

**New Energy**  
Solar

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**OFFER  
DOCUMENT**

*Product Disclosure  
Statement + Prospectus*

## Issuers:

Walsh & Company Investments Limited  
(ACN 152 367 649) (AFSL 410 433)  
in its capacity as responsible entity  
for New Energy Solar Fund  
(ARSN 609 154 298)

New Energy Solar Limited  
(ACN 609 396 983)

Joint Lead Manager and Sole Bookrunner:  
Morgan Stanley Australia Securities Limited

Joint Lead Manager: Evans and Partners

Co-Manager: National Australia Bank Limited

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# Important information

This product disclosure statement and prospectus (together referred to as the **Offer Document**) is an invitation to acquire units (each a **Unit**) in the New Energy Solar Fund (ARSN 609 154 298) (**Trust**) and ordinary shares (each a **Share**) in New Energy Solar Limited (ACN 609 396 983) (**Company**). Units and Shares are stapled together and cannot be traded or dealt with separately (**Stapled Securities**).

The Trust and the Company (together with their controlled entities) are referred to as the '**Business**' or '**New Energy Solar**'.

Each Applicant who subscribes for Stapled Securities under this Offer Document will also be issued, for no additional consideration, one Class A Option and one Class B Option for every two Stapled Securities issued to that Applicant (**Options**). The terms of the Options are set out in Section 17 (**Option Terms**).

This Offer Document was prepared and issued by the Company and Walsh & Company Investments Limited (ACN 152 367 649) (referred to in this Offer Document as "**Walsh & Company**", "we", "our", and "us") in its capacity as the responsible entity for the Trust (**Responsible Entity**).

## LODGEMENT AND LISTING

This Offer Document is dated 2 November 2017 and a copy of the Offer Document was lodged with ASIC on that date.

The Responsible Entity and the Company intend to make an application to the ASX within seven days after the date of this Offer Document for admission of the Company and the Trust to the Official List and for quotation of the Stapled Securities and the Options on the ASX issued pursuant to this Offer Document.

The fact that the ASX may admit the Company and the Trust to the official list of the ASX is not to be taken as an indication of the merits of the Business, the Stapled Securities or the Options.

If permission is not granted for the official quotation of the Stapled Securities or the Options on the ASX within three months after the date of this Offer Document (or any later date permitted by law), all Application Monies received under the Offer will be refunded to Applicants without interest as soon as practicable in accordance with the requirements of the *Corporations Act (2001) (Cth)* (**Corporations Act**). Any interest earned on refunded Application Monies received under the Offer will be retained by the Business.

Neither ASIC nor ASX takes any responsibility for the contents of this Offer Document or the merits of the investment to which this Offer Document relates.

## EXPOSURE PERIOD

The Corporations Act prohibits the processing of applications to subscribe for Stapled Securities and Options under this Offer Document (**Applications**) in the seven-day period after the lodgement of this Offer Document (**Exposure Period**).

The Exposure Period may be extended by ASIC for up to a further seven days.

The Exposure Period allows this Offer Document to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Offer Document, in which case any Application may need to be dealt with in accordance with sections 724 and 1016E of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

This Offer Document will be made generally available to Australian residents during the Exposure Period on the Business' website at [www.nes.com.au](http://www.nes.com.au).

## SELLING RESTRICTIONS

This Offer Document does not constitute an offer or invitation to apply for Stapled Securities or Options in any place, in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Stapled Securities or the Options or the Offer, or to otherwise permit a public offering of Stapled Securities and Options, in any jurisdiction outside Australia.

The distribution of this Offer Document outside Australia (whether electronically or otherwise) may be restricted by law. Persons who receive this Offer Document outside Australia should seek advice on and are required to observe any such restrictions. Failure to comply with such restrictions may constitute a violation of applicable security laws. This Offer Document may not be distributed to, or relied upon by, persons in the United States.

The Stapled Securities and Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Stapled Securities and Options have been registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws. See Section 12.11 for more detail on selling restrictions that apply to the Offer in jurisdictions outside Australia.

Unless otherwise agreed with the Business, any person subscribing for Stapled Securities and Options in the Offer shall by virtue of such subscription be deemed to represent that they are not in a jurisdiction which does not permit the making of an offer or invitation as detailed in this Offer Document, and are not acting for the account or benefit of a person within such jurisdiction.

None of the Business, the Joint Lead Managers, nor any of their respective directors, officers, employees, consultants, agents, partners or advisors accepts any liability or responsibility to determine whether a person is able to participate in the Offer. See Section 12.11 for further details.

## DATE OF INFORMATION

Unless otherwise stated, information in this Offer Document is current as at the date of this Offer Document.

## CURRENCY AND ROUNDING

Unless otherwise indicated, references to dollar amounts are references to the lawful currency of Australia.

Any discrepancies between totals and the sum of all the individual components in the tables contained in this Offer Document are due to rounding.

## UPDATED INFORMATION

Information regarding the Offer under this Offer Document may need to be updated from time to time. Any updated information about the Offer that is not considered materially adverse to Applicants will be made available at [www.nes.com.au](http://www.nes.com.au) and the Business will provide a copy of the updated information free of charge to any eligible investor who requests a copy by contacting the Business on 1300 454 801 between 8:30am AEDT and 5.00pm AEDT during the Offer period. In accordance with their obligations under the Corporations Act, the Company and the Responsible Entity may issue a supplementary offer document to supplement or amend this Offer Document. You should read any supplementary disclosures made in conjunction with this Offer Document prior to making any investment decision.

## NO GUARANTEE

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Business, the Directors, the Joint Lead Managers or any other person in connection with the Offer. You should only rely on information in this Offer Document.

Except as required by law and only to the extent required by such law, neither the Responsible Entity, the Company and any of their employees, agents or officers nor any other persons associated with the Business or named in this Offer Document guarantees, in relation to the Business, the success, repayment of capital, any rate of return on income or capital, the investment performance, that there will be satisfactory liquidity in Stapled Securities or Options once they are listed on the ASX, that the market price of Stapled Securities and Options when listed on the ASX will be similar to the net asset value (NAV) per Stapled Security or the security of your investment. An investment in the Business is subject to various risks. These risks are discussed in Section 5.

## NOT FINANCIAL ADVICE

The information contained in this Offer Document is not financial product advice and has been prepared as general information only, without consideration for your particular investment objectives, financial circumstances or particular needs.

It is important that you read this Offer Document carefully, and in full, before deciding whether to invest in the Business.

In particular you should pay careful consideration to the assumptions underlying the pro forma historical financial information (see Section 7) and risk factors (see

Section 5) that could affect the Business' financial condition and/or its financial performance. You should carefully consider these risks in light of your investment objectives, personal circumstances and particular needs (including financial and taxation issues). There may be other risks that you should also consider before deciding whether to invest.

If you have any queries or uncertainties relating to aspects of this Offer Document or the Offer, please consult your stockbroker, accountant or other independent financial advisor before deciding whether to invest.

Similarly, the tax implications of an investment in Stapled Securities and Options will vary depending on your personal financial circumstances and investment objectives. You should consider the tax implications outlined in Section 9 of this Offer Document and obtain and rely on your own professional taxation advice prior to deciding whether to invest in this Offer.

## NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in the Stapled Securities and Options pursuant to the Offer. This means that, in most circumstances, you will be unable to withdraw your Application once it has been accepted.

## ELECTRONIC OFFER DOCUMENT

An electronic version of this Offer Document (including the Application Form, once the Offer is open) will be available from the Business' website at [www.nes.com.au](http://www.nes.com.au) during the Offer period. If you access the Offer Document electronically, please ensure that you download and read the Offer Document in its entirety. The Offer to which this Offer Document relates is only available to persons receiving this Offer Document (electronically or otherwise) in Australia and to institutional investors located in certain other jurisdictions. A paper form of this Offer Document can be obtained, free of charge, by calling the Business on 1300 454 801 between 8:30am AEDT and 5.00pm AEDT during the Offer period.

Applications for Stapled Securities and Options will only be considered if the application is made by using the Application Form attached to this Offer Document.

## FORWARD-LOOKING STATEMENTS

This Offer Document contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'intends', 'estimates', 'targets', 'expects' and other similar words that involve risk and uncertainty. These forward-looking statements speak only as of the date of this Offer Document, and the Business does not undertake to, and does not intend to, update or revise any forward-looking statements, or publish any financial information in the future, regardless of whether new information, future events or any other factors affect the information in this Offer Document, except where required by law.

Any forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, events, performance or achievements of the Business to be materially different from those expressed or implied in such statements. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this Offer Document. Forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5 and other information in the Offer Document. Such forward-looking



Stanford SGS & TID SGS site aerial - September 2017



TID SGS overhead view - September 2017

statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the control of the Business, the Directors, and the Business' management. While the Company and the Responsible Entity believe that the assumptions and expectations underlying the forward-looking statements in the Offer Document are reasonable, neither the Company, the Responsible Entity, the Directors, the Business' management, the Bookrunner, Joint Lead Managers nor the Co-manager can give, nor do they give, any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Offer Document will actually occur and therefore investors are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

## FEES AND COSTS INFORMATION

As part of the disclosures of fees and costs required by the Corporations Act, certain fees and costs information disclosed in this Offer Document is based upon the Responsible Entity and the Company's reasonable estimates of those fees and costs.

## FINANCIAL INFORMATION

Unless otherwise specified, all financial and operational information contained in this Offer Document is believed to be current as at the date of this Offer Document. All currency amounts are in Australian dollars (\$) unless otherwise specified. The financial information presented in Section 7 of this Offer Document includes the historical financial information and the pro forma balance sheet of the Business. These have been derived from the audited financial accounts of the Company including its controlled entities, and the Trust including its controlled entities, for the financial period from 19 November 2015 to 31 December 2016, and the reviewed financial accounts for the half-year ended 30 June 2017.

This Offer Document does not include forecast financial information for future periods other than the target distribution for the second half of 2017 and for the financial year ending 31 December 2018 and the Existing Portfolio underlying cash flows information provided in Section 4.1. This is based on the best estimate of assumptions of the directors of the Company and the Responsible Entity.

See Section 7 for further details on the financial information.

## REFERENCES TO THE BUSINESS AND THE BOARD

The Business comprises both a registered managed investment scheme and a public company, each established under the Corporations Act, and their controlled entities.

References to the "Board" in this Offer Document are references to the board of directors of the Company and not the Responsible Entity. There is no board of directors responsible for the financial and operating policies of the Business as a single entity.

## PHOTOGRAPHS AND DIAGRAMS

Photographs, diagrams and artists' renderings contained in this Offer Document that do not have accompanying descriptions are intended for illustrative purposes

only and should not be interpreted as an endorsement of this Offer Document or its contents by any person shown in these images. Furthermore, asset images that are not accompanied by a description should not be interpreted as being owned by the Business. Diagrams used in this Offer Document are also intended for illustrative purposes only and may not be drawn to scale.

## AUTHORISED INTERMEDIARY ARRANGEMENTS

The Company has appointed the Responsible Entity as its intermediary to make offers to arrange for the Company to issue Shares to Applicants under this Offer Document and on the exercise of Options. In accordance with that appointment and for the purposes of section 911A(2)(b) of the Corporations Act, the Responsible Entity offers to arrange for the Company to issue Shares to Applicants.

By applying for Stapled Securities and Options under this Offer Document, an Applicant accepts that offer to arrange.

## EXPIRY DATE

The Offer Document will expire on 2 December 2018, being the date that is 13 months after the date of this Offer Document. No Stapled Securities or Options will be issued on the basis of this Offer Document after that date.

## DEFINED TERMS

Certain terms used in this Offer Document have been defined in the Glossary in Section 16.

## INDUSTRY AND MARKET DATA

This Offer Document, including Industry Background (see Section 2) and Overview of New Energy Solar (see Section 3), contains statistics, data and other information relating to markets, market sizes, market shares, market segments, market positions and other industry data pertaining to the Business' operations and markets. The Business has obtained some of this information from market research prepared by third parties.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any forecasts or projections in the surveys, or reports by any third party that are referred to in this Offer Document will be achieved. The Business has not independently verified, and cannot give any assurances to the accuracy or completeness of, this market and industry data.

All data contained in charts, graphs and tables is based on information available as at 31 July 2017 unless otherwise stated.

All references to megawatts (**MW**) refer to alternating current (**AC**) MW (**MW<sub>AC</sub>**), unless explicitly defined as direct current (**DC**) MW (**MW<sub>DC</sub>**).

## PRIVACY

By filling out an Application Form, you are providing personal information to the Company and the Responsible Entity (either directly or through the Registry) that may be personal information for the purposes of the *Privacy Act 1988* (Cth) (as amended). The Company, the Responsible Entity, and the Registry on their behalf,

collect, hold and use that personal information to process your Application. The Company and Responsible Entity may also collect, hold and use that personal information to service your needs as a Securityholder and Optionholder, provide facilities and services that you require and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Responsible Entity and/or the Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by the Company and the Responsible Entity, or entities within the Business which it considers may be of interest to you.

Your personal information may also be provided to the Company and the Responsible Entity's agents and service providers on the basis that they deal with such information in accordance with their respective privacy policies. These agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

Under the *Privacy Act 1988* (Cth) (as amended), you may request access to your personal information held by (or on behalf of) the Company and the Responsible Entity. You may be required to pay a reasonable charge to the Registry to access your personal information by telephoning us on 1300 454 801 If any of your information is not correct or has changed, you may request it to be corrected.

## DISCLAIMER

Morgan Stanley and Evans and Partners have acted as Joint Lead Managers to the Offer and have not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Offer Document and there is no statement in this Offer Document which is based on any statement by them or by any of their affiliates, officers or employees. To the maximum extent permitted by law, the Joint Lead Managers and each of their respective affiliates, officers, employees and advisors expressly disclaim all liabilities in respect of, make no representation regarding, and take no responsibility for, any part of this Offer Document other than references to their names and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Offer Document.

## ENQUIRIES

Applicants with enquiries concerning the Application Form or relating to this Offer Document and the Offer should contact New Energy Solar on 1300 454 801 between 8:30am AEDT and 5.00pm AEDT, or via email at [info@newenergysolar.com.au](mailto:info@newenergysolar.com.au), during the Offer period.

# Letter of introduction

On behalf of New Energy Solar Limited and Walsh & Company Investments Limited, it is our pleasure to invite you to invest in New Energy Solar<sup>1</sup>.

Renewable energy is an increasingly cost competitive alternative to energy generated from fossil fuels. Although renewable energy targets are in place in over 176 countries, renewable energy competes even without the assistance of government subsidies in an increasing number of jurisdictions. This increased competitiveness and the emissions-free nature of renewable energy is set to transform the energy sector. Total global solar photovoltaic (**PV**) generation capacity has grown rapidly in recent years and as at 31 December 2016 stood at approximately 300 gigawatts (**GW<sub>DC</sub>**) – enough to power approximately 60 million homes – this capacity is forecast to increase by 28% during 2017. New Energy Solar was established in 2015 in response to these market dynamics and to capitalise on the investment potential inherent in the market's demand for renewable energy infrastructure.

New Energy Solar seeks to acquire assets which, over their technical life, are expected to support gross portfolio returns<sup>2</sup> of 7% to 10% per annum (before taxes, management expenses, administration costs and external corporate borrowing costs)<sup>3</sup>. The Business' distributions may be less than the actual or target returns of its assets. Solar PV panels are durable and power plants typically have a lifespan of 30 years or more, with low operational costs once established. Combined with long term power purchase agreements (**PPAs**) with creditworthy offtakers, solar is viewed as offering attractive risk adjusted returns in the current low interest rate environment. While the Business' mandate is a global one, the Investment Manager's experienced investment and renewable energy teams located in the United States and Australia are currently focused on opportunities in those markets.

In less than two years, the Business has acquired substantial majority interests in four utility scale solar power plants in the United States, two in North Carolina and two in California (**Existing Portfolio**). Now fully operational, these four plants have a capacity of 225MW<sub>DC</sub>, and the electricity they generate is sold at agreed prices under long-term PPAs of between 10 and 25 years. These PPAs are with creditworthy energy purchasers, namely, Stanford University Power, LLC (**Stanford Power**), a wholly owned subsidiary of the Board of Trustees of the Leland Stanford Junior University (**Stanford University**), Turlock Irrigation District (**TID**) and Duke Energy Progress. The Business funded these acquisitions with two capital raisings in 2016 from private investors.

Consistent with its investment strategy, the Business, through a subsidiary of the Company, recently agreed to acquire a 130MW<sub>DC</sub> portfolio of 14 solar power plants (**CCR Portfolio**) to be developed in North Carolina and Oregon by Cypress Creek Renewables (**CCR**), a leading North American developer and operator of solar power plants. The Investment Manager has completed due diligence on the CCR Portfolio power plants, all of which are expected to sell electricity under 13 to 15 year PPAs with Offtakers expected to include subsidiaries of Duke Energy Corporation for the North Carolina plants and PacifiCorp, a subsidiary of Berkshire Hathaway Energy, for the Oregon plants. Subject to various conditions, construction of the CCR Portfolio plants is expected to commence before the end of 2017 and all 14 are expected to be completed and operational by the end of 2018.

1. New Energy Solar is a stapled entity consisting of New Energy Solar Fund (**Trust**) and New Energy Solar Limited (**Company**) and their controlled entities (together **New Energy Solar** or the **Business**).
2. Gross portfolio return is the expected internal rate of return on capital contributed by the Business before taxes, management expenses, administration costs and external corporate borrowing costs.
3. The Business may target assets outside this range where market conditions and other circumstances suggest it may be beneficial.

Amongst other things, the proceeds from this Offer will assist in funding the CCR Portfolio as well as future opportunities including a pipeline of projects currently being reviewed or investigated, representing capacity of over 3,000MW<sub>DC</sub> in Australia and the United States. These future acquisitions may include investments covered by Memoranda of Understanding (**MoU**) with two developers for over 750MW<sub>DC</sub> of solar power plants in the US (**MoU Portfolio**)<sup>4</sup>. Strong relationships with developers and with large energy purchasers position New Energy Solar well to continue the growth of its sustainable investment business.

The Business paid its inaugural distribution of 3.2 cents per Stapled Security for the first half of 2017, and, based on the general assumptions set out in Section 4.1.6, is targeting a distribution of 4.0 cents per Stapled Security for the second half of 2017. Based on the specific and general assumptions set out in Section 4.1.6, the Business is targeting a distribution of 7.75 cents per Stapled Security for the 2018 calendar year – representing a potential annual distribution yield for 2018 of 5.0% to 5.3% based on the Indicative Price Range<sup>5</sup>. The Business' actual distribution for this period, and later periods, may be less than this target distribution range and a proportion of future distributions is likely to contain a return of capital and/or tax deferred distribution.

New Energy Solar is currently an unlisted stapled structure where one Stapled Security consists of one Unit in the Trust and one Share in the Company. As part of this Offer, the Responsible Entity and the Company will apply for the Trust and the Company to be admitted to the official list of Australian Securities Exchange and for the Stapled Securities and Options to be admitted to official quotation, which will provide a simple and convenient platform for investors to access a sustainable investment business with a focus on operating large scale solar power plants.

Participants in the Offer will also be issued, at no additional cost, two Options for every two Stapled Securities issued to them. These Options provide Offer participants with the opportunity to acquire additional Stapled Securities at a fixed price in the future (**Exercise Price**), whilst benefiting the Business by providing potential future capital.

We encourage you to read this Offer Document carefully, including the assumptions underlying the pro forma historical financial information (see Section 7) and Risks (see Section 5) related to investing in the Business, before making your decision.

Yours faithfully,



**ALEX MACLACHLAN**  
*Chairman of the Responsible Entity*



**JEFFREY WHALAN**  
*Chairman of the Company*

4. There is no commitment to acquire any of the solar power plants in the MoU Portfolio and these transactions may not eventuate. If they do not, the Business will look to acquire other projects in its pipeline of opportunities. The Business may also fund future acquisitions with available sources such as cash on hand, credit facilities and other debt instruments.
5. Target 2018 distribution yield is calculated as the target distribution of 7.75 cents per Stapled Security for the 2018 calendar year divided by the Indicative Price Range of \$1.45 to \$1.55 per Stapled Security and based upon a AUD:USD FX rate of 0.78.

# Investment overview and important dates

## KEY DATES

Date of Offer Document	2 November 2017
Broker Firm Offer commence	10 November 2017
Retail Offer opens	10 November 2017
Broker Firm bids due	24 November 2017
Retail Offer closes	27 November 2017
Bookbuild to determine Final Price	27 - 28 November 2017
Final Price announcement to the market	29 November 2017
Expected commencement of trading on a conditional and deferred settlement basis on the ASX	4 December 2017
Expected Settlement Date	7 December 2017
Completion – Issue of Stapled Securities and Options and commencement of trading on an unconditional but deferred settlement basis on the ASX	8 December 2017
Expected dispatch of holding statements	11 December 2017
Trading expected to commence on the ASX on a normal settlement basis	12 December 2017

The above dates are indicative only and may vary subject to the requirements of the Corporations Act and the ASX Listing Rules. The Responsible Entity and the Company may vary the dates and times of the Offer (including closing the Offer early) without notice. The quotation and commencement of trading of the Stapled Securities and Options is subject to confirmation from the ASX.



## KEY OFFER STATISTICS<sup>6</sup>

<b>Proposed ASX Code – Stapled Securities</b>	NEW
<b>Proposed ASX Codes – Options</b>	Class A Options – NEWOA Class B Options - NEWOB
<b>Total number of Stapled Securities being offered under this Offer Document<sup>7</sup></b>	66.7 million – 200 million
<b>Total value of Stapled Securities being offered under this Offer Document</b>	\$100 million – \$300 million
<b>Total number of Stapled Securities on issue following completion of the Offer<sup>8</sup></b>	258.3 million – 391.6 million
<b>Indicative Price Range of Stapled Securities</b>	\$1.45 – \$1.55
<b>Total number of Options being offered under this Offer Document<sup>9</sup></b>	33.3 million – 100 million Class A Options 33.3 million – 100 million Class B Options
<b>Total number of Options on issue following completion of the Offer</b>	33.3 million – 100 million Class A Options 33.3 million – 100 million Class B Options

**6.** The Key Offer Statistics following completion of the Offer are based on a number of estimates, assumptions and pro forma adjustments that are subject to business, economic and competitive uncertainties and contingencies, which are subject to change and may in many cases be outside the control of the Business. See Section 7 for a discussion of the pro forma balance sheet, including, the assumptions on which it is based and the key sensitivities to which it is subject.

**7.** Calculated by dividing the Minimum Subscription amount of \$100 million and the maximum Offer size, if fully oversubscribed, of \$300 million, by \$1.50, being the mid-point of the Indicative Price Range. The number of Stapled Securities being offered under the Offer Document will depend on the final Offer size and the Final Price which will be determined at the conclusion of the Institutional Offer bookbuild process and may be below, within or above the Indicative Price Range (see Section 13 for further information).

**8.** The number of Stapled Securities on issue following Completion of the Offer will equal the Stapled Securities available under the Offer plus the number of Stapled Securities held by existing Securityholders.

**9.** For every two Stapled Securities issued under the Offer Document, the Applicant will also be issued one Class A Option and one Class B Option.

## KEY OFFER STATISTICS (CONTINUED)

<b>Exercise Price of Options</b>	<ul style="list-style-type: none"> <li>• Class A Options – the Final Price plus 5 cents; and</li> <li>• Class B Options – the Final Price plus 10 cents.</li> </ul>
<b>Market capitalisation of the Business following completion of the Offer<sup>10</sup></b>	\$387.4 million – \$587.4 million
<b>Enterprise value of the Business following completion of the Offer<sup>11</sup></b>	\$494.6 million – \$668.6 million
<b>NAV per Stapled Security as at 30 June 2017</b>	\$1.46 <sup>12</sup>
<b>Offer price / NAV per Stapled Security as at 30 June 2017<sup>13</sup></b>	0.99x to 1.06x
<b>NAV per Stapled Security assuming Maximum Subscription amount<sup>14</sup></b>	\$1.43 – \$1.47
<b>Offer price / NAV per Stapled Security assuming Maximum Subscription amount<sup>15</sup></b>	1.02x to 1.06x
<b>Target distribution per Stapled Security for 2H2017<sup>16</sup></b>	4.0 cents
<b>Target distribution per Stapled Security for the 2018 calendar year<sup>17</sup></b>	7.75 cents
<b>2018 target distribution yield per Stapled Security<sup>18</sup></b>	5.0% to 5.3%

**10.** Calculated as the total number of Stapled Securities on issue following Completion of the Offer based on the Indicative Price Range.

**11.** Enterprise value has been calculated as the sum of (i) the market capitalisation of the Business following the completion of the Offer as set out in footnote 10 and (ii) Business total look-through gross debt outstanding of US\$82.5 million. The US\$20 million bank debt facility is intended to be repaid prior to 1 January 2018 assuming the Maximum Subscription amount is raised. Based upon a AUD:USD FX rate of 0.77.

**12.** Based upon an AUD:USD FX rate of 0.7689.

**13.** NAV per Stapled Security has been calculated as the ratio of net assets to the number of Stapled Securities on issue at 30 June 2017. The Offer price is based on the Indicative Price Range.

**14.** NAV per Stapled Security has been calculated as the ratio of net assets to the number of Stapled Securities on issue at 30 June 2017, adjusted to reflect the Stapled Securities on issue assuming the Maximum Subscription amount and that the Offer price is based on the Indicative Price Range.

