resultar en una liberación de Materiales Peligrosos, (ii) condiciones resultantes de liberaciones previas de Materiales Peligrosos que hayan contaminado o que, desde un punto de vista razonable, amenacen contaminar el suelo, subsuelo, aire, el medio ambiente en general, el agua ya sea superficial o subterránea, y (iii) condiciones que, desde un punto de vista razonable, amenacen tener como resultado la exposición humana potencialmente dañina a Materiales Peligrosos.

“ Legislación Ambiental ” significa todas las leyes, reglamentos, decretos, normas, ordenamientos o resoluciones federales, estatales o municipales que en el presente o en el futuro se dicten para efectos de regular aspectos en materia de, recursos ambientales o naturales, o para regular todo lo relativo a contaminantes, incluyendo aquellas leyes sobre el uso, generación, almacenaje, remoción, recuperación, tratamiento, manejo, transportación, disposición, control, descarga o exposición a contaminantes, que apliquen o puedan aplicar al Inmueble y/o a las actividades del Arrendatario. El término Legislación Ambiental incluye sin limitar, el Código Civil para el estado de Tamaulipas, la Ley General del Equilibrio Ecológico y la Protección al Ambiente, Ley Federal de Responsabilidad Ambiental, la Ley General para la Prevención y Gestión Integral de los Residuos, la Ley de Aguas Nacionales, Ley de Aguas del Estado de Tamaulipas, Ley de Protección Civil para el Estado de Tamaulipas, Ley de Salud para el Estado de Tamaulipas, Ley de Desarrollo Urbano para el Estado de Tamaulipas, Código para el Desarrollo Sustentable del Estado de Tamaulipas, así como las Normas Oficiales Mexicanas: NOM-001-SEMARNAT-1997, NOM-002-SEMARNAT-1996, NOM-052-SEMARNAT-2005, NOM-053-SEMARNAT-1993, NOM-081-SEMARNAT-1994, NOM-138-SEMARNAT/SS-2003, y NOM-147-SEMARNAT-SSA1-2004 (así como los lineamientos internos utilizados por la Procuraduría Federal de Protección al Ambiente para suelos contaminados y su remediación) y las modificaciones, reformas y adiciones a las mismas, en cualquier momento durante el Plazo y la(s) Prórroga(s).

“ Remedial Actions ” means all measures needed to comply or release any obligation according to the Environmental Law to (i) clean, remove, treat, repair, contain, eliminate, cover or in any other way adjust or regulate the Hazardous Materials in indoors or outdoors, (ii) prevent or control the release of Hazardous Materials in a way that impedes its migration, or prejudicial effect, or threat to health, wealth or environment, or (iii) to conduct studies or analysis in order to adopt corrective actions, or proceed with investigations, reparation or restoration studies and studies to adopt future corrective actions (or future cleaning work), evaluations, testing and supervision at or near the Premises.

“ Contamination Condition ” means, with respect to the Premises: (i) conditions, permanent activities or omissions, contrary to the Environmental Law, or have resulted, or from a reasonable point of view, threaten to result in a release of Hazardous Materials, (ii) existent conditions as a result of previous releases of Hazardous Materials that had contaminated or that, from a reasonable point of view, threaten to contaminate the ground, water, or underground water, and (iii) existent conditions that, from a reasonable point of view, threaten to result in human exposure to Hazardous Materials.

“ Environmental Law ” means any laws, regulations, decrees, standards, ordinances or resolutions of federal, state or municipal nature currently in effect or that may be in effect in the future to regulate environmental or natural resources, or to regulate everything regarding contaminants, including those laws applicable to the use, generation, storage, removal, recovery, treatment, management, transportation, disposal, control, discharge or exposure of contaminants, applicable or that may apply to the Premises and/or to the Tenant's activities. The term Environmental Laws includes, without limitation, the Civil Code for the State of Tamaulipas, the General Law on Ecologic Balance and Environmental Protection, the Federal Law on Environmental Responsibility, the General Law to Prevent Waste and Integral Management Thereof, the National Water Law, Water Law for the State of Tamaulipas, Civil Protection Law for the State of Tamaulipas, Health Law for the State of Tamaulipas, Sustainable Development Code for the State of Tamaulipas, as well as Mexican Official Standards: NOM-001-SEMARNAT-1997, NOM-002-SEMARNAT-1996, NOM-052-SEMARNAT-2005, NOM-053-SEMARNAT-1993, NOM-081-SEMARNAT-1994, NOM-138-SEMARNAT/SS-2003, and NOM-147-SEMARNAT-SSA1-2004 (as well as internal guidelines used by the Federal Environmental Protection Agency for contaminated soil and remediation), and amendments, modifications and additions thereto from time to time during the Term and the Extension(s).

“Materiales Peligrosos” significa aquellas que se describen en el artículo 3 fracción XXXIII de la Ley General de Equilibrio Ecológico y Protección al Ambiente que representen un riesgo al medio ambiente, salud o recursos naturales, incluyendo sin limitar, cualquier desperdicio tóxico, sustancia peligrosa, sustancia tóxica, desecho peligroso, petróleo, sustancias, residuos o desperdicios derivados del petróleo, sustancias, residuos o desperdicios radioactivos, ya sea en forma líquida, sólida o gaseosa, o cualquier elemento constituido de dicha sustancia, residuo o cualquier otra sustancia o materia regulada o definida en la Legislación Ambiental, incluyendo, sin limitar, desperdicios, residuos, materiales o sustancias que: (i) se les denomine “Material Peligroso” y/o “Residuos Peligrosos”, de conformidad con la Legislación Ambiental, o (ii) aparezcan listados o caracterizados y considerados como “Peligrosos” conforme a las Normas Oficiales Mexicanas que sean aplicables, o (iii) sean designados y considerados como “desperdicios peligrosos” en términos de la Legislación Ambiental, o (iv) tengan características corrosivas, radioactivas, explosivas, tóxicas, inflamables, o biológicamente infecciosas.

CLÁUSULA X
Rescisión

Inciso 10.01. Rescisión por el Arrendador. En el supuesto de que cualquier de los siguientes eventos (cada una, una “Causa de Rescisión”) ocurra:

- i. El Arrendatario omite o se atrase en el pago de la renta y/o cualquier otra cantidad pagadera al Arrendador conforme a este Contrato y/o el Anexo de Arrendamiento y/o cualquier otro documento que se suscriba conforme a este Contrato, y dicha omisión o retraso permanezca sin ser subsanado por un periodo de 10 (diez) días naturales siguientes a la fecha en que el Arrendador le hubiera notificado por escrito al Arrendatario; o
- ii. El Arrendatario ceda los derechos que le corresponden en el presente Contrato o al Anexo de Arrendamiento o subarriende ya sea parcial o totalmente el Inmueble, o de cualquier otra forma conceda el uso, posesión o goce parcial o total del Inmueble a terceros: (a) de manera distinta a la permitida en este Contrato, o (b) sin el consentimiento previo y por escrito del Arrendador para tal efecto, cuyo consentimiento no deberá ser negado o demorado sin razón justificada; o

“Hazardous Materials” means those described in article 3 section XXXIII of the General Law of Ecological Equilibrium and Environmental Protection that pose a risk to the environment, health and natural resources, including without limitation, any toxic waste, dangerous substance, toxic substance, hazardous waste, petroleum, substances or waste derived from petroleum, radioactive substances or waste, whether liquid, solid or in gaseous form, or any element elaborated with such substance or waste, or any other substance or material regulated or defined in the Environmental Law, including, without limitation, waste, traces, materials or substances which: (i) are defined as “Hazardous Material” and/or “Hazardous Traces”, in accordance with the Environmental Law, or (ii) appear listed or characterized and considered like “Dangerous” by the Official Mexican Norms NOM-052-SEMARNAT-2005 and NOM-053-SEMARNAT-1993, or (iii) are designated and considered as “Hazardous Waste” in terms of the Environmental Law, or (iv) have corrosive, radioactive, explosive, toxic, flammable, biological infectious characteristics.

CLAUSE X
Rescission

Section 10.01. Rescission by Landlord. In the case that any of the following events (each a “Cause of Rescission”) occurs:

- i. Tenant fails or delays in the payment of the rent and/or any other amount payable to the Landlord pursuant to this Agreement and/or the Lease Schedule and/or any other document executed pursuant to this Agreement, and such omission or delay remains uncured for a period of 10 (ten) calendar days following the date in which the Landlord had notified in writing to the Tenant; or
- ii. The Tenant assigns its rights from this Agreement or the Lease Schedule or subleases, whether partially or totally the Premises, or in any other manner grants the use, possession or enjoyment of the Premises, whether partially or totally to third parties: (a) in a way different to that permitted hereunder, or (b) without the previous written consent of the Landlord to that effect, which consent shall not be withheld or delayed without just cause; or

- iii. El Arrendatario lleve a cabo cualquier obra en, o modificación al Inmueble, excepto según se permite conforme a este Contrato; o
 - iv. El Arrendatario destine el Inmueble o cualquier parte del mismo a cualquier uso distinto al establecido en el Inciso 3.04 anterior, o utilice el Inmueble o cualquier parte del mismo para almacenar, ocultar y/o mezclar bienes de procedencia ilícita o producto de actividades ilícitas; que sean instrumento, objeto o producto de un delito; producto de delitos patrimoniales o de delincuencia organizada; que estén siendo utilizados para la comisión de un delito; o de cualquier manera relacionados o vinculados con delitos. En este caso la rescisión operará de manera inmediata sin que exista plazo para remediación alguno; o
 - v. El Arrendatario se oponga o de cualquier otra forma impida el acceso a las personas designadas por el Arrendador para inspeccionar el Inmueble según se establece en el Inciso 7.03, o para llevar a cabo los trabajos de reparación a que se refiere el Inciso 7.07 de este Contrato; o
 - vi. El Arrendatario incumpla con cualquiera otra de sus obligaciones conforme al presente Contrato (diferentes a la falta de pago a que se hace referencia en el párrafo (i) de este Inciso y al uso del Inmueble que se describe en el párrafo (iv) de este Inciso), incluyendo cualquier obligación derivada del Reglamento del Parque y dicho incumplimiento permanezca sin ser subsanado durante más de treinta (30) días naturales siguientes a la fecha en que dicho incumplimiento hubiere sido notificado por parte del Arrendador al Arrendatario; o
- iii. The Tenant carries out any work or modification to the Premises, except as permitted in accordance to this Agreement; or
 - iv. The Tenant uses the Premises or any part thereof in a manner different from that established in Section 3.04 above, or uses the Premises or any part thereof to store, hide and/or mix goods of illegal origin, or which are the instrument, object or product of a crime; product of economic crimes or organized crime; or are being utilized to commit a crime; or in any manner are related to criminal activities. In this case the rescission shall operate immediately without any cure period; or
 - v. The Tenant opposes or in any manner impedes the access to the Premises to the persons appointed by the Landlord pursuant to Section 7.03 above, or to carry out the repair works referred to in Section 7.07 of this Agreement; or
 - vi. The Tenant breaches any other of its obligations under this Agreement (different to the lack of payment referred to in paragraph (i) of this Section and the use of the Premises described in paragraph (iv) of this Section), including any obligation derived from the Park Regulations and such breach remains uncured during more than 30 (thirty) calendar days following the date in which such breach had been notified by Landlord to Tenant; or

- vii. El Arrendatario incumpla generalizadamente con el pago de sus obligaciones, conforme al Artículo 9 de la Ley de Concursos Mercantiles, o admita expresamente su inhabilidad para liquidar sus deudas en lo general, o lleve a cabo una cesión en beneficio de acreedores; o el Arrendatario sea declarado en concurso mercantil, entre en estado liquidación o disolución, o que pretenda una orden de suspensión o designación de un síndico, fiduciario, o cualquier otro funcionario interventor del Arrendatario o de cualquier parte substancial de sus activos; o el Arrendatario, a través de su asamblea de accionistas o consejo de administración o de cualquier otra forma, resuelva mediante los actos corporativos necesarios autorizar cualquiera de los eventos que se describen en este párrafo viii; o cualquier autoridad competente declare una moratoria o suspensión de pagos, por cualquier causa, de las deudas del Arrendatario ; o
- viii. El Arrendatario abandone el Inmueble o una parte del mismo; sin embargo, un paro temporal de operaciones durante el cual se mantenga personal de seguridad en el Inmueble, se continúe con el cumplimiento de las obligaciones al amparo del presente Contrato, incluyendo sin limitar las obligaciones de pago de rentas y de mantenimiento del Inmueble, no será considerado como “*abandono*”; o
- ix. Durante la vigencia del presente Contrato, la Garantía de Arrendamiento y/o la Garantía Adicional quedasen, por cualquier causa, sin efecto; y el Arrendatario incumpla con entregar alguna garantía sustituta, dentro de los 10 (diez) días naturales siguientes a la notificación por el Arrendador, en todo caso, la garantía sustituta deberá ser satisfactoria para el Arrendador; o
- x. Se genere cualquier gravamen sobre el Inmueble o cualquier parte del mismo, o se entable cualquier reclamación derivada de cualquier obra o instalación llevada a cabo por el Arrendatario o a nombre de éste, ya sea que dicha obra o instalación hubiere sido o no autorizada por el Arrendador conforme a lo previsto en este Contrato, y el Arrendatario no cancelara el gravamen o resolviera la reclamación de que se trate dentro de los treinta (30) días naturales siguientes a la fecha en que dicho gravamen hubiere sido creado o dicha reclamación iniciada.
- vii. Tenant’s general failure to pay its obligations, as defined in Article 9 of the Commercial Reorganization and Bankruptcy Law, or expressly admits its inability to pay its debts in general, or makes an assignment for the benefit of its creditors; or the Tenant is declared in bankruptcy, commercial insolvency, liquidation or dissolution, or that it requests an order of suspension or designation of a trustee, fiduciary or any other intervening officer of the Tenant or any substantial part of its property; or the Tenant, through its shareholders meeting or board of directors or in any other manner, resolves through the necessary corporate acts, to authorize any of the events described in this paragraph viii; or any competent authority declares a stay or payment stop, for any reason, of the Tenant’s debts; or
- viii. The Tenant abandons the Premises or any part thereof; provided however that, a temporary stop of operations during which security personnel is maintained at the Premises, and continues complying with its obligations under this Agreement, including without limitation the rental payments and maintenance of the Premises, shall not be considered as abandonment; or
- ix. That during the term of this Agreement, the Lease Guaranty and/or the Additional Collateral be, for any cause, without effect, and the Tenant fails to deliver a substitute guaranty, within 10 (ten) calendar days term after having received written notice by Landlord, in all cases, the substitute guaranty must be satisfactory to the Landlord; or
- x. Any lien arises over the Premises or any part thereof, or any claim is filed, derived from any work, job or installation carried out by Tenant or in its name, regardless of whether such work had been authorized or not by the Landlord according to the provisions herein, and the Tenant does not cancel the lien or resolve the claim within thirty (30) calendar days following the date on which such lien was created or such claim brought.

