to recognize in financial statements presented under GAAP. His testimony attempts to build further conclusions around pre-funding the PSA on top of this flawed interpretation.

Q. Are there other factual errors in Mr. Polich's testimony?

A. Yes, in at least three different points in Mr. Polich's deposition he states that there are no restrictions on NorthStar's ability to pay dividends to NorthStar's investors or parent entities (p. 58, p. 120, p. 144 of my Exhibit No. __ (JA-2)). This apparently important theme is explicitly false, with NorthStar's current lender credit agreement explicitly prohibiting any such payments that would raise the Company's net leverage ratio to greater than 2.00/1.00. In addition, on page 79 of his deposition Mr. Polich testifies that Vermont Yankee generates a "significant amount of accounts receivable" for NorthStar (See Exhibit No. __ (JA-2). In reality, Vermont Yankee generates no accounts receivable under GAAP, as NorthStar already owns the source of payment.

Q. How do these issues with Mr. Polich's testimony impact the credibility of the remainder of his testimony?

A. Mr. Polich draws a number of broad sweeping conclusions to reach his recommended course of action and opines on NorthStar's financial situation based on his expertise. Incorrect characterization of basic accounting principles, holding out inaccurate financial information multiple times as fact, and representing accounting standards that are out of date by nearly 20 years as current GAAP undermines the credibility of the remaining financial review performed.

Q. Mr. Polich makes a sweeping assessment of NorthStar's financial situation on page 24 of his testimony. What is your response to that opinion?

A. I completely disagree with his assessment.

Q. From your perspective, what is the proper context for evaluating NorthStar's financial position?

A. The Company should be evaluated as a going concern, and not on a hypothetical liquidation salvage value. NorthStar generated $640M of revenue in 2019, resulting in $67M of net income. Net cash generated from operating activities, defined according to GAAP, was $88M. In 2019 "Earnings before Interest, Taxes, Depreciation, and Amortization" (EBITDA), a common financial measurement used as a proxy for cash earnings, was $112M, implying a market value of nearly $1 billion or more using common earnings multiples for companies with similar profiles. This is in contrast to the minimal or negative available resources calculated in Mr. Polich's hypothetical scenario. Despite continuing growth and the 2019 dividend payment referenced by Mr. Polich, the Company remains conservatively leveraged, with a net leverage ratio (Net debt / EBITDA) of only 1.2x at year-end 2019. Consistent with my going concern testimony above, these results are sustained by $1.4 billion of reported revenue backlog entering 2020, and a larger pipeline of additional opportunities. 2020 has continued the strong performance trends to date, with both revenue and EBITDA up significantly compared to 2019 through the first four months of 2020. Mr. Polich's failure to acknowledge this full context, before that tying up approximately 20% of a project's total revenue value up front, in cash, should have no detrimental impact to project or entity finances further undercuts Mr. Polich's credibility to speak as a financial expert. Capital has a cost, and this is a material use of cash that was not contemplated in the transaction economics. In addition, his argument for this point is based on a flawed accounting premise, as previously discussed.

I would also note that Mr. Polich, during his deposition, refused to acknowledge that this requirement would reduce resources available to complete the decommissioning work. In another example of inconsistent and inaccurate testimony, he represented multiple times that restricted cash or trust assets could be borrowed against (see pages 61, 119-20 of Exhibit No. __ (JA-2), while testifying in his deposition that the existing Vermont Yankee trust funds should be assigned a value of zero in his financial analysis. Beyond this inconsistency in his testimony, his testimony is also inaccurate, as this type of borrowing is also prohibited by the Company's existing credit agreement.

Q. Do you have any other comments about Mr. Polich's suggested amendments?

A. Yes, regarding the request to increase the retainage from six percent to ten percent, I believe Mr. Polich fails to appreciate the significance of the $30 million disposal guarantee and the value that creates for DEF's customers. Waste disposal is a key cost variable and risk in any decommissioning project, and the committed value of this airspace directly offsets the cost of completing the project. I would also note that Mr. Polich is wrong about the details of the VY transaction. He asserts that NorthStar agreed to ten percent in that deal, but the ten percent retainage only starts after NorthStar has taken $100 million from that trust fund. By comparison, in this transaction, the six percent retainage begins immediately. That is in addition to the significant value of the initial $50 million funding, including the disposal guarantee. So with respect to this item, the CR3 transaction actually offers more upfront protection, in a transaction structure where the counterparty retains control of the decommissioning trust. Consistent with my previous testimony, he also misrepresents the ability to borrow against these provisional trust assets and remains inconsistent by stating that these assets remain available to the project despite assigning zero value to the Vermont Yankee trust assets in his analysis.

Q. Do you have any other comments on comparisons made to NorthStar's Vermont Yankee transaction?

A. Yes. Mr. Polich makes a number of comparisons between the CR3 structure and the VY transaction. It appears he has selectively chosen certain terms from that transaction to apply in this transaction without appropriate consideration of the full context. There are key differences in the framework of the two deals that make the CR3 deal more favorable for customers. First, in VY, there was no remaining utility over which the Vermont PUC could regulate. Entergy is now completely out of the state of Vermont. Accordingly, the state of Vermont had motivation to include additional terms, including inclusion on the parent support guaranty with the NRC, as they had reduced regulatory oversight over NorthStar compared to a public utility company such as Entergy. By contrast, DEF is still the owner of CR3 and the FPSC