**15.** NAV per Stapled Security has been calculated as set out in footnote 14. The Offer price is based on the Indicative Price Range.

**16.** Based on the general assumptions set out in Section 4.1.6.

**17.** Based on the general and the specific assumptions set out in Section 4.1.6.

**18.** Based upon 7.75 cents per Stapled Security target distribution for calendar year 2018 divided by the Indicative Price Range per Stapled Security and the specific and general assumptions set out in Section 4.1.6.

## KEY PORTFOLIO STATISTICS

	EXISTING PORTFOLIO	CCR PORTFOLIO
<b>Operating assets</b>	4 (2 in North Carolina, and 2 in California)	14 (10 in North Carolina, 4 in Oregon)
<b>Status</b>	Operating	Committed to acquire
<b>Capacity</b>	225MW <sub>DC</sub>	130MW <sub>DC</sub>
<b>Capacity weighted PPA term</b>	16.8 years (as at 30 September 2017)	14.5 years (from Commercial Operations Date ( <b>COD</b> )) <sup>19</sup>
<b>BUSINESS</b>		
<b>Business total 'look-through' gross debt outstanding<sup>20</sup></b>	US\$82.5 million (\$107.1 million) <sup>21</sup>	
<b>Business total 'look-through' gross gearing<sup>22</sup></b>	18.6% of total gross assets	
<b>Target gearing range</b>	Up to 50% of total gross assets	
<b>Target 2H2017 distribution (per Stapled Security)</b>	4.0 cents <sup>23</sup>	
<b>Target 2018 calendar year distribution (per Stapled Security)</b>	7.75 cents <sup>24</sup>	

**19.** The CCR Portfolio includes some projects which are yet to execute final-form PPAs. The expected PPA terms for the unexecuted PPAs are included in this calculation.

**20.** Business total look-through gross debt outstanding has been calculated on a group look-through basis and includes the Business' proportionate share of third party or total external borrowings of the Business and its subsidiary entities.

**21.** As at the date of the Offer Document, the Business had total gross debt outstanding of US\$82.5 million (this has been converted to \$ based on the AUD:USD FX rate of 0.77).

**22.** Business total look-through gross gearing has been calculated as (A) business total gross debt outstanding (see foot note 21 for calculation) divided by (B) the total gross assets of the Business as at 30 June 2017. If the Maximum Subscription amount is raised, it is intended that the existing US\$20 million bank debt facility will be repaid.

(A) Business total gross debt outstanding was US\$82.5 million as at 30 October 2017.

(B) Total gross assets of the Business have been calculated as US\$443.7 million. This has been calculated using the Business' total reported assets on the balance sheet as at 30 June 2017 and adjusting for (i) the payment of the Business' first half-yearly 2017 distribution, (ii) the distribution reinvestment plan, (iii) net proceeds raised from borrowings in the period to 30 October 2017 and (iv) an assumed \$200 million capital raising, which is the Maximum Subscription, net of expenses of the Offer.

**23.** Based on the general assumptions set out in Section 4.1.6.

**24.** Based on the specific and general assumptions set out in Section 4.1.6.

# About New Energy Solar

## NEW ENERGY SOLAR OVERVIEW

KEY FEATURES	SUMMARY	MORE INFORMATION
<b>New Energy Solar</b>	<p>New Energy Solar is an award-winning sustainable investment business focused on investing in large-scale solar power plants and associated assets that generate emissions-free power. The Business currently focuses on assets with contracted cash flows in the US and Australia.</p>	Section 3.1
<b>Revenue generated by the Business</b>	<p>The Business generates revenue through directly or indirectly acquiring and operating large scale solar power plants. The solar power plants generate revenue by selling the electricity generated by the plants under long term (10+ years) PPAs with creditworthy electricity buyers (<b>Offtakers</b>).</p> <p>The Company and the Trust may acquire, directly or indirectly, project companies which own these power plants through different entity structures including subsidiary companies, sub-trusts and US or other offshore partnerships or companies. The Company and the Trust may also acquire power plants alongside investment partners.</p>	Section 3.2.1
<b>Investment objective</b>	<p>The Business' objective is to acquire large-scale solar power plants and associated assets, which have contracted cash flows from creditworthy Offtakers, and to help Investors generate positive social impacts and financial returns.</p> <p>Financially, these assets are expected to produce stable long-term cash flows, while from a social perspective, an investment in solar assets results in a significant reduction in emissions (relative to fossil fuel power). The Business' mandate does allow investments in other types of renewable energy and related assets, however the Board and the Responsible Entity do not currently contemplate acquiring any assets other than solar and associated assets.</p>	Section 3.2

KEY FEATURES	SUMMARY	MORE INFORMATION
<b>Investment strategy</b>	<p>The Business' current focus is investing in large solar power plants, either utility scale or commercial/industrial rooftop systems, with contracted cash flows.</p> <p>The Business seeks to acquire assets which, over their technical life, are expected to support gross portfolio returns of 7% to 10% p.a. (before taxes, management expenses, administration costs, and external corporate borrowing costs)<sup>25</sup>. It is important to note that the Business' distributions may be less than the actual or target returns of its assets. While the Business is currently focused on US and Australian opportunities, the investment mandate is global and investments will be considered in those geographies with supportive regulatory and legal arrangements, well understood solar resource, creditworthy Offtakers and supportive foreign investment arrangements.</p>	Section 3.2.1
<b>Assets of the Business</b>	<p>As at the date of this Offer Document, the Business has substantial majority interests in the following utility scale solar power plants:</p> <ul style="list-style-type: none"> <li>• North Carolina 43.2MW<sub>DC</sub> Project (<b>NC-31</b>);</li> <li>• North Carolina 47.6MW<sub>DC</sub> Project (<b>NC-47</b>);</li> <li>• California 67.4MW<sub>DC</sub> Project (<b>Stanford SGS</b>); and</li> <li>• California 67.4MW<sub>DC</sub> Project (<b>TID SGS</b>).</li> </ul> <p>The Business has also completed detailed due diligence and committed to acquire the CCR Portfolio (14 power plants located in North Carolina and Oregon, with a total capacity of 130MW<sub>DC</sub>).</p>	Sections 3.4.1 and 4

**25.** The Business may target assets outside this range where market conditions and other circumstances suggest it may be beneficial.

KEY FEATURES	SUMMARY	MORE INFORMATION		
<b>Historical financial position of the Business</b>	The summary tables below are extracted from the historical financial information and the pro forma historical balance sheet (based on take-up of the Offer), extracted from the Financial Information set out in Section 7 in this Offer Document.	Section 7		
<b>Historical Financial Information</b>				
\$('000)	<b>1H2016</b> (19 Nov 15 to 30 June 16) <sup>26</sup>	<b>FY2016</b> (19 Nov 15 to 31 Dec 16) <sup>27</sup>	<b>1H2017</b> (1 Jan 17 to 30 June 17) <sup>28</sup>	
Total revenue	928	9,298	5,788	
Profit or loss after tax	(3,638)	7,018	(18,770)	
<p><b>Note:</b> Derived from the audited statutory financial accounts of the Company, including its controlled entities, and the Trust, including its controlled entities, for the financial period from 19 November 2015 to 31 December 2016, and the reviewed financial accounts for the half-year ended 30 June 2017 of these entities, as explained in Section 7.3.</p>				
<b>Pro forma Historical Balance Sheet (Post-Offer)<sup>29</sup></b>				
\$('000)	<b>30 June 2017</b>	<b>Minimum Subscription (\$100 million)</b>	<b>Maximum Subscription (\$200 million)</b>	<b>Over Subscription (\$300 million)</b>
Cash	6,581	97,211	193,990	289,441
Total assets	283,637	374,267	471,046	566,497
Total liabilities	6,387	315	315	315
<b>Net assets</b>	<b>277,250</b>	<b>373,952</b>	<b>470,731</b>	<b>566,182</b>
<b>NAV / Stapled Security<sup>30</sup></b>	<b>\$1.46</b>	<b>\$1.45</b>	<b>\$1.45</b>	<b>\$1.45</b>
<p>Investors should note that historical performance and financial information is not an indicator of future performance.</p>				

**26.** Based upon an AUD:USD FX rate of 0.7451.

**27.** Based upon an AUD:USD FX rate of 0.7208.

**28.** Based upon an AUD:USD FX rate of 0.7689.

**29.** Based upon an AUD:USD FX rate of 0.7689.

**30.** NAV per Stapled Security has been calculated as the ratio of net assets to the number of Stapled Securities on issue at 30 June 2017, adjusted to reflect the Stapled Securities on issue under each Offer take up scenario, assuming in each case that the Final Price is at the midpoint of the Indicative Price Range.

KEY FEATURES	SUMMARY	MORE INFORMATION
<b>Historical financial position of the Business</b> <i>continued</i>	<p>The Business meets the definition under Australian Accounting Standards of an “investment entity” which is required to recognise its controlled entities (subsidiaries), through which the Business’ underlying solar asset investments and associated debt are held, at fair value rather than to consolidate them. As a result, the pro forma historical balance sheet set out in Section 7 recognises underlying controlled entities (including their assets and liabilities) through a single line item in the balance sheet referred to as “Investments in controlled entities at fair value”. Periodic movements in the “Investments in controlled entities at fair value” are recognised through a single line item in the historical statements of profit or loss and other comprehensive income referred to as “Fair value gains or losses on financial assets at fair value through profit or loss”.</p> <p>However, throughout the Offer Document, to provide broader information regarding controlled entity activities, the underlying solar asset investments and associated debts of the controlled entities are more generally described as being those of the Business on a look-through<sup>31</sup> basis.</p>	
<b>Distribution Policy</b>	<p>Any future determination as to the payment of distributions by the Business will be at the discretion of the Responsible Entity and the Company, and will depend on the availability of distributable earnings and operating results and financial condition of the Business, future capital requirements and general business and other factors considered relevant. No assurance in relation to the payment of distributions or franking credits attaching to distributions can be given by the Business.</p> <p>The Business is targeting a distribution of 4.00 cents per Stapled Security for the second half of 2017 based on the general assumptions set out in Section 4.1.6. Additionally, based on the specific and general assumptions set out in Section 4.1.6, the Business is targeting a distribution of 7.75 cents per Stapled Security for the 2018 calendar year – representing a potential annual distribution yield for 2018 of 5.0% to 5.3% based on the Indicative Price Range<sup>32</sup>. The Business’ actual distribution for this period, and later periods, may be less than this target distribution range and a proportion of future distributions is likely to contain a return of capital and/or a tax deferred distribution.</p>	Section 10.9.1.1

**31.** Business total look-through debt outstanding includes the Business’ proportionate share of third party or total external borrowings of the Business and its subsidiary entities.

**32.** Targeted 2018 distribution yield is calculated as the target distribution of 7.75 cents per Stapled Security for the 2018 calendar year divided by the Indicative Price Range of \$1.45 to \$1.55 per Stapled Security.

KEY FEATURES	SUMMARY	MORE INFORMATION
<b>Debt facilities</b>	<p>As at the date of this Offer Document, the Business has a total of US\$82.5 million of debt facilities in place, comprising:</p> <ul style="list-style-type: none"> <li>• US\$62.5 million of fixed rate senior secured 24-year amortising notes currently outstanding (<b>Notes</b>). These Notes were issued in October 2017 and mature on 30 September 2041. The Notes have a weighted average life of 13.2 years. Interest on the principal outstanding is payable on a six-monthly basis; and</li> <li>• A US\$20 million, floating rate bank debt facility that was established in August 2017 and matures in August 2018. The facility is currently fully drawn but can be repaid at any time prior to maturity without penalty. Interest is payable on the principal amount outstanding on a quarterly basis. If the Maximum Subscription amount is raised, the Business intends to repay this debt facility prior to 1 January 2018.</li> </ul>	Section 7.5.4

## STRUCTURE AND CORPORATE GOVERNANCE

KEY FEATURES	SUMMARY	MORE INFORMATION
<b>Business structure</b>	<p>The Business is a stapled group consisting of:</p> <ul style="list-style-type: none"> <li>• the Trust, New Energy Solar Fund (ARSN 609 154 298);</li> <li>• the Company, New Energy Solar Limited (ACN 609 396 983); and</li> <li>• their controlled entities.</li> </ul> <p>The Company and the Trust may acquire assets directly or indirectly through different entity structures including subsidiary companies, sub-trusts and US or other offshore partnerships or companies. The Company and the Trust may also co-invest with investment partners.</p> <p>Investments will be made and held by the Trust or Company as determined by the Responsible Entity and the Board from time to time.</p>	Section 3.5
<b>Investment Manager</b>	<p>New Energy Solar Manager Pty Limited (ACN 609 166 645) (<b>Investment Manager</b>) is the investment manager of the Trust and the Company. The Investment Manager is a related body corporate of the Responsible Entity.</p> <p>The Investment Manager is responsible for executing the strategy of the Business in accordance with the terms of the Investment Management Agreement</p>	Section 14.1

KEY FEATURES	SUMMARY	MORE INFORMATION
<b>Senior Management Team</b>	<p>Members of the Investment Manager's Senior Management responsible for the Business are:</p> <ul style="list-style-type: none"> <li>• John Martin, CEO and Managing Director</li> <li>• Tom Kline, Executive Director – North America</li> <li>• Liam Thomas, Head of Investments</li> </ul>	Section 10.1.3
<b>Responsible Entity</b>	Walsh & Company is the Responsible Entity of the Trust.	
<b>Company</b>	New Energy Solar Limited.	
<b>Role of the Responsible Entity</b>	The Responsible Entity is responsible for the overall management of the Trust.	
<b>Role of the Company</b>	The Company holds the assets of the Business not acquired by the Responsible Entity.	
<b>Directors of the Responsible Entity</b>	Alex MacLachlan Warwick Keneally Tristan O'Connell	Section 10.2
<b>Board of the Company</b>	Jeffrey Whalan (Non-Executive Chairman) Alan Dixon James Davies John Holland John Martin Maxine McKew	Section 10.3
<b>Appointment of the Directors of the Responsible Entity</b>	The directors of the Responsible Entity are appointed by the shareholder of the Responsible Entity. The Responsible Entity is an external responsible entity, which acts as responsible entity for a number of managed investment schemes.	Section 15.4.8

KEY FEATURES	SUMMARY			MORE INFORMATION
<b>Interests of the directors, and other persons connected with the Business or the Offer</b>	<b>Key persons</b>	<b>Interest or benefit</b>	<b>See Section</b>	Sections 10.6.1 and 10.7
	Directors	Ownership of securities Directors fee	10.6.2	
	Senior Management	Ownership of securities	10.6.1	
	Advisors	Fees for services	10.7	
<b>Corporate governance</b>	The Board and the directors of the Responsible Entity monitor the business affairs of the Business on behalf of Securityholders and Optionholders and have formally adopted a corporate governance framework which is designed to focus directors' attention on accountability, risk management, ethical conduct, and conflicts of interest. The Business has adopted a system of control and accountability as the basis for the administration of corporate governance.			Section 10.8.5
<b>General meetings</b>	The Business will hold an annual general meeting of the Company and the Trust each year.			Sections 15.3.5 and 15.4.3
<b>Related party transactions</b>	A number of related party transactions occur in connection with the Business on the terms disclosed in this Offer Document, including the provision of fund accounting services, and the services set out in the IMA, the Project Services Agreement and the Development Agreement.			Section 15.8

## ABOUT THE OFFER

KEY OFFER DETAILS	SUMMARY	MORE INFORMATION
<b>Issuer</b>	New Energy Solar Limited (ACN 609 396 983) and Walsh & Company Investments Limited in its capacity as Responsible Entity of New Energy Solar Fund (ARSN 609 154 298).	Sections 3 and 10.1
<b>Offer</b>	<p>The Company and the Responsible Entity are offering to issue new Stapled Securities to raise between \$100 million and \$300 million. For every two Stapled Securities subscribed for, the Responsible Entity will issue one Class A Option and one Class B Option.</p> <p>Each Stapled Security issued and allotted under this Offer Document will, from the time it is issued and allotted, rank equally with all other Stapled Securities on issue.</p> <p>The Class A Options will rank equally with all other Class A Options on issue and the Class B Options will rank equally with all other Class B Options on issue.</p>	Section 12

KEY OFFER DETAILS	SUMMARY	MORE INFORMATION
<b>Proceeds of the Offer</b>	The proceeds from this Offer will assist in funding the CCR Portfolio and future opportunities to continue growing and diversifying the portfolio in line with the Business' investment strategy. If the Maximum Subscription amount is raised, the Business intends to repay the existing US\$20 million bank debt facility prior to 1 January 2018.	Section 12.3
<b>Application Price</b>	<p>The Indicative Price Range for the Offer is \$1.45 and \$1.55 per Stapled Security.</p> <p>Successful Applicants under the Offer will pay the Final Price.</p> <p>The Final Price will be determined at the conclusion of the Institutional Offer bookbuild process and may be set below, within or above the Indicative Price Range.</p> <p>No amount is payable for the issue of the Options.</p>	Sections 12.1, 12.7 and 13.6.3
<b>Quotation of Stapled Securities on ASX</b>	<p>The Responsible Entity and the Company intend to make an application to the ASX within seven days after the date of this Offer Document for admission of the Company and the Trust to the official list of the ASX, quotation of Stapled Securities on the ASX (which is expected to be under the code "NEW"), quotation of Class A Options on the ASX (which is expected to be under the code "NEWOA") and quotation of Class B Options on the ASX (which is expected to be under the code "NEWOB"). It is anticipated that quotation will initially be on a conditional and deferred settlement basis.</p> <p>If approval is not given within three months after such application is made (or such longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Sections 12.7, 12.10.1, 17.3.7 and 17.4.2
<b>Priority Offer</b>	The Priority Offer is open to existing Securityholders with a registered address in Australia to apply for up to \$15,000 of Stapled Securities. If you are eligible, you will receive a personalised Priority Offer Invitation.	Section 13.1

KEY OFFER DETAILS	SUMMARY	MORE INFORMATION
<b>Minimum Subscription</b>	A Minimum Subscription of \$100 million must be raised by the close of the Institutional Offer. If the Minimum Subscription is not raised by that date, the Offer will not proceed and all Application Monies will be refunded, without interest, within seven days of that date.	Section 12.7
<b>Maximum Subscription</b>	The Maximum Subscription is \$200 million. The Company and the Responsible Entity may, at their discretion, accept oversubscription for up to an additional \$100 million.	
<b>Maximum and minimum application size</b>	Applications under the General Public Offer, the Broker Firm Offer, and the Priority Offer must be for a minimum amount \$2,000. The maximum application size under the Priority Offer is \$15,000. There is no maximum application size under the General Public Offer and the Broker Firm Offer.	Sections 12.7, 13.2.1 and 13.3.2
<b>Offer structure</b>	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>• the Retail Offer, which consists of the:           <ul style="list-style-type: none"> <li>» Broker Firm Offer;</li> <li>» Priority Offer;</li> <li>» General Public Offer; and</li> </ul> </li> <li>• the Institutional Offer.</li> </ul>	Section 12.2
<b>Options</b>	<p>For each two Stapled Securities issued under this Offer Document, the Applicant will also be issued:</p> <ul style="list-style-type: none"> <li>• One Class A Option exercisable during a 20 Business Day period ending at 5.00pm (AEDT) on 8 February 2019, entitling the Optionholder to be issued a further Stapled Security for an exercise price of the Final Price plus 5 cents; and</li> <li>• One Class B Option exercisable during a 20 Business Day period ending at 5.00pm (AEST) on 8 August 2019, entitling the Optionholder to be issued a further Stapled Security for an exercise price of the Final Price plus 10 cents.</li> </ul>	Sections 12 and 17
<b>Bookrunner and Joint Lead Managers</b>	<p>The bookrunner to the Offer is Morgan Stanley. The joint lead managers to the Offer are Morgan Stanley and Evans and Partners.</p>	Section 12.8
<b>Underwriting</b>	This Offer is not underwritten.	Section 12.7

KEY OFFER DETAILS	SUMMARY	MORE INFORMATION
<b>Allocation Policy</b>	<p>The allocation of Stapled Securities and Options between the Retail Offer (comprising the Broker Firm Offer, Priority Offer, and General Public Offer) and the Institutional Offer will be determined by agreement between the Company, the Responsible Entity and the Bookrunner.</p> <p>For the General Public Offer and the Priority Offer, the Company and the Responsible Entity have absolute discretion regarding the basis of allocation of Stapled Securities and Options among Applicants. Applicants under the Priority Offer will receive an allocation of up to \$15,000 of Stapled Securities and Options in priority to Applicants under the remainder of the Retail Offer or the Institutional Offer</p> <p>For Broker Firm Offer applicants, the relevant Broker will decide as to how they allocate Stapled Securities and Options among their Australian resident retail clients.</p> <p>The allocation of Stapled Securities and Options among bidders in the Institutional Offer will be determined by agreement between the Company, the Responsible Entity and the Bookrunner. The Company, the Responsible Entity and the Bookrunner have absolute discretion regarding the basis of allocation of Stapled Securities and Options among Institutional Investors.</p> <p>The Business' allocation policy for the Offer includes a limit of 10% ownership of Stapled Securities for any single entity.</p>	Sections 13.1.4, 13.2.4, 13.3.4 and 13.6.4
<b>Brokerage, commission, and stamp duty</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Stapled Securities under the Offer.	Section 12.7
<b>Tax consideration</b>	A general summary of the key Australian income tax, capital gains tax ( <b>CGT</b> ), goods and services tax ( <b>GST</b> ), and stamp duty (collectively, Australian tax) consequences for specified types of investors who are Australian tax resident individuals, companies and complying superannuation entities that subscribe for Stapled Securities and Options pursuant to the Offer and hold the Stapled Securities and Options on capital account for Australian income tax purposes can be found in Section 9.	Section 9



KEY OFFER DETAILS	SUMMARY	MORE INFORMATION
<b>Confirmation of allocation</b>	<p>It is expected that initial holding statements will be despatched by standard post on or about Monday 11 December 2017.</p> <p>Refunds to Applicants under the General Public Offer and the Priority Offer, who make an Application and are scaled back, will be made as soon as possible following Settlement, which is expected to occur on or about Friday, 8 December 2017.</p> <p>No refunds will be made where the overpayments relate solely to rounding at the Final Price.</p>	Section 12.7
<b>Trading of Stapled Securities and Options on the ASX</b>	<p>It is expected that the trading of the Stapled Securities and Options will commence on or about Monday, 4 December 2017, initially on a conditional and deferred settlement basis.</p> <p>It is expected that despatch of holding statements will occur on or about Monday, 11 December 2017 and that Stapled Securities and Options will commence trading on a normal settlement basis on Tuesday, 12 December 2017.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading their Stapled Securities or Options. Applicants who sell Stapled Securities or Options before they receive an initial holding statement do so at their own risk.</p>	Sections 12.7, 12.10 and 17.3.7
<b>How to apply</b>	<p><b>Broker Firm Offer</b> – Broker Firm Offer Applicants may apply for Stapled Securities by completing an Application Form attached to this Offer Document and lodging it with the Broker who invited them to participate in the Offer.</p> <p><b>General Public Offer</b> – Applicants under the General Public Offer must complete the hard copy Application Form attached to this Offer Document or the online Application Form available from <a href="http://www.nes.com.au">www.nes.com.au</a> in accordance with the instructions on that Application Form.</p> <p><b>Priority Offer</b> – Priority Offer Applicants must apply in accordance with the instructions provided in the Priority Offer invitation.</p>	Sections 13.1.2, 13.2.2 and 13.3.2

KEY OFFER DETAILS	SUMMARY	MORE INFORMATION
<b>Withdrawal of the Offer</b>	<p>The Company and the Responsible Entity may withdraw the Offer at any time before the issue of Stapled Securities and Options to successful Applicants or bidders. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).</p> <p>The Company, the Responsible Entity, and the Bookrunner also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids, either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Stapled Securities and Options than applied or bid for.</p>	Section 12.9
<b>Further information</b>	<p>Applicants with enquiries concerning the Application Form or relating to this Offer Document and the Offer should contact us on 1300 454 801 between 8:30am AEDT and 5.00pm AEDT Monday to Friday during the Offer period, or via email at <a href="mailto:info@newenergysolar.com.au">info@newenergysolar.com.au</a>.</p> <p>If you have any questions about whether to invest in the Business you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding.</p>	Section 18



## FEES AND COSTS<sup>1</sup>

Fee	Summary	More Information
<b>COSTS OF THE OFFER</b>		
<b>Contribution fee</b>	3.00% of the Application Monies, plus the net amount of GST of 0.0750% (totalling 3.0750%).	Sections 6.1 and 6.2.1
<b>ON GOING COSTS OF THE BUSINESS</b>		
<b>Entity Fee</b>	0.08% per annum of the gross asset value of the Trust plus the net amount of GST of 0.0036% <sup>3</sup> (totalling 0.0836%).	Sections 6.1 and 6.2.2
<b>Investment Manager Fees</b>	An investment management fee of 0.70% per annum on the enterprise value of the Company and the Trust plus the net amount of GST of 0.0180% <sup>4</sup> (totalling 0.7180%).  An asset acquisition fee of 1.50% <sup>5</sup> of the purchase price of any Business asset (excluding acquisition costs).  An asset disposal fee of 1.50% <sup>5</sup> of the net sale proceeds of any Business asset.	Sections 6.1, 6.2.3, 6.2.4 and 14.1
Other expenses <sup>6</sup>	Estimated at 0.22% per annum of the NAV of the Business plus the net amount of GST of 0.0143% <sup>6</sup> (totalling 0.2343%).	Sections 6.1 and 6.2.5

**1.** All fees in this table are quoted inclusive of GST and net of RITC, where applicable. (See Section 6.2 "Additional Explanation of Fees and Costs").