Entonces, el Arrendador podrá, mediante aviso por escrito al Arrendatario con 30 (treinta) días naturales de anticipación, rescindir el presente Contrato y cualquier documento derivado del mismo incluyendo el Anexo de Arrendamiento, identificando claramente la Causa de Rescisión; en cuyo caso, el presente Contrato se tendrá por terminado precisamente el trigésimo día (30) siguiente a la fecha de la notificación, sin necesidad de presentación, demanda, declaración judicial, protesto o aviso adicional de cualquier naturaleza, a todo lo cual, de la manera más

amplia permitida por la legislación aplicable, el Arrendatario renuncia expresamente en este acto, debiendo el Arrendatario: (i) hacer entrega de la posesión del Inmueble en la fecha en que la rescisión de este Contrato surta sus efectos, (ii) dar cumplimiento a todas las disposiciones de este Contrato en lo relativo a la entrega del Inmueble, incluyendo sus obligaciones conforme al Inciso 9.01 de este Contrato, y (iii) pagar la penalidad que se establece en el Inciso 10.02 siguiente y cualquier otra cantidad que conforme a este Contrato y/o al Anexo de Arrendamiento y/o cualquier otro documento derivado de este Contrato deba al Arrendador. Cualquier aviso de rescisión dado por el Arrendador conforme a este Inciso 10.01 quedará sin efecto inmediatamente, si el Arrendatario subsana la Causa de Rescisión correspondiente dentro de dicho periodo de 30 (treinta) días naturales.

En el caso de retraso u omisión en el pago de rentas, la única manera que tendrá el Arrendatario de suspender la rescisión de este Contrato, será exhibiendo al Arrendador el comprobante de pago íntegro de la cantidad debida y no pagada, junto con los intereses moratorios calculados de acuerdo a lo previsto en el Inciso 5.06 de este Contrato y el plazo para cura de dicho incumplimiento en específico es el indicado en el párrafo i de este Inciso 9.01.

El hecho de que cualquier aviso de rescisión quede sin efecto conforme a lo previsto en el párrafo anterior, no impedirá al Arrendador dar nuevos avisos por la misma o diferentes Causas de Rescisión en el caso de que se actualicen los supuestos correspondientes después de que el aviso de rescisión anterior hubiera quedado sin efecto.

Inciso 10.02. Penalidad en caso de Rescisión por el Arrendador. Toda vez que el presente Contrato se celebra por un plazo forzoso y el pago mensual de las rentas es sólo una manera de hacer el pago por la contraprestación total por el uso y goce del Inmueble conforme a este Contrato, en el supuesto de que el presente Contrato sea rescindido por el Arrendador según se establece en el Inciso 10.01 anterior, el Arrendatario deberá pagar al Arrendador por concepto de penalidad por rescisión, un monto igual a las rentas nominales pendientes por devengar en el Plazo o en la Prórroga en vigor, al momento en que la rescisión de este Contrato surta sus efectos.

El Arrendatario conviene y se obliga a pagar al Arrendador la penalidad por rescisión establecida en este Inciso 10.02, en un solo pago en la fecha en que devuelva la posesión del Inmueble al Arrendador conforme a lo previsto en el Inciso 10.01 anterior.

Then, the Landlord may, through written notice to the Tenant with at least 30 (thirty) calendar days in advance, rescind this Agreement and any document derived herefrom, including the Lease Schedule, clearly identifying the Cause of Rescission; in which case, this Agreement shall be considered as terminated on the thirtieth day following the date of the notice, without the need of presentation, demand, judicial declaration, protest or additional notice of any kind, all of which, in the most ample way permitted by law, is hereby waived by the Tenant, and the Tenant will have to: (i) deliver the possession of the Premises on the date the rescission of this Agreement becomes effective, (ii) comply with all provisions of this Agreement related to the delivery of the Premises including its obligations under Section 9.01 of this Agreement, and (iii) pay the penalty set forth in Section 10.02 below and any other amount that pursuant to this Agreement and/or the Lease Schedule and/or any other document derived from this Agreement should be paid by to the Landlord. Any rescission notice by the Landlord pursuant to this Section 10.01 shall be without effect if within such 30 (thirty) calendar days period, the Tenant cures the corresponding Cause of Rescission.

In the case of delay or omission in rental payments, the only manner for the Tenant to suspend the rescission of this Agreement shall be delivering to Landlord the due and unpaid amount along with the corresponding default interests calculated pursuant to that set forth in Section 5.06 of this Agreement, and the cure period for said specific breach shall be the one established in paragraph i of this Section 9.01

The fact that any rescission notice be without effect pursuant to that provided for in the paragraph above, shall not impede the Landlord to give new rescission notices for the same or for different Causes of Rescission in case that the same are applicable after the last rescission notice became ineffective.

Section 10.02. Penalty in case of Rescission by the Landlord. Since this Agreement is being entered into for a mandatory term and the monthly payment of the rents is just a form of paying the full consideration for the use and enjoyment of the Premises pursuant to this Agreement, in the case that the same is rescinded by the Landlord as per the provisions of Section 10.01 above, the Tenant shall pay to the Landlord a penalty for rescission equivalent to the amount of nominal pending rents for the Term or for the Extension in effect at the time the rescission of this Agreement becomes effective.

The Tenant agrees and binds to pay to the Landlord the penalty for rescission set forth in this Section 10.02, in one single payment on the date in which the possession of the Premises is returned to the Landlord pursuant to that set forth in Section 10.01 above.

Inciso 10.03. Rescisión por el Arrendatario. En el supuesto de incumplimiento por parte del Arrendador respecto de sus obligaciones conforme a este Contrato, y siempre y cuando, dicho incumplimiento permanezca sin ser subsanado por más de 45 (cuarenta y cinco) días naturales contados a partir de la fecha en que el Arrendatario hubiera notificado al Arrendador sobre dicho incumplimiento; o si dicho incumplimiento no pudiera ser subsanado dentro de dicho período de 45 (cuarenta y cinco) días naturales, que el Arrendador incumpla con adoptar las medidas necesarias para subsanar el incumplimiento de que se trate (incluyendo sin limitar la realización de reparaciones temporales) dentro de dicho plazo de 45 (cuarenta y cinco) días naturales aquí mencionado y entregue al Arrendatario evidencia documental al respecto; o en el supuesto de que el Arrendador entre en estado de disolución o liquidación o sea declarado en concurso mercantil; el Arrendatario tendrá derecho de elegir: (i) subsanar dicho incumplimiento con cargo al Arrendador, y/o (ii) ejercer cualquier derecho o medida prevista en la ley. El Arrendador no será responsable de daños consecuenciales.

Inciso 10.04. Posesión en caso de Abandono. Las partes convienen que el hecho de que el Arrendatario abandone el Inmueble, autorizará al Arrendador para que de inmediato y sin necesidad de declaración judicial alguna, tome posesión del Inmueble, con el propósito de evitar deterioro y daños al mismo; así como un perjuicio mayor al Arrendador al quedar el Inmueble abandonado y susceptible de ser poseída por cualquier persona sin título legítimo para dicho fin.

Section 10.03. Rescission by Tenant. In the event of default by the Landlord to its obligations hereunder and provided that such default remains without being cured for more than 30 (thirty) calendar days, from the date in which the Tenant notified the Landlord about such breach, or if such breach cannot be cured within such 45 (forty five) calendar days period, and Landlord fails to undertake the necessary actions to start curing such breach (including the realization of temporary repairs) within the 30 (thirty) calendar days period following the date of the above mentioned term and delivers to the Tenant documentary evidence to that respect; or if the Landlord is subject to dissolution or liquidation or declared in bankruptcy, the Tenant shall have the right to choose to: (i) cure Landlord's default at Landlord's cost, and/or (ii) exercise any right or remedy available in law. Landlord shall not be responsible for consequential damages.

Section 10.04. Possession in Case of Abandonment. The parties agree that the fact that the Tenant abandons the Premises shall authorize the Landlord to immediately take possession of the same, without any judicial declaration, in order to avoid damages to the same; as well as to avoid future damages to the Landlord for having the Premises abandoned and in conditions of being possessed by any third party without right to do so.

Queda convenido que la toma de posesión del Inmueble conforme a lo aquí previsto no relevará al Arrendatario de sus respectivas responsabilidades derivadas de cualquier daño causado al Inmueble hasta la fecha en que el Arrendador tome posesión del Inmueble, pero si respecto de daños causados con posterioridad a la fecha en que el Arrendador hubiere tomado la posesión del Inmueble. Para tales efectos, queda convenido que el Arrendador deberá solicitar la presencia de un fedatario público que haga constar en un instrumento público, el estado en que se encuentra el Inmueble al momento en que el Arrendador toma posesión del mismo y un inventario de los bienes existentes dentro del Inmueble en esa fecha. Los gastos y costos incurridos por el Arrendador al tomar la posesión del Inmueble en los términos establecidos en este Inciso 10.04, correrán a cargo del Arrendatario, quien deberá reembolsar todos dichos costos y gastos al Arrendador dentro de los tres (3) días hábiles siguientes a la fecha en que reciba los comprobantes correspondientes. Las partes reconocen que la obligación de reembolso al Arrendador aquí contenida, se encuentra garantizada también por el Depósito de Garantía.

La toma de posesión del Inmueble por parte del Arrendador conforme a este Inciso, no liberará al Arrendatario de su responsabilidad conforme al Inciso 9.01 anterior, ni de aquella derivada del incumplimiento de sus demás obligaciones conforme a este Contrato.

Para efectos de este Inciso 10.04 se entenderá que el Inmueble ha sido “ *abandonado* ” cuando no haya presencia física de empleados, contratistas, representantes (incluyendo personal de seguridad) o persona alguna que dependa o tenga cualquier tipo de relación contractual o laboral con el Arrendatario dentro del Inmueble por un periodo mayor a 30 (treinta) días naturales consecutivos. El Inmueble no se considerará como “ *abandonado* ” en tanto los pagos de renta estén al corriente, aunque no haya presencia física de personal del Arrendatario en la misma.

CLÁUSULA XI Garantía Adicional

Inciso 11.01. Garantía Adicional. Como una condición adicional para que el Arrendador entregue al Arrendatario la posesión del Edificio en la Fecha de Inicio del Arrendamiento, el Arrendatario deberá entregar al Arrendador como garantía adicional de sus obligaciones conforme a este Contrato y al Anexo de Arrendamiento, en la fecha establecida en el Inciso 3.01 anterior, una carta de crédito irrevocable por un monto igual a la cantidad de multiplicar la renta mensual establecida en el Anexo de Arrendamiento por 12 (doce) y con una vigencia igual a 1 (un) año calendario, renovable automáticamente hasta la fecha de terminación del Plazo establecido en el Anexo de Arrendamiento correspondiente (una “ Carta de Crédito ”), presentable en su totalidad al acontecer la rescisión de este Contrato conforme a la Cláusula X anterior.

La Carta de Crédito deberá ser emitida por una institución bancaria aceptable para el Arrendador y se sujetará a los Usos Internacionales *Stand-by de 1998* , Publicación 590 de la Cámara Internacional de Comercio.

It is hereby agreed that the possession of the Premises as set forth herein shall not release the Tenant from its responsibility for any damages suffered by the Premises until the date in which the Landlord takes possession of the same, but will do so from those damages caused after such date. To that end, the parties agree that the Landlord must request the presence of a notary public to evidence the state in which the Premises are at that time, and to make an inventory of any goods existing within it at such date. Likewise, the expenses incurred by the Landlord in taking possession of the Premises in the terms set forth in this Section 10.04 shall be borne by the Tenant, who shall reimburse all such costs and expenses to the Landlord within the three (3) days following the date in which Tenant receives the corresponding proofs of payment. The parties acknowledge that the obligation to reimburse the Landlord contained herein is also covered by the Security Deposit.

The possession of the Premises by the Landlord pursuant to this Section, shall not release Tenant from its responsibility under Section 9.01 above, or from that derived from any breach to its obligations hereunder.

For the purposes of this Section 10.04, the Premises shall be considered as “ *abandoned* ” when there is no physical presence of employees, contractors, representatives (including security personnel) or any other person depending or having any type of contractual or labor relationship with the Tenant within the Premises for a term exceeding 30 (thirty) consecutive calendar days. The Premises shall not be considered “ *abandoned* ” as long as rent payments are current, even when there is not physical presence of employees of Tenant therein.

CLAUSE XI Additional Collateral

Section 11.01. Additional Collateral. As an additional condition for the Landlord to deliver to the Tenant the possession the Building on the Lease Commencement Date, the Tenant must deliver to Landlord as an additional guaranty of compliance of its obligations hereunder and under the Lease Schedule, in the date set forth in Section 3.01 above, an Irrevocable Letter of Credit for an amount equivalent to the result of multiplying the monthly rent set forth in the Lease Schedule times 12 (twelve), valid for a period of 1 (one) calendar year, renewable automatically up to the date of expiration of the Term of the Lease Schedule (a “ Letter of Credit ”) presentable in full in case of rescission of this Agreement according to Clause X above.

The Letter of Credit must be issued by a banking institution acceptable for Landlord and will be subject to the International Stand-by Uses of 1998, Publication 590 of the International Chamber of Commerce.

A fin de hacer una disposición bajo la Carta de Crédito, el Arrendador únicamente deberá presentar al banco emisor en la fecha en que la rescisión de este Contrato sea efectiva: **(1)** un aviso de disposición, acompañado de una manifestación firmada por un representante autorizado del Arrendador describiendo

la Causa de Rescisión aplicable e indicando que el Arrendador tiene derecho de hacer dicha disposición y **(2)** una copia del aviso de rescisión notificado al Arrendatario en términos de lo previsto por el Inciso 10.01 anterior.

Sujeto a la vigencia máxima de la Carta de Crédito según lo previsto en el presente Contrato, el Arrendador podrá disponer de la totalidad de la Carta de Crédito en caso de que el banco emisor notifique al Arrendador su intención de no prorrogar automáticamente la carta de crédito y el Arrendatario no proporcionara una carta de crédito sustituta dentro de los treinta (30) días naturales siguientes a la notificación del banco emisor.

En caso de haber hecho efectiva la Carta de Crédito conforme al párrafo anterior, el Arrendador reembolsará al Arrendatario los montos que hubiere obtenido de la Carta de Crédito, dentro de los dos (2) días hábiles siguientes a la fecha en que el Arrendatario entregue al Arrendador una nueva Carta de Crédito.

A partir del inicio del 6 (sexto) año del Plazo, el monto de la Carta de Crédito se reducirá en un 10% (diez por ciento) cada año hasta el final del Plazo del Anexo de Arrendamiento.

En caso de ejercicio del derecho de Prórroga conforme al Inciso 4.02 de este Contrato, al inicio de cada Prórroga, las partes determinarán de común acuerdo el monto de la Carta de Crédito que el Arrendatario deberá entregar al Arrendador como garantía adicional de sus obligaciones durante la Prórroga de que se trate.

En caso que el Arrendatario y/o el Fiador cumplan con las métricas financieras que se detallan en el Anexo "7" de este Contrato, durante el Plazo y/o la(s) Prórroga(s), la Garantía Adicional podrá ser eliminada, quedando vigente la Garantía de Arrendamiento únicamente. En la inteligencia de que en caso de que el Arrendatario y/o el Fiador dejen de cumplir con dichas métricas financieras en cualquier tiempo durante el Plazo y/o la(s) Prórroga(s), entonces la Garantía Adicional deberá ser reinstaurada dentro de los 10 (diez) días hábiles siguientes a la notificación del Arrendador al respecto, o de lo contrario, se considerará al Arrendatario y al Fiador en incumplimiento del presente Contrato y del Anexo de Arrendamiento.

In order to make any disposition under the Letter of Credit, Landlord shall deliver to the issuing bank on the date of rescission of this Agreement: **(1)** a withdrawal notice, which will include a representation signed by a Landlord's authorized representative describing the applicable Rescission Cause and indicating that Landlord has the right to do such disposition, and **(2)** a copy of the rescission notice delivered to Tenant in the terms set forth in Section 10.01 above.