**2.** These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover 75% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs").

**3.** These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover at least 55% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs").

**4.** These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover at least 75% of the GST component of fees charged to it if all investments are made through offshore markets. If investments are made in the domestic market, a RITC of 75% may be applied, and thus the RITC would be apportionable between 75% and 100% depending on the activity of the Business. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs").

**5.** This is net of GST, as it is anticipated that the Business may be able to recover 100% of the GST component of fees charged to it if all investments are made through offshore markets. If investments are made in the domestic market, a RITC of 75% may be applied, and thus the RITC would be apportionable between 75% and 100% depending on the activity of the Business. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs").

**6.** "Other expenses" are estimated based on a capital raising of \$200 million.

**7.** These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover up to 55% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs").

## ASIC REGULATORY GUIDE 231

Set out below is a summary of the Business' performance against the benchmarks set out in ASIC Regulatory Guide 231 – Infrastructure entities: Improving disclosure for retail investors (ASIC RG 231). Further disclosure against the benchmarks and disclosure against the disclosure principles of RG 231 is set out in Section 11 and those sections referenced in the summary table below.

<b>BENCHMARK</b>	<b>STATEMENT, EXPLANATION AND FURTHER INFORMATION</b>
<b>Benchmark 1: Corporate Structure and management</b>  The Business' governance policies and practices conform with the principles and recommendations in the ASX Guidance Note 9A.	<b>Statement:</b> The benchmark is met.  <b>Explanation:</b> N/A  <b>Further Information:</b> Sections 10.8, 10.8.5 and Section 11.
<b>Benchmark 2: Remuneration of management</b>  Incentive-based remuneration paid to management of the Business is derived from the performance of the Business and not the performance of other entities within its consolidated group, except where the Business is the parent of the consolidated group.	<b>Statement:</b> The benchmark is met.  <b>Explanation:</b> N/A  <b>Further Information:</b> Section 10.6.2.
<b>Benchmark 3: Classes of units and shares</b>  All Stapled Securities and Options are fully paid. There are three classes of security: Stapled Securities, Class A Options and Class B Options.	<b>Statement:</b> The benchmark is met.  <b>Explanation:</b> N/A  <b>Further Information:</b> Sections 15.3 and 15.4.
<b>Benchmark 4: Substantial related party transactions</b>  The Company and the Trust comply with the ASX Listing Rule 10.1 for substantial related party transactions.	<b>Statement:</b> The benchmark is met.  <b>Explanation:</b> N/A  <b>Further Information:</b> Section 10.9.1 and 15.8.
<b>Benchmark 5: Cash flow forecast</b>  The Company and the Responsible Entity have, for the current financial year, prepared and had approved by its directors, a 12-month cash flow forecast for the Business and arranged for a suitable qualified person or firm to provide (a) negative assurance on reasonableness of the cash flow assumptions (b) positive assurance as to preparation of the cash flow on basis of the assumptions and adopted accounting policies and (c) an internal unaudited cash flow forecast for the remaining life, or the right to operate (if less) for each new significant infrastructure asset acquired by the Business.	<b>Statement:</b> The benchmark is met.  <b>Explanation:</b> N/A  <b>Further Information:</b> Section 7.
<b>Benchmark 6: Base-case financial model</b>  Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the Business' base-case financial model.	<b>Statement:</b> The benchmark is met.  <b>Explanation:</b> N/A  <b>Further Information:</b> Section 11.

**BENCHMARK****STATEMENT, EXPLANATION  
AND FURTHER INFORMATION****Benchmark 7: Performance and forecast**

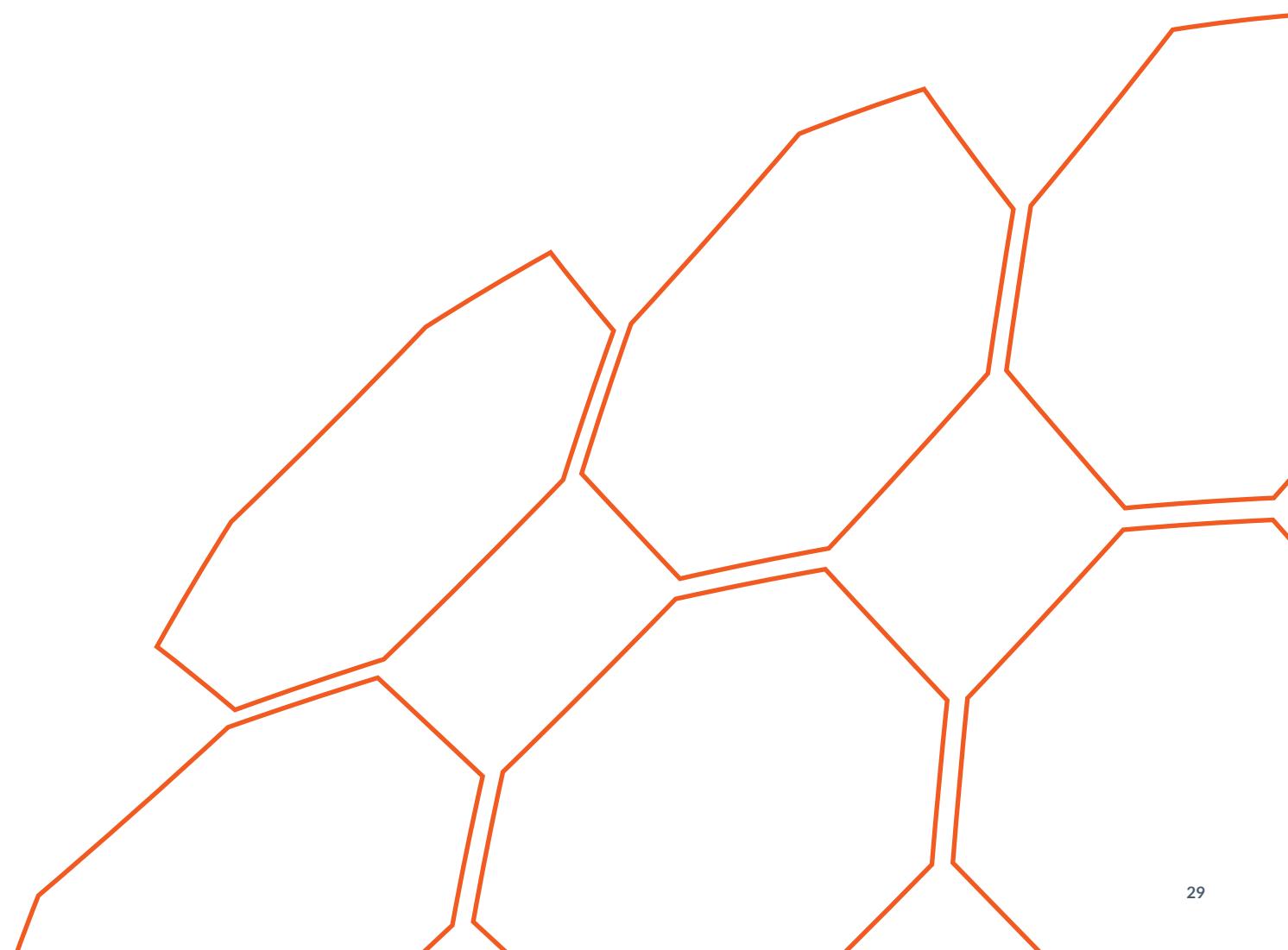
For any operating asset developed by the Business, or completed immediately before the Business' ownership, the actual outcome for the first two years of operation equals or exceeds any original publicly disclosed forecasts used to justify the acquisition or development of the asset.

**Statement:** The benchmark is not applicable.

**Explanation:** The Business has acquired majority interests in four utility scale solar power plants that have recently become operational. These plants have not been operating for a sufficient period to calculate any annual deviations from forecasts.

**Further Information:** Section 11.

For further information refer to the transaction announcements on the New Energy Solar website at <http://www.nes.com.au/announcements/>



BENCHMARK	STATEMENT, EXPLANATION AND FURTHER INFORMATION
<b>Benchmark 8: Distributions</b>  The Trust will not pay distributions from Trust borrowings.	<b>Statement:</b> The benchmark is met.  <b>Explanation:</b> On 28 June 2017, the Business announced its initial distribution and the intention to pay distributions moving forward on a semi-annual basis. The first distribution was paid to Securityholders on 15 August 2017 via cash or reinvestment in additional Stapled Securities. On payment of dividends and distributions, portions attributable to income and capital are disclosed to Securityholders. The Responsible Entity does not intend to pay distributions from Trust borrowings.  <b>Further Information:</b> Section 10.9.1.
<b>Benchmark 9: Updating the unit price</b>  If the Trust is unlisted, after finalising a new valuation for an infrastructure asset, the Business reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.	<b>Statement:</b> The benchmark is met.  <b>Explanation:</b> N/A  <b>Further Information:</b> Sections 10.9.1 and 15.3.  For further information on the amendment to the constitution refer to the Notice of Extraordinary General Meeting dated 20 October 2016 which was released on the New Energy Solar website.



## **SECTION 1**

### **Key Investment Benefits and Risks**

*NC-31 south side aerial view  
- March 2017*



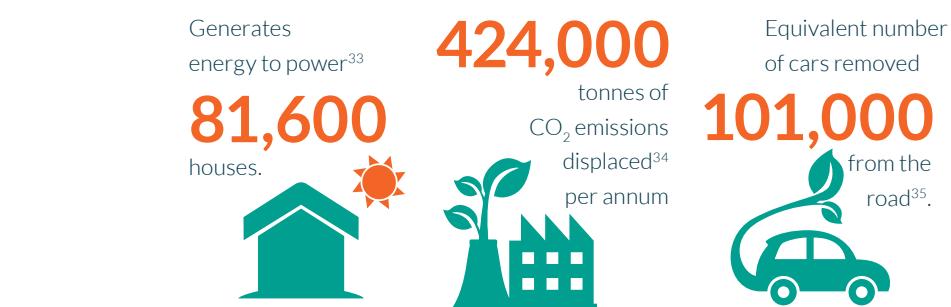
*NC-47 aerial view - June 2017*

## 1.1 KEY INVESTMENT BENEFITS

An investment in New Energy Solar has a number of investment benefits and risks. Key investment benefits and risks are summarised in the tables below.

KEY BENEFIT	MORE INFORMATION
<b>Attractive risk-adjusted returns alongside positive social impact</b>	<ul style="list-style-type: none"> <li>The Business seeks to make investments that are expected to generate stable long-term cash flows from solar power plants and renewable energy assets.</li> <li>Solar offers attractive risk-adjusted returns in the current low interest rate environment, and the Business seeks to acquire assets which, over their technical life, are expected to support gross portfolio returns of 7% to 10% p.a. (before taxes, management expenses, administration costs, and external corporate borrowing costs). It is important to note that the Business' distributions may be less than the actual or target returns of its assets.</li> <li>An investment in solar contributes to a reduction of the energy sector's reliance on fossil fuels and solar energy represents one of the best potential solutions to the world's increasing energy demands.</li> </ul>

### The Business' Existing Portfolio and CCR Portfolio – positive social impact from generation (pro forma)



<b>Exposure to a growing global solar market opportunity</b>	<ul style="list-style-type: none"> <li>An opportunity for Australian investors to invest in international solar energy markets through a domestic investment vehicle.</li> <li>Solar generation capacity is forecast to increase from 5% to 32% of global electricity generation capacity by 2040, growing more than any other renewable or fossil fuel source, and requiring an investment of US\$2.8 trillion.</li> <li>A fundamental shift to low-cost solar is anticipated to underpin this industry growth trajectory.</li> </ul>	Section 2.2
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**33.** Based on an average house use of approximately 8,375kWh per annum (based on the average annual electricity consumption of Australian and US households).

**34.** Solar power plant CO<sub>2</sub> emission reduction calculated using the US Environmental Protection Agency's Avoided Emissions and generation Tool (AVERT). CO<sub>2</sub> emissions displacement is calculated as the emissions that would be produced annually if the same amount of energy was produced by a coal fired plant instead.

**35.** Based on an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum. The "equivalent number of cars" is calculated as the number of cars per annum that emit an equivalent amount of CO<sub>2</sub> in comparison with what is estimated to have been displaced.

KEY BENEFIT	MORE INFORMATION
<b>An operational portfolio with contracted cash flows to creditworthy counterparties</b>	<ul style="list-style-type: none"> <li>The Existing Portfolio is four operating solar power plants, with a total capacity of 225MW<sub>DC</sub>.</li> <li>All four plants sell emission free electricity under 10-to-25 year PPAs with creditworthy Offtakers.</li> <li>The Business is an established solar energy infrastructure business with quality relationships with developers and Offtakers.</li> </ul>
<b>Committed expansion and diversification</b>	<ul style="list-style-type: none"> <li>The Business has committed to acquire the CCR Portfolio (14 solar power plants with a total capacity of 130MW<sub>DC</sub>) from CCR, an experienced US solar developer and operator.</li> <li>The plants are located in Oregon and North Carolina, and are expected to sell emissions-free electricity under 13-to-15 year PPAs to creditworthy Offtakers.</li> </ul>
<b>A pipeline of future growth opportunities and operational improvement potential</b>	<ul style="list-style-type: none"> <li>Near-term acquisition pipeline of potential project opportunities expected to generate over 750MW<sub>DC</sub> subject to MOUs with developers, with further opportunities expected to generate another 1.3GW<sub>DC</sub> in active transaction processes in the US and Australia.</li> <li>Potential for further growth by realising scale benefits and growth option value through asset expansion, technology improvement, and active asset management.</li> <li>Clearly identified growth pathways which leverage New Energy Solar's track record and relationships</li> </ul>
<b>Experienced Investment Manager</b>	<ul style="list-style-type: none"> <li>A well-resourced and experienced Investment Manager with a proven capacity to identify, acquire, and operate high quality solar power plants and renewable energy assets.</li> <li>Disciplined investment mandate which ensures the Business will continue to focus on high quality investments which offer attractive risk-adjusted returns in the current low interest rate environment.</li> <li>External investment management structure which is currently more cost effective than internalised operations.</li> </ul>
<b>Uncorrelated contracted cash flows</b>	<ul style="list-style-type: none"> <li>The Business targets assets that are expected to produce stable cash flows underpinned by long-term PPAs with creditworthy Offtakers.</li> <li>Contracted cash flows produced by each of the Business' assets will be uncorrelated to global equity and fixed income markets.</li> <li>Uncorrelated cash flows provide investors with diversification benefits.</li> </ul>
<b>Favourable policy and regulatory conditions and rapidly improving economics</b>	<ul style="list-style-type: none"> <li>Renewable energy targets are now in place in over 176 countries, many supported by additional favourable local policies and incentives.</li> <li>Renewable energy is becoming cost competitive with fossil fuel-fired generation in many countries, even without the assistance of government subsidies.</li> </ul>

## 1.2 KEY INVESTMENT RISKS

KEY RISK	MORE INFORMATION	
<b>Broad investment strategy</b>	Although the Business' current focus is investing in large-scale solar power plants and associated assets with contracted cash flows, the investment strategy is broad and does not restrict its investments in renewable energy to any particular energy type, geographic region, size or cash flow profile. Accordingly, it may be difficult for Investors to assess the risks associated with any future investments that may be made by the Business.	Section 5.1.1
<b>Stapled Security and Option price risk</b>	The price of the Stapled Securities and Options quoted on the ASX may fluctuate, resulting in the Stapled Securities trading at prices below or above the Final Price and the Options trading below or above their exercise price as the price of the Stapled Securities fluctuates. These fluctuations may be due to a number of factors, including changes to underlying asset value, general economic conditions, demand for securities, changes in Government policy, legislation and regulations, and general and operational business risks.	Section 5.1.2
<b>Gearing and interest rate risk</b>	The Responsible Entity and the Company intend to target a long-term overall gearing ratio for the Business of up to 50% of total gross assets. Gearing may amplify the Business' gains if the value of the Business direct and indirect renewable energy assets appreciates however, gearing may also amplify losses if the value of the assets falls.  Changes in interest rates, including the Business' borrowing arrangements, may have a positive or negative impact on the income of the Business.	Sections 5.1.3 and 5.1.4
<b>Generation risk</b>	While the Business has offtake price and volume certainty under the PPAs, the Business is still exposed to the volume of electricity generated by its solar power plants. Fluctuations in the solar resource can occur on a short-term basis (i.e. hourly, daily, monthly and seasonal) and on a longer-term basis. Resource fluctuations affect the amount of energy generated by a solar power plant and, therefore, the revenue generated by it. The revenue profile over any given year may be different in following years and may not match the expense profile of a solar plant.	Section 5.1.5
<b>Changes in long-term wholesale electricity prices</b>	Lower wholesale electricity prices could impact the Business' ability re-contract with customers on favourable terms, upon expiry of the initial PPA term. In addition, lower wholesale electricity prices may slow the pace of development of solar or other renewable projects in some markets, and limit the number of opportunities for the Business to acquire assets. For these reasons, lower wholesale electricity prices may negatively impact the Business' financial position and performance.	Section 5.1.7



KEY RISK	MORE INFORMATION	
<b>Operational risk</b>	<p>The Business' operational assets are subject to operational risks that may result in the assets failing to perform in line with expectations. These risks include fluctuations in weather patterns and other environmental changes impacting generation, failure or deterioration of equipment, performance and business stability of the Business' suppliers and contractors, transmission system congestion, curtailment or failure, labour issues and strikes, and other operational issues. If these risks result in an inability to meet the Business' contractual requirements under its PPAs, the PPA counterparty may have the right to terminate the PPA or claim liquidated damages.</p>	Section 5.1.7
<b>Pre-operational asset risk</b>	<p>The Business has committed to acquire a substantial majority interest in a portfolio of 14 pre-operational projects and may acquire interests in additional projects. As a result, the Business may be subject to additional risks including cost and budget overruns, delays in achieving contractually required milestones in the applicable PPAs giving rise to step-in or termination rights or liquidated damages, delays in the timing of cash flows generated from investments and the failure of a vendor to satisfy conditions precedent resulting in the Business not acquiring such projects or delays in the timing of, or reduction of, cash flows.</p> <p>Specifically with respect to solar panels in the United States, the US International Trade Commission (<b>USITC</b>) is currently considering a petition filed by a former solar panel manufacturer requesting the imposition of tariffs on foreign-manufactured solar panels. President Donald Trump will decide whether to implement any action the USITC recommends. Such a tariff is likely to increase the price of both foreign and domestically-manufactured modules and may cause issues with short-term supply. Changes in price and/or supply may impact the ability of the Business' construction or development partners to complete projects within the agreed time or at the agreed cost, but the Business is not exposed to any such price or supply risk in relation to the CCR Portfolio.</p>	Section 5.1.8
<b>Regulatory risk</b>	<p>There is no guarantee that existing or future laws, regulations, government subsidies, and economic incentives, including US tax benefits, from which renewable energy generation operations benefit, will remain. A change in government policies or a reduction, elimination or expiration of those initiatives and incentives may have a negative impact on the performance of the Business.</p>	Section 5.1.9
<b>Counterparty and warranty risk</b>	<p>Where a counterparty to the Business (for example a vendor in any of the Business' acquisition transactions, a counterparty to the PPAs or a supplier of panels to the solar power plants) becomes unable or unwilling to fulfil their related contractual obligations, including in the case of acquisition transaction vendors, to indemnify the Business for risks retained by such vendors, refuses to accept the delivery of power delivered or terminates agreements early, the financial position and performance of the Business may be materially adversely impacted.</p>	Section 5.1.10

KEY RISK	MORE INFORMATION	
<b>Currency risk</b>	A significant proportion of the Business' investments are in foreign currency (US dollar) denominated assets. The value of Stapled Securities and Options will be impacted by increases and decreases in the value of those foreign currencies to the extent that the Business' exposure to those foreign currencies is unhedged.  The Board and the Responsible Entity do not currently intend to hedge foreign currency exposures but may do so in the future.	Section 5.1.11
<b>US Investment Tax Credit risk</b>	The Business is acquiring assets through a financing partnership with an investor who is able to efficiently convert the tax attributes of solar projects to actual funds; including a federal Investment Tax Credit ( <b>ITC</b> ) and accelerated depreciation ( <b>Tax Equity Investor</b> ). The Business may execute binding agreements to acquire projects before the structure of the partnership or key terms are finalised and, to the extent final terms are different to those modelled at the time of project acquisition, or there is failure to agree, financial outcomes from the investment may be impacted, or it may not proceed. Additionally, tax rate changes whilst a Tax Equity Investor remains a partner of the Business may impact the value of the Tax Equity Investor's investment, and the Business may accept this risk as part of the financing partnership.  Any binding tax equity transactions that the Business enters into will include customary risk allocations between the Tax Equity Investor and the Business regarding tax credit eligibility for the projects and the amount of such benefits available to the Tax Equity Investor. Depending on the triggering event leading to a disallowance or recapture in whole or in part of those benefits, the Business may be required to indemnify the Tax Equity Investor for the loss of those benefits.	Section 5.1.12
<b>Tax Equity Investor risk</b>	The ability to source funding from Tax Equity Investors depends on a number of factors, including applicable regulations, the tax appetite of individual investors, the structure proposed, the particular features of the project, and the ability of the Business to agree acceptable terms with any particular investor. If a project has already been acquired and the Business is subsequently unable to source funding from Tax Equity Investors, financial outcomes from the acquisition may be impacted. A longer-term inability to source funding from Tax Equity Investors may impact the ability of the Business to continue to acquire assets.	Section 5.1.13



## **SECTION 2**

### Industry Background

*TID SGS aerial view - September 2017*



*Stanford SGS & TID SGS site at sunset - September 2017*

## 2.1 INTRODUCTION

Electricity is one of the most convenient and effective forms of transferring energy. It is an essential commodity which has made a large contribution to global economic development to date and is expected to play an increasing role in future development.

Electricity can be generated through a range of technologies, with the majority generated by electro-mechanical generators driven by steam produced from fossil fuel combustion. Fossil fuel electricity generation is currently estimated to comprise approximately 86% of global energy consumption. However, fossil fuel based electricity generation has various environmental impacts which need to be managed. These include waste production, carbon dioxide, and other pollutant emissions. Increasing awareness of environmental impacts, and improving economics from advancing technologies is contributing to a growing global shift towards new electricity generation from renewable sources. These renewable sources have a reduced environmental impact compared with fossil fuels.

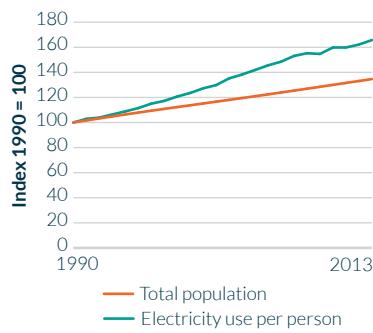
## 2.2 GLOBAL ELECTRICITY DEMAND AND SUPPLY

Global electricity demand is expected to continue to increase as populations grow and economies develop. Increases in electricity demand can be broadly split between developed and developing economies, with different factors driving the increase in each segment. In developing countries, electricity consumption growth is expected to be more rapid as access to electricity improves through development and urbanisation. In more mature, developed countries, increasing end-use electrification is the predominant driver of electricity demand growth. Examples of end-use electrification include the electrification of freight and passenger railways, and the shift from internal combustion engines to electric motors in the automobile market.

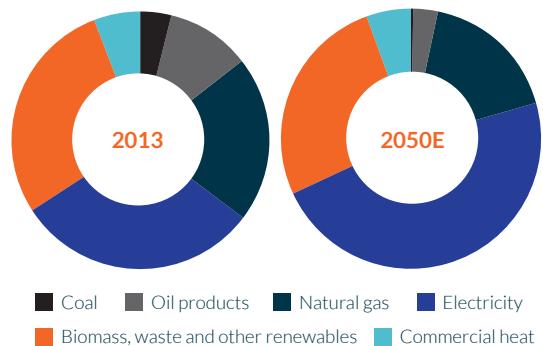
### Figures 1 & 2:

Figures 1 and 2 depict the ongoing electrification of the global economy, with growth in electricity demand outpacing population growth since 1990. The International Energy Agency expects electrification to continue over coming decades with electricity projected to increase from 30% of energy consumption in 2013, to 47% in 2050. Increased electricity consumption is expected to result in decreased coal and oil product consumption.

**Figure 1: World – electricity use per person consumption, 1990 to 2013**

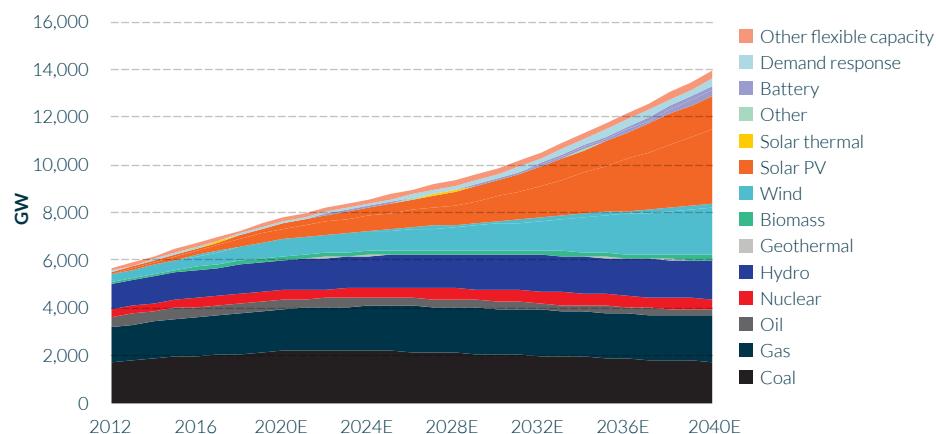


**Figure 2: World – end-use electrification, 2013 to 2050E**



Source: International Energy Agency (2016), Energy Technology Perspectives 2016, OECD / IEA, Paris. The International Energy Agency has not consented to the inclusion of the above statement and charts in the Offer Document.

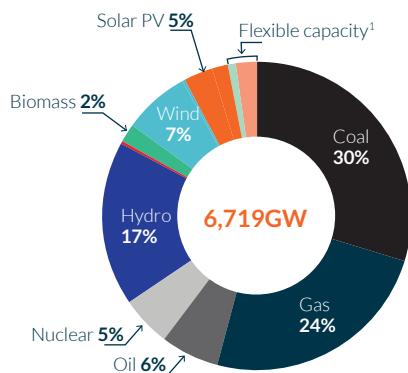
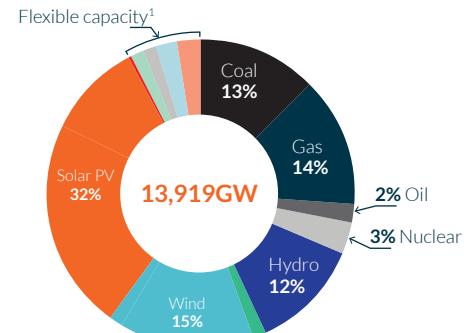
The growth in demand for electricity is expected to be met by an increasing proportion of renewable electricity generation.

**Figure 3: Global installed electricity capacity (2012 to 2040E)**

Source: BNEF, New Energy Outlook 2017 (BNEF has not consented to the inclusion of the above statement and chart in the Offer Document.)

**Figure 3:**

Bloomberg New Energy Finance (BNEF) forecasts global electricity capacity to increase from 6.7GW in 2017 to 13.9GW in 2040. Of this, capacity sourced from fossil fuels (such as coal and gas) is projected to remain relatively flat, with new generation capacity predominantly sourced from renewable sources such as solar PV and wind.

**Figure 4: Global installed electricity generation capacity (2016)****Figure 5: Global installed electricity generation capacity (2040E)**

Note: 1 Flexible capacity is comprised of additional system services that absorb variations in power generation, ensure system stability and help meet demand peaks. This capacity includes a range of technology options such as demand response, battery storage, greater cross-border interconnections, renewable control systems, virtual power plants and flexible distributed capacity.

Source: BNEF, New Energy Outlook 2017 (BNEF has not consented to the inclusion of the above charts in the Offer Document.)

This forecast shift towards renewable energy is increasingly based on underlying project economics, but is also supported by government policy. As at April 2017, 176 countries had renewable energy targets in place. This compares to 43 countries in 2005. The significant increase in the number of countries with renewable energy targets has been a result of a more coordinated global approach to climate change.

In particular, the Paris Agreement of December 2015, saw 197 nations reach an agreement to keep global temperature rises this century (i.e. 2000 to 2100) to below two degrees Celsius and to drive efforts to limit the temperature increase even further to 1.5 degrees Celsius above pre-industrial levels. The Paris Agreement was subsequently ratified by 168 of these countries and came into force in November 2016.

Although the US has signalled its intention to withdraw from the Paris Agreement, the Business has continued to see a strong pipeline of new renewable energy projects in the US with favourable economics. This trend has not been limited to the US, with other developed markets such as Australia seeing renewable energy generation from new projects becoming increasingly cost competitive with new plants using conventional fossil fuels on an unsubsidised basis (referred to as **Grid Parity**, and based on capital and operating costs over the expected life of the plant). See Figure 11 for further information on the cost competitive aspects of renewable technologies.

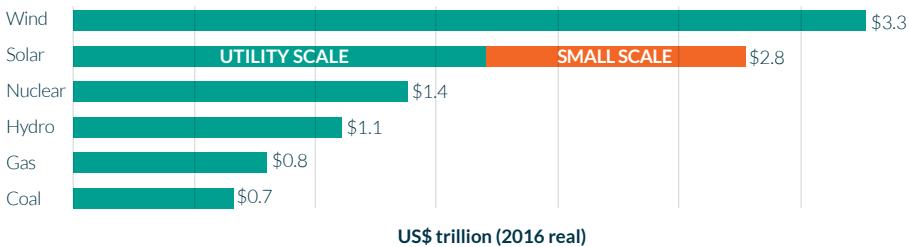
**Figures 4 & 5:**

By 2040, solar PV is expected to represent 32% of global installed electricity generation capacity, up from 5% in 2016.

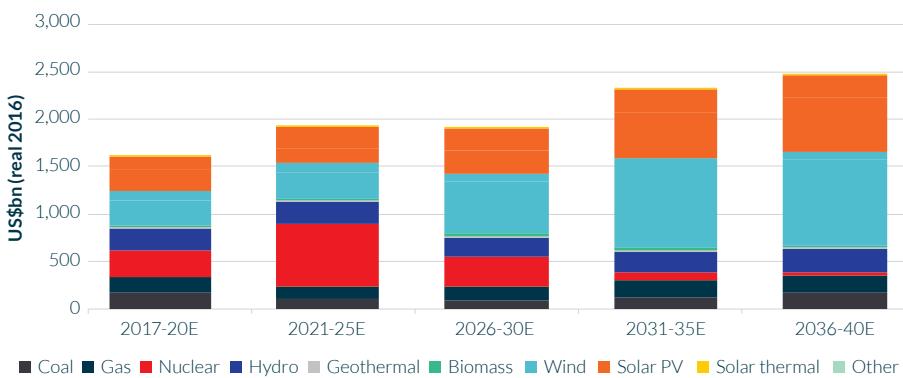
**Figures 6 & 7:**

BNEF has forecast that over US\$10 trillion will be invested in new generation capacity globally between 2017 and 2040E. Solar (US\$2.8 trillion) will be a leading component of this investment, with a total of US\$1.7 trillion forecast to be invested in utility scale solar during the period.

**Figure 6: Global investment in new generation capacity by technology (US\$ trillion – 2016 real), 2017 to 2040E**



**Figure 7: Global investment in new generation capacity by technology (US\$ billion – 2016 real), 2017 to 2040E**

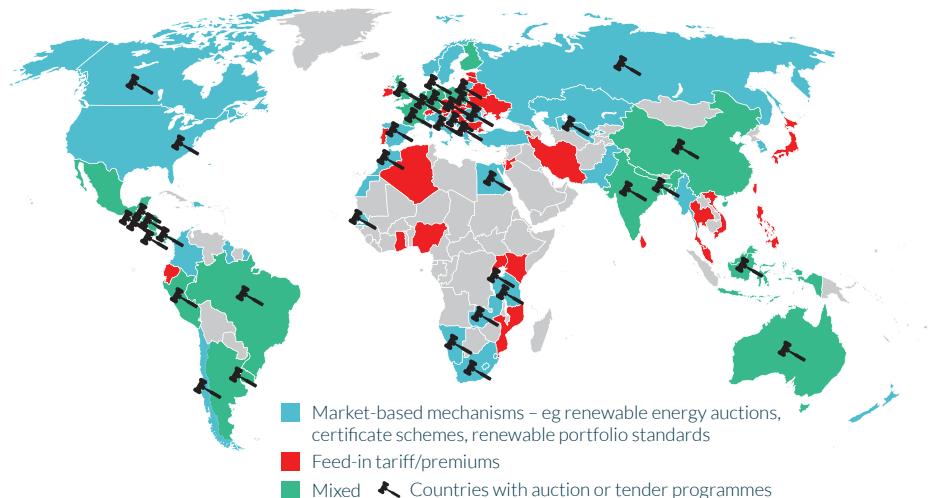


Source: BNEF, New Energy Outlook 2017. BNEF has not consented to the inclusion of the above statement and charts in the Offer Document.

## 2.3 RENEWABLE ENERGY INCENTIVE SCHEMES

In conjunction with renewable energy targets, governments globally have introduced a variety of programs to encourage development of renewable energy generation. While many continue to operate under active or transitional schemes, new projects are increasingly being developed on the basis of unsubsidised economics. In other words, subsidies are not necessarily required to see new projects be developed in some geographies. Notwithstanding this, five common methods for renewable energy incentivisation include:

- **Feed-in tariffs (FIT)** – a rate paid to renewable electricity generators, such as households with rooftop solar, for excess electricity generated that is fed back into the electricity grid. FITs are common in much of Europe, Asia and historically in Australia;
- **Renewable energy certificates (RECs)** – issued to renewable energy generators for every megawatt hour (**MWh**) of energy produced and are often mandated by legislation that penalises retail electricity suppliers for not procuring a set proportion of their supply from renewable sources. Should a supplier not meet the legislated benchmark during a given period, they typically have the option of purchasing RECs in the open market or entering into agreements with owners of renewable electricity plants to help meet the specified benchmark. As a result, the price of RECs fluctuate based on the supply of and demand for RECs in a specific market. Australia and the UK currently have REC schemes in place;
- **Investment tax credits (ITCs)** – project owner eligibility for investment tax credits for installing designated renewable energy generation equipment placed in service during a particular period. The US currently has an ITC scheme in place;
- **Production tax credits (PTCs)** – a per-kilowatt-hour (**kWh**) tax credit for electricity generated provided to a qualified energy resource and typically sold to an unrelated person during the taxable year. The duration of the credit extends for a fixed period after the date the generation facility is placed in service. The US currently has a PTC scheme in place; and
- **Renewable Energy Auctions** – a government issues a call for tenders to install a certain capacity of renewable energy-based electricity. Project developers / owners who participate in the auction submit a bid with a price per unit of electricity. The government then evaluates the offers based on price and other criteria and signs a PPA or other offtake agreement with the successful bidder.

**Figure 8: State and national-level policy mechanisms for renewable projects (2016)**

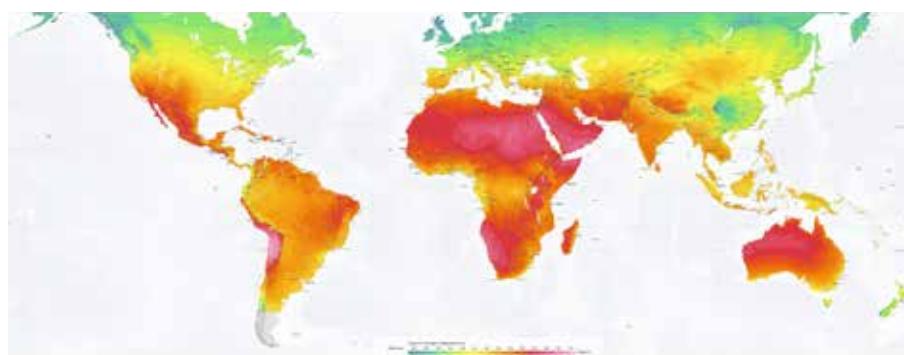
Source: BNEF, New Energy Outlook 2017. BNEF has not consented to the inclusion of this illustration in the Offer Document.

## 2.4 SOLAR ENERGY OVERVIEW

Solar energy is a form of renewable energy generated when sunlight is converted into electricity.

- **Solar PV** – solar PV converts sunlight directly into electricity using photovoltaic cells aggregated in the form of a panel. PV panels can be installed on a range of surfaces with sunlight exposure. Previously, most PV was originally installed on rooftops for domestic use, although due to technological developments and improved economics it has been more recently applied at utility scale. Utility scale PV installations are generally constructed in designated areas called solar power plants where panels are ground mounted and directly exposed to sunlight. Some solar plants contain tracking systems which optimise the position of the panels relative to the sun to improve efficiency; and
- **Solar thermal** – solar thermal involves the conversion of sunlight into thermal energy or heat. Heat can be used directly for heating purposes (e.g. rooftop solar hot water systems) or to generate electricity using steam and traditional turbine technology. Some utility scale solar thermal installations require large quantities of mirrors to concentrate sunlight and heat a medium to sufficient temperature to generate steam. Due to the relatively high cost of technology compared with more established forms of renewable energy, concentrated solar thermal generation in Australia is still in its early stages of development.

Technology efficiency aside, the primary driver of solar efficiency is the amount of solar radiation available in a particular geography.

**Figure 9: World map of historical long-term average global horizontal irradiation**

Source: Solar resource data was obtained from the Global Solar Atlas, owned by the World Bank Group and provided by Solargis. (This data reflects long-term historical average data which, depending on the region, reflects data for the years 1994 to 2015. Neither the World Bank nor Solargis have consented to the inclusion of this illustration in the Offer Document.)

**Figure 8:**

A range of renewable incentive schemes are in place globally.

**Figure 9:**

This map sets out the world's global irradiance (i.e. solar resource). Areas coloured in red or purple have comparatively more solar resource compared with those coloured blue or green.

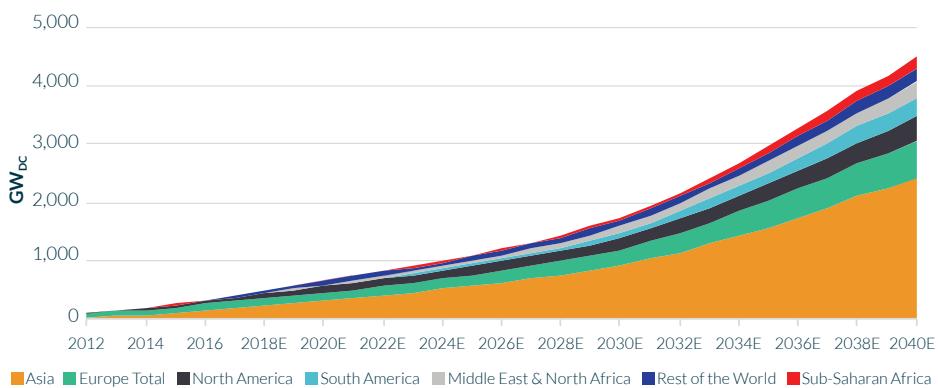
The adoption of solar energy has historically lagged hydroelectric and wind generation, with less than 1% of electricity generation in Australia and the US coming from utility scale solar in 2015. More recently, global solar PV installations have increased materially due to technological advances, scaled-up generation and falling unit costs.

Total global solar PV capacity is currently approximately 300GW<sub>DC</sub> – equivalent to approximately five times Australia's total power generation capacity, or enough to power approximately 60 million homes. GTM Research (**GTM**) forecasts total solar PV additions (predominantly utility scale) will reach 85GW<sub>DC</sub> during 2017, an increase in installed capacity of 28%. This continues a trend of increasing capacity installations, with 78GW<sub>DC</sub> of new solar PV capacity added in 2016 and 51GW<sub>DC</sub> in 2015.

**Figure 10:**

Solar energy's growth prospects remain strong, with solar PV capacity expected to increase from approximately 300GW<sub>DC</sub> currently to approximately 4,500GW<sub>DC</sub> by 2040. China, India and the US are expected to continue to be leaders in solar energy generation, and are forecast to represent greater than 51% of global solar PV generation in 2040.

**Figure 10: Global cumulative installed solar capacity, 2012 to 2040E (GW<sub>DC</sub>)**



Source: BNEF: New Energy Outlook 2017. BNEF has not consented to the inclusion of this chart in the Offer Document.

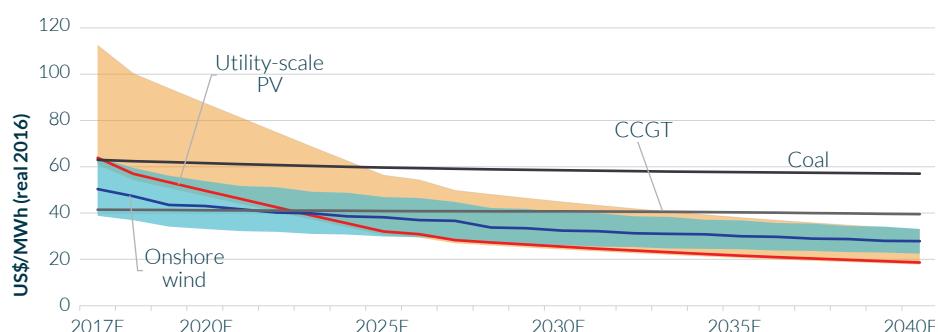
The costs of different generation technologies are typically compared using the levelised cost of energy (**LCOE**) which measures the total cost of building and operating an electricity generating facility plant over its life, divided by lifetime generation, and is expressed in dollars per MWh (**\$/MWh**).

Solar PV is increasingly considered a cost-competitive solution to meeting increasing electricity demand. New build solar plants are already less expensive than new build coal plants in some markets, including Australia (not including the cost of other forms of generation or storage required to accompany solar to meet demand in non-solar hours).

**Figures 11 & 12:**

BNEF has forecast that Solar PV's LCOE will decline materially such that it is the cheapest generation technology in both the US and Australia by 2030. The analysis assumes no subsidies or price on carbon emissions and is strictly confined to underlying energy costs.

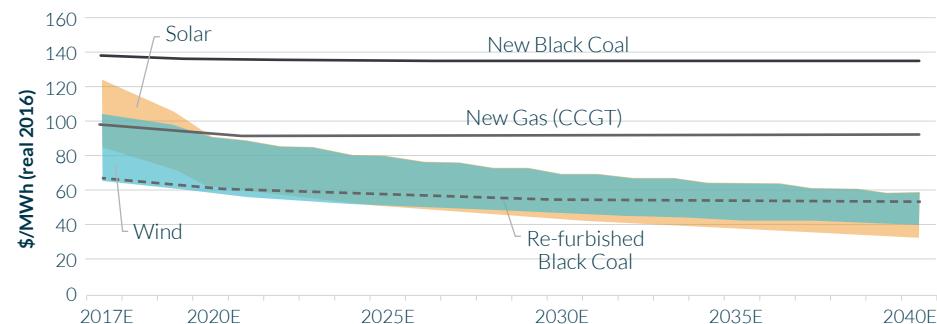
**Figure 11: US LCOE estimates for generation technologies, 2016 to 2040E (US\$/MWh)**



Source: BNEF, New Energy Outlook 2017. BNEF has not consented to the inclusion of the above statement and charts in the Offer Document.

**Figure 12: Australian LCOE estimates for generation technologies, 2016 to 2040E**

(\$/MWh)

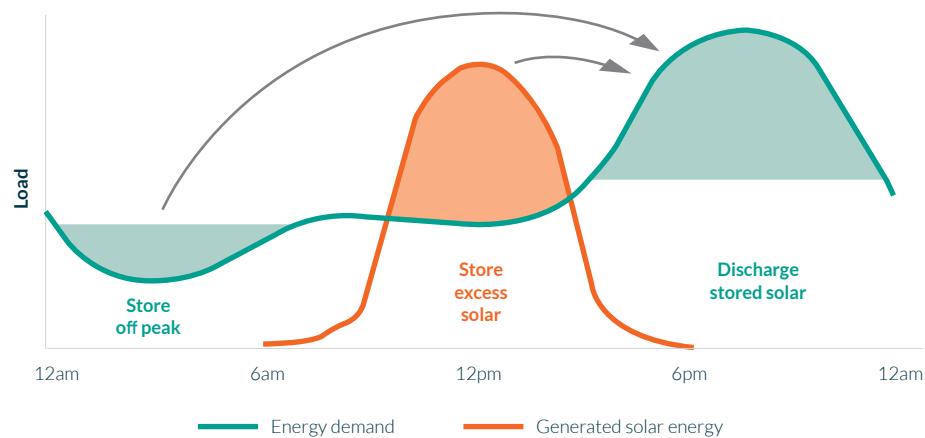


Source: BNEF, New Energy Outlook 2017. BNEF has not consented to the inclusion of the above statement and charts in the Offer Document.

Note: Assumes coal refurbishment capex is 25% of new build cost. Short-run marginal cost includes fuel, fixed and variable costs, assuming an 83% capacity factor. Capacity factor of large scale solar PV: 15% to 22%; wind: 29% to 46%; new gas (combined-cycle natural gas turbines (**CCGT**)): 50%; new coal: 83%.

In the past, little need existed for large-scale electricity storage as fossil fuel generation typically produces a base load, or continuous, generation profile. In the context of intermittent generation, storage is important as it enables renewable energy to provide comparable, reliable base-load generation and, depending on the storage technology, network stability or support services.

With the improvement in energy storage technologies, solar plus storage has the potential to become a flexible and cost-effective solution to bolster power generation capacity as aging thermal generation plants are retired. Batteries can be added to new solar installations or retrofitted to existing solar plants to “smooth” out the daytime generation profile of solar which naturally follows sunlight. Historically, the use of solar plus storage has been limited due to the high cost of storage systems. In recent years, storage costs have rapidly decreased driven in part by the electric vehicle industry increasing technology advancement and cost improvement in batteries.

**Figure 13: Illustrative solar plus energy storage versus energy demand**

While plans for energy storage have gained momentum in some markets like Australia where wholesale electricity price volatility is currently high, the technology remains relatively underdeveloped globally with only 6.4GW<sub>DC</sub> of comparable energy storage capacity operational in 2016.

BNEF has forecast that the cost of utility scale lithium ion batteries decreased from about US\$700/kWh in 2015, to US\$500/kWh currently and will decrease further, to about US\$300/kWh by 2025. This represents a significant potential opportunity in the solar energy market.<sup>34</sup>

<sup>34</sup>. Source: BNEF. (BNEF has not consented to the inclusion of this statement in the Offer Document.)

**Figure 13:**

Energy storage technology can be used to store excess electricity generated by solar plants during the day and then despatched to the market in the evening when demand for electricity rises.

## 2.5 AUSTRALIA

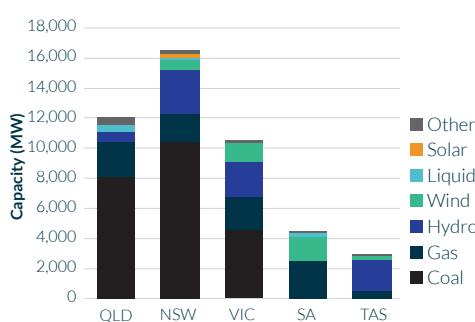
### 2.5.1 MARKET OVERVIEW

Australia has some of the best quality wind and solar resources in the world. Despite this, Australia is still heavily reliant upon fossil fuels (particularly black and brown coal), for electricity generation due to significant low-cost domestic resources and historical investment in long-life traditional thermal generation plants.

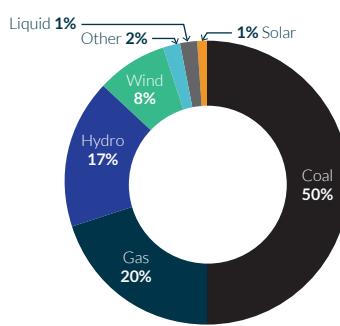
**Figures 14 & 15:**

Coal and gas-fired generation currently dominates Australia's electricity generation mix, particularly in NSW, Queensland and Victoria. As at 30 June 2017, these energy sources collectively represented about 70% of total capacity and generated 86% of total electricity output in the National Electricity Market (**NEM**). For the same period, approximately 26% of the NEM's total electricity generation was generated from renewable sources, with hydroelectric and wind power being the largest contributors.

**Figure 14: NEM generation capacity by energy source**



**Figure 15: Registered NEM capacity in regions by fuel source (MW)**



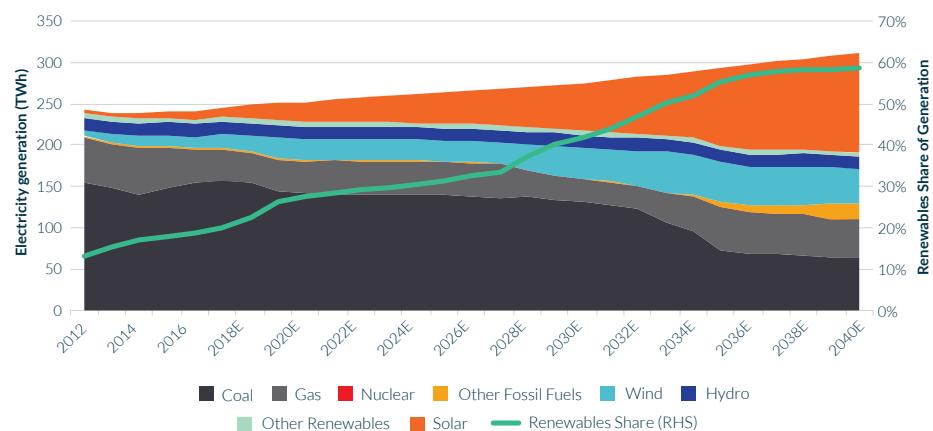
Source: Australian Energy Regulator (**AER**), Wholesale Statistics, 30 June 2017. The AER has not consented to the inclusion of the above charts in the Offer Document.

Note: The NEM is the wholesale electricity market for the electrically connected states and territories of eastern and southern Australia – Queensland, New South Wales, the Australian Capital Territory, Victoria, South Australia and Tasmania. Western Australia (comprising the North West Interconnected System and the South West Interconnected System) and the Northern Territory operate independently of the NEM.

**Figure 16:**

The contribution of renewable sources (including hydro, wind and solar – both small scale rooftop PV and utility scale PV) is expected to increase materially in the Australian market over time as energy demand continues to increase and older coal and gas generation units are retired.