Subject to the maximum term of the Letter of Credit pursuant the provisions herein, Landlord may withdraw the full amount of the Letter of Credit in case that the issuing bank notifies the Landlord about its intention of not to automatically extend the Letter of Credit and the Tenant fails to deliver a substitute letter of credit within the thirty (30) calendar days following the notification of the issuing bank.

In case of withdrawal under the Letter of Credit pursuant to paragraph above, the Landlord shall reimburse the Tenant, the amounts received by the Landlord under the Letter of Credit, within the two (2) business days following the date in which the Tenant delivers a new letter of credit.

As of the start of year 6 (six) of the Term, the amount of the Letter of Credit shall be reduced in 10% (ten percent) per annum until the end of the Term of the Lease Schedule.

In case of exercise of the renewal right set forth in Section 4.02 of this Agreement, the parties will determine by mutual agreement on the amount of the Letter of Credit that the Tenant must deliver to the Landlord as additional collateral of its obligations during the relevant Extension.

Should the Tenant and/or the Guarantor fulfill, at any time during the Term and/or the Extension(s) the financial metrics described in Annex "7" hereto, the Additional Collateral may be eliminated, and then the Lease Guaranty shall be the only guaranty in place. In the understanding that, should the Tenant and/or the Guarantor stop fulfilling said financial metrics at any time during the Term and /or the Extension(s), then the Additional Collateral must be reinstated within the 10 (ten) business days following Landlord's notice on that regard, otherwise, the Tenant and the Guarantor shall be considered in breach of this Agreement and the Lease Schedule.

Las partes convienen que la revisión de los requisitos antes descritos sólo podrá ser solicitada por el Arrendatario o el Fiador al Arrendador una vez cada año calendario.

El Arrendatario y el Fiador se obligan a entregar al Arrendador toda la información solicitada por éste para determinar el cumplimiento con, y mantenimiento de los requisitos antes descritos, siempre y cuando, dicha información así solicitada no esté disponible al público en general.

CLÁUSULA XII
Varios

Inciso 12.01. Renuncia al Derecho de Preferencia en caso de Venta del Inmueble. En caso de que el Arrendatario elija no ejercer la Opción de Compra, entonces, se considerará que el Arrendatario ha renunciado, en la medida en que la ley aplicable lo permita, al derecho de preferencia para adquirir el Inmueble, en el caso de una venta subsecuente del mismo a un tercero adquirente.

En caso de venta del Inmueble durante el Plazo y la(s) Prórroga(s), el adquirente del Inmueble estará obligado a asumir expresamente las obligaciones que a cargo del Arrendador derivan del presente Contrato en sus propios términos y condiciones y a reconocer expresamente que el Arrendatario es el legítimo arrendatario y poseedor del Inmueble, y que el presente Contrato continuará en sus propios términos, no obstante la transmisión del Inmueble, todo lo anterior por escrito y en forma y fondo satisfactorios para el Arrendatario y para el adquirente del Inmueble, y por su parte el Arrendatario deberá reconocer a dicho adquirente como nuevo arrendador conforme a este Contrato.

Asimismo, el Arrendatario conviene, a solicitud del Arrendador, en subordinar el presente Contrato a cualquier gravamen creado con respecto del Inmueble, en el entendido de que el tenedor de dicho gravamen no estorbará la posesión y el uso del Inmueble por parte del Arrendatario, ni cualquier otro derecho del Arrendatario conforme a este Contrato mientras que el Arrendatario se encuentre en cumplimiento de sus obligaciones conforme al mismo, y en caso de adquisición del Inmueble por efecto de ejecución de cualquier gravamen constituido sobre la misma, el adquirente deberá reconocer al Arrendatario como arrendatario conforme a este Contrato y deberá convenir en dar cumplimiento a las obligaciones del Arrendador conforme al mismo, y en dicho caso el Arrendatario reconocerá a dicha persona como arrendador del Inmueble. El Arrendatario y el Arrendador convienen en celebrar los documentos que sean necesarios para dar efecto a lo previsto en este párrafo.

The parties agree that the review of the requirements set forth above, may only be requested by the Tenant or the Guarantor to the Landlord once every calendar year.

The Tenant and the Guarantor bind themselves to deliver to the Landlord all requested information in order for the Landlord to determine the fulfillment with, and the maintenance of the requirements described above, as long as said information is not publicly available.

CLAUSE XII
Miscellaneous

Section 12.01. Waiver to the Right of First Refusal in the Event of Sale of the Premises. Should Tenant elect not to exercise its Purchase Option, then the Tenant shall be deemed to have waived, to the fullest extent permitted by applicable law, its right of first refusal in case of a subsequent sale of the Premises to a third party purchaser.

In case of sale of the Premises during the Term or the Extension(s), the purchaser of the Premises shall be required to expressly assume, the obligations of the Landlord arising from this Agreement and to expressly acknowledge that the Tenant is the legitimate tenant and possessor of the Premises and that this Agreement shall continue according to its terms and conditions despite the transmission of the Premises, all the above in writing and in form and substance satisfactory to the Tenant and to such purchaser of the Premises, and in turn Tenant shall recognize such purchaser as the new Landlord pursuant to this Agreement.

Likewise, the Tenant agrees, at the request of the Landlord, to subordinate this Agreement to any lien created with respect to the Premises, in the understanding that the holder of such lien shall not interfere with the possession and use of the Premises by the Tenant, nor with any other right of the Tenant pursuant to this Agreement while the Tenant remains in compliance of its obligations pursuant to the same, and in the case of an acquisition of the Premises due to the foreclosure of any lien or encumbrance granted over the same, the purchaser shall recognize the Tenant as tenant pursuant to this Agreement and shall agree to comply with the obligations of the Landlord pursuant to the same, and in such case the Tenant shall recognize said person as Landlord of the Premises. The Tenant and the Landlord agree to execute the necessary documents pursuant to this paragraph.

Inciso 12.02. Modificaciones. Ninguna modificación de término o condición alguna de este Contrato, y ningún consentimiento o dispensa en relación a cualquiera de dichos términos o condiciones tendrá efecto legal alguno, a menos de que conste por escrito y este suscrito por todas las partes, y aun en dicho caso, dicha modificación, consentimiento o dispensa sólo surtirá efectos para el fin específico para el cual haya sido otorgado.

Ninguna conducta entre las partes, costumbre o práctica de industria, y ninguna evidencia extrínseca de ningún tipo o naturaleza podrá ser utilizada para la interpretación de este Contrato ni usada para alterar, suplementar o modificar cualquiera de los términos de este Contrato.

Inciso 12.03. Domicilios; Avisos. (A) Las partes convienen que los domicilios que establecen en este Inciso, constituyen sus domicilios para todo lo relacionado con este Contrato, incluyendo cualquier notificación o diligencia derivada de o relacionada con este Contrato y/o el Inmueble.

B) Todos los avisos y comunicaciones que se requieran en términos de este Contrato, deberán constar por escrito y enviarse (i) por correo certificado con acuse de recibo o por servicio de mensajería internacional con acuse de recibo, o (ii) entregarse personalmente con acuse de recibo, o (iii) entregarse de manera fehaciente, ya sea ante fedatario público o ante dos testigos. Todos los avisos y comunicaciones deberán dirigirse a la parte a quien se pretenda dar dicha notificación o aviso, al domicilio que aparece a continuación, y en su caso, con porte previamente pagado.

Al Arrendador : Paseo de los Tamarindos 90, Torre II, Piso 28, Col. Bosques de las Lomas, México, D.F., CP 05120
At'n: Representante Legal

Al Arrendatario : En el Inmueble
At'n. Representante Legal

Con copia para; TPI Composites, Inc
8501 N. Scottsdale Road, Suite 100
Scottsdale, AZ 85253
At'n. Abogado General y Director de Finanzas

Section 12.02. Modifications. No modification of any term or condition herein, nor any consent or exemption to such terms or conditions will be legal, unless it is approved in writing and signed by the legal representatives of all the parties, and even in such case, such modification, consent or exemption will be effective only for the specific purpose for which it has been granted.

No course of conduct among the parties, custom or practice in the industry, and no extrinsic evidence of any kind shall be used for the interpretation of this Agreement, nor used to alter, supplement or modify any of the terms of this Agreement.

Section 12.03. Domiciles; Notices. (A) The parties hereby agree that the domiciles set forth in this Section, constitute their domiciles for everything related to this Agreement, including any notice or legal action derived from or related to this Agreement and/or the Premises.

(B) Any notice and communication required under this Agreement shall be made in writing and sent by (i) certified mail acknowledgement of reception requested or international courier service with acknowledgment of receipt, or (ii) delivered in person to the recipient with acknowledgment of receipt, or (iii) delivered before notary public or two witnesses. All such notices and communications shall be sent to the intended recipient to the domiciles below, and in its case, postage prepaid:

To Landlord : Paseo de los Tamarindos 90, Torre II, Piso 28, Col. Bosques de las Lomas, México, D.F., CP 05120.
Attn: Legal Representative

To Tenant : At the Premises
Attn: Legal Representative

With a copy to: TPI Composites, Inc.
8501 N. Scottsdale Road, Suite 100
Scottsdale, AZ 85253
Attn. General Counsel and CFO

Todos los avisos y comunicaciones así dirigidos y enviados se considerarán entregados en la fecha en que sean efectivamente recibidos por el destinatario según conste en el acuse de recibo o en el instrumento público en el que conste la notificación. Las partes podrán designar un nuevo domicilio para efectos de este Inciso 12.03 notificándolo a las otras partes en la forma prevista por este Inciso con por lo menos 10 (diez) días de anticipación a la fecha de dicho cambio de domicilio, de lo contrario cualquier notificación o diligencia practicada en el domicilio anterior, surtirá todos sus efectos legales.

Inciso 12.04. Subarrendamiento: Cesión. (A) El Arrendatario no podrá ceder sus derechos conforme al presente Contrato, ni subarrendar o conceder el uso, goce o posesión del Inmueble o de una parte del mismo a persona alguna, sin el consentimiento previo y por escrito del Arrendador para tal efecto, mismo que no podrá negarse sino con causa justificada. No obstante lo anterior, el Arrendador autoriza en este acto al Arrendatario a subarrendar el Inmueble o a ceder cualquiera de sus derechos bajo este Contrato a cualquiera de las empresas que formen parte del mismo grupo económico al que pertenece el Arrendatario, o a que el Arrendatario autorice o ceda el uso temporal de parte del Terreno a uno de los clientes del Fiador, para que almacene bienes que le hubiere entregado el Arrendatario, mientras éstos se envían a su destino. En cuyo caso no será necesaria autorización del Arrendador, y el Arrendatario, notificará al Arrendador con por lo menos 7 (siete) días hábiles de anticipación su intención de subarrendar parte o la totalidad del Inmueble o de ceder sus derechos bajo este Contrato a las personas antes señaladas, anexando para tal efecto la evidencia documental que demuestre que dicha empresa pertenece a dicho grupo económico, o es un cliente del Fiador que está recibiendo productos que le entrega el Arrendatario, acompañada de una declaración firmada del Fiador, indicando su voluntad de garantizar las obligaciones de dichas personas bajo el presente Contrato en los términos estipulados en la Garantía del Arrendamiento, en fondo y forma satisfactorios para el Arrendador y se mantenga la Garantía Adicional.

All notices and communications sent in the above mentioned form shall be considered as delivered when effectively received by the addressee according to the corresponding return of receipt or in the public document prepared in connection with the notification. The parties may designate a new domicile for the purposes of this Section 12.03, by giving notice to the other parties in the manner set forth in this Section with at least 10 (ten) days in advance to the date on which such change is intended to be effective, otherwise any notice or diligence practiced at the previous domicile shall produce all its legal effects.

Section 12.04. Sublease: Assignment. (A) The Tenant may not assign its rights hereunder, nor sublease nor grant the use, possession or enjoyment of the Premises whether in whole or in part, without previous written consent from Landlord for such purposes, which will not be denied without justified reason. Notwithstanding, Landlord hereby authorizes the Tenant to sublease the Premises or to assign any of its rights under this Agreement to any of the companies part of the same economic group to which the Tenant belongs, or to authorize or assign the temporary use or occupancy of part of the Land to a customer of Guarantor, as may be required to store products delivered by Tenant to such customer, pending delivery at the designated location. In such case, authorization of landlord shall not be required and the Tenant shall notify the Landlord at least 7 (seven) business days in advance about its intention to sublease a part or the whole Premises or to assign its rights under this Agreement to the persons above mentioned, attaching for that purpose the documental evidence to prove that such company belongs to the same economic group, and/or is a customer of Guarantor taking delivery of products delivered by Tenant with a signed declaration by the Guarantor stating its will to guarantee the obligations of said persons under this Agreement in the terms set forth in the Lease Guaranty, in form and substance satisfactory to Landlord, and that the Additional Collateral be kept in place.

(B) El Arrendador podrá ceder, transmitir, afectar en fideicomiso, gravar o de cualquier otra forma descontar o gravar el Inmueble y/o los derechos de cobro que deriven del presente Contrato, pero en todo caso, el Arrendador seguirá siendo el único responsable del cumplimiento de las obligaciones del Arrendador bajo este Contrato. Para lo anterior, el

Arrendatario se obliga expresamente a, previa solicitud por escrito del Arrendador, suscribir todos aquellos documentos que sean requeridos al Arrendador por cualquier persona que adquiera los derechos de cobro del Arrendador derivados de este Contrato, única y exclusivamente con el fin de determinar la naturaleza, existencia y legitimidad de los derechos de cobro derivados de este Contrato, sin que dichos documentos impliquen ningún tipo de obligación a cargo del Arrendatario frente al acreedor de que se trate, excepto por el hacer cualquier pago bajo este Contrato y los Anexos de Arrendamiento a una cuenta bancaria específica, y que los derechos del Arrendatario bajo este Contrato no serán afectados en forma alguna por la cesión, transferencia, afectación o cualquier otra acción del Arrendador.

Inciso 12.05. Ley Aplicable; Jurisdicción. (i) El presente Contrato se registrará por las leyes sustantivas aplicables en el Estado de Tamaulipas.

(ii) Para todo lo relativo a la interpretación y cumplimiento de este Contrato y para el caso de controversia derivada del mismo, las partes se someten expresamente a los tribunales competentes de Matamoros, Tamaulipas, y en este acto cada una de las partes renuncia expresa e irrevocablemente a cualquier otro fuero o jurisdicción que le pudiera corresponder por sus domicilios presentes o futuros, por ley o por cualquier otro motivo.

(iii) En cualquier procedimiento legal relacionado con este Contrato, la parte vencedora tendrá derecho de recuperar de la parte vencida los gastos y costos en que hubiera incurrido con motivo del ejercicio de cualesquiera derechos conforme a este Contrato. Ambas partes reconocen que esta constituye una obligación independiente, válida y exigible y que cualquier resolución que sea dictada en relación con cualquiera dicha controversia o procedimiento deberá incluir provisiones al respecto.

(B) The Landlord may assign, transfer, place in trust, lien or any other manner discount or encumber the Premises and/or the collection of rights derived hereunder, but in any case, the Landlord shall be the sole party responsible for the Landlord's obligations hereunder. For such purposes, the Tenant hereby expressly agrees to, upon written request of the Landlord, subscribe any and all documents that may be required by any person acquiring the Landlord's rights to receive payments under this Agreement, solely and exclusively for the purpose of determining the nature and legitimacy of the right to receive payment under this Agreement, without such documents involving any kind of obligation responsibility of Tenant before the corresponding creditor, except for making any payment under this Agreement and the Lease Scheduled to a specific bank account, and that the Tenant's rights under this Agreement shall not be affected in any form by the Landlord's assignment, transfer, encumbrance or any other actions.