**Figure 16: Australian generation mix 2012 to 2040E**



Source: BNEF, New Energy Outlook 2017. BNEF has not consented to the inclusion of the above charts in the Offer Document.

Note: BNEF's Australian generation mix includes generation from all Australian sources (comprising the NEM as well as other generation from regions that are not in the NEM, such as Western Australia and the Northern Territory.)

### 2.5.2 REGULATORY REGIME

Australia has a national Renewable Energy Target (**RET**), which aims to lower the emissions intensity of Australia's electricity generation capacity by ensuring that the amount of energy generated annually from renewable sources meets a predetermined threshold. The RET requires that liable entities (wholesale purchasers of electricity) have a legal liability to acquire and

surrender a number of tradable certificates proportional to the electricity they have sold or used annually. One large-scale generation certificate (**LGC**) is created for each MWh of renewable energy produced by an eligible generator. A liable entity which fails to surrender sufficient certificates, is required to pay a shortfall charge.

The RET has been through numerous amendments since its introduction in 2001, with the current target being 33 Terawatt Hours (**TWH**) of generation from eligible large-scale renewable generators by 2020 (**LRET**). This equates to approximately 23.5% of Australia's projected electricity generation in 2020. The scheme continues through to 2030, with the target held flat post-2020.

Following an independent review into the future security of the NEM (The Finkel Review), the federal government announced in October 2017 it would pursue a National Electricity Guarantee (**NEG**). The NEG proposes imposing two requirements on electricity retailers: a reliability guarantee which aims to secure sufficient electricity production to meet demand and an emissions guarantee which attempts to drive down the electricity sector's greenhouse emissions.

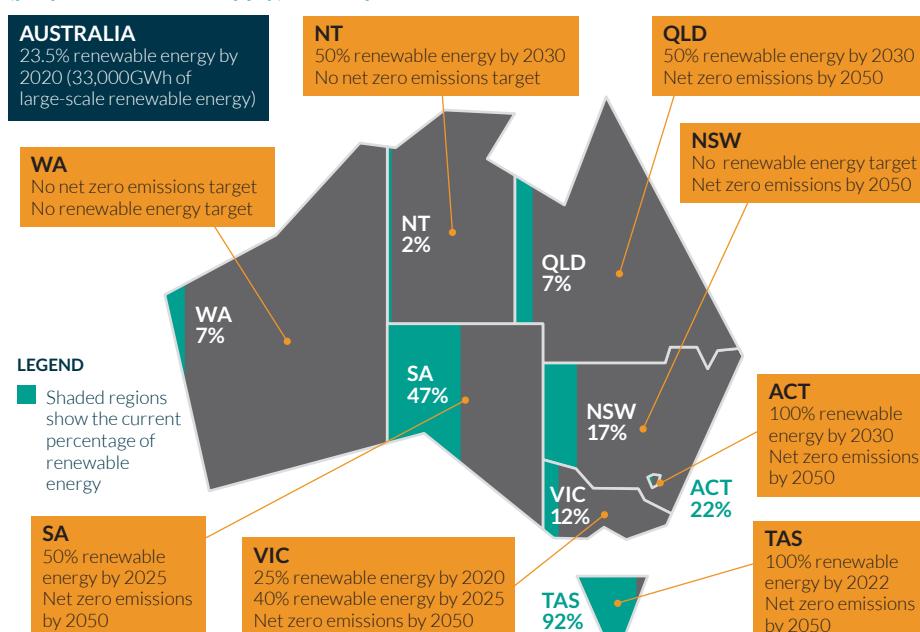
While many of the details of the NEG are still to be defined, it is anticipated that it will support the ongoing development of renewable energy generation.

## 2.5.3 STATE GOVERNMENT INITIATIVES

In addition to the RET, a number of state and territory governments have established their own renewable energy policies or targets to reduce carbon emissions in their respective states, including:

- the Australian Capital Territory's (**ACT**) Government's 200MW<sub>DC</sub> renewable energy auction in 2016;
- the South Australian Government's \$550 million energy plan announced in March 2017 which included a tender to construct a 100MW<sub>DC</sub> grid scale battery - the tender was understood to have received in excess of 90 responses;
- the Queensland Government's reverse auction for up to 400MW<sub>DC</sub> of renewable energy capacity including 100MW<sub>DC</sub> of energy storage (part of its \$1.16 billion Powering Queensland Plan); and
- the Victorian Government's 650MW<sub>DC</sub> of solar and wind capacity and tender to install up to 100MW<sub>DC</sub> of grid scale energy storage by 2018.

**Figure 17: Australia's state RETs and state renewable generation (proportion of total supply) as at September 2017**



**Figure 17:**

The majority of Australia's states have implemented supportive renewable energy targets.

## 2.5.4 SOLAR IN AUSTRALIA

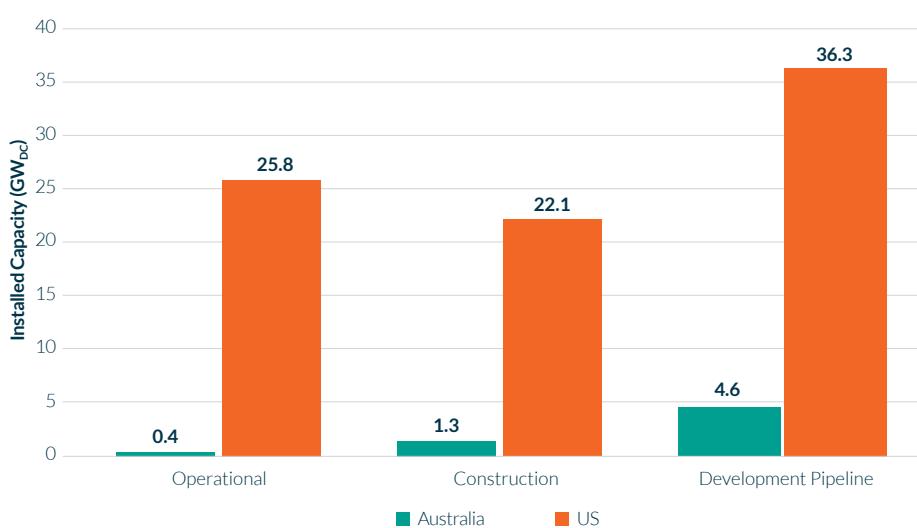
Historically, Australia has enjoyed a high uptake of residential solar, driven by state-based incentive schemes – with an estimated 18% of homes utilising rooftop solar installations as at 30 June 2017. Although this represents a substantial amount of capacity (about 5.5GW<sub>DC</sub>), this capacity is comprised of a large number of very small, individual installations either owned by the property owner or an energy retailer.

Utility scale solar in Australia is a relatively small but rapidly growing market. SERA Analytics estimated that as at 30 June 2017, Australia had approximately 0.4GW<sub>DC</sub> of installed utility scale solar capacity, with an additional 1.3GW<sub>DC</sub> under construction, and a further 4.6GW<sub>DC</sub> being actively assessed for development. Total installed solar capacity is projected to reach 12GW<sub>DC</sub> of capacity by 2020.

**Figure 18:**

The Australian market remains relatively small when compared with other countries such as the US. The US has significantly more capacity in operation and under development. Although the US is a larger market than Australia and is projected to continue to grow significantly, it is also more mature than Australia. The ratio of development projects to operational capacity is significantly higher for Australia.

**Figure 18: Installed utility scale solar PV capacity (GW<sub>DC</sub>) – Australia and the US as at 30 June 2017**

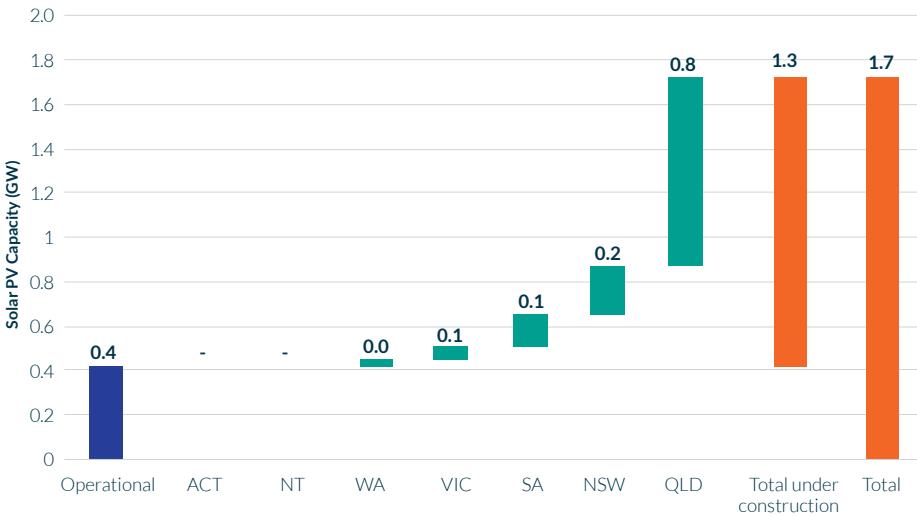


Source: GTM (2017); SERA Analytics (2017). GTM and SERA Analytics have not consented to the inclusion of the above chart in the Offer Document.

**Figure 19:**

SERA Analytics estimates that as at 30 June 2017, Australia had 0.4GW<sub>DC</sub> of solar PV under operation with an additional 1.3GW<sub>DC</sub> of solar PV currently under construction.

**Figure 19: Australia's utility scale solar capacity (GW<sub>DC</sub>) as at 30 June 2017**



Source: SERA Analytics (2017). SERA Analytics has not consented to the inclusion of this chart in the Offer Document.

Note: Assumed a DC:AC ratio of 1.25 to convert from MW<sub>AC</sub> to MW<sub>DC</sub>.

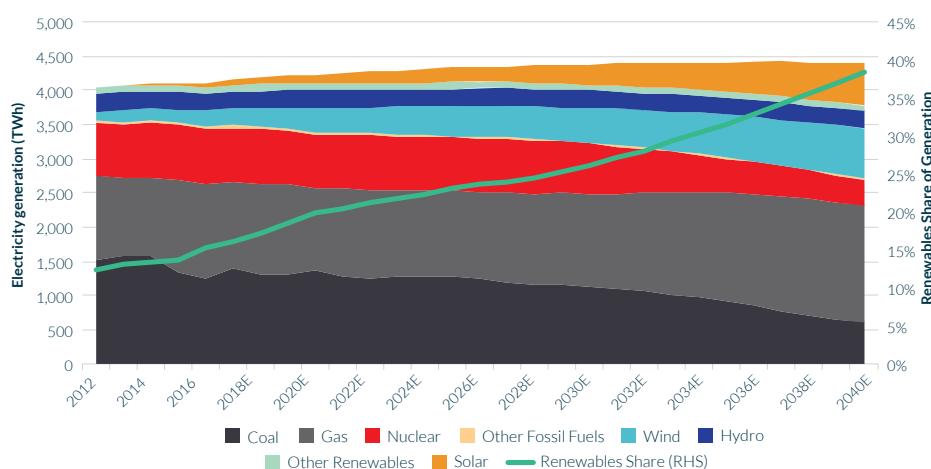
## 2.6 US

### 2.6.1 MARKET OVERVIEW

In the US, 629TWh were generated from renewable sources during 2016. The US Energy Information Administration (**EIA**) estimate the contribution of renewable energy to US electricity generation increased by approximately 150% over the last six years to comprise 15% of total generation in 2016.

In March 2017, for the first time, solar and wind collectively accounted for 10% of total US electricity generation. BNEF estimates that wind and solar collectively will increase to 15% of total US electricity generation by 2025, driven by the improving cost competitiveness of solar and supported by favourable state and federal incentive schemes. BNEF also estimates that in 2023, utility scale PV will reach unsubsidised cost parity with CCGT, the predominant form of new fossil-fuelled generation in the US<sup>32</sup>.

**Figure 20: US electricity generation mix energy source 2012 to 2040E**



**Figure 20:**

Renewables' share of US electricity generation is forecast to increase from its current level of about 15% to approximately 38% by 2040 as nuclear and coal generation plants are retired.

Source: BNEF: New Energy Outlook 2017. BNEF has not consented to the inclusion of the above statement and chart in the Offer Document.

The US battery storage market has experienced steady growth and is poised to expand rapidly over the next five years. Growth is expected to remain concentrated in Hawaii, as a result of a state energy storage rebate plan and California, as a result of a state mandate for investor-owned utilities to install 1.3GW<sub>DC</sub> of battery storage capacity by 2020.

### 2.6.2 REGULATORY REGIME

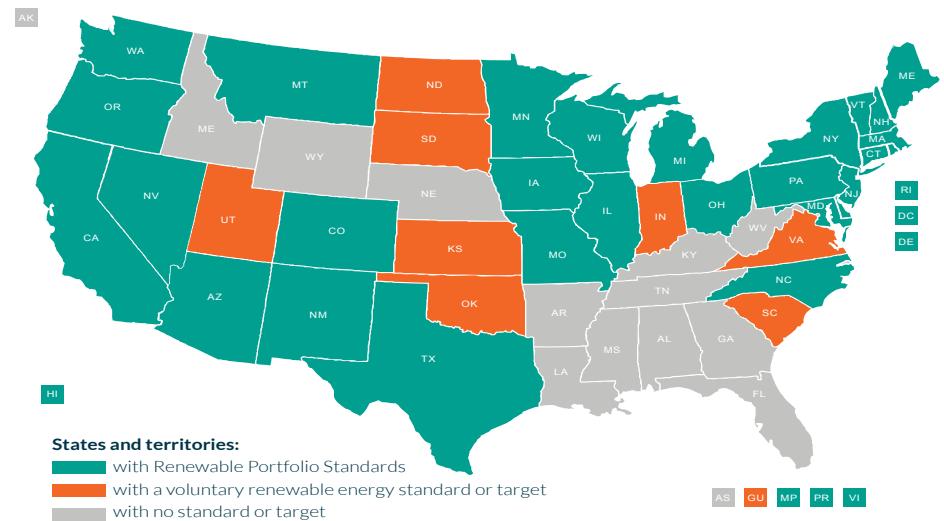
The US has implemented a number of subsidy programs to incentivise renewable energy generation. These programs exist at the federal level, with tax credits for solar and wind projects, and the state level with renewable portfolio standards (**RPS**) that set minimum targets for electricity generation from renewables. Information on the current incentive schemes in the US states of North Carolina, California and Oregon, are included in Section 2.7 of this Offer Document.

Decisions by utilities and corporations to source energy from solar and wind are no longer principally driven by subsidies and environmental concerns. With the anticipation of a more carbon-constrained future, many corporations have begun voluntarily procuring renewable energy cost-effectively relative to new conventional generation sources. As at August 2017, US companies have signed a cumulative 11.5GW<sub>DC</sub> in clean energy PPAs, with leading corporations including Google, Apple, Walmart and Procter & Gamble voluntarily committing to procure 100% of their electricity requirements from renewable sources as part of the RE100 initiative.

**32.** Source: EIA, Electric Power Monthly, July 2017. (EIA has not consented to the inclusion of this statement in the Offer Document.)

**Figure 21:**

US states have substantial control over directing energy policy, with several having recently sought to accelerate their state level clean energy targets.

**Figure 21: US state renewable portfolio standards**

Source: © National Conference of State Legislatures, 2016 (The National Conference of State Legislatures has not consented to the inclusion of this illustration in the Offer Document.)

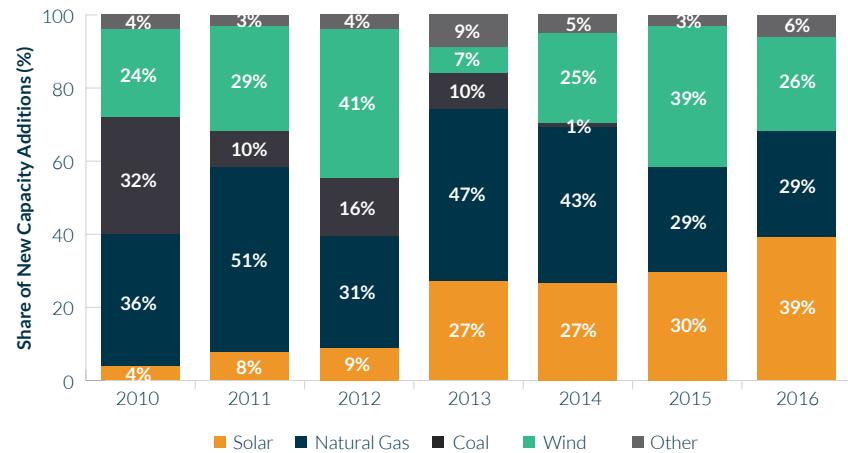
*Renewable Portfolio Standards:* A regulation requiring the generation of energy from renewable energy sources including wind, solar biomass etc.

### 2.6.3 SOLAR IN THE US

The US has a well-established solar market that continues to experience strong growth; second globally only to China for new installations during 2016. During 2016, the US installed over 14.8GW<sub>DC</sub> of new solar capacity, nearly doubling the previous record of 7.5GW<sub>DC</sub> set in 2015. Capacity additions were dominated by the state of California (5.1GW<sub>DC</sub>), followed by Utah (1.2GW<sub>DC</sub>) and Georgia (1GW<sub>DC</sub>).

**Figure 22:**

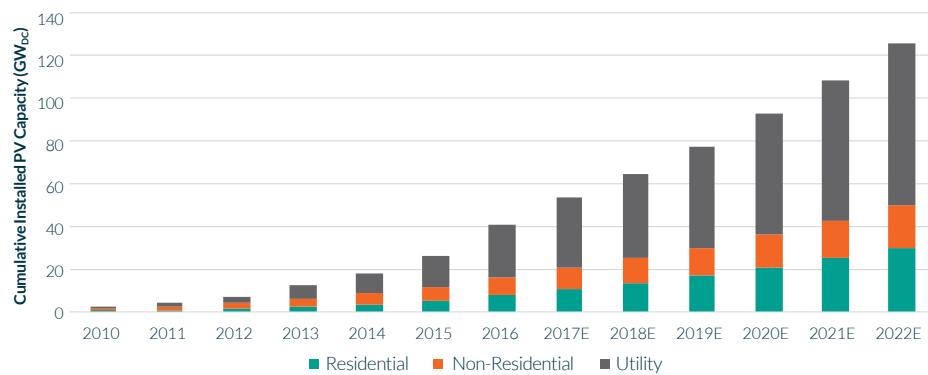
During 2016, solar represented the largest share of generation capacity additions, followed by natural gas and wind.

**Figure 22: Share of new electricity generation capacity additions (2010 to 2016)**

Source: Solar Energy Industries Association (**SEIA**) and GTM: (2017). SEIA and GTM have not consented to the inclusion of this chart in the Offer Document.

Growth in solar has been primarily driven by utility scale solar PV, which accounted for approximately 53% of total PV installations in the first quarter of 2017. After a strong start to 2017, total cumulative installed solar PV capacity in the US now amounts to over 44GW<sub>DC</sub>; which SEIA estimates is enough energy to power the equivalent of 8.7 million households. Momentum is expected to continue for the medium-term due to continued cost reductions, technological improvements, the US federal ITC scheme extension and state-based incentive schemes.

**Figure 23: Cumulative US solar PV capacity (GW<sub>DC</sub>), 2010 to 2022E**



Source: SEIA and GTM; U.S. Solar Market Insight Report Q3 2017. SEIA and GTM have not consented to the inclusion of this chart in the Offer Document.

**Figure 23:**

GTM forecasts the US will add 12.6GW<sub>DC</sub> of new solar PV installations during 2017 and nearly triple its total operational capacity in the five years from 2016. 76GW<sub>DC</sub> or 60% is forecast to come from utility scale solar PV.

## 2.7 FURTHER DETAIL ON SELECT US STATES

The table below provides further detail on the electricity market, regulatory regime and solar market of US states in which the Business already has operations (North Carolina and California) and Oregon. The CCR Portfolio assets are located in North Carolina and Oregon.

**Table 1: Additional information on select US states**

	RATIONALE FOR THE BUSINESS' INVESTMENT / PROPOSED INVESTMENT	OVERVIEW OF STATE ECONOMY	OVERVIEW OF ELECTRICITY MARKET
<b>North Carolina</b>	<ul style="list-style-type: none"> <li>Growing energy demand driven by population and gross domestic product (<b>GDP</b>) growth.</li> <li>Regulatory framework for renewable energy investment.</li> <li>Favourable climatic conditions.</li> <li>Well-established solar development, construction and asset management market.</li> </ul>	<ul style="list-style-type: none"> <li>Population: Approximately 10 million.</li> <li>Real GDP: US\$450 billion (10th largest state in the USA).</li> <li>Significant finance, insurance, and real estate sectors.</li> <li>2016 real GDP growth of 1.6% (national growth rate of 1.5%).</li> </ul>	<p><b>Market Structure</b></p> <ul style="list-style-type: none"> <li>The South-East market covers part or all eight US states with a population of approximately 57 million.</li> <li>The South-East wholesale market is a regulated market where vertically integrated utilities act as legalised monopolies.</li> <li>Utilities own and operate the transmission and distribution networks, own generation, contract generation from independent power producers (<b>IPPs</b>), and sell electricity to consumers.</li> </ul>
<b>California</b>	<ul style="list-style-type: none"> <li>Large and diversified economy.</li> <li>Largest solar market in the US.</li> <li>Abundant solar resource.</li> <li>Supportive state-based renewable generation targets.</li> </ul>	<ul style="list-style-type: none"> <li>Population: Approximately 39 million.</li> <li>Real GDP: US\$2.3 trillion (largest US state economy).</li> <li>Large manufacturing and services sectors.</li> <li>2016 real GDP growth of 2.9% (national growth rate of 1.5%).</li> </ul>	<p><b>Market Structure</b></p> <ul style="list-style-type: none"> <li>California forms part of the Western Interconnection which comprises all or part of 14 US states, two Canadian provinces, and Baja California (which is part of Mexico) – serving a population of over 80 million.</li> <li>The Californian electricity market was deregulated during the 1990s, with utilities required to divest their generation and transmission operations.</li> <li>The market consists of: <ul style="list-style-type: none"> <li>» <b>Utilities</b> – responsible for distribution, maintenance of the network and for being the provider of last resort;</li> <li>» <b>Independent power producers</b> – own generation plants and sell electricity to wholesale customers;</li> </ul> </li> </ul>
<b>Oregon</b>	<ul style="list-style-type: none"> <li>Growth market with limited solar development to date in the state.</li> <li>Binding, state-based renewable generation target.</li> </ul>	<ul style="list-style-type: none"> <li>Population: Approximately 4 million.</li> <li>Real GDP: US\$207 billion (25th largest US state economy).</li> <li>Large manufacturing sector.</li> <li>One of the fastest growing US states with real GDP growth of 3.3% in 2016 (national growth rate of 1.5%).</li> </ul>	<p><b>Market Structure</b></p> <ul style="list-style-type: none"> <li>Oregon forms part of the Northwest Power Pool which comprises part or all of eight US states and two Canadian provinces and has a total generation capacity of over 115GW.</li> <li>The residential electricity market is regulated under a cost-of-service rate system, overseen by the Public Utility Commission.</li> <li>The Oregon electricity market was deregulated for commercial and industrial consumers in 2002.</li> </ul>

### Generation Mix

- North Carolina is within the South-East Reliability Council's Virginia Carolinas area (which includes part of the Southeast market and most of North Carolina), which has a diversified fuel mix and a total generating generation capacity of approximately 79GW.

With over 10.3GW of generating capacity over 40 years of age, retirements of coal-fired and oil generation units are expected to continue in coming years.

- » **Independent grid operators** – responsible for administering the wholesale markets to ensure reliability of the grid; and
- » **Retail suppliers** – known as load serving entities, which buy electricity from generators and sell electricity to energy purchasers.

### Generation Mix

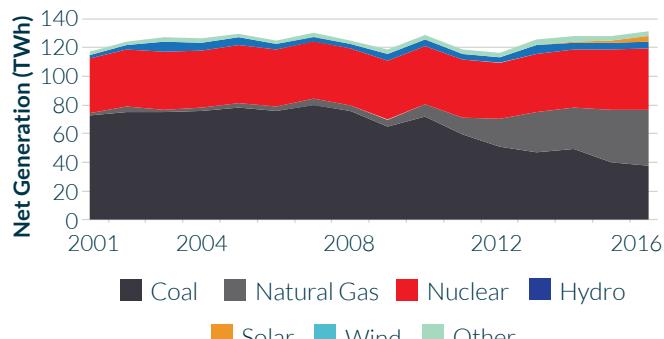
- > 75GW<sub>DC</sub> of capacity, making California US' second largest state electricity market by generation capacity after Texas.
- California has a diversified mix with an above average contribution from renewable energy sources such as solar.

- Non-residential consumers with more than 30 kW monthly electricity demand can source electricity at wholesale rates.

### Generation Mix

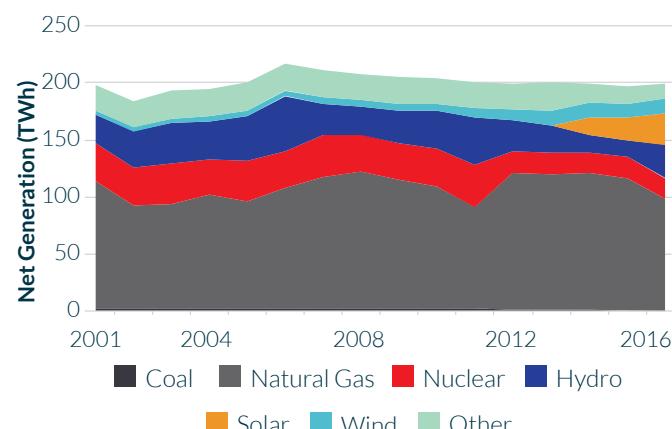
- Oregon has total generation capacity of 16.5GW.
- The fuel mix is characterised by a high proportion of hydroelectricity with over 80% of electricity generated by hydroelectric plants in May 2017.

**Figure 24: Net electricity generation by fuel type – North Carolina 2001 to 2016**



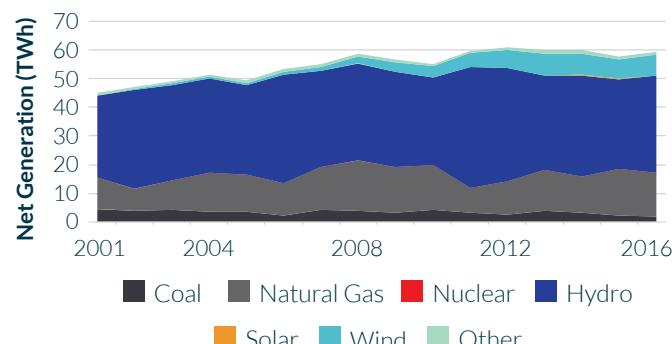
Source: US Energy Information Administration (2017) (The US Energy Information Administration has not consented to the inclusion of this chart in the Offer Document.)

**Figure 25: Net generation by fuel type – California 2001 to 2016**



Source: US Energy Information Administration (2017) (The US Energy Information Administration has not consented to the inclusion of this chart in the Offer Document.)

**Figure 26: Oregon net generation by fuel type – 2001 to 2016**



Source: US Energy Information Administration (2017) (The US Energy Information Administration has not consented to the inclusion of this chart in the Offer Document.)

**NORTH CAROLINA****CALIFORNIA****OREGON****Overview of Renewable Energy Regulatory Regime**

- North Carolina has a state-based renewable energy target including a REC incentive scheme.
- Implemented in 2008, the Renewable Energy and Energy Efficiency Portfolio Standard (REPS) requires utilities to increase their proportion of electricity sourced from renewable generation to 12.5% in 2021 (from 6% currently).
- Electricity suppliers may demonstrate compliance with the REPS through several methods including RECs.
- Utilities with >150,000 customers may use RECs procured from other states to meet up to 25% of their obligations, while those below this threshold have unrestricted use of out-of-state RECs.
- California has a legally binding state-based renewable energy target including a REC incentive scheme.
- The State's RPS was initially enacted in 2002 and targeted 20% of electricity consumption being supplied by renewable sources by 2017.
- The target was subsequently revised to 50% of electricity from renewables by 2030, and a senate bill is currently with Californian lawmakers, that if passed, will further increase the target to 100% renewables by 2045.
- Electricity retailers may use RECs to meet their obligations under the RPS.
- Oregon's RPS was first enacted in 2007 requiring the state's two utilities to meet 25% of their electricity sales with new renewable energy sources by 2025.
- In 2016, the RPS was revised to increase the target to 50% renewable energy generation by 2040 and a target to stop the importation of coal energy by 2035 was also implemented.
- Utilities and electricity service suppliers may use RECs to meet their obligations under the RPS by either purchasing RECs from facility owners or receiving RECs per MWh of qualifying owned generation produced.

**Overview of Solar Market**

- **Installed solar PV capacity (2016):** 3.3GW<sub>DC</sub> (second largest US state by capacity).
- **Contribution of solar PV to total generation:** 3.25%.
- **Solar PV capacity additions (2016):** 995MW<sub>DC</sub>.
- **Forecast solar capacity additions (2017 –2022E):** 4.4GW<sub>DC</sub>, almost all attributable to utility scale solar PV.
- **Installed solar PV capacity (2016):** 19.7GW<sub>DC</sub> (largest US state by capacity).
- **Contribution of solar PV to total generation:** 14.0%.
- **Solar PV capacity additions (2016):** 5.2GW<sub>DC</sub> (the most of any US state).
- **Forecast solar capacity additions (2017 – 2022E):** 14.3GW<sub>DC</sub>, predominantly attributable to utility scale solar PV.
- **Installed solar PV capacity (2016):** 272MW<sub>DC</sub> (20th largest US state by capacity).
- **Contribution of solar PV to total generation:** 0.32%.
- **Solar PV capacity additions (2016):** 124MW<sub>DC</sub>.
- **Forecast solar capacity additions (2017 – 2022E):** 2.1GW<sub>DC</sub>, predominantly attributable to utility scale solar PV.



## **SECTION 3**

### **Overview of New Energy Solar**

*TID SGS array - close up - September 2017*



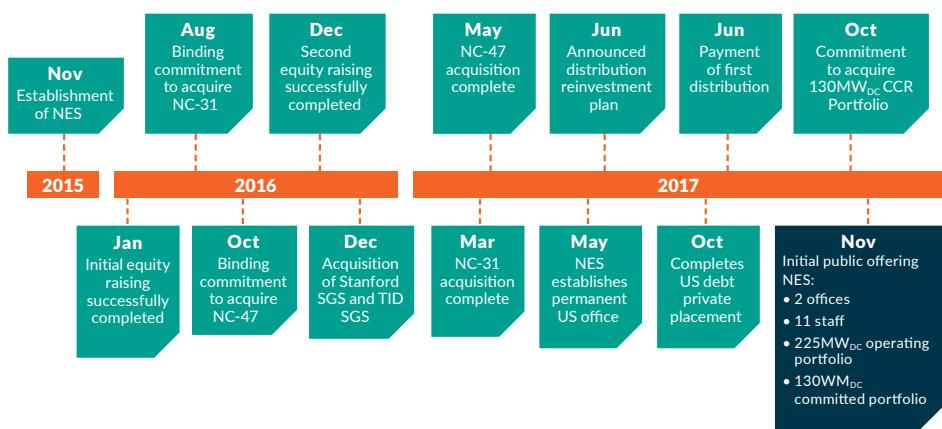
*TID SGS array - September 2017*

## 3.1 NEW ENERGY SOLAR OVERVIEW

New Energy Solar was established in November 2015 to invest in a diversified portfolio of solar and renewable energy assets across the globe. The Business' objective is to acquire attractive large scale solar power plants and associated assets, with contracted cash flows from creditworthy Offtakers, and to help Investors generate positive social impacts and financial returns through these investments. The Business has successfully acquired a large portfolio of solar power plants and has a deep pipeline of opportunities across Australia and the United States.

An overview of the key events in New Energy Solar's history is set out in Figure 27 below.

**Figure 27: Key Business milestones**



## 3.2 BUSINESS STRATEGY

### 3.2.1 INVESTMENT STRATEGY

The Business seeks to acquire assets which, over their technical life, are expected to support gross portfolio returns of 7% to 10% p.a. (before taxes, management expenses, administration costs, and external corporate borrowing costs), but the Business may target assets outside this range where market conditions and other circumstances suggest it may be beneficial.

The Business' current focus is directly or indirectly investing in large-scale solar power plants, including utility scale solar power plants and commercial/industrial scale rooftop systems with contracted cash flows, and associated assets such as batteries and other storage. The Business is currently focused on the US and Australia, however, the investment mandate is global and investments will be considered in other geographies with supportive regulatory and legal arrangements, well defined solar resource, creditworthy Offtakers and supportive foreign investment arrangements. The Business believes that significant investment opportunities exist to add to the Existing Portfolio and the CCR Portfolio.

The Business may also acquire other renewable energy assets including wind, geothermal, hydroelectric, hybrid solutions and associated investments such as smart metering and other potential future technologies however the current focus is on large scale solar power plants and associated assets.

The Responsible Entity and Board have delegated authority to the Investment Manager to acquire and dispose of assets and investments, and manage the Business' assets in a manner consistent with the investment strategy outlined above, without approval from the Board or the Responsible Entity. The investment strategy of the Business cannot be amended in a material respect without the consent of each of the Responsible Entity, the Company, and the Investment Manager.

### 3.2.2 INVESTMENT PHILOSOPHY

Climate change, pollution, natural resource constraints and positive public sentiment towards the sustainable investments sector has created investor interest in the solar energy and renewable sector.

The Business provides an opportunity for investors to invest in assets that contribute to a reduction of the energy sector's reliance on fossil fuels, and to solving some of the environmental challenges facing us, and future generations. The Responsible Entity and the Company believe that investments focusing on renewable energy such as solar, that support environmental sustainability, may also financially outperform traditional energy investments in the long-term.

As part of the investment philosophy of the Business, the Responsible Entity and the Company consider environmental and social factors when making investment selection, retention and disposal decisions. Labour standards and ethical factors are also considered when making these decisions. The Business does not use specific criteria or mechanisms for measuring the success of its approach to these factors and standards.

The environmental and social aspects that the Responsible Entity and the Company considers relate to the benefits of renewable energy, with a focus on solar energy. These include:

- **environmental factors** – emissions-free energy reduces global pollution, climate change and the world's reliance on fossil fuel sourced power;
- **social factors** – solar energy currently represents one of the best potential solutions to providing power to the world's increasing energy demands without increasing pollution or emissions. The potential reduction of pollution generated from fossil fuel power may also lead to health benefits; and
- **labour standards and ethical factors** – the Responsible Entity and the Company do not intend to invest in projects where there are material breaches of labour standards (of which they have no predetermined view) or evidence of, or material risk of, unethical behaviour such as corruption.

### 3.3 NEW ENERGY SOLAR'S ROLE IN THE SOLAR MARKET

The Business considers that it plays a key role in the solar energy infrastructure investment lifecycle, providing capital to:

- facilitate construction and sale of solar power plants by developers; and
- provide long-term renewable electricity supply for major energy purchasers.

An overview of the Business' role within the broader solar energy infrastructure investment lifecycle is summarised in Figure 28 below.

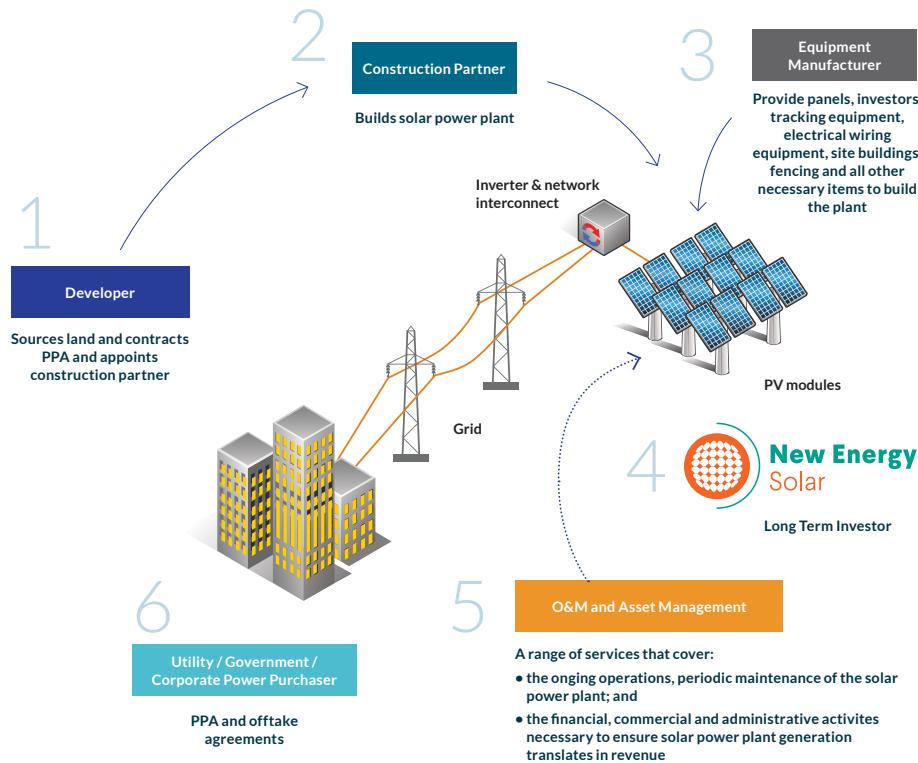
**Figure 28: New Energy Solar's role in the solar energy infrastructure investment lifecycle**



Further detail on the parties involved in the development, financing, construction and operation of a typical utility scale solar asset is set out below.

- **Developer** – Utility scale solar power plants are often developed by a separate entity to the long-term owner of the operating power plant. Developers typically identify opportunities to build solar projects based on factors such as land availability, resource quality, proximity to load and transmission connection and market opportunity. Developers also commonly negotiate leases with landowners, complete commercial, technical and environmental feasibility studies and, in some instances, commence transmission/connection and PPA negotiations. Developers then seek a construction partner to finalise feasibility studies and designs. Finally, developers will raise construction financing (usually bank loans) to initiate construction of the project.
- **Construction Partner** – Construction partners or contractors finalise feasibility studies and designs, build the asset, and may assist in raising debt and equity financing. These construction partners or contractors may also assist in organising ongoing maintenance contracts and seeking investors to acquire the asset post-completion.
- **Equipment Manufacturer** – Specialist manufacturers provide PV panels, inverters, tracking equipment, electrical wiring equipment, site buildings, fencing and all other necessary items for the construction partner to build the asset. Some of these manufacturers also provide long-term warranties on equipment, the most notable being long-term performance warranties on the PV panels. Many manufacturers provide a limited warranty of 20 to 25 years. Often, the construction partner's scope includes procurement of equipment.
- **Investor** – Depending on risk appetite, investors may commit capital during development, construction, at completion, or once operational. The structure of investment and type of investor varies by asset, market, geographical location, investor and the investor's tax position. See Section 1.4 for additional information.
- **Asset Manager** - Asset management consists of the financial, commercial and administrative activities necessary to ensure a plant's energy generation translates into the appropriate revenue stream. Some investors perform their own asset management, while others outsource it as part of the operations and maintenance (**O&M**) provider's scope.
- **O&M Provider** – O&M activities are typically outsourced to specialist providers who maintain the site, clean the solar panels and perform scheduled and unscheduled maintenance. Some developers and construction contractors also provide O&M services once an asset has become operational.
- **Offtaker** – Depending on the geographic market, the electricity generated can be sold either on the wholesale electricity market (these are known as "merchant" projects) or to an Offtaker via a PPA. Offtakers include electricity retailers, governments, municipalities, or commercial or industrial customers. The chosen structure is dependent on the electricity market and risk appetite of the parties involved. Generally, PPA terms include a volume to be generated and purchased, a price or price mechanism, generation and delivery locations and allocation of key risks. A PPA can assist in securing long-term equity and debt funding for a solar project as it provides more revenue certainty than selling into a wholesale market, where there is no price or volume certainty. At the end of the PPA, the asset owner may either negotiate a new PPA with an end user, or sell electricity into the wholesale energy market. Offtakers may also purchase the RECs that are generated either under the PPA or under a separate REC Agreement.

The relationships between these parties are summarised in the illustrative utility scale solar power plants diagram below (see Figure 29).

**Figure 29: Illustrative utility scale solar energy asset**

## 3.4 OVERVIEW OF NEW ENERGY SOLAR'S PORTFOLIO

### 3.4.1 EXISTING PORTFOLIO

The Existing Portfolio consists of majority equity interests in four operating solar power plants in the US with total capacity of 225MW<sub>DC</sub> and PPAs for 100% of electricity generated for a term of 10 and 25 years. These power plants are located in California and North Carolina, were acquired in 2016, and reached COD in late 2016 or the first half of 2017. An overview of the Existing Portfolio is shown in Figure 30 below.

**Figure 30: Overview of New Energy Solar's Existing Portfolio**

The map highlights four states where the assets are located: California, North Carolina, and two locations in Texas (TID SGS and NC-47).

CALIFORNIA		NORTH CAROLINA	
<b>STANFORD SGS</b>		<b>NC-31</b>	
Capacity	67.4MW <sub>DC</sub>	Capacity	43.2MW <sub>DC</sub>
Offtaker	Stanford University	Offtaker	Duke Energy Progress, Inc.
Offtaker Type	University	Offtaker Type	Utility
PPA Term	25 Years	PPA Term	10 Years

TID SGS		NC-47	
Capacity	67.4MW <sub>DC</sub>	Capacity	47.6MW <sub>DC</sub>
Offtaker	TID	Offtaker	Duke Energy Progress, Inc.
Offtaker Type	Utility	Offtaker Type	Utility
PPA Term	20 Years	PPA Term	10 Years

Since they commenced operations, the assets have operated in line with the Business' expectations, generating approximately 325,500MWh of electricity for the nine months ending 30 September 2017. Detailed information on each asset, including performance, can be found in Section 4.1.

While, to date, the Business has invested in utility scale solar power plants in the US, it has a broad investment mandate enabling it to deploy capital in the geographies and renewable energy assets it deems to be most attractive at any given time. These investment decisions are based on the Business' investment strategy, which is further outlined in Section 3.2.

### 3.4.2 PROPOSED ACQUISITION

A subsidiary of the Company has recently executed a binding contract to acquire a majority equity interest in the CCR Portfolio (a 130MW<sub>DC</sub> portfolio of 14 solar power plants in Oregon and North Carolina). The power plants in the CCR Portfolio are in the late stages of development, with construction of the first projects to commence in late 2017, and COD at staggered intervals during 2018. Funding for the CCR Portfolio will be progressively transferred to the developer from notice to proceed (**NTP**) until Final Completion as various conditions precedent are satisfied and construction milestones achieved, in line with the Business' strategy of minimising its exposure to development risk.

Electricity generated by the CCR Portfolio is, or is expected to be, fully contracted to local utilities under long-term PPAs ranging from 13 to 15 years post-COD. O&M will be outsourced to Cypress Creek O&M, LLC (**CCR O&M**), a subsidiary of the developer, Cypress Creek Renewables Development, LLC (**CCRD**).

Further information on the CCR Portfolio and CCRD can be found in Section 4.2.

### 3.4.3 ACQUISITION PIPELINE

In addition to the Existing Portfolio and CCR Portfolio, the Investment Manager has a dedicated team of experienced investment and renewable energy professionals focused on sourcing, evaluating and transacting on new investments for the Business. As well as reviewing opportunities with developers it has not previously partnered with, the Investment Manager seeks to leverage existing relationships to obtain preferred or exclusive access to new investment opportunities. Developers generally have a preference to negotiate new project sales with existing asset owners such as New Energy Solar as they are able to leverage sunk costs in transaction structuring (particularly tax equity structures) and documentation. Existing relationships and the Business' track record increases developer confidence that the Business can deliver appropriate pricing, risk allocation and funding.

In addition to the proposed CCR Portfolio acquisition:

- The Business and CCR have established a non-binding MoU which contemplates the parties cooperating to explore the potential acquisition of an additional portfolio of projects (**CCR MoU**). This additional portfolio, which is subject to change, currently includes projects located in South Carolina, North Carolina and Texas with an expected generation capacity of 347MW<sub>DC</sub> that are expected to be operational in 2018;
- Following the successful acquisition of NC-31 and NC-47, VivoPower International Services Ltd and the Business have also established a non-binding MoU (**Vivo MoU**) which contemplates the parties cooperating to explore potential acquisitions of additional projects. These potential acquisitions, which are subject to change, include projects located in Colorado, Georgia, Kansas and Washington with an expected generation capacity of 432MW<sub>DC</sub> that are expected to be operational in 2019.

Overall, the Investment Manager has identified an attractive pipeline of opportunities in the US and Australia, with projects with an expected generation capacity of over 900MW<sub>DC</sub> either already under binding contract for acquisition (in the case of the CCR Portfolio) or the subject of bilateral negotiations (in the case of the MoU Portfolio). In addition, the Business is actively engaged in transaction processes or discussions relating to projects with an expected generation capacity of over 1.3GW<sub>DC</sub>, and is screening projects with an expected generation capacity of a further 2.3GW<sub>DC</sub> for suitability.

**Table 2: Overview of New Energy Solar's acquisition pipeline**

<b>SUMMARY BY STAGE:</b>	<b>MW<sub>DC</sub></b>
<b>Acquired (Existing Portfolio)</b>	225
<b>Binding Contract to Acquire (CCR Portfolio)</b>	130
<b>MoU Portfolio</b>	779
<b>Active Transaction Process<sup>39</sup></b>	1,327
<b>Under Review/Screening<sup>40</sup></b>	2,340

Although there is no guarantee that the assets in the current pipeline will be acquired, or that they will have the same risk and return profile as the Existing Portfolio or the CCR Portfolio, the Business believes that it is indicative of the scale of the opportunity in the sector. If any of these pipeline assets are acquired, the Business expects to have a range of options available to fund any such acquisition, including using available cash, new debt facilities, or raising additional equity capital by way of a new offer of Stapled Securities.

For additional information about how New Energy Solar engages with developers see Principle 3 and 4 in Section 3.3.1.

### 3.4.4 EMBEDDED GROWTH OPTIONS

The Existing Portfolio and the CCR Portfolio contain, and the Investment Manager targets assets for acquisition which contain, embedded growth options. These embedded growth options may offer the opportunity to enhance investor returns and/or reduce risks over time. These include:

- **battery storage** – each of the asset sites includes sufficient space for installation of battery storage units. The installation of battery storage may provide the Business with the ability to offer risk management solutions and electricity supply flexibility to Offtakers;
- **asset life extension** – subject to extending any leases with landowners, an opportunity exists to extend the expected useful life of the assets and produce additional returns for investors;
- **operational efficiencies** – as the size of Business' portfolio increases, so does the potential to reduce operating expenses and improve investor returns through economies of scale – i.e. by using the larger and more diversified nature of the Business' asset portfolio and its purchasing power; and
- **re-powering** – as the Business has long-term leases in place with landholders, it may seek to invest in new technologies to increase the generation capacity of its assets and increase investor returns.

The Business regularly assesses the cost and potential benefit of such embedded growth options and may seek to acquire assets that have such embedded options when it believes such investment will be beneficial to investor returns.

**39.** Active Transaction Process – where the Business is participating in a non-exclusive sale process.

**40.** Under Review / Screening – where the Business is currently conducting a preliminary review of an acquisition opportunity's characteristics in order to decide whether to participate in a sale process or otherwise engage with the vendor.

### 3.4.5 ACQUISITION AND ASSET MANAGEMENT PRINCIPLES

The Investment Manager seeks to implement the investment strategy by applying six core investment and asset management principles (summarised in Table 3 below):

**Table 3: The six core investment and asset management principles**

PRINCIPLE	COMMENT
1 Targeting solar and associated assets with long-term contracted offtake agreements with creditworthy counterparties	The Business currently seeks to maintain a majority of portfolio NPV from contracted cashflows, so has a preference for assets that have PPAs with investment-grade or similar counterparties and that are expected to produce stable long-term cash flows. The Business considers counterparty and merchant energy exposure on a portfolio basis and may consider non-investment grade or merchant offtake for individual assets if there is a portfolio benefit to doing so.
2 Investing at a stage of the project lifecycle which minimises exposure to development risks but maximises the Business' competitive advantage compared to mature asset acquisitions	In the project lifecycle, risks and potential returns are highest in earlier development stages when "binary development risks" exist. Binary development risks include all risks which could prevent the project from proceeding at all, whether that be because of an inability to proceed or because the cost of mitigating or eliminating the risk renders the project unviable. Generally acquiring completed assets which have operational history carries less risk but provides reduced returns. The Business seeks to identify opportunities as early as possible, but invest only once binary risks are eliminated or mitigated, and residual risks during construction and operational phases are understood and priced. This means that assets may be acquired at the commencement of construction, during construction, at completion of construction, or once complete.
3 Forming strong relationships with credible and capable project developers, construction partners and vendors who can offer a pipeline of investment opportunities	There are substantial efficiency benefits in establishing relationships with project counterparties such that repeat transactions are possible. Repeat transactions result in lower transaction cost per acquisition given the ability to agree and establish processes and key terms for future transactions. Such repeat transactions also allow the counterparty to source or develop opportunities which closely fit the Business' mandate and portfolio preferences, reducing screening and initial diligence costs. From the counterparty perspective, having insight into the Business' appetite and required returns reduces the cost of taking such opportunities to market.

<b>4</b>	Prioritising bilateral acquisition negotiations over competitive auction processes	Although the Business participates in any competitive process it believes could result in the acquisition of attractive assets, bilateral or relationship-based processes represent a lower risk investment of time and cost. Such bilateral processes also allow the building of the types of relationships outlined in Principle 3 above.
<b>5</b>	Participating in mid-market segments where team capability and track record offer a competitive advantage	Although smaller assets can offer higher returns, and larger assets allow deployment of larger amounts of capital per transaction, the Business prefers to identify and participate in mid-market segments. These mid-market segments offer attractive returns and opportunity sizes that allow efficient deployment of time and cost in diligence and negotiation, but also tend to be of a size that screens out some larger competing investors. Such mid-market segments include the 5 – 80MW <sub>DC</sub> utility scale sector in the US, corporate PPAs (including multinational PPAs) and large commercial and industrial on-site, or “behind the meter” installations in both the US and Australia.
<b>6</b>	Pursuing opportunities to realise embedded growth option value and scale benefits in assets through active asset management	The Business actively considers the growth option value inherent in its investments in light of both current and future potential technologies. Such option value could include the installation of storage infrastructure on-site which uses existing interconnection to provide offtake flexibility and/or network services to counterparties or utilities, or the addition or replacement of hardware or technology to improve or increase asset performance. Additionally, as the portfolio grows, the Business will seek to identify and pursue opportunities to reduce cost and/or improve performance by aggregating or optimising asset management including O&M contracts, reporting, counterparty interface, and other key asset management activities.