Section 12.05. Applicable Law; Jurisdiction. (i) This Agreement shall be governed by the substantive laws applicable in the State of Tamaulipas.

(ii) For everything related to the interpretation and/or performance of this Agreement, and in case of controversy derived from the same, the parties hereby expressly submit themselves to the competent courts of Matamoros, Tamaulipas, and hereby expressly and irrevocably waive any other forum or jurisdiction available to them by reason of their domiciles, by law or by any other reason.

(iii) In any legal proceeding related to this Agreement, the prevailing party shall have the right to recover from the defeated party the costs and expenses incurred because of the exercise of any rights pursuant to this Agreement. Both parties acknowledge that this is an independent, valid and binding obligation and that any resolution issued about any said controversy or proceeding, must include provisions on this regard.

Inciso 12.06. Acuerdo Total. El presente Contrato, el Anexo de Arrendamiento, la Garantía de Arrendamiento, la Garantía Adicional y los demás documentos que en el futuro se suscriban con motivo de este Contrato, junto con sus respectivos anexos contienen el acuerdo íntegro entre las partes del mismo respecto del arrendamiento del Inmueble, tienen el objeto de ser la expresión final de la voluntad de las partes en dicho respecto, y constituye la declaración completa y exclusiva de los términos de dicho acuerdo, y dejan sin efecto cualesquiera negociaciones, acuerdos, entendimientos, contratos, declaraciones o garantías anteriores, si las hubiera respecto del objeto del presente Contrato, excepto por la Carta de Reembolso la cual permanecerá en vigor hasta el cumplimiento de la Condición conforme a este Contrato.

Inciso 12.07. Reglas de Interpretación. (A) Los títulos que aparecen frente a cada Cláusula, Inciso o párrafo de este Contrato aparecen sólo para la conveniencia de las partes y no afectarán de modo alguno la interpretación del mismo o al contenido obligacional de cada una de dichas cláusulas, incisos o párrafos.

(B) Las palabras definidas en singular incluirán el plural y viceversa. Los términos definidos en masculino incluyen el femenino y el neutro, según el contexto lo requiera.

(C) Cuando algún plazo establecido en este Contrato se especifique en *días hábiles*, se entenderá por estos, cualquier día que: (i) no sea un sábado o un domingo, o (ii) no sea un día en que los bancos que operan en México estén autorizados para cerrar, o (iii) no sea un día marcado por la ley aplicable como inhábil.

(D) Cualquier referencia a cláusulas, incisos, numerales o párrafos, se refieren a cláusulas, incisos, numerales o párrafos de este Contrato, a menos que expresamente se especifique lo contrario.

(E) Cualquier referencia a " *a este Contrato*", " *en este Contrato* " o " *de este Contrato* ", o similares, significa una referencia al presente Contrato en su totalidad y no a una porción del mismo, a menos que expresamente así se establezca.

(F) Cualquier referencia a " *satisfactorio para* "; significa en fondo y forma satisfactorio para la parte a quien se refiera la expresión, a su exclusiva discreción, en cada caso, actuando de forma razonable.

(G) Cuando no se establezca un plazo específico para el cumplimiento de alguna obligación contenida en el presente Contrato, se entenderá que el plazo es de 5 (cinco) días hábiles.

(H) Los plazos conforme a este Contrato comenzarán a correr al día hábil siguiente del acto, hecho, aviso, comunicación o notificación que haya dado comienzo al plazo de que se trate, y terminará a las dieciséis horas del día establecido como el último de dicho plazo de acuerdo a este Contrato.

Section 12.06. Entire Agreement. This Agreement, the Lease Schedule, the Lease Guaranty, the Additional Collateral, and any other documents that in the future may be executed in connection with this Agreement and their respective annexes contain the entire agreement between the parties to the same with respect to the lease of the Premises, are intended as a final expression of such parties' agreement with respect to the subject matter of this Agreement, is intended as a complete and exclusive statement of the terms of such agreement, and supersedes all previous negotiations, stipulations, understandings, agreements, representations and warranties, if any, with respect to the subject matter of this Agreement, except for the Reimbursement Letter which will remain in effect until fulfillment of the Condition pursuant to this Agreement.

Section 12.07. Interpretation Rules. (A) The headings of each Clause, Section or paragraph herein appear only for the convenience of the parties and will not affect in any manner the legal interpretation or the content of such clauses, sections and paragraphs.

(B) Words defined in singular shall include the plural form, and *vice versa*. Defined terms in masculine gender, include the feminine gender and the neuter gender, as the context so requires.

(C) When any term set forth in this Agreement is specified in *business days*, it shall be understood as any day that: (i) is not a Saturday or a Sunday, or (ii) is not a day in which the banking institutions that operate in Mexico are authorized to close, or (iii) is not a day designed as non-business day by the applicable law.

(D) Any reference to clauses, sections, numbers or paragraphs, refers to clauses, sections, numbers or paragraphs of this Agreement, unless otherwise specifically stated.

(E) Any reference to " *this Agreement* ", " *in this Agreement* ", or " *from this Agreement* ", or similar, means a reference to this Agreement as a whole and not to a portion of the same, unless otherwise expressly stated.

(F) Any reference to " *satisfactory to* " means in form and substance satisfactory to the party subject matter of the reference, at its exclusive discretion, but in any case acting reasonably.

(G) Whenever there is not a mention of a specific term for fulfilling any obligation hereunder, it shall be understood that the term is of 5 (five) business days.

(H) The terms pursuant to this Agreement shall commence on the business day following to the action, fact, notice or communication that started said term and will finish at 6:00 p.m. of the last day of the term pursuant to this Agreement.

Inciso 12.08. Ejemplares. Este Contrato y cada uno de los Anexos de Arrendamiento se firmarán en cuatro (4) ejemplares cada uno de los cuales constituye un original, y todos en su conjunto constituyen uno y el mismo Contrato.

Inciso 12.09. Anuncios y Rótulos. El Arrendador autoriza al Arrendatario a instalar en el Inmueble aquellos anuncios relativos a su denominación o giro comercial, pero en todo caso dichos anuncios o rótulos, deberán de cumplir con las disposiciones legales aplicables al Inmueble. En ningún caso se podrán instalar anuncios cuya altura supere la altura máxima del Inmueble, ni se permitirán anuncios luminosos o anuncios pintados o instalados en el techo del Inmueble.

A la terminación por cualquier causa de este Contrato, el Arrendatario se obliga a retirar todos y cada uno de los anuncios o rótulos que hubiere instalado en el Inmueble, y a restaurar la superficie en la que dichos anuncios o rótulos se hubieren colocado, incluyendo cualquier decoloración que la instalación de dichos anuncios o rótulos hubiere causado en el Inmueble, o resanar cualesquiera daños o anclas que se hubieran instalado para dicho propósito, a fin de devolverlo al Arrendador en el mismo estado en que la recibió conforme a lo previsto en este Contrato.

Inciso 12.10. Material Promocional y Reportes. El Arrendatario autoriza desde este momento al Arrendador para incluir fotografías del Inmueble, así como la denominación del Arrendatario y Fiador dentro de sus materiales promocionales y de sus reportes periódicos a inversionistas. Este Inciso no constituye ni deberá interpretarse como una licencia o permiso para uso de propiedad industrial y/o intelectual del Arrendatario.

Inciso 12.11. Gastos. Los gastos incurridos por cada una de las partes en la elaboración y negociación del presente Contrato, incluyendo sin limitar, honorarios de asesores legales, correrán por cuenta exclusiva de la parte que los hubiere incurrido o que hubiere contratado los servicios de dichas personas, y en este acto cada una de las partes se obliga a mantener a las demás partes de este Contrato, libres, en paz y a salvo respecto de toda y cualquier reclamación, ya sea judicial o extrajudicial, que cualquiera de las personas antes mencionadas iniciare en contra de las otras partes de este Contrato por los servicios que, en su caso, dicha persona hubiere prestado a la parte de este Contrato que la hubiere contratado, y a indemnizar a dichas otras partes respecto de todos aquellos daños, pérdidas, gastos, costos, multas y penalidades en que hubieren incurrido con motivo de dicha reclamación, incluyendo sin limitar, honorarios razonables y documentados de abogados y gastos relacionados.

Section 12.08. Counterparts. This Agreement and each of the Lease Schedules will be signed in four (4) original counterparts, each of the same constitutes an original, and all of them jointly constitute one and the same Agreement.

Section 12.09. Signage. Landlord authorizes the Tenant to place at the Premises those signs related to its denomination or commercial activity, but in all cases, such signs shall comply with the provisions applicable to the Premises. In no case signs which height exceeds that of the Premises, or illuminated signs or painted or installed signs in the roof of the Premises are allowed.

Upon termination by any reason of this Agreement, Tenant agrees to remove each and all of the signage installed at the Premises, and to restore the area in which such signage had been placed, including any de-coloration that the installation of such signage would have caused to the Premises, or repair any damage or structures installed for such purposes, in order to return the same to the Landlord in the state in which Tenant received it according to this Agreement.

Section 12.10. Advertisement Material and Reports. Tenant authorizes the Landlord to include photographs of the Premises, as well as the name of the Tenant and of the Guarantor, within its advertisement materials and within its periodical investors' reports. This Section does not constitute, or shall be interpreted as a license or permit to use industrial and/or intellectual property of the Tenant.

Section 12.11. Expenses. Expenses incurred by the parties in the elaboration and negotiation of this Agreement, including without limitation, professional fees of legal counselors, will be borne by the party that incurred in them or which retained the services of such people, and each of the parties hereby agrees to indemnify and hold harmless the other parties herein, free and clear with respect to any claim, whether judicial or extra judicial, that any of the aforementioned individuals undertake against the other parties of this Agreement by the services which, in its case, such individual had rendered to the party in this Agreement that contracted it, and to reimburse such other parties regarding all those expenses incurred by reason of the defense of any such claim, including, without limitation, attorney's fees and related expenses.

Inciso 12.12. Obligaciones Laborales. Cada una de las partes será responsable de dar cumplimiento a las obligaciones que derivadas de su carácter de patrón le imponga la ley federal del trabajo y demás regulaciones que le sean aplicables respecto de sus trabajadores, incluyendo sin limitar sus obligaciones de proveer un lugar de trabajo en condiciones de higiene y seguridad a sus trabajadores y las normas oficiales mexicanas aplicables a los patrones, y desde este momento cada una de ellas se obliga a mantener a las demás partes de este Contrato, libres, en paz y a salvo respecto de toda y cualquier acción, que cualquiera de sus empleados por cualquier causa iniciare en contra de las otras partes de este Contrato, y a indemnizar a dichas otras partes respecto de todos aquellos daños, pérdidas, perjuicios, gastos, costos, multas, indemnizaciones y penalidades en que hubieran incurrido con motivo de dichas acciones, incluyendo sin limitar, honorarios razonables y documentados de abogados y gastos relacionados.

Adicionalmente, las partes se comprometen a que en todas sus relaciones respetarán los derechos humanos de sus empleados y todas las personas en general, evitando la discriminación, el acoso el abuso o la intimidación en cualquiera de sus formas, en relación a: edad, lenguaje u origen, nacionalidad o raza, estado civil, género, embarazo, enfermedades como SIDA, ideas, opiniones o libertad de expresión, capacidades físicas especiales, preferencias políticas o sexuales, religión; o condición social y económica.

Las partes se comprometen a apegarse, en lo conducente y relacionado con el presente Contrato a lo siguiente:

1. Actuar con principios éticos y morales en sus acciones, así como con respeto y en apego en lo que corresponda a sus propios códigos de ética y regulaciones internas.
2. Abstenerse de emplear mano de obra infantil; y
3. Cumplir con la legislación en materia de protección de medio ambiente, seguridad e higiene en el lugar de trabajo.

Section 12.12. Labor Obligations. Each of the parties will be responsible for complying with the obligations arising from their capacity as employers pursuant to the Federal Labor Law (*Ley Federal del Trabajo*) and other applicable regulations with respect to their workers, including without limitation their obligations to provide a secure and hygienic working place to their respective workers and to the Mexican official norms applicable to employers, and from this moment, each of them agrees to indemnify and hold harmless the other parties of this Agreement, clear and free from any and all action, whether judicial or extrajudicial, that any of their workers, for any reason undertake against any of the other parties to this Agreement, and to reimburse to said other parties, all those expenses in which they had incurred by reason of the defense of any such action, including without limitation, attorney's fees and related expenses.

Additionally, the parties agree that in their respective relationships the human rights of their employees and from all persons in general will be respected, avoiding discrimination, harassment, abuse or intimidation in any manner, in connection with: age, language or origin, nationality, race, civil status, gender, pregnancy, diseases as HIV, ideas, opinions or freedom of expression, physical capabilities, political or sexual preferences, or social and economic condition.

The parties agree to be bound, in all related to this Agreement to the following:

1. Act according to ethical and moral principles in their activities, as well as with respect and in compliance to their own ethics codes and internal regulations.
2. Refrain from using child labor; and
3. Comply with the legislation relative to environmental protection, security and hygiene in the working place.

En caso de generarse sanciones o multas de autoridades competentes por incumplimiento a los principios mencionados en el presente Inciso y que se encuentren incorporados en las leyes aplicables, la parte en incumplimiento deberá hacer frente a los mismos dejando a salvo a las otras partes de toda responsabilidad, y a indemnizarlas respecto de todos aquellos daños, pérdidas, perjuicios, gastos, costos, multas, indemnizaciones y penalidades en que hubieran incurrido con motivo de dichas acciones, incluyendo sin limitar, honorarios razonables y documentados de abogados y gastos relacionados.

Inciso 12.13. Idioma. Este Contrato y cada Anexo de Arrendamiento se firmará de modo simultáneo en idiomas inglés y español, sin embargo las partes convienen que en caso se duda, inconsistencia o controversia en relación con la interpretación o cumplimiento de este Contrato y/o de cualquier Anexo de Arrendamiento, la versión en español siempre prevalecerá.

Inciso 12.14. No Asociación. Ninguno de los términos y condiciones de este Contrato deberá interpretarse como un asociación, sociedad, asociación en participación, consorcio ni ningún otro tipo de figura asociativa entre las partes, ni participación de ninguna de las partes en los beneficios del negocio de las otras, quienes para todos los efectos legales a que haya lugar, son y seguirán siendo entidades con personalidad y patrimonio propios e independientes una de la otra y que tienen una relación contractual conforme a los términos de este Contrato, que constituyen los términos bajo los cuales cada una quiso obligarse.

Inciso 12.15. Actividad Lícita. Manifiestan las partes bajo protesta de decir verdad que sus ingresos y los recursos con los que cumplirán las obligaciones contenidas en el presente instrumento y de cada Anexo de Arrendamiento serán siempre de procedencia lícita, y que ninguna de sus actividades es ilícita, delictiva o de cualquier manera auxiliar en la comisión de delito alguno.

Inciso 12.16. Datos Personales. El aviso de privacidad de datos del Arrendador se encuentra disponible en la página de la red mundial de internet www.vesta.com.mx, y el Arrendatario a través de su firma en este Contrato, reconoce y acepta dicho aviso de privacidad de datos, el cual manifiesta haber recibido y aceptado previo a la suscripción de este Contrato.