### 3.4.6 INVESTMENT DECISION PROCESS

#### STEP 1: MARKET REVIEW

The investment decision process begins with a review of the target markets and identification of renewable energy assets that meet the Business' investment objectives. The Investment Manager assesses the universe of potential opportunities by engaging with developers and owners of potential assets, as well as other market participants.

The Investment Manager screens potential asset acquisitions to determine if the target assets meet the Business' investment objectives and whether to proceed with further evaluation in Step 2. The Investment Committee supports the Investment Manager in the execution of the investment strategy.

#### STEP 2: DUE DILIGENCE

Once an asset has been identified as a potentially attractive acquisition candidate, the Investment Manager develops a proposal for the potential transaction, including the substantive terms

and anticipated due diligence costs (to the extent it is reasonably practicable to include such information).

If after consultation with the Investment Committee, the Investment Manager determines to proceed, the Investment Manager undertakes due diligence enquiries consistent with the approved budget and seeks to negotiate the terms of the proposed transaction.

During due diligence, the Investment Manager gives particular attention to:

- a) investment analysis including analysis of the investment jurisdiction and any applicable regulations and/or incentives;
- b) key risks and mitigants;
- c) valuation modelling review, which may include engaging independent experts to assist in the assessment of the assumptions, inputs, outputs and functionality of the valuation model;
- d) existing or independent engineering reports;
- e) the cost build-up of the asset construction;
- f) legal due diligence with particular focus on material contracts including PPAs (where applicable) and O&M Agreements (where in place at acquisition);
- g) the creditworthiness of all counterparties (with particular focus on Offtakers);
- h) independent environmental and viability studies used in the initial planning applications for the target asset and, where required, conducting its own environment and technical due diligence compliance on the asset;
- i) the funding strategy and optimal acquisition structure through internal discussions and external communication with advisors and financiers; and
- j) pricing of the target asset.

### STEP 3: DELIBERATION AND DECISION

Once the Investment Manager has compiled its due diligence findings, it finalises the asset and legal due diligence as well as the acquisition's structure and funding, finalises negotiations with the vendor and arranges for completion of the acquisition of the interest in the asset.

### STEP 4: ONGOING INVESTMENT MONITORING

Once acquired, the Investment Manager takes an active approach to investment monitoring and asset management with the objective of generating returns from the asset that are consistent with the basis on which it was acquired, and realising upside value through optimisation and expansion.

The Investment Manager focuses on six key areas in its investment monitoring and asset management strategy, based on objective and subjective measures, and key benchmarks. Key areas of focus are:

- portfolio performance and balance – measure and manage overall portfolio performance, and ensure portfolio metrics align with the strategy;
- asset performance – measure and manage individual asset generation, performance and financials (including investment returns and capital growth), and maximise alignment with targets at acquisition;
- financing and capital structure – maintain alignment with portfolio-level gearing targets, review capital management approach, identify opportunities to optimise capital structure;
- contractor performance – Measure and manage contractor performance and compliance with contracted obligations. Review contractor and service provider matrix and identify opportunities for standardisation and optimisation;
- compliance requirements – Maintain corporate level compliance with relevant regulatory and counterparty requirements; and
- key interfaces and counterparty performance – Monitor and manage key interfaces at asset

and corporate level including joint venture partners, PPA energy buyers, interconnection counterparty, contractors, financier, and community stakeholders.

Although the Board and the Responsible Entity intend to hold assets for their useful lives, should conditions exist where the Investment Manager believes the sale of an asset would be in the best interest of the Business, it may prepare a disposal plan detailing the reasons for the suggested sale, sales pricing parameters, and terms, to then be put forward to the Responsible Entity and/or the Board (as applicable).

## 3.5 BUSINESS STRUCTURE

### 3.5.1 EQUITY CAPITAL

The Business consists of:

- New Energy Solar Fund, an Australian registered managed investment scheme whose Responsible Entity is Walsh & Company;
- New Energy Solar Limited, an Australian public company; and
- their controlled entities.

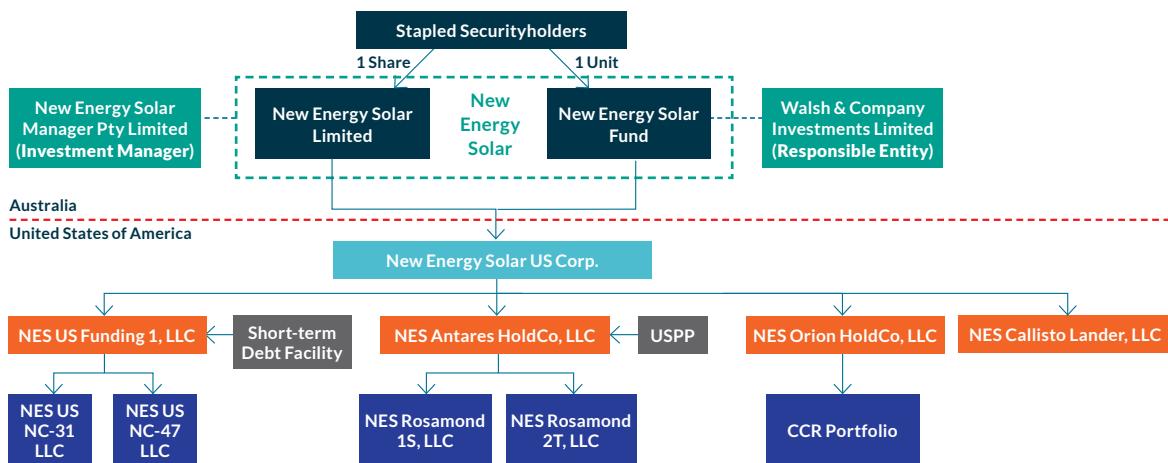
Each Stapled Security is made up of one Unit in the Trust and one Share in the Company. The stapled structure has been adopted to provide optimal flexibility for the Business for acquisitions and disposals.

The Trust Constitution and the Company Constitution provide for capital reallocation between the Company and the Trust subject to the requirements of the Corporations Act and the Listing Rules.

The capital reallocation provisions allow the Business to rebalance the allocation of capital between the Company and the Trust to better reflect the value of assets held in each side of the stapled structure subject to the requirements of the Corporations Act and the Listing Rules. A capital reallocation from the Company to the Trust was performed on 26 June 2017. Future capital reallocations are currently envisaged to be only used where the structure of asset acquisitions has made the existing capital mix sub-optimal for the Business.

Figure 31 below sets out an overview of the structure and management agreements of the Business. The ownership structure for the Existing Portfolio is illustrated in Section 3.6.2.

**Figure 31: Simplified structure of the Business at the date of this Offer Document**



1. Underlying investments may be owned directly or indirectly.
2. Refer to Section 15.1 'Corporate Structure' for a full structure diagram showing all of the Business' controlled entities.

### 3.5.2 DEBT CAPITAL

An overview of the Business' current outstanding debt facilities are included in Section 7.5.4 of this Offer Document.

## 3.6 ASSET LEVEL INVESTMENT STRUCTURE

Prior to an acquisition, the Business will determine the appropriate acquirer(s) within the Business structure to acquire an asset or part of an asset.

The Business may acquire the following types of interests in assets which meet its investment criteria as set out above:

- **direct interests** – where the Company or the Trust own the assets directly;
- **indirect interests** – where a wholly or majority owned entity of the Business owns assets directly or indirectly;
- **co-investment interests** – where a joint venture entity (such as a trust or special purpose company) established by the Business and one or more joint venture partners owns assets directly or indirectly;
- **debt investment** – where the Business provides debt financing, either directly or indirectly through underlying entities;
- **external interests** – where the Business invests in other renewable energy investments that own assets directly or indirectly; or
- such other investment means as considered appropriate by the Company and the Responsible Entity.

This section provides examples of the types of structures the Business may seek to invest in.

### 3.6.1 INTRODUCTION TO US INVESTMENT STRUCTURES

The terms and abbreviations used in this section are explained in Section 3.6 and Figure 31.

The US ITC for solar projects provides an immediate 30% (of eligible project capital cost) tax credit for qualifying solar projects. Additionally, certain solar assets are eligible for accelerated depreciation. Typically, many developers and equity investors do not have sufficient taxable income to fully use these tax attributes in the near term, so many investment structures for solar assets in the US include Tax Equity Investors, who have the capacity to use tax attributes in a shorter timeframe alongside equity investors (**Sponsor Equity Investor**), such as New Energy Solar.

Tax Equity Investors include banks, other financial institutions, insurance companies, and large corporates. Such structures often include mechanisms to allow Tax Equity Investors to exit the project at an agreed time.

The ability of a Tax Equity Investor to generate monetary value from tax attributes, including the ITC, over a shorter time horizon allows it to invest in solar projects, generate a return through a combination of savings on other tax liabilities and project cash distributions, and then have a clear pathway to exiting the investment if it does not have an appetite to be a long-term holder in the project.

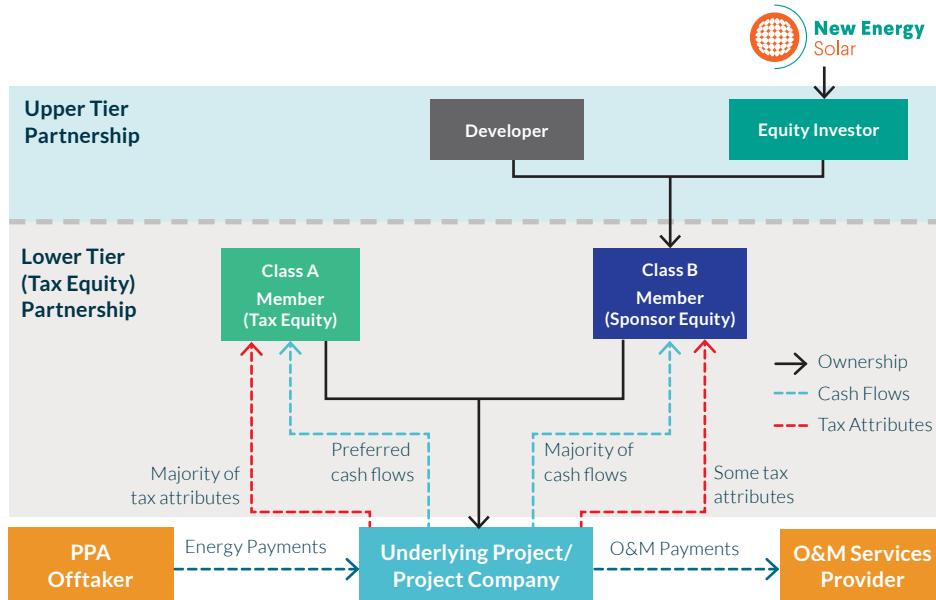
Tax credit programs have been used in the US for many years to encourage private investment in projects and businesses that provide a public benefit to individuals, families or communities, enable historical preservation, or provide clean energy. Along with renewable energy, tax credit programs exist for low-income housing, urban and rural housing, and historical preservation. Structures allowing Tax Equity Investors to more efficiently convert tax attributes to actual funds exist across these categories and have been successfully used for more than ten years.

Relevant structures for solar assets include "Partnership Flips" and "Inverted Leases". The Partnership Flip structure is used for the Existing Portfolio. Another structure, known as an "Inverted Lease" will be used for the CCR Portfolio.

### 3.6.2 EXISTING PORTFOLIO – PARTNERSHIP FLIP INVESTMENT STRUCTURE

Figure 32 provides an overview of how the Business currently holds its interest in the assets in the Existing Portfolio in a Partnership Flip structure. This structure may also be used for future US investments.

**Figure 32: Simplified partnership flip structure**



Note: The above diagram is illustrative only and reflects a certain point in time (prior to the Flip Date described below) with respect to the described structure. Future transactions and ownership arrangements may differ materially from the above. Capitalised terms used below have the same meanings used in the diagram.

#### STRUCTURE DESCRIPTION

The Partnership Flip investment structure shown above has ownership and equity commitments at two levels, an “Upper Tier Partnership” and “Lower Tier Partnership”. Each ‘partnership’ is technically a US limited liability company (**LLC**), however they operate in a similar way to partnerships and under US law are taxed as if they were partnerships. For these reasons, the description below uses the expression “partnership” or “Partnership” to refer to the various LLCs.

An overview of these partnerships and related arrangements is set out below.

- **The Upper Tier Partnership** – at this level, the developer and the equity investor (this will be the Company, the Trust or one of their controlled entities) form a partnership to contribute their capital (**Sponsor Equity**) into the project via the Lower Tier Partnership. To align the economic interests of the equity investor and the Developer regarding the future long-term operation of the solar energy asset, the Developer often takes a minority interest in the Upper Tier Partnership, with the equity investor owning the remaining majority. To date, the Business has focused on projects where it can acquire 80% to 100% of this Upper Tier Partnership.

This partnership then invests in the Lower Tier Partnership (also referred to as the Tax Equity Partnership). Through this investment the Sponsor Equity Investor acquires an indirect ownership of the underlying project, and receives distributions and cash flows from its ownership of the Lower Tier Partnership interest.

- **The Lower Tier Partnership** – at this level, the Tax Equity Investor makes its capital contribution alongside the Sponsor Equity Investor.

A key feature of the Partnership Flip is the “Flip Date” (**Flip Date**). The Flip Date is the date at which allocations of cash and income change, or “flip”. The Flip Date typically occurs at an agreed time when the Tax Equity Investor is expected to have received a certain amount of income (a

“time-based flip”), or when they have achieved an agreed post-tax return (a “yield-based flip”). This date is often five years or more after the asset has become operational, when the ITC and accelerated depreciation have been effectively converted to cash for the Tax Equity Investor. Typically, prior to the Flip Date, the Tax Equity Investor receives a preferred return, and a majority income allocation. After the Flip Date, the Tax Equity Investor no longer receives a preferred return, but instead receives a minority allocation of cash, and the income allocation flips from a majority allocation to the Tax Equity Investor to a majority allocation to the Sponsor Equity Investor. Most Partnership Flip structures include an exit mechanism giving the Tax Equity Investor the right to sell, or the Sponsor Equity Investor the right to buy, the Tax Equity Investor’s stake in the partnership for a pre-agreed amount from the Flip Date. Once the Tax Equity Investor exits, the Sponsor Equity Investor receives 100% of cash flows and income.

The typical cash flow and exit mechanism features of a Partnership Flip investment structure are summarised below in Table 4.

**Table 4: Illustrative cash flow and exit mechanism features of a Partnership Flip Investment Structure**

	PRE-FLIP		POST-FLIP	
	Tax Equity Investor	Sponsor Equity Investor	Tax Equity Investor	Sponsor Equity Investor
<b>Taxable income including ITC and depreciation</b>	Majority, typically 90% to 99%	Minority, typically 1% to 10%	Minority, typically 1% to 10%	Majority, typically 90% to 99%
<b>Preferred cash return</b>	Yes, typically 2% per annum of capital invested by the Tax Equity Investor	No	No	No
<b>Remaining cash distributions</b>	N/A	Balance after Preferred Return	Minority, typically 1% to 10%	Majority, typically 90% to 99%
<b>Exit mechanism options</b>	N/A	N/A	Right to sell to the Sponsor Equity Investor at agreed or fair market value.	Right to require the Tax Equity Investor to sell at agreed or fair market value.

See Section 15.1 for a detailed structure diagram of the Business’ holdings in the Existing Portfolio.



NC-31 substation - March 2017



NC-31 PV modules - February 2017

### 3.6.3 CCR PORTFOLIO – INVERTED LEASE INVESTMENT STRUCTURE

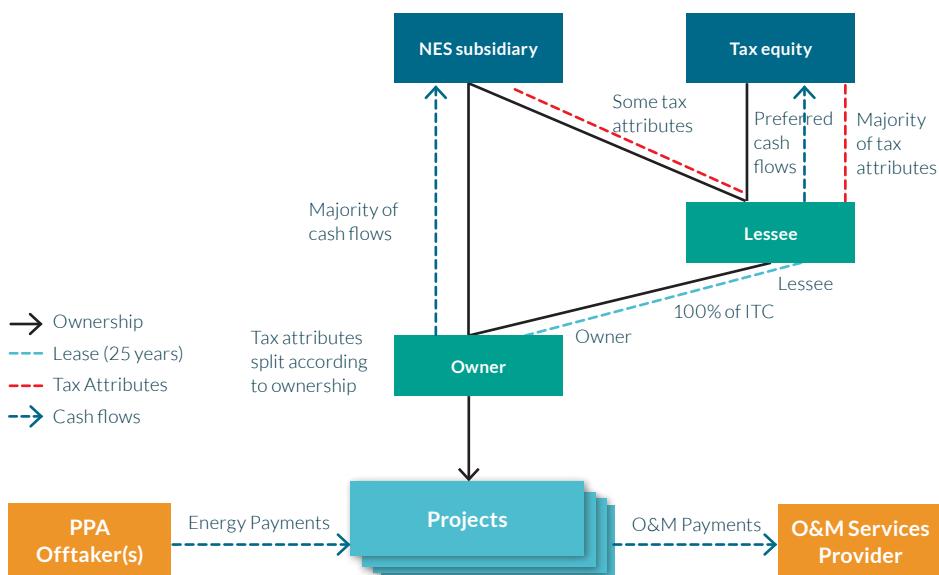
The structure under which the Business (through a subsidiary) and a Tax Equity Investor intend to invest in the CCR Portfolio is an Inverted Lease structure. Under this Inverted Lease structure, a single “lessor” company (**Owner**) wholly owns the individual entities that in turn own each project. Each project is leased for 25 years to a lessee company (**Lessee**) in return for rental income based on a share of net operating income and a share of revenue. Under the leases, the Lessee receives all revenues in respect of the projects and pays all costs required to operate the assets.

The Business (through a subsidiary) will have an ownership interest in both Lessee and Owner, and in turn Lessee will have an ownership interest in Owner. The Tax Equity Investor has an ownership interest in Lessee and receives almost all ITCs generated by the project and a 2% preferred return for the first five years (among other sources of income from the project).

Similar to the Partnership Flip structure described above, the Tax Equity Investor provides equity funding in exchange for a preferred return and a majority stream of the tax attributes of the project until the Flip Date when return or time thresholds are met.

Figure 33 below provides a simplified overview of the ownership structure.

**Figure 33: Simplified Inverted Lease Structure**



Inverted Lease structures typically include a similar Flip Date concept to Partnership Flips (described in the previous section). The typical cash flow and exit mechanism features of an Inverted Lease are summarised below in Table 5.

**Table 5: Illustrative cash flow and exit mechanism features an Inverted Lease Structure**

**PRE-FLIP**

Relevant Entity	Owner		Lessee	
Owner of Relevant Entity	Sponsor	Lessee	Tax Equity Investor	Sponsor Equity Investor
<b>Ownership</b>	51%	49%	99%	1%
<b>ITC</b>	-	100% via pass-through arrangement	99%	1%
<b>Taxable Income</b>	51%	49%	99%	1%
<b>Preferred Cash Return</b>	N/A	N/A	2%	
<b>Remaining Cash Distributions</b>	51%	49%	99%	1%
<b>Exit Mechanism Options</b>	N/A	N/A	N/A	N/A

**POST-FLIP**

Relevant Entity	Owner		Lessee	
Owner of Relevant Entity	Sponsor	Lessee	Tax Equity Investor	Sponsor Equity Investor
<b>Ownership</b>	51%	49%	99%	1%
<b>ITC</b>		N/A	N/A	N/A
<b>Taxable Income</b>	51%	49%	5%	95%
<b>Preferred Cash Return</b>	N/A	N/A	N/A	
<b>Remaining Cash Distributions</b>	51%	49%	5%	95%
<b>Exit Mechanism Options</b>	N/A	N/A	Right to sell ownership interests in Lessee to the Sponsor Equity Investor at an agreed price if Sponsor Equity Investor's call option is not exercised during the agreed period.	Right to purchase the interests of the Tax Equity Investor under a call option at an agreed price during an agreed option period.

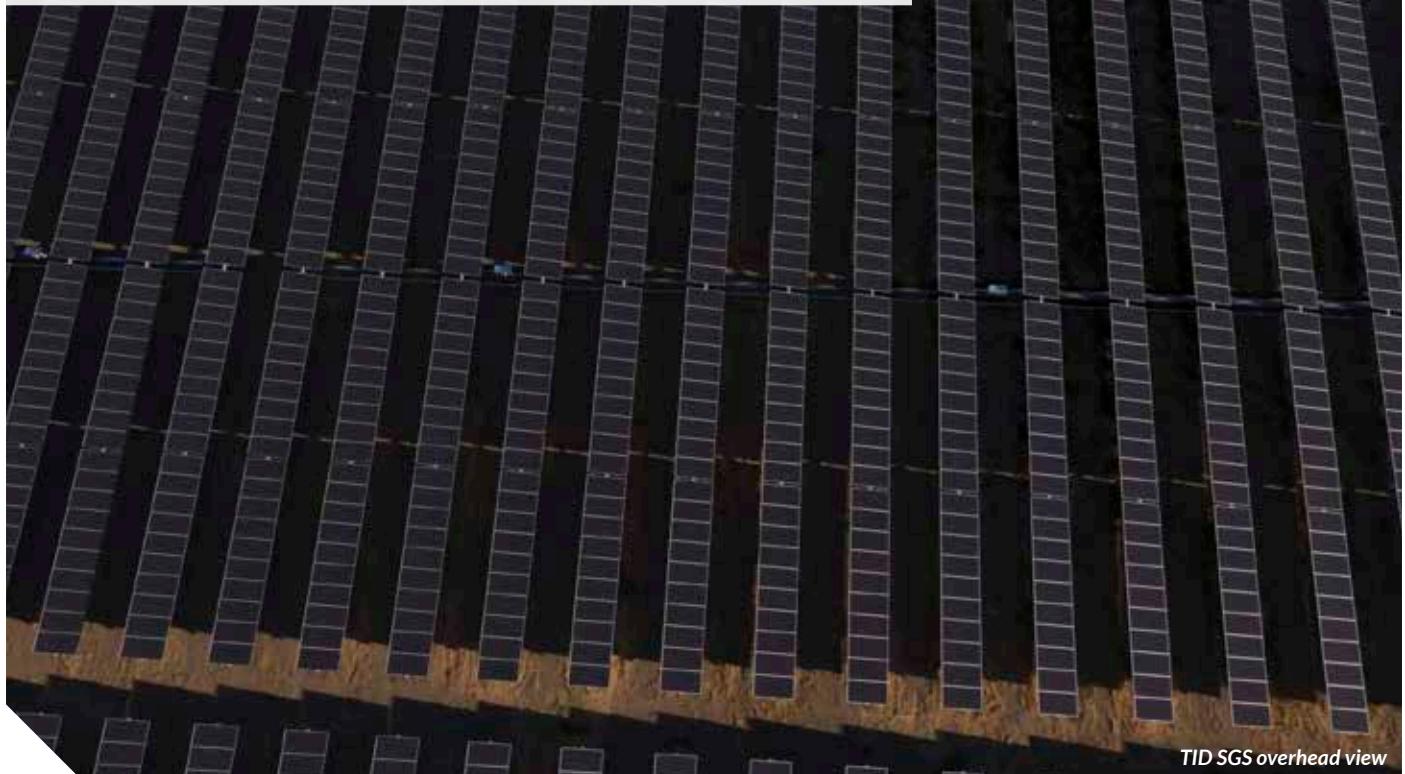
See Section 15.1 for a detailed structure diagram of the Business' interest in the CCR portfolio.



## **SECTION 4**

### New Energy Solar's Portfolio

*TID SGS ground view - October 2017*



*TID SGS overhead view*

## 4.1 EXISTING PORTFOLIO

This section provides further information on the major assets currently within the Business' portfolio.



NC-31 Block 16 and substation - March 2017



NC-31 array and substation - aerial view - March 2017



NC-31 ground view - October 2017

### 4.1.1 NC-31

<b>Asset Location</b>	Bladenboro, North Carolina
<b>Developer</b>	VivoPower USA LLC ( <b>VivoPower</b> )
<b>Project Nameplate Capacity<sup>41</sup></b>	43.2MW <sub>DC</sub> (34.2MW <sub>AC</sub> )
<b>Structure and Nature of Investment</b>	Partnership Flip 85.6% equity interest in Upper Tier Partnership.
<b>Asset Description</b>	NC-31 is located on a 196 acre leased site in Bladenboro, Bladen County, North Carolina approximately 232km south-east of Charlotte.
<b>Purchase Price For Interests Acquired</b>	US\$41.7 million
<b>Project Status</b>	Operating
<b>COD</b>	March 2017
<b>PPA Offtaker</b>	Duke Energy Progress, Inc. (a subsidiary of Duke Energy Corporation)
<b>PPA Term</b>	10 years from COD
<b>REC Offtaker</b>	VivoRex, LLC, a subsidiary of VivoPower
<b>REC Sale Term</b>	10 years from COD
<b>O&amp;M Provider</b>	Grupo GranSolar, LLC ( <b>GranSolar</b> )
<b>Management Estimated 2018 Generation Range (MWh)<sup>42</sup></b>	66,000 to 72,000
<b>Management Estimated 2018 AC Capacity Factor<sup>43,44</sup></b>	24.0%
<b>Land Lease Term</b>	30 years (20 years + 2 x 5 year options)
<b>PV Panels</b>	Canadian Solar

**41.** The number registered as the electricity output of a power plant, typically expressed in megawatts (**MW**). Nameplate capacity is the intended maximum sustained output of a power plant.