No se considerará como un incumplimiento por el Arrendador a la privacidad de datos, el que el Arrendador o cualquiera de las empresas de su grupo económico incluyan información, distinta a información confidencial, relacionada con este Contrato dentro de sus informes a inversionistas, analistas financieros, acreedores, agencias calificadoras, compañías de seguros, afianzadores, valuadores, auditores, asesores o dentro de la publicación de eventos relevantes publicados a través los sistemas de la Bolsa Mexicana de Valores, respecto de lo cual el Arrendatario a través de su firma en este Contrato manifiesta su conformidad.

In case of any penalties or sanctions from the competent authorities due to the breach to the principles mentioned in this Section and the same are included within applicable laws, the party in breach must keep the other free and clear from any responsibility and to indemnify them with respect to all damages, loses, costs, expenses, sanctions, indemnifications and penalties incurred by them by reason of such actions, including without limitation, reasonable and documented attorney's fees and expenses related thereto.

Section 12.13. Language. This Agreement and each Lease Schedule will be signed in both Spanish and English languages simultaneously; however, the parties hereby agree that in case of doubt, inconsistency or controversy regarding the interpretation or compliance of this Agreement and / or any Lease Schedule, the Spanish language version shall always prevail.

Section 12.14. No Association. None of the terms and conditions of this Agreement shall be interpreted as an association, company, partnership, consortium or any other kind of associative figure among the parties, or participation of any of the parties in the benefits of the business of the others, whom for all legal effects, are and will continue to be entities with their own personality and patrimony independent one from the other, and they only have a contractual relationship in the terms of this Agreement, which constitute the terms under which each of them wanted to be bound.

Section 12.15. Legal Activities. The parties express under oath that their income and the resources that will be used to comply with their obligations under this Agreement and from each Lease Schedule, shall be from legal origin and none of their activities is illegal, criminal or in any other manner auxiliary in committing a crime.

Section 12.16. Personal Data. The data privacy notice of the Landlord is available at the world wide web www.vesta.com.mx, and the Tenant, through its signature in this Agreement, acknowledges and accepts said privacy notice, which acknowledges having received and accepted before the execution of this Agreement.

It shall not be deemed as a breach by the Landlord to the data privacy, the fact that the Landlord or any of the entities of its economic group, include information, other than confidential information, related to this Agreement, within their reports to investors, financial analysts, lenders, rating agencies, insurance companies, bond companies, appraisers, auditors, advisors or within relevant events published through the systems of the Mexican Stock Exchange, all of which the Tenant, through its signature in this Agreement, expressly agrees.

Inciso 12.17. Condición Financiera y Estados Financieros. El Arrendatario conviene, dentro de los 10 (diez) días hábiles siguientes a la solicitud por escrito del Arrendador, en entregar una copia de sus estados financieros anuales y de los del Fiador, que en ese momento estén disponibles; en el entendido de que el Arrendador no podrá solicitarlo más de una vez al año, ni tampoco si dicha información es pública, dicha información deberá ser manejada y tratada como información confidencial y sujeta a lo previsto en el Inciso 12.16 anterior.

Inciso 12.18. Ausencia de Vicios del Consentimiento. Las partes manifiestan que en la firma del presente Contrato, su voluntad no se encuentra afectada por dolo, lesión, error, mala fe, ni ninguna otra cuestión que menoscabe su voluntad. Siendo el presente Contrato perfecto y válido para que surta plenos efectos y renunciando las partes en términos de lo previsto en el Código Civil para el Estado de Chihuahua, a cualquier acción para la nulidad del mismo por este motivo.

Inciso 12.19. Comisión de Corretaje. El Arrendador pagará a CBRE (el “Corredor”) una comisión (la “Comisión”) de conformidad con los términos y condiciones establecidos en el contrato de corretaje celebrado por separado con esta misma fecha entre el Arrendador y el Corredor igual al 5% (cinco por ciento) de la renta aplicable por los primeros 5 (cinco) años del Anexo de Arrendamiento y 2.5% (dos punto cinco por ciento) de la renta aplicable por los años siguientes del Anexo de Arrendamiento. Ambas partes convienen en indemnizar y mantener a la otra parte en paz y a salvo de y contra cualquier reclamo por comisiones u honorarios de corredor y honorarios adicionales de cualquier persona o entidad que reclame haber sido contratado en relación con la presente transacción o ser la causa de adquisición de la presente transacción. El Arrendador y el Arrendatario declaran para beneficio de la otra que no han contratado los servicios de ninguna persona diferente del Corredor en relación con la negociación y celebración de este Contrato.

Section 12.17. Financial Condition and Financial Statements. Tenant agrees to deliver to the Landlord, within 10 (ten) calendar days following the written request by the Landlord, a copy of its then available annual financial statements, and of those of the Guarantor, provided that, the Landlord shall not request it more than once in a year, nor if such information is public, said information should be handled and treated as confidential information, and subject to that set forth in Section 12.16 above.

Section 12.18. Absence of Vices of Consent. The parties declare that in the signing of this Agreement, their will is not affected by fraud, injury, error, bad faith, or any other issue that impairs their will. Being the present Agreement perfect and valid for fully effective contract effects, and hereby waive in terms of that set forth in the Civil Code for the State of Chihuahua to any action to nullify this agreement for that reason.

Section 12.22. Brokerage Fees. Landlord shall pay to CBRE (the “Broker”) a brokerage commission (“Commission”) pursuant to the terms and conditions of that certain separate brokerage agreement entered into by and between the Landlord and the Broker, equivalent to the 5% (five percent) of the applicable rent for the first 5 (five) years of the Lease Schedule and 2.5% (two point five percent) of the rent applicable to the remaining years of the Lease Schedule. Each Party agrees to indemnify and hold the other party free and harmless from and against any damages and losses resulting from any claims for brokerage commissions or fees and/or finder’s fees by any person or entity claiming to have been retained by a party in connection with this transaction or to be the procuring cause of this transaction. Landlord and Tenant represent to each other that none of them has hired the services of any person other than the Broker in connection with the negotiation and execution of this Agreement.

Inciso 12.23. No Corrupción. Ninguna de las partes ofrecerá ni hará regalo o dádiva alguno para inducir a cualquier persona o ente para celebrar o cumplir con cualquiera de los términos o condiciones del este Contrato o cualquier otro convenio entre las partes (conjuntamente los “ Documentos del Arrendamiento ”). Cada una de las partes garantiza a la otra que tiene conocimiento de las disposiciones de la legislación norteamericana denominada Foreign Corrupt Practices Act of the United States of America (“ FCPA ”), y que ninguno de sus accionistas, socios,

funcionarios, directivos, o empleados es o será funcionario de cualquier gobierno de su país durante el plazo de los Documentos del Arrendamiento. En el cumplimiento de las obligaciones o desarrollo de las actividades a desarrollarse bajo los Documentos del Arrendamiento, y de los fondos, activos, o registros de los mismos, cada una de las partes, no ofrecerá, pagará, prometerá o hará, directa o indirectamente pago alguno o regalo de dinero o bienes a (i) cualquier funcionario de gobierno para influenciar sus actos o decisiones o inducirlo a utilizar su influencia con gobiernos locales para influir o afectar sus decisiones para ayudar a dicha parte a cumplir sus obligaciones bajo este Contrato, o beneficiará a la otra parte; (ii) cualquier candidato o partido político para dichos fines; o (iii) cualquier persona, si dicha parte tiene conocimiento o tuviera razón para conocer que tales dineros o bienes serán ofrecidos prometidos, pagados o entregados, directa o indirectamente, a cualquier funcionario, partido político, o candidato para dichos fines. El Arrendador garantiza al Arrendatario que no es controlado por cualquier dependencia, organismo o agencia u órgano gubernamental ni dichas dependencias tiene participación directa en su capital.

EN TESTIMONIO DE LO CUAL , las partes suscriben el presente Contrato a través de sus representantes debidamente autorizados para tal efecto, en la fecha que se señala en cada caso en los espacios de firma, después de haber revisado los términos y condiciones de este Contrato con la asesoría de los profesionales que cada una estimó convenientes, y de haber comprendido el alcance legal del mismo.

Arrendador/ Landlord
QVCII, S. de R.L. de C.V.

Por/By: /s/ Lorezno Manuel Berho Corona
Nombre/Name: Lorenzo Manuel Berho Corona
Cargo/Title: Apoderado /
Attorney in fact

Fecha/ Date: _____

Por/By: /s/ Lorenzo Dominique Berho Carranza
Nombre/Name: Lorenzo Dominique Berho Carranza
Cargo/Title: Apoderado /
Attorney in fact

Fecha/ Date: _____

Section 12.23. No Corruption. Neither party will offer or give any gratuity to induce any person or entity to enter into, execute or perform any term or condition of this Agreement or any other agreement between the parties (collectively, the “ Lease Documents ”). Each party further represents that it has knowledge of the Foreign Corrupt Practices Act of the United States of America (“ FCPA ”), and that no principal, partner, officer, director or employee thereof is or will become an official of any governmental body of its country during the term of the Lease Documents. Each party agrees that it shall not, in the conduct of its performance under the Lease Documents, and with regard to any funds, assets, or records relating thereto, offer, pay, give, or promise to pay or give, directly or indirectly, any payment or gift of any money or thing of value to (i) any government official to influence any acts or decisions of such official or to induce such official to use his influence with the local government to effect or influence the decision of such government in order to assist that party in its performance of its obligations under this order or to benefit the other party; (ii) any political party or candidate for public office for such purpose; or (iii) any person if that party knows or has reason to know that such money or thing of value will be offered, promised, paid, or given, directly or indirectly, to any official, political party, or candidate for such purpose. Landlord further represents and warrants to Tenant that it is not owned or controlled by any governmental body, agency or instrumentality, and that said entities do not have any direct participation in its capital stock.

IN WITNESS WHEREOF , the parties execute this Agreement, through their respective and duly authorized representatives to that effect, in the date set forth in each case in the signature blocks herein, after having reviewed the terms and conditions of this Agreement with the advisory of the professionals that each of them deemed convenient and having understood the legal effects of the same.

Arrendatario / Tenant
TPI-Composites II, S. de R.L. de C.V.

Por/By: /s/ Victor Manuel Saenz Saucedo
Nombre/Name: Victor Manuel Saenz Saucedo
Cargo/Title: Apoderado /
Authorized Representative

Fecha/ Date: _____

Lista de Anexos/ List of Annexes

Anexo / Annex "1"	Plano de ubicación del Terreno / Land Location Plan
Anexo / Annex "2"	Condiciones y Lineamientos de Inversión / Investment Conditions and Guidelines
Anexo / Annex "3"	Modelo de Anexo de Arrendamiento / Model of Lease Schedule
Anexo / Annex "4"	Reglamento del Parque / Park Regulations
Anexo / Annex "5"	Modelo de Determinación de Rentas / Model of Rent Determination
Anexo / Annex "6"	Modelo de Garantía de Arrendamiento / Model of Lease Guaranty
Anexo / Annex "7"	Métricas Financieras del Arrendatario y/o Fiador / Financial Metrics of the Tenant and/or the Guarantor
Anexo / Annex "8"	Formato de Opción de Compra / Form of Purchase Option

Anexo / Annex "1"

Plano de ubicación del Terreno / Land Location Plan

Ver página anexa / See attached page

Anexo / Annex "2"

Condiciones y Lineamientos de Inversión / Investment Conditions and Guidelines

Ver [] páginas anexas / See [] pages attached

Anexo / Annex "3"

Modelo de Anexo de Arrendamiento / Model of Lease Schedule

Anexo de Arrendamiento No. []
De fecha []

Lease Schedule No. [],
Dated []

El presente es un Anexo de Arrendamiento suscrito de conformidad con el Contrato de Arrendamiento Maestro Sujeto a Condición de fecha [] de 2017 (el "Contrato de Arrendamiento") celebrado entre QVCII, S. de R.L. de C.V. (la "Arrendadora"), y TPI-Composites II, S. de R.L. de C.V. (la "Arrendataria").

This is a Lease Schedule executed pursuant to the Master Lease Agreement Subject to Condition, dated [], 2017 (the "Lease Agreement"), by and between QVCII, S. de R.L. de C.V. (the "Landlord"), and TPI-Composites II, S. de R.L. de C.V. (the "Tenant").

De acuerdo con lo requerido por el Contrato de Arrendamiento, las partes de este Anexo de Arrendamiento lo suscriben de conformidad con las siguientes disposiciones:

As required by the Lease Agreement, the parties hereto enter into this Lease Schedule in accordance with the following provisions:

1. Términos Definidos. Los términos con mayúscula que aparecen en este Anexo de Arrendamiento, se usan con los significados que se les atribuye a dichos términos en el Contrato de Arrendamiento, excepto que se definan de otra manera en este Anexo de Arrendamiento.

1. Defined Terms. Capitalized terms herein are used with the meanings assigned to such terms under the Lease Agreement, except as otherwise defined herein.

2. Descripción del Edificio. El Edificio objeto de este Anexo de Arrendamiento tendrá un área total rentable de [] m² y se construirá de conformidad con las Especificaciones que conforman el Anexo "1" de este Anexo del Arrendamiento.

2. Description of Building. The Building matter of this Schedule, will have a total leasable area of [] m², will be built in accordance with the Specifications attached as Annex "1" of this Lease Schedule.

3. Vigencia de este Anexo. La vigencia de este Anexo de Arrendamiento es de 10 (diez) años, a partir de la Fecha de Ocupación Substancial.

3. Term of this Schedule. The term of this Lease Schedule is 10 (ten) calendar years, starting on the Date of Substantial Occupancy.

4. Fechas de Entrega. Sujeto a las disposiciones del Contrato de Arrendamiento, la Ocupación Anticipada ocurrirá en o antes del día [], la Ocupación Benéfica ocurrirá, en o antes del día [] y el Edificio será entregado en estado de Ocupación Sustancial en o antes del día [] dicha fecha se considerará como la "Fecha de Inicio del Arrendamiento".

4. Delivery Dates: Subject to the provisions of the Lease Agreement, the Early Occupancy shall be delivered on or before [], the Beneficial Occupancy shall be delivered on or before [], and the Building shall be delivered in state of Substantial Occupancy on or before [], such date will be deemed as, the "Lease Commencement Date".

En términos de lo previsto en el Inciso 2.03 del Contrato de Arrendamiento, el Edificio y la correspondiente Lista de Pendientes deberán concluirse en o antes de la fecha que sea 30 (treinta) días naturales posteriores a la Fecha de Ocupación Substancial.

In terms of that set forth in Section 2.03 of the Lease Agreement, the Building and the corresponding Punch List, shall be finished on or before the date that is 30 (thirty) calendar days following the Date of Substantial Occupancy.

En caso de retraso en la Fecha de Ocupación Substantial del Edificio por causas imputables al Arrendador, será aplicable la pena convencional descrita en el Inciso 2.05 del Contrato de Arrendamiento.

5. Renta. La renta mensual pagadera por el Arrendatario al Arrendador por el Edificio conforme a lo previsto en la Cláusula V del Contrato de Arrendamiento es la cantidad de EUA\$[] más los impuestos aplicables, lo que equivale a una renta de EUA\$[] por metro cuadrado por mes. El costo de construcción del Edificio y el cálculo de la renta se acompañan como Anexo “2”

Dicha renta se incrementará en cada aniversario de la Fecha de Inicio del Arrendamiento aquí establecida, de acuerdo con lo dispuesto en la Cláusula V del Contrato de Arrendamiento.

6. Depósito en Garantía. La Arrendataria se compromete a entregar a la Arrendadora, dentro de los [] días hábiles siguientes a la fecha de este Anexo de Arrendamiento, en concepto de Depósito en Garantía, la cantidad de EUA \$[] dólares, equivalente a 1 (un) mes de renta vigente a la fecha de este Anexo de Arrendamiento, cantidad que se entrega con el objeto de garantizar sus obligaciones de acuerdo con lo dispuesto en la Cláusula VI del Contrato de Arrendamiento.

7. Garantía de Arrendamiento. Como Anexo “3” de este Anexo de Arrendamiento se acompaña la correspondiente Garantía de Arrendamiento emitida por el Fiador en términos de lo previsto en el Contrato de Arrendamiento, como garantía de las obligaciones del Arrendatario conforme al Contrato de Arrendamiento y a este Anexo de Arrendamiento.

9. Garantía Adicional. Como Anexo “4” de este Anexo de Arrendamiento se acompaña la Garantía Adicional correspondiente a este Anexo de Arrendamiento emitida por [] en términos de lo previsto en el Inciso 11.01 del Contrato de Arrendamiento, como garantía adicional de las obligaciones del Arrendatario conforme al Contrato de Arrendamiento y a este Anexo de Arrendamiento.

9. Manual de Mantenimiento. En términos de lo previsto por el Contrato de Arrendamiento como Anexo “5” de este Anexo de Arrendamiento, se acompaña el Manual de Mantenimiento relativo al Edificio.

In case of delay in the Date of Substantial Completion of the Building by reasons attributable to Landlord, the conventional penalty described in Section 2.05 of the Lease Agreement shall be applicable.

5. Rent. The monthly rent payable by the Tenant to the Landlord for the Building pursuant to that set forth in Clause V of the Lease Agreement, shall be the total amount of US\$[], plus applicable taxes, which is equivalent to a rent of US\$[] per square meter per month. The construction costs of Building and the rental calculation is attached hereto as Annex “2”.

Said rent will be increased each anniversary of the Lease Commencement Date set forth herein, in accordance with that set forth in Clause V of the Lease Agreement.

6. Security Deposit. Tenant agrees to deliver to Landlord, within the [] business days following the date of this Lease Schedule, as a Security Deposit, the amount of US\$ [], equivalent to 1 (one) month of rent in effect as of the date hereof, to guarantee its obligations according to that provided in Clause VI of the Lease Agreement.

7. Lease Guarantee. As Annex “3” hereto, is the corresponding Lease Guaranty issued by the Guarantor in terms of that set forth in the Lease Agreement, as guarantee of the obligations of the Tenant under the Lease Agreement and this lease Schedule.

8. Additional Collateral. As Annex “4” hereto, is the Additional Collateral corresponding to this Lease Schedule issued by [], in terms of that set forth in Section 11.01 of the Lease Agreement, as additional guarantee of the obligations of the Tenant under the Lease Agreement and this lease Schedule.

9. Maintenance Manual. In terms of that set forth in the Lease Agreement, attached hereto as Annex “5” of this Lease Schedule is the Maintenance Manual corresponding to the Building.

10. Propiedad del Arrendatario. Como Anexo "6" de este instrumento, se encuentra una lista de los bienes propiedad del Arrendatario que serán introducidos al Edificio y que en todo momento permanecerán como propiedad del Arrendatario.

EN TESTIMONIO DE LO ANTERIOR, las partes, después de haber leído y entendido el contenido de este Anexo de Arrendamiento, lo firman a través de sus respectivos representantes debidamente autorizados para ello en la fecha que se menciona en los espacios de firma de este Anexo de Arrendamiento y el mismo pasa a formar parte integrante del Contrato de Arrendamiento; por lo que todas las disposiciones del Contrato de Arrendamiento son aplicables a este Anexo de Arrendamiento.

10. Tenant's Property. As Annex "6" hereto is a list of the goods owned by the Tenant that will be introduced to the Building, which shall at all times remain property of the Tenant.

IN WITNESS WHEREOF, the parties, after having read and understood the contents of this Lease Schedule, executed it through their respective and duly authorized representatives on the date written in the signatures block herein and the same becomes an integral part of the Lease Agreement; therefore, all provisions of the Lease Agreement are applicable to this Lease Schedule.

Firmas/Signatures

Anexo / Annex "4"
Reglamento del Parque / Park Regulations

Ver [] páginas anexas / See [] pages attached

Anexo / Annex "5"

Modelo de Determinación de Rentas / Rent Determination Model

Ver página anexa / See page attached

Anexo / Annex "6"
Modelo de Garantía de Arrendamiento / Model of Lease Guaranty

LEASE GUARANTY

This Guaranty of Lease is made and entered into on this [], day of [] of 2017, by TPI Composites Inc, a corporation validly incorporated and legally existing under the laws of _____, having its principal place of business at _____ (the "Guarantor"), in favor of QVCII, S. de R.L. de C.V., a corporation validly incorporated and legally existing under the laws of the United Mexican States, having its domicile at Paseo de Tamarindos 90, torre 2, piso 28, Col. Bosques de las Lomas, Cuajimalpa de Morelos, CP 05120, Ciudad de Mexico (the "Landlord"). Guarantor covenants and agrees follows:

RECITALS

- (A) On []th, 2017 TPI- Composites II, S. de R.L. de C.V. as tenant (the "Tenant") and the Landlord, entered into a certain Master Lease Agreement Subject to Condition, regarding the lease of an industrial building to be built by the Landlord within a lot of land of approximately 21.6 hectares, neighboring with "Parque Industrial las Ventanas", in the city of Matamoros, Tamaulipas (the "Master Lease"), for it to be used by the Tenant.
- (B) On the date hereof the Tenant and the Landlord had executed the Lease Schedule No. [], with respect to the Building having a total leasable area of [] m², to be built within the Land (the "Lease Schedule No. []", hereinafter the Master Lease when referred along with the Lease Schedule No. [], shall be referred to as the "Lease");
- (C) The Guarantor, as ultimate parent of the Tenant, has agreed to guarantee in the manner hereinafter set forth the due and timely payment by the Tenant of its obligations under the Lease Agreement.
- (D) In order to comply with the terms of the Master Lease, the Guarantor hereby executes and delivers this Lease Guaranty for the benefit of the Landlord; and
- (D) Defined terms used in the Master Lease are used herein as therein defined, unless otherwise expressly defined herein

Now therefore, the Guarantor hereby expressly agrees as follows:

AGREEMENT

1. Guaranty. For valuable consideration, Guarantor absolutely and unconditionally guarantees to and for the benefit of Landlord, the full, timely and complete payment, observance and performance by Tenant of all of the terms, covenants and conditions to be performed by Tenant in connection with or arising out of the Lease (collectively, the "Guaranteed Obligations"), including but not limited to any such obligations arising out of any extension of the term of the Lease regardless of whether such Guaranteed Obligations may, from time to time, be greater than the obligations of Tenant.

1.1 The Guaranteed Obligations include, without limitation, **(i)** all of Tenant's obligations to pay "Rent" (as described in the Lease), insurance, and reimbursement of expenses such as property tax and all of Tenant's indemnification obligations under the Lease (including but not limited to all obligations arising with respect to "Contamination Conditions" and "Hazardous Materials" as defined in the Lease), and **(ii)** penalties on any monetary obligations until paid in full on the terms and conditions set forth in the Lease.

1.2 The Guaranteed Obligations do not include any obligations of Tenant which are finally determined by the courts to be excused or limited as a material breach of any material obligation of Landlord under the Lease, but payment and/or performance of the Guaranteed Obligations by Guarantor shall not be delayed, forgiven or offset pending any such determination. This Guaranty constitutes an absolute, direct,

immediate and unconditional guarantee of timely payment, observance and performance, and not merely of collectability, and includes, without limitation, all primary, secondary, direct, indirect, fixed and contingent obligations of Tenant in connection with the Lease, as such may be modified, amended, extended or renewed from time to time.

1.3 If Tenant defaults in the payment, performance or observance of any of the terms, covenants, or conditions in the Lease (after any applicable cure period set forth in the Lease), Guarantor will immediately pay, perform and observe the same, as the case may be, in the place and stead of Tenant. Guarantor hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever.

2. Independent and Continuing Obligations. The obligations of Guarantor under this Guaranty are independent obligations of Tenant or of any other guarantor. The obligations of Guarantor under this Guaranty are continuing and irrevocable until all of the Guaranteed Obligations have been fully satisfied.

2.1 If at any time all or any part of any payment received by Landlord from Tenant, Guarantor or any other person under or with respect to the Lease or this Guaranty has been refunded or rescinded pursuant to any court order (including without limitation any court order arising out of the insolvency, bankruptcy or reorganization of Tenant, Guarantor or any other guarantor), then Guarantor's obligations under this Guaranty shall, to the extent of the payment refunded or rescinded, be deemed to have continued in existence, as though such previous payment to Landlord had never occurred.

3. Amendment or Assignment. This Guaranty shall not be affected or limited in any manner by (a) any assignment of, or any modification or amendment (by agreement, course of conduct, or otherwise) to, all or any portion of any agreement, instrument and/or document with respect to, or that evidences the Guaranteed Obligations, or (b) the renewal, extension and/or modification, at any time, of the Lease or any of the Guaranteed Obligations.

3.1 By this Guaranty, Guarantor guarantees Tenant's performance of the Guaranteed Obligations as so amended, assigned, renewed, extended or modified, whether or not such amendment, assignment, renewal, extension or modification is with the consent of, or notice to Guarantor. Without limiting the foregoing or affecting in any manner the enforceability of this Guaranty, Landlord may assign its rights under the Lease to a successor in interest to all or a portion of the Building, or the Land, or to a lender encumbering such Building [] or the Land, and in such case this Guaranty shall also be deemed as assigned in favor to any such lender or successor in interest, without the need any further action, notice, protest or communication of any kind.

4. Remedies. If Tenant defaults with respect to any of the Guaranteed Obligations, Landlord may, at its election, proceed immediately against Guarantor (as if such default arose from the direct and primary obligation of Guarantor), any other guarantor or Tenant, or any combination of Tenant, Guarantor and any other guarantor.

4.1 If any portion of the Guaranteed Obligations terminates and Landlord continues to have any rights it may enforce against Tenant under the Guaranteed Obligations after such termination, then Landlord may, at its election, enforce such rights against Guarantor. An action or actions may be brought and prosecuted against Guarantor under this Guaranty, whether or not Tenant or any other guarantor is joined in such action(s) or a separate action or actions are brought against Tenant or any other guarantor.

4.2 Landlord may maintain successive actions for separate defaults. Unless and until the Guaranteed Obligations have been fully satisfied, Guarantor shall not be released from its obligations under this Guaranty irrespective of (a) any such action or any number of successive actions, (b) the exercise by Landlord of any of Landlord's rights or remedies (including, without limitation, eviction of Tenant, mitigation of damages as a result thereof, compromise or adjustment of the Guaranteed Obligations or any part thereon), (c) any release by Landlord of either of Tenant or any other guarantor, or (d) the satisfaction by Guarantor of any liability under this Guaranty incident to a particular default.

5. Waiver of Defenses. Guarantor waives and agrees not to assert or take advantage of:

(a) any right to require Landlord to proceed against Tenant or any other person or any security now or hereafter held by Landlord or to pursue any other remedy whatsoever, including, without limitation, any such right, defense, or any other right set forth in or arising out of Sections 2809, 2810, 2819, 2820, 2822, 2825, 2845, 2850 or 2855 of the California Civil Code, Sections 3603, 9207 or 9504 of the California Commercial Code; and articles 2173, 2174, 2175, 2214, 2216, 2218 and 2219 of the civil code for the State of Tamaulipas.

(b) notice of acceptance of this Guaranty;

(c) any defense based upon any legal disability of Tenant or any guarantor, or any discharge or limitation of the liability of Tenant or any guarantor to Landlord, or any restraint or stay applicable to actions against Tenant or any other guarantor, whether such disability, discharge, limitation, restraint or stay is consensual, or by order of a court or other governmental authority, or arising by operation of law or any liquidation, reorganization, receivership, bankruptcy, insolvency or debtor-relief proceeding, or from any other cause, including, without limitation, any defense to the payment of rent under the Lease, attorneys' fees and costs and other charges that would otherwise accrue or become payable in respect of the Guaranteed Obligations after the commencement of any such proceeding, it being the intent of the parties that the Guaranteed Obligations shall be determined without regard to any rule of law or order that may relieve Tenant of any portion of such obligations;

(d) setoffs, counterclaims, presentment, demand, protest or notice of any kind and any defense to performance under this Guaranty with the exception of the defenses of (i) prior payment or performance by Tenant or (ii) that there is no obligation on the part of Tenant with respect to the matter claimed to be in default;

(e) right to trial by jury and any action or proceeding of any kind arising under or relating to this Guaranty with any interpretation, breach or enforcement hereof;

(f) any defense based upon the modification, renewal, extension or other alteration of the Guaranteed Obligations, or of the documents executed in connection therewith;

(g) any defense based upon the negligence of Landlord (unless such defense is available to Tenant), including, without limitation, the failure to record an interest under a lease, sublease, or deed of trust, the failure to perfect any security interest, or the failure to file a claim in any bankruptcy of the Tenant or any guarantor;

(h) all rights of subrogation, reimbursement, indemnity, all rights to enforce any remedy that Landlord may have against Tenant, and all rights to participate in any security held by Landlord for the Guaranteed Obligations, including, without limitation, any such right or any other right set forth in Sections 2848 or 2849 of the California Civil Code, until the Guaranteed Obligations have been performed in full, and any defense based upon the impairment of any subrogation, reimbursement or indemnity rights that Guarantor might have.

(i) any defense based upon the death, incapacity, lack of authority or termination of existence or revocation hereof by any person or entity or persons or entities, or the substitution of any party hereto; and

(j) any defense based upon or related to Guarantor's lack of knowledge as to Tenant's financial condition.

6. Tenant's Financial Condition. Guarantor is relying upon its own knowledge and is fully informed with respect to Tenant's financial condition. Guarantor assumes full responsibility for keeping itself fully informed of the financial condition of Tenant and all other circumstances affecting Tenant's ability to perform the Guaranteed Obligations, and agrees that Landlord will have no duty to report to Guarantor any information which Landlord receives about Tenant's financial condition or any circumstances bearing on Tenant's ability to perform all or any portion of the Guaranteed Obligations.

7. Default. Each of the following shall constitute a default of Guarantor under this Guaranty:

- (a) the failure of Guarantor to perform any of its obligations under this Guaranty;
- (b) the commencement of any bankruptcy, insolvency, arrangement, reorganization, or other debtor-relief proceeding under any federal or state law by or relating to Tenant or Guarantor, whether now existing or hereafter enacted; or
- (c) the occurrence of a default by Tenant continuing beyond any applicable grace or cure period under the Lease or the failure of any representation or warranty contained herein or in the Lease to be accurate and complete.

Upon an occurrence of a default under this Guaranty as specified above, Landlord may, at its option, without notice or demand upon Guarantor or Tenant, declare the Guaranteed Obligations (or such portion thereof as may be designated by Landlord) immediately due and payable by Guarantor to Landlord.

8. Costs and Expenses. Guarantor hereby agrees to pay, upon demand, Landlord's reasonable out-of-pocket costs and expenses, including but not limited to legal fees and disbursements, and expert witness fees and disbursements, incurred in any effort to collect or enforce this Guaranty, whether or not any lawsuit is filed, and in the representation of Landlord in any insolvency, bankruptcy, reorganization or similar proceeding relating to Guarantor. Until paid to Landlord, such sums will bear interest from the date such costs and expenses are incurred at the rate set forth in the Lease for past due obligations. The obligations of Guarantor under this Section shall include payment of Landlord's costs and expenses of enforcing any judgment, which obligations shall be severable from the remaining provisions of this Guaranty and shall survive the entry of judgment.

9. Representations and Warranties. Guarantor makes the following representations and warranties, which shall be deemed to be continuing representations and warranties until payment and performance in full of the Guaranteed Obligations:

- (a) Guarantor has all the requisite power and authority to execute, deliver and be legally bound by this Guaranty on the terms and conditions herein stated;
- (b) This Guaranty constitutes the legal, valid and binding obligations of Guarantor enforceable against Guarantor in accordance with its terms;
- (c) No consent of any other person not heretofore obtained and no consent, approval or authorization of any person or entity is required in connection with the valid execution, delivery or performance by Guarantor of this Guaranty; and
- (d) Guarantor is not insolvent, and will not be rendered insolvent by the incurring of its obligations hereunder.

10. Bankruptcy. So long as any Guaranteed Obligations shall be owing to Landlord, Guarantor shall not, without the prior written consent of Landlord, commence, or join with any other person or entity in commencing, any bankruptcy, reorganization, or insolvency proceeding against Tenant. The obligations of Guarantor under this Guaranty shall not be altered, limited, or affected by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation, or arrangement of Tenant, or by any defense Tenant may have by reason of any order, decree, or decision of any court or administrative body resulting from any such proceeding.

11. Miscellaneous

1.1. Further Assurances. Each party to this Guaranty shall execute all instruments and documents and take all actions as may be reasonably required to effectuate this Guaranty.

1.2. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of California.

1.3. Arbitration. Any dispute, controversy or claim arising out of or relating to this Guaranty, including the formation, interpretation, breach or termination thereof, including whether the claims asserted are arbitrable, will be referred to and finally determined by arbitration in accordance with the JAMS International Arbitration Rules (" Rules ") and the procedures set forth below. The tribunal will consist of a single arbitrator. The place of arbitration will be San Diego, CA. The language to be used in the arbitral proceedings will be English. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

1.3.1. Any Party may at any time give notice of intent to arbitrate by providing notice addressed to the other party in accordance with the Notice provisions in this Guaranty.

1.3.2. Within fifteen (15) days after a Notice has been served, the Parties shall select one (1) arbitrator in accordance with the Rules.

1.3.3. Unless the parties mutually agree in writing to some specific pre-hearing discovery, there shall be no pre-hearing discovery other than (a) reasonable, limited production of relevant documents, (b) the identification of witnesses to be called at the hearing, and (c) subpoena of witnesses and documents for presentation at the hearing. The arbitrator shall decide any disputes and shall control the process concerning these pre-hearing discovery matters.

1.3.4. Within fifteen (15) days following the appointment of the arbitrator, each party shall deliver to the arbitrator and to the other party a written brief setting forth its view of the facts and law, its position on the dispute, and the requested decision to be made by the arbitrator. The brief shall also identify generally the written evidence and the witnesses that the Party expects to present at the arbitration hearing, the description of documents the party wants to be produced for inspection and the names or titles of witnesses. The arbitration hearing shall commence as soon as feasible, and in all cases within forty five (45) days following the appointment of the arbitrator.

1.3.5. The Arbitrator may grant any legal or equitable remedy or relief that the arbitrator deems just and equitable and may make such interlocutory orders and prescribe such interim measures to apply as he deems appropriate, pending a final resolution by award of outstanding questions or issues.

1.3.6. The expenses of the arbitration, including the arbitrator's fees, expert witness fees, and attorneys' fees may be awarded to the prevailing party in the discretion of the arbitrator. Unless and until the arbitrator decides that one party is to pay for all (or a disproportionate share) of such expenses, both parties shall share equally in the payment of the arbitrator's fees as and when billed by the arbitrator. Should any party refuse to pay its portion of such expenses, the other party may do so, and the costs so incurred must be addressed in the arbitral award to be issued by the arbitrator.

1.3.7. The Parties shall keep confidential the fact of the arbitration, the dispute being arbitrated, and the decision of the arbitrator. Notwithstanding the foregoing, the parties may disclose information about the arbitration to persons who have a need to know, such as directors, trustees, management employees, the parties' attorneys, lenders, insurers, authorities and others who may be directly affected. Once the arbitration award has become final, if the arbitration award is not promptly satisfied, then these confidentiality provisions shall no longer be applicable as against the nonperforming Party.

1.3.8. The decisions or awards of the Arbitrator shall be final and binding upon the Parties affected thereby and each of the Parties hereby irrevocably and expressly covenants to comply promptly and in good faith with any and all such decisions or awards. Judgment upon the award rendered by the arbitrator may be enforced in any court having jurisdiction thereof or in any jurisdiction where Guarantor has assets.

1.3.9. The parties agree that the arbitral award, if not satisfied within five (5) days of the date of the award may converted into a judgment in the United States, Mexico or any other jurisdiction at the election of the prevailing party in order to enforce it.

1.3.10. The Parties hereby waive to any objection they might have to the entry of a foreign arbitral award.

1.3.11. In the event that the arbitration results in an award against Guarantor, Guarantor shall satisfy the award within five (5) days of the date of the award and in the event that Guarantor fails to do so Guarantor hereby stipulates that Guarantor agrees that the award may be converted to, and entered as a judgment in any and all jurisdictions in which the Guarantor is doing business on an ex-parte basis by providing Guarantor forty eight (48) hour advance notice.

1.3.12. The Parties hereby agree that all the transactions contemplated by this Agreement shall be deemed to constitute commercial activities. To the extent that any one or more of the Parties may in its jurisdiction claim for itself or any of its agencies, instrumentalities, properties or assets, immunity, whether characterized as sovereign or otherwise, or other statutory defenses, from suit, execution, set-off, attachment (whether in aid of execution, before judgment or otherwise) or other legal process including, without limitation, immunity from service of process or from jurisdiction of the arbitration, or of its assets, such immunity (whether or not claimed), such claims or defenses are hereby expressly and irrevocably waived.

1.4. Attorney's Fees. The prevailing party in any litigation, arbitration, mediation, bankruptcy, insolvency or other proceeding (collectively, "Proceeding") relating to the enforcement or interpretation of this Guaranty may recover from the unsuccessful party all reasonable costs, expenses and reasonable attorneys' fees (including expert witness and other consultants' fees and costs) relating to or arising out of (a) any such Proceeding (whether or not the Proceeding proceeds to judgment or award), and (b) any post-judgment or post-award proceeding including, without limitation, one to enforce or collect on any judgment or award resulting from the Proceeding. All such judgments and awards shall contain a specific provision for the recovery of all such subsequently incurred costs, expenses and actual attorneys' fees.

1.5. Modification. This Guaranty may be modified only in the case that written consent by Landlord is obtained.

1.6. Integration. This Guaranty contains the entire agreement between the parties to this Guaranty with respect to the subject matter of this Guaranty, is intended as a final expression of such parties' agreement with respect to the subject matter of this Guaranty, is intended as a complete and exclusive statement of the terms of such agreement, and supersedes all negotiations, stipulations, understandings, agreements, representations and warranties, if any, with respect to such subject matter which precede or accompany the execution of this Guaranty.

1.7. No Extrinsic Evidence. No course of conduct between the parties, no custom or practice in the industry, and no parol or extrinsic evidence of any kind or nature shall be used in the interpretation of this Guaranty nor used to alter, supplement or modify any of the terms of this Guaranty. There are no conditions to the effectiveness or enforceability of this Guaranty or any provision hereof except (if any) as may be specifically set forth in this Guaranty.

1.8. Partial Invalidity. Each provision of this Guaranty shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Guaranty or the application of such provision to any person or circumstance is or becomes, to any extent, invalid or unenforceable, the remainder of this Guaranty, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, are not affected by such invalidity or unenforceability, unless such provision or such application of such provision is essential to this Guaranty.

1.9. Successors-in-Interest and Assigns. This Guaranty is binding on and inures to the benefit of the successors-in-interest and assigns of Landlord and Guarantor. Nothing in this paragraph creates any rights

enforceable by any person or entity other than Landlord and Guarantor and their successors-in-interest and assigns.

1.10. Notices. Each notice and other communication required or permitted to be given under this Agreement (" **Notice** ") must be in writing. Notice is duly given to another party upon: (a) hand delivery to the other party, or (b) the next business day after the Notice has been deposited with a reputable overnight international delivery service, postage prepaid, addressed to the party as set forth below with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery-service-provider. All notices must be made to the domiciles of the parties set forth in the first paragraph of this Lease Guaranty.

Each party shall make a reasonable, good faith effort to ensure that it will accept or receive Notices that are given in accordance with this paragraph. A party may change its address for purposes of this paragraph by giving the other party written notice of a new address in the manner set forth above.

1.11. Waiver of Default. Any waiver of a default under this Guaranty must be in writing and is not a waiver of any other default concerning the same or any other provision of this Guaranty. No delay or omission in the exercise of any right or remedy may impair such right or remedy or be construed as a waiver. A consent to or approval of any act does not waive or render unnecessary consent to, or approval of any other or subsequent act.

IN WITNESS WHEREOF , the parties hereto have executed this Guaranty as of the date first above written.

GUARANTOR
TPI Composites, Inc.

By: []
Title: []

INCUMBENCY CERTIFICATE

The undersigned, _____, _____ of TPI Composites, Inc (the "Company"), certifies that the representative who signed above is duly authorized and empowered to bind the Company and to execute this Lease Guaranty dated as of [], 201[], which the Company is issuing in favor of QVCII, S. de R.L. de C.V., and that the signature above the name of such representative, is the signature legally used by him/her when signing binding documents on behalf of the Company.

Executed in [], this [] day of [] of 201[].

Name: _____
Title: _____

Anexo / Annex "7"

Métricas Financieras del Arrendatario y/o Feador / Financial Metrics of the Tenant and/or the Guarantor

En términos de lo establecido en el Inciso 11.01 del Contrato de Arrendamiento, con el fin de que el Arrendador dé su consentimiento para la cancelación de la Garantía Adicional conforme a lo previsto en dicho Inciso, las dos condiciones que a continuación se enumeran deberán ser cumplidas, por el Feador durante al menos 2 (dos) años calendario consecutivos y calculadas utilizando estados financieros auditados.

1. Altman Z-score mayor a 2.9

$$Z\text{- Score: } 1.200*X1 + 1.400*X2 + 3.300*X3 + 0.600*X4 + 0.999*X5$$

Dónde:

- X1: (Activos Actuales - Pasivos Actuales)
- X2: Utilidades Retenidas / Activos Totales
- X3: Utilidades antes de Intereses e Impuestos / Activos Totales
- X4: Capital Social / Pasivos Totales
- X5: Ventas / Activos Totales

2. Proporción de Cobertura mayor a 3.0

Proporción de Cobertura: Ebitda Ajustado / (Intereses+ dividendos preferentes)

Dónde:

Ebitda Ajustado: Utilidades o pérdidas más gastos de intereses (neto de ingreso por intereses), impuesto sobre la renta, depreciación y amortización, gasto por compensación en acciones, más o menos cualquier ganancia o pérdida cambiaria, más el producto del inventario mantenido para clientes por 5%.

*** En todo caso la determinación de cumplimiento con las condiciones antes descritas deberá hacerse con base en estados financieros anuales auditados.

--- Fin de Texto---

In terms of that set forth in Section 11.01 of the Lease Agreement, in order for the Landlord to consent to the cancellation of the Additional Collateral pursuant to that set forth in said Sections, the two conditions described below must be met by the Guarantor during at least 2 (two) consecutive calendar years and using audited financial statements.

1. Altman Z-score greater than 2.9

$$Z\text{-Score: } 1.200*X1 + 1.400*X2 + 3.300*X3 + 0.600*X4 + 0.999*X5$$

Where:

- X1: (Current Assets - Current Liabilities)
- X2: Retained Earnings / Total Assets
- X3: Earnings Before Interest and Taxes / Total Assets
- X4: Capital Stock / Total Liabilities
- X5: Sales / Total Assets

2. Coverage Ratio higher than 3.0

Coverage Ratio: Adjusted Ebitda / (Interest + preferred dividends)

Where:

Adjusted Ebitda: Net income or loss plus interest expense (net of interest income), income taxes, depreciation and amortization, share-based compensation expense, plus or minus any currency gains or losses, plus the product of inventory held for customers times 5%.

***In all cases the determination of compliance with the above mentioned conditions, must be made based on annual audited financial statements.

---End of Text---

Anexo / Annex "8"
Formato de Opción de Compra / Form of Purchase Option

Ver [] páginas anexas / See [] pages attached

20 de septiembre de 2017

September 20, 2017

TPI Composites II, S. de R.L. de C.V.

Libramiento Aeropuerto 10073,
Colonia Lote Bravo, Ciudad Juárez,
Chihuahua, CP 32695

Estimado señores:

Hacemos referencia al contrato maestro de arrendamiento que con fecha 25 de mayo de 2017 (el "Contrato Maestro"), celebraron por una parte TPI-Composites II, S. de R.L. de C.V. como arrendatario ("TPI") y QVCII, S. de R.L. de C.V. como arrendador ("Vesta"), con motivo de la posible compra por parte de Vesta de un terreno parte del predio el Ballineño, que colindan con el Parque Industrial las Ventanas, en la ciudad de Matamoros, Tamaulipas, para ahí desarrollar un cierto edificio industrial para TPI, de acuerdo a los términos a ser estipulados en el Anexo de Arrendamiento No. 1 a celebrarse conforme al Contrato Maestro. Los términos definidos que se utilizan en el Contrato Maestro, se usan aquí con el mismo significado ahí atribuido, a menos de que expresamente se les atribuya un significado diferente.

En relación con lo anterior, y toda vez que en el Inciso 1.01 del Contrato Maestro, las partes acordaron ciertas fechas límite para el cumplimiento de las Condiciones y dicha fecha ha transcurrido sin que se hubieran cumplido las Condiciones, por este medio las partes convienen expresamente en extender las fechas aplicables a las Condiciones para que las mismas se cumplan en o antes del día 31 de octubre de 2017, de lo contrario las partes reconocen que lo previsto en el Inciso 1.02 del Contrato Maestro será aplicable.

En caso de estar de acuerdo con los términos de la presente, solicitamos a ustedes firmar de conformidad en el espacio aquí previsto y devolver un original a la atención de cualquiera de los suscritos.

Atentamente,

/s/ Lorenzo Manuel Berho Corona
Por/By: Lorenzo Manuel Berho Corona
Cargo/ Title: Apoderado / Attorney in fact

TPI Composites II, S. de R.L. de C.V.

Libramiento Aeropuerto 10073,
Colonia Lote Bravo, Ciudad Juárez,
Chihuahua, CP 32695

Dear Sirs:

Reference is made to the master lease agreement dated as of May 25th, 2017 (the "Master Lease"), executed by and between TPI Composites II, S. de R.L. de C.V. as tenant ("TPI") and QVCII, S. de R.L. de C.V. as landlord ("Vesta"), in connection with a possible purchase by Vesta of a piece of land of the *predio Ballineño*, adjacent to the *Parque Industrial Las Ventanas*, in Matamoros, Tamaulipas, in order to develop an industrial building for TPI, as per the terms to be established in Lease Schedule No. 1 to be executed under the terms of the Master Lease. Defined terms used in the Master Lease, are used herein as therein defined, unless otherwise expressly defined herein.

Regarding the foregoing, and considering that within Section 1.01 of the Master Lease the parties agreed to certain dates as limit for the fulfillment of the Conditions and such date has elapsed without the Conditions having been fulfilled, by this means the parties expressly agree to extend the dates applicable to the Conditions, for the same to be fulfilled on or before October 31, 2017, otherwise, the parties acknowledge that the provisions of Section 1.02 of the Master Lease shall be applicable.

Should this agreement meet with your approval, please execute this instrument as evidence of your agreement and return one original to the attention of any of the undersigned.

/s/ Lorenzo Dominique Berho Caranza
Por/By: Lorenzo Dominique Berho Carranza
Cargo/ Title: Apoderado / Attorney in fact

Este instrumento se firma a los 20 días del mes de septiembre de 2017, como evidencia de su aceptación y acuerdo con todos y cada uno de los términos aquí previstos.

This instrument is signed this 20 day of September of 2017, as evidence of its acceptance and agreement with each and all of the terms set forth herein.

TPI Composites II, S. de R.L. de C.V.

/s/ Victor Manuel Saenz Saucedo

Por/ By: Victor Manuel Saenz Saucedo

Cargo / Title: Apoderado / Attorney in fact

Anexo de Arrendamiento No. 1
De fecha 29 de septiembre de 2017

Lease Schedule No. 1
Dated 29th of September of 2017

El presente es un Anexo de Arrendamiento suscrito de conformidad con el Contrato de Arrendamiento Maestro Sujeto a Condición de fecha 25 de mayo de 2017, según modificado por convenio con efectos al 20 de septiembre de 2017 (el “Contrato de Arrendamiento”) celebrado entre QVCII, S. de R.L. de C.V. (la “Arrendadora”) y TPI-Composites II, S. de R.L. de C.V. (la “Arrendataria”).

No obstante lo dispuesto en el Inciso 3.01 del Contrato de Arrendamiento, las partes suscriben este Anexo de Arrendamiento No. 1 aunque las Condiciones no han sido cumplidas; por lo que convienen expresamente que este Anexo de Arrendamiento No. 1 sólo surtirá efectos a partir de la fecha en que las Condiciones hayan sido cumplidas en los términos acordados en el Contrato de Arrendamiento, según el mismo haya sido modificado, suplementado o adicionado a esta fecha.

De acuerdo con lo requerido por el Contrato de Arrendamiento, las partes de este Anexo de Arrendamiento No. 1 lo suscriben de conformidad con las siguientes disposiciones:

1. Términos Definidos. Los términos con mayúscula que aparecen en este Anexo de Arrendamiento No. 1, se usan con los significados que se les atribuye a dichos términos en el Contrato de Arrendamiento, excepto que se definan de otra manera en este Anexo de Arrendamiento No. 1.
2. Terreno. Las partes hacen constar que la medida del Terreno a ser adquirido por el Arrendador conforme a lo dispuesto en el Contrato de Arrendamiento es de 152,170 m² (ciento cincuenta y dos mil ciento setenta metros cuadrados).
3. Descripción del Edificio. El Edificio objeto de este Anexo de Arrendamiento No. 1 tendrá un área total rentable de 49,001 m² (cuarenta y nueve mil un metros cuadrados) y se construirá de conformidad con las Especificaciones que conforman el Anexo “1” de este Anexo del Arrendamiento.
4. Vigencia de este Anexo. La vigencia de este Anexo de Arrendamiento será de 10 (diez) años, a partir de la Fecha de Ocupación Substantial.

This is a Lease Schedule executed pursuant to the Master Lease Agreement Subject to Condition, dated May 25th, 2017, as amended by amendment dated as of September 20th, 2017 (together, the “Lease Agreement”), by and between QVCII, S. de R.L. de C.V. (the “Landlord”) and TPI-Composites II, S. de R.L. de C.V. (the “Tenant”).

Notwithstanding that set forth in Section 3.01 of the Lease Agreement, the parties execute this Lease Schedule No. 1 even though the Conditions have not been met; therefore, expressly agree that this Lease Schedule No. 1 will only produce its effects from the date in which the Conditions are met in the terms agreed in the Lease Agreement, as the same may have been modified, supplemented or added as of the date hereof.

As required by the Lease Agreement, the parties hereto enter into this Lease Schedule No.1 in accordance with the following provisions:

1. Defined Terms. Capitalized terms appearing in this Lease Schedule No. 1 are used with the meanings assigned to such terms under the Lease Agreement, except as otherwise defined in this Lease Schedule No. 1.
2. Land. The parties hereby certify that the size of the Land to be acquired by the Landlord pursuant to the Lease Agreement is of 152,170 m² (one hundred fifty two thousand one hundred and seventy square meters).
3. Description of Building. The Building subject matter of this Lease Schedule No. 1, will have a total leasable area of 49,001 m² (forty nine thousand and one square meters) and will be built in accordance with the Specifications attached as Annex “1” of this Lease Schedule.
4. Term of this Schedule. The term of this Lease Schedule will be 10 (ten) calendar years, starting on the Date of Substantial Occupancy.

5. Fechas de Entrega. Sujeto a las disposiciones del Contrato de Arrendamiento, la Ocupación Anticipada ocurrirá en o antes del día que sea 200 (doscientos) días calendario contados a partir de la fecha en que se cumplan las Condiciones, la Ocupación Benéfica ocurrirá, en o antes del día que sea 245 (doscientos cuarenta y cinco) días calendario contados a partir de la fecha en que se cumplan las Condiciones (la “Fecha de Ocupación Benéfica”) y el Edificio será entregado en estado de Ocupación Sustancial en o antes del día que sea 275 (doscientos setenta y cinco) días calendario contados a partir de la fecha en que se cumplan las Condiciones (la “Fecha de Ocupación Sustancial”) dicha fecha se considerará como la “Fecha de Inicio del Arrendamiento”.

El Edificio y la correspondiente Lista de Pendientes deberán concluirse en o antes de la fecha que sea 335 (trescientos treinta y cinco) días calendario contados a partir de la fecha en que se cumplan las Condiciones, no obstante cualquier disposición en contrario del Contrato de Arrendamiento.

En caso de retraso en la Fecha de Ocupación Sustancial del Edificio por causas imputables al Arrendador, será aplicable la pena convencional descrita en el Inciso 2.05 del Contrato de Arrendamiento.

6. Renta. La renta mensual pagadera por el Arrendatario al Arrendador por el uso y goce del Edificio conforme a lo previsto en la Cláusula V del Contrato de Arrendamiento es la cantidad de EUA\$297,287.00 (doscientos noventa y siete mil doscientos ochenta y siete 00/100) Dólares, más los impuestos aplicables, lo que equivale a una renta de EUA\$6.76 (seis 76/100) Dólares por pie cuadrado al año. El costo de construcción del Edificio y el cálculo de la renta se acompañan como Anexo “2”.

Dicha renta se incrementará en cada aniversario de la Fecha de Inicio del Arrendamiento, de acuerdo con lo dispuesto en la Cláusula V del Contrato de Arrendamiento.

5. Delivery Dates: Subject to the provisions of the Lease Agreement, the Early Occupancy shall be delivered on or before the date that is 200 (two hundred) calendar days following the date in which the Conditions are met, the Beneficial Occupancy shall be delivered on or before the date that is 245 (two hundred and forty five) calendar days following the date in which the Conditions are met (the “Date of Beneficial Occupancy”), and the Building shall be delivered in state of Substantial Occupancy on or before the date that is 275 (two hundred and seventy five) calendar days following the date in which the Conditions are met (the “Date of Substantial Occupancy”), such date will be deemed as, the “Lease Commencement Date”.

The Building and the corresponding Punch List, shall be finished on or before the date that is 335 (three hundred and thirty five) calendar days following the date in which the Conditions are met, notwithstanding anything to the contrary in the Lease Agreement.

In case of delay in the Date of Substantial Completion of the Building by reasons attributable to the Landlord, the conventional penalty described in Section 2.05 of the Lease Agreement shall be applicable.

6. Rent. The monthly rent payable by the Tenant to the Landlord for the use and enjoyment of the Building pursuant to that set forth in Clause V of the Lease Agreement, shall be the total amount of US\$297,287.00 (two hundred ninety seven thousand two hundred eighty seven 00/100) Dollars, plus applicable taxes, which is equivalent to a rent of US\$6.76 (six 76/100) Dollars per square foot per year. The construction costs of Building and the rental calculation is attached hereto as Annex “2”.

Said rent will be increased each anniversary of the Lease Commencement Date, in accordance with that set forth in Clause V of the Lease Agreement.

7. Depósito en Garantía. La Arrendataria se compromete a entregar a la Arrendadora, dentro de los 10 (diez) días hábiles siguientes a la fecha en que se cumplan las Condiciones, en concepto de Depósito en Garantía, la cantidad de EUAS\$297,287.00 (doscientos noventa y siete mil doscientos ochenta y siete 00/100) Dólares, equivalente a 1 (un) mes de renta vigente a la fecha de este Anexo de Arrendamiento, cantidad que se entrega con el objeto de garantizar sus obligaciones de acuerdo con lo dispuesto en la Cláusula VI del Contrato de Arrendamiento.

8. Garantía de Arrendamiento. Como Anexo “3” de este Anexo de Arrendamiento No. 1 se acompaña la correspondiente Garantía de Arrendamiento emitida por el Feador en términos de lo previsto en el Contrato de Arrendamiento, como garantía de las obligaciones del Arrendatario conforme al Contrato de Arrendamiento y a este Anexo de Arrendamiento No. 1.

9. Garantía Adicional. Dentro de los 5 (cinco) días hábiles siguientes a la fecha en que se cumplan las Condiciones, el Arrendatario entregará al Arrendador la Garantía Adicional correspondiente a este Anexo de Arrendamiento No. 1, emitida en términos de lo previsto en el Inciso 11.01 del Contrato de Arrendamiento, como garantía adicional de las obligaciones del Arrendatario conforme al Contrato de Arrendamiento y a este Anexo de Arrendamiento No. 1 y dicha Garantía Adicional pasará a formar parte de este Anexo de Arrendamiento No. 1, como Anexo “4”.

10. Manual de Mantenimiento. En términos de lo previsto por el Contrato de Arrendamiento como Anexo “5” de este Anexo de Arrendamiento No. 1, se acompaña el Manual de Mantenimiento relativo al Edificio.

11. Propiedad del Arrendatario. Como Anexo “6” de este Anexo de Arrendamiento No. 1, se encuentra una lista de los bienes propiedad del Arrendatario que serán introducidos al Edificio y que en todo momento permanecerán como propiedad del Arrendatario.

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7. Security Deposit. Tenant agrees to deliver to Landlord, within the 10 (ten) business days following the date in which the Conditions are met, as a Security Deposit, the amount of US\$297,287.00 (two hundred ninety seven thousand two hundred eighty seven 00/100) Dollars, equivalent to 1 (one) month of rent in effect as of the date hereof, to guarantee its obligations according to that provided in Clause VI of the Lease Agreement.

8. Lease Guarantee. As Annex “3” hereto, is the corresponding Lease Guaranty issued by the Guarantor in terms of that set forth in the Lease Agreement, as guarantee of the obligations of the Tenant under the Lease Agreement and this Lease Schedule No.1.

9. Additional Collateral. Within the 5 (five) business days following the date in which the Conditions are met, the Tenant will deliver to the Landlord, the Additional Collateral corresponding to this Lease Schedule No. 1, issued in terms of that set forth in Section 11.01 of the Lease Agreement, as additional guarantee of the obligations of the Tenant under the Lease Agreement and this Lease Schedule No. 1, and said Additional Collateral will become an integral part of this Lease Schedule No. 1 as Annex “4”.

10. Maintenance Manual. In terms of that set forth in the Lease Agreement, attached hereto as Annex “5” of this Lease Schedule No. 1, is the Maintenance Manual corresponding to the Building.

11. Tenant’s Property. As Annex “6” of this Lease Schedule No. 1, is a list of the goods owned by the Tenant that will be introduced to the Building, which shall at all times remain property of the Tenant.

Balance of page intentionally blank, signatures page follows

EN TESTIMONIO DE LO ANTERIOR , las partes, después de haber leído y entendido el contenido de este Anexo de Arrendamiento No. 1 , lo firman a través de sus respectivos representantes debidamente autorizados para ello en la fecha que se menciona en los espacios de firma de este Anexo de Arrendamiento No. 1 y el mismo pasa a formar parte integrante del Contrato de Arrendamiento; por lo que todas las disposiciones del Contrato de Arrendamiento son aplicables a este Anexo de Arrendamiento No. 1 .

IN WITNESS WHEREOF , the parties, after having read and understood the contents of this Lease Schedule No. 1, executed it through their respective and duly authorized representatives on the date written in the signatures block of this of this Lease Schedule No. 1 and the same becomes an integral part of the Lease Agreement; therefore, all provisions of the Lease Agreement are applicable to this Lease Schedule No. 1.

Arrendador/ Landlord
QVCII, S. de R.L. de C.V.

Por/By: /s/ Lorenzo Manuel Berho Corona
Nombre/Name: Lorenzo Manuel Berho Corona
Cargo/Title: Apoderado /
Attorney in fact
Fecha/ Date: _____

Por/By: / s/ Lorenzo Dominique Berho Carranza
Nombre/Name: Lorenzo Dominique Berho Carranza
Cargo/Title: Apoderado /
Attorney in fact
Fecha/ Date: _____

Arrendatario / Tenant
TPI-Composites II, S. de R.L. de C.V.

Por/By: /s/ Victor Manuel Saenz Saucedo
Nombre/Name: Victor Manuel Saenz Saucedo
Cargo/Title: Apoderado /
Authorized Representative
Fecha/ Date: _____

Lista de Anexos / List of Annexes

Anexo / Annex "1"	Especificaciones / Specifications
Anexo / Annex "2"	Determinación de la Renta / Rent Determination
Anexo / Annex "3"	Garantía de Arrendamiento / Lease Guaranty
Anexo / Annex "4"	Garantía Adicional / Additional Collateral
Anexo / Annex "5"	Manual de Mantenimiento / Maintenance Manual
Anexo / Annex "6"	Bienes del Arrendatario / Tenant's Property

Consent of Independent Registered Public Accounting Firm

The Board of Directors
TPI Composites, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 333-212648 and 333-216936) and on Form S-3/A (No. 333-220307) of TPI Composites, Inc. of our report dated March 8, 2018, with respect to the consolidated balance sheets of TPI Composites, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the "consolidated financial statements") which report appears in the December 31, 2017 annual report on Form 10-K of TPI Composites, Inc.

/s/ KPMG LLP

Phoenix, Arizona
March 8, 2018

CERTIFICATION

I, Steven C. Lockard, certify that:

1. I have reviewed this annual report on Form 10-K of TPI Composites, 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)) 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.

Date: March 8, 2018

By: /s/ Steven C. Lockard
Steven C. Lockard
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, William E. Siwek, certify that:

1. I have reviewed this annual report on Form 10-K of TPI Composites, 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)) 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.

Date: March 8, 2018

By: /s/ William E. Siwek
William E. Siwek
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Steven C. Lockard, Chief Executive Officer of TPI Composites, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the report on Form 10-K of TPI Composites, Inc. for the fiscal year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of TPI Composites, Inc.

Date: March 8, 2018

By: /s/ Steven C. Lockard
Steven C. Lockard
President and Chief Executive Officer
(Principal Executive Officer)

**Certification Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002**

I, William E. Siwek, Chief Financial Officer of TPI Composites, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the report on Form 10-K of TPI Composites, Inc. for the fiscal year ended December 31, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of TPI Composites, Inc.

Date: March 8, 2018

By: /s/ William E. Siwek
William E. Siwek
Chief Financial Officer
(Principal Financial and Accounting Officer)