**42.** Management's estimated 2018 Generation Range is based upon P90 to P50 generation estimates. Refer to Section 4.1.5 for further information regarding variability in solar power plant generation.

**43.** Capacity factor (based upon alternating current (**AC**) generation and capacity): Measures the ratio of actual electricity energy generation over a period of time (typically a year) to the maximum theoretical electricity energy output over the same timeframe.

**44.** Capacity factor based upon management's P50 generation estimates.

<b>Inverters</b>	KACO
<b>Trackers (single-axis)</b>	PV Hardware

### NC-31 OFFTAKER – DUKE ENERGY PROGRESS, INC.

<b>Description</b>	<p>Duke Energy Progress is a regulated public utility with generation, transmission, distribution and retail electricity operations in parts of North Carolina and South Carolina. Duke Energy Progress' owns over 12.9GW<sub>DC</sub> of electricity generation capacity and has service area of about 32,000 square miles, servicing 1.5 million customers. Duke Energy Progress is a subsidiary of Duke Energy Corporation. Duke Energy Corporation is one of the largest electric power holding companies in the US, supplying and delivering electricity to approximately 7.5 million US customers and has a service area of about 95,000 square miles. It has total assets of more than US\$133 billion (as of 31 December 2016) and is listed on the New York Stock Exchange.</p> <p>The Responsible Entity and the Company are satisfied with the creditworthiness of Duke Energy Progress and have taken its published credit ratings into account in forming this view.</p>
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NC-31 aerial view - March 2017



NC-47 Blocks 8, 9, 10 and 11 - February 2017



NC-47 ground view - May 2017



NC-47 aerial view - June 2017

## 4.1.2 NC-47

<b>Asset Location</b>	Maxton, North Carolina
<b>Developer</b>	VivoPower
<b>Project Nameplate Capacity</b>	47.6MW <sub>DC</sub> (33.8MW <sub>AC</sub> )
<b>Structure and Nature of Investment</b>	Partnership Flip 90% equity interest in Upper Tier Partnership.
<b>Asset Description</b>	NC-47 is located on a 260 acre leased site in Maxton, Robeson County, North Carolina approximately 166km south-east of Charlotte.
<b>Purchase Price for Interests Acquired</b>	US\$47.3 million
<b>Project Status</b>	Operating
<b>COD</b>	May 2017
<b>PPA Offtaker</b>	Duke Energy Progress, Inc. (a subsidiary of Duke Energy Corporation)
<b>PPA Term</b>	10 years from COD
<b>REC Offtaker</b>	VivoRex, LLC, a subsidiary of VivoPower
<b>REC Sale Term</b>	10 years from COD
<b>O&amp;M Provider</b>	DEPCOM Power, Inc. ( <b>DEPCOM</b> )
<b>Management Estimated 2018 Generation Range (MWh)<sup>45</sup></b>	72,800 to 78,900
<b>Management Estimated 2018 AC Capacity Factor<sup>46</sup></b>	26.5%
<b>Land Lease Term</b>	40 years (20 years + 4 x 5 year options)

**45.** Management's estimated 2018 Generation Range is based upon P90 to P50 generation estimates. Refer to Section 4.1.5 for further information regarding variability in solar power plant generation.

**46.** Capacity factor based upon management's P50 generation estimates.

<b>PV Panels</b>	Canadian Solar
<b>Inverters</b>	KACO
<b>Trackers (single-axis)</b>	NEXTracker

## NC-47 OFFTAKER – DUKE ENERGY PROGRESS, INC

<b>Description</b>	Duke Energy Progress, Inc is a regulated public utility with generation, transmission, distribution and retail electricity operations in North Carolina and South Carolina.
	More information on Duke Energy Progress is provided in Section 4.1.1 above.



NC-47 ground view - June 2017



Stanford SGS ground view - November 2016



Stanford SGS aerial view - November 2016



Stanford SGS PV module rows - September 2017

### 4.1.3 STANFORD SGS

<b>Asset Location</b>	Rosamond, California US
<b>Developer</b>	SunPower Corporation, Systems ( <b>SunPower</b> )
<b>Project Nameplate Capacity</b>	67.4MW <sub>DC</sub> (54MW <sub>AC</sub> )
<b>Structure and Nature of Investment</b>	Partnership Flip 99.9% equity interest in Upper Tier Partnership.
<b>Asset Description</b>	The Stanford SGS is located on a 242 acre leased site in Rosamond, Kern County, California approximately 80km north of Los Angeles. The Stanford SGS is located immediately adjacent to the TID SGS.
<b>Purchase Price for Interests Acquired</b>	US\$64.9 million
<b>Project Status</b>	Operating
<b>COD</b>	December 2016
<b>PPA Offtaker</b>	Electricity and RECs: Stanford University
<b>PPA Term</b>	25 years from COD
<b>O&amp;M Provider</b>	SunPower
<b>Management Estimated 2018 Generation Range) (MWh)<sup>47</sup></b>	143,700 to 155,000
<b>Management Estimated 2018 AC Capacity Factor<sup>48</sup></b>	32.8%
<b>Land Lease Term</b>	34 years 10 months
<b>PV Panels</b>	SunPower
<b>Inverters</b>	SMA
<b>Trackers (single-axis)</b>	SunPower

**47.** Management's estimated 2018 Generation Range is based upon P90 to P50 generation estimates. Refer to Section 4.1.5 for further information regarding variability in solar power plant generation.

**48.** Capacity factor based upon management's P50 generation estimates.

## STANFORD SGS OFFTAKER – STANFORD UNIVERSITY

**Description** Established in 1885 and opened in 1891, Stanford University is a world-leading teaching and research university located between San Francisco and San Jose in the heart of California's Silicon Valley.

Stanford University's campus is situated on 8,180 acres of contiguous land with 700 major buildings.

The university caters to over 16,000 students each year and employs over 2,100 faculty members, 19 of whom are Nobel Laureates.

In August 2016, the benefit of the PPA was assigned from Stanford University to its wholly owned subsidiary, Stanford Power. As a result, Stanford Power is responsible for the performance of all buyer obligations under the PPA.

Despite the assignment, Stanford University remains liable for all buyer obligations under the PPA.

**Financial Metrics** Stanford University had annual revenues for the year ended 31 August 2016 of US\$5.2 billion.

Endowment Funds: US\$22.4 billion (as at 31 August 2016)

Net Assets: US\$31.7 billion (inclusive of endowments) as at 31 August 2016

Stanford University has a strong liquidity profile due to its integrated financial, treasury and debt management enabling it to meet operating, debt and investment needs.

The Responsible Entity and the Company are satisfied with the creditworthiness of Stanford University and have taken its published credit ratings into account in forming this view.



Stanford SGS aerial view - September 2017



TID SGS aisle - November 2016



TID SGS aerial - November 2016



TID SGS module row - November 2016

#### 4.1.4 TID SGS

<b>Asset Location</b>	Rosamond, California
<b>Developer</b>	SunPower
<b>Project Nameplate Capacity</b>	67.4MW <sub>DC</sub> (54MW <sub>AC</sub> )
<b>Structure and Nature of Investment</b>	Partnership Flip 99.9% equity interest in Upper Tier Partnership.
<b>Asset Description</b>	The TID SGS is located on a 262 acre leased site in Rosamond, Kern County, California, which is approximately 80 km north of Los Angeles. The TID SGS is located immediately adjacent to the Stanford SGS.
<b>Purchase Price for Interests Acquired</b>	US\$57.1 million
<b>Project Status</b>	Operating
<b>COD</b>	December 2016
<b>PPA Offtaker</b>	Electricity and RECs: Turlock Irrigation District (TID)
<b>PPA Term</b>	20 years from COD
<b>O&amp;M Provider</b>	SunPower
<b>Management Estimated 2018 Generation Range(MWh)<sup>49</sup></b>	143,500 to 154,800
<b>Management Estimated 2018 AC Capacity Factor<sup>50</sup></b>	32.7%
<b>Land Lease Term</b>	34 years 10 months
<b>PV Panels</b>	SunPower
<b>Inverters</b>	SMA
<b>Trackers (single-axis)</b>	SunPower

**49.** Management's estimated 2018 Generation Range is based upon P90 to P50 generation estimates. Refer to Section 4.1.5 for further information regarding variability in solar power plant generation.

**50.** Capacity factor based upon management's P50 generation estimates.

## TID SGS OFFTAKER

<b>Description</b>	<p>Established in 1887, TID is one of only four irrigation districts in California that also provides energy directly to its retail customers.</p> <p>TID holds exclusive rights to provide electricity and irrigation services its 662 square mile service area and has a customer base of 100,000 homes, farms, and businesses.</p> <p>TID owns and operates generation, transmission and distribution facilities and has the ability to set electricity rates within the irrigation district. While the not-for-profit mandate of TID incentivises the maintenance of low electricity rates, TID's Board of Directors has used this rate setting capability to raise base electricity rates when required to maintain strong financial metrics – most recently raising electric rates system-wide by 2% in January 2015.</p>
<b>Total Assets</b>	<p>Gross Assets: US\$1.73 billion (as at 31 December 2016)</p> <p>Net Assets \$1.22 billion (as at 31 December 2016). TID maintained a steady operating profit of US\$53.4 million in FY16, marginally down on FY15's result.</p> <p>As at 31 December 2016, TID owned approximately US\$1.23 billion in infrastructure assets (including generation, distribution, transmission, irrigation and natural gas supply). TID's generation portfolio is well diversified with low cost, hydroelectric, wind and efficient natural gas combined-cycle generation assets.</p> <p>The Responsible Entity and the Company are satisfied with the creditworthiness of TID and have taken its published credit ratings into account in forming this view.</p>



TID SGS ground view - October 2017

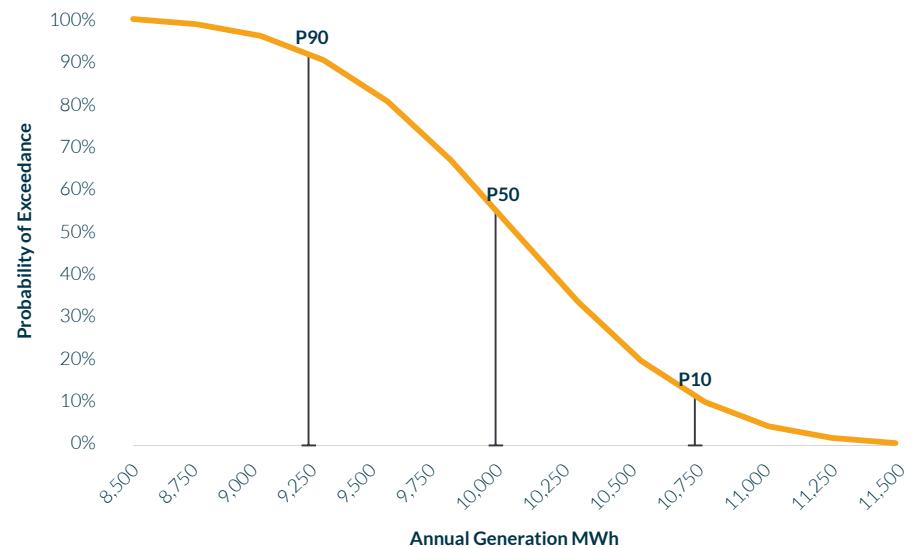
## 4.1.5 UNDERSTANDING VARIABILITY IN SOLAR POWER PLANT GENERATION

The level of generation from a solar PV power plant is primarily dependent on how much sunlight is captured by the solar panels. While the amount of sunlight available can be highly variable on a day-to-day basis, as it is heavily influenced by weather conditions (e.g. cloud cover), when considered on a monthly or annual average basis the variability drops significantly.

When assessing a solar generation project as an investment, an independent engineer (**IE**) is typically employed to undertake a study of the historical annual variability in solar PV generation for the site on which the solar power plant is built. Using historical weather data, the design parameters of the system and a range of other technical inputs, the IE uses statistical models to produce a range of “exceedance probabilities”, i.e. the probability that a particular generation outcome will be exceeded over the timeframe for which the estimate was produced, based on the inputs to the statistical model. These estimates are commonly communicated as “P10”, “P50” or “P90” values. The chart below provides an illustration of:

- a P90 value of 9,250MWh for one year meaning that there is a 90% probability that generation will be more than 9,250MWh, and a 10% probability that generation will be less than that amount.
- a P50 value of 10,000MWh meaning that there is a 50% probability that generation will be more than 10,000MWh, and a 50% probability that generation will be less than that amount.
- a P10 value of 10,750MWh meaning that there is a 10% probability that generation will be more than 10,750MWh, and a 90 % probability that generation will be less than that amount.

**Figure 34: Illustrative exceedance probability of annual energy yield**



Source: Investment Manager. This illustration is provided for illustrative purposes only, to explain P90, P50 and P10 values, and is not indicative of the actual generation of the solar plants the Business has or may invest in, or the range between P90, P50 and P10 values.

These values are used to inform design decisions, investment evaluation, and financing.

Most commonly, a:

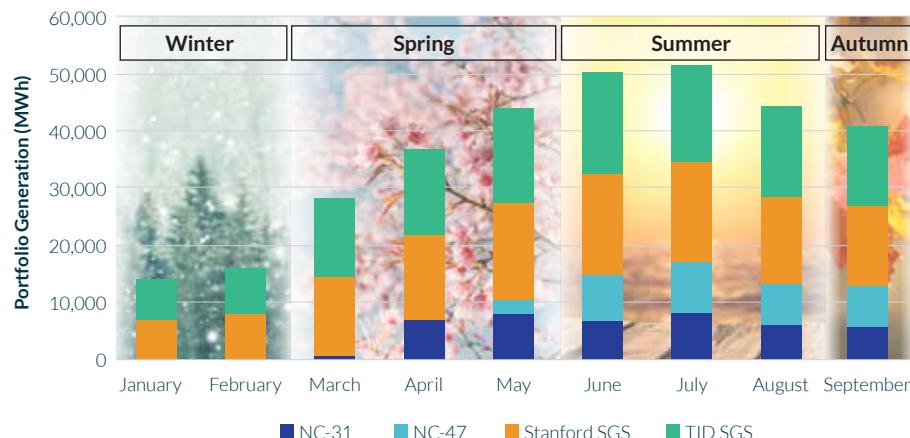
- P50 is used as a “most likely case”, as there is an equal probability of actual generation being more or less than that amount;
- P90 is used as a “low case” generation scenario; and
- P10 is used as a “high case” generation scenario.

In the illustration in the chart above, the “low” (P90) and “high” (P10) values are approximately 7.5% less and 7.5% greater than the “most likely” (P50) value respectively.

## 4.1.6 UNDERLYING PERFORMANCE

While there has been some month-to-month weather related variability since the Existing Portfolio commenced operation during 2017, the cumulative generation output has been in line with the Business' expectations. Figure 35 illustrates monthly generation performance to the end of September 2017.

**Figure 35: Existing Portfolio monthly generation (from 1 January 2017 to 30 September 2017)<sup>51</sup>**



Source: Investment Manager

The underlying financial performance of the Existing Portfolio has reflected its generation output and is in line with the Business' expectations, however, its performance is for a relatively short period and past performance is not a reliable indicator of future performance.

## ESTIMATED UNDERLYING PORTFOLIO CASH FLOWS FOR 2018

To assist in understanding the underlying financial performance of the Existing Portfolio for 2018, Table 6 provides a management estimate of the Existing Portfolio's underlying cash flow outcomes for the full 2018 financial year together with a sensitivity analysis<sup>52</sup>.

The information below is based on a number of best estimate assumptions, which are subject to business, economic and other uncertainties and contingencies, many of which are beyond the control of the Business. These estimates and assumptions are subject to change. The information is also subject to the risks outlined in Section 5.

Investors should be aware that future events cannot be predicted with certainty, and as a result, deviations from the tables below should be expected. To assist Investors in assessing the impact of these assumptions, Tables 7 and 8 set out the sensitivity of the estimated underlying cashflows to changes in certain key variables. The changes set out below are not intended to be indicative of the complete range of variations that may be expected.

**51.** While the Stanford SGS and Turlock Irrigation District SGS have been operational since the end of 2016, NC-31 commenced operation during March 2017 and NC-47 during May 2017.

**52.** Underlying cash flow estimates reflect the estimated 2018 operational cash flows generated by the Existing Portfolio which is a different approach to the investment entity accounting methodology employed for the preparation of statutory accounts as described in Section 7. Underlying cash flow estimates are provided to assist in the explanation of the underlying economics of the Existing Portfolio and should not be taken as a forecast or projection of the statutory financial statements or the amount of any distribution that may be paid by the Business for the period shown. The estimated cash flows for the Existing Portfolio do not represent returns to Investors for this period and there is no guarantee that the actual cash flows will be the same as these estimates. Actual cash flows may be less than estimated.

**Table 6: Estimated underlying cash flows and sensitivity analysis of the Existing Portfolio for the year to 31 December 2018**

Sensitivity Analysis			
Management Estimate <sup>53</sup>	High Sensitivity <sup>54</sup>	Low Sensitivity <sup>55</sup>	Commentary / Assumptions
Portfolio estimated annual generation (GWh)	460.8	495.3	426.2
Management's portfolio estimated annual generation is based upon the aggregation of the estimated 2018 generation for each asset in the Existing Portfolio. A high and low estimate of generation has also been shown. Management's estimate and the high and low sensitivities have been determined with reference to third party technical studies (refer below for further information).			
<b>UNDERLYING CASH FLOWS</b>			
Portfolio operating revenues (US\$ million)	25.7	27.6	23.8
Less: Portfolio operating costs (US\$ million)	(5.8)	(5.8)	(5.8)
Less: Portfolio cash flows attributable to other investors (including minority investors & Tax Equity Investors) (US\$ million)	(5.9)	(6.0)	(5.8)
<b>Portfolio cash flows attributable to NES US Corp. (US\$ million)</b>	13.9	15.8	12.1
Less: External financing costs and US tax (US\$ million)	(3.2)	(3.2)	(3.2)
Financing costs based upon the Business' US\$62.5 million US private placement debt facility, letters of credit facility fees, debt administration and agency fees. Assumes the repayment of the existing US\$20 million bank debt facility prior to 1 January 2018. Estimates of external financing costs have not been reduced to the extent interest income is earned on cash on hand.			
US taxes represent management's estimate of US taxes payable on the distributions received by NES US Corp. in relation to the Existing Portfolio.			

### Sensitivity Analysis

	Management Estimate <sup>53</sup>	High Sensitivity <sup>54</sup>	Low Sensitivity <sup>55</sup>	Commentary / Assumptions
<b>Equity cash flows attributable to NES US Corp. (US\$ million)</b>	10.8	12.6	9.0	
AUD:USD FX rate assumption <sup>57</sup>	0.78	0.78	0.78	Based upon AUD:USD FX rate of 0.78, representing the rate at which 2018 cash flows have been forecast by management for 2018 budgeting purposes based on recent AUD:USD currency trading ranges.
<b>Equity cash flows attributable to the Business (\$ million)</b>	13.8	16.2	11.5	
Less fees:				Fees based on Maximum Subscription amount of \$200m.
• Investment Manager fee <sup>58</sup> (\$ million)	(4.1)	(4.1)	(4.1)	Based upon the enterprise value of the Trust and the Company as calculated in Section 14.1 (assuming that the Maximum Subscription amount is raised).
• Responsible Entity Fees <sup>59</sup> (\$ million)	(0.3)	(0.3)	(0.3)	Based upon 65% of the Offer proceeds (assuming that the Maximum Subscription amount is raised) being allocated to the Trust.
• Other Expenses <sup>60</sup> (\$ million)	(1.1)	(1.1)	(1.1)	Based upon pro forma net assets of \$470,731 million as shown in Section 7.5.1 (assuming that the Maximum Subscription amount is raised).
<b>Equity Cash flows Attributable to Securityholders (\$ million)</b>	8.4	10.7	6.0	

**53.** Management's estimated 2018 portfolio annual generation has been determined with reference to the general and specific assumptions set out in Section 4.1.6 and the independently determined P50 generation estimates obtained on or about the time of the asset acquisition for each of the solar power plants in the Existing Portfolio, after taking into account each solar power plant's assumed availability and solar module degradation.

When valuing and financing solar power projects, expert consultants are employed to assess the likely energy generation over the life of the power plant. A distribution of potential future generation is produced which takes into account weather conditions (and factors such as solar irradiation, temperature and wind speed) over a historical period, inverter losses and module performance degradation (i.e. how much electricity the modules produce for a given amount of solar radiation). A P50 generation estimate is used by management in order to calculate 2018 portfolio estimated generation because it represents the level of generation that the solar power plant expects to exceed at least 50% of the time. See Section 4.1.5 for further information on P50 and understanding the variability in solar power plant generation.

**54.** Management's high sensitivity generation scenario has been based upon management's proxy P10 generation estimate. See Section 4.1.5 for further information on P10 and understanding the variability in solar power plant generation. As P10 generation estimates were not independently obtained for each asset on or about the time of the asset acquisition, management has determined a proxy P10 estimate by assessing the relationship between the independently determined P50 and P90 generation estimates for each of the assets in the Existing Portfolio. (e.g. a 1-year P90 generation estimate for an asset in the Existing Portfolio might be 92.5% of a 1-year P50 generation estimate, implying that it is 7.5% lower than the P50 generation estimate).

Management has assumed that the relationship between a P50 generation estimate and a P10 generation estimate is the same as that between a P50 generation estimate and a P90 generation estimate in absolute terms. Therefore a 1-year P10 generation estimate by this methodology would be 107.5% (i.e. 100% + 7.5%) of the asset's P50 generation estimate. Management is of the view that this is an appropriate methodology for calculating a high sensitivity generation scenario because it represents management's best estimate of the level of generation that the solar power plant expects to exceed at least 10% of the time. This is not an upper limit on generation, however, it should also be noted that it does not take into account the probability of P10 events coinciding across the Existing Portfolio.

**55.** Management's low sensitivity 2018 generation scenario has been determined based upon the aggregate of independently determined P90 generation estimates of each solar power plant in the Existing Portfolio. A P90 generation estimate is used by management for the low sensitivity for 2018 portfolio estimated generation because it represents the level of generation that the solar power plant expects to exceed at least 90% of the time. This is not a lower limit on generation, however, it should also be noted that it does not take into account the probability of P90 events coinciding across the Existing Portfolio. See Section 4.1.5 for further information on P90 and the variability in solar power plant generation.

**56.** From time to time the project companies may retain a small amount of the portfolio underlying cashflows for working capital purposes.

**57.** Based upon AUD:USD FX rate of 0.78, representing the rate at which 2018 cash flows have been forecast by management for 2018 Budgeting purposes based on recent AUD:USD currency trading ranges.

**58.** Refer Table 13 in Section 6.1 for further information on Investment Manager fees and Responsible Entity fees.

**59.** Refer Table 13 in Section 6.1 for further information on Investment Manager fees and Responsible Entity fees.

**60.** refer Table 13 in Section 6.1 for further information on Other Expenses. These include expenses associated with the administration of the Business such as registry fees, leasing, tax, custodian, valuation, legal, travel, accounting and audit fees, ASX listing fees and Board of Directors costs, but exclude Offer transaction costs.

**Table 7: Sensitivity of underlying cash flows attributable to Securityholders to changes in the AUD:USD FX rate**

	Sensitivity Analysis			
	Management Estimate	High Sensitivity	Low Sensitivity	
<b>Underlying cash flows attributable to Securityholders (\$ million)</b>	8.4	10.7	6.0	
	\$ million	\$ million	\$ million	
<b>\$ value at differing FX rates/appreciation/(depreciation) in the assumed AUD:USD FX rate<sup>61</sup></b>	0.82 / +4.0c	\$7.7	\$9.9	\$5.5
	0.80 / +2.0c	\$8.0	\$10.3	\$5.8
	0.78 / +0.0c	\$8.4	\$10.7	\$6.0
	0.76 / (2.0c)	\$8.7	\$11.1	\$6.3
	0.74 / (4.0c)	\$9.1	\$11.5	\$6.6

**61.** Currency appreciation or depreciation compared with AUD:USD FX rate of 0.78.

**Table 8: Sensitivity of underlying cash flows attributable to Securityholders to differing Offer sizes**

	Sensitivity Analysis		
	Management Estimate	High Sensitivity	Low Sensitivity
<b>Underlying cash flows attributable to Securityholders (\$ million)</b>	8.4	10.7	6.0
	\$ million	\$ million	\$ million
<b>\$ value at differing Offer sizes</b>	\$100	\$9.1	\$11.4
	\$150	\$8.7	\$11.1
	\$200	\$8.4	\$10.7
	\$250	\$8.0	\$10.3
	\$300	\$7.6	\$9.9
			\$5.3

Note: The impact of differing Offer sizes on the Underlying Cash flows Attributable to Securityholders is due principally to the variability in the investment manager fees which are based on the enterprise value of the Trust and the Company and the responsible entity fees which are based on the gross asset value of the Trust.

The estimates of the underlying cash flows shown in the Tables above are subject to a number of key assumptions, which are set out below.

#### General assumptions

The key best estimate general assumptions include:

- the Offer is completed on 8 December 2017;
- other than the CCR Portfolio acquisition, no material acquisitions or disposals occur during the remainder of 2017 (for the purposes of the target distribution for the second half of 2017) and 2018 (for the purposes of the 2018 calendar year target distribution);
- no material change to any material contract relating to the Existing Portfolio;
- no material change in the economic environment;
- no material contract disputes or litigation;
- no material change in credit markets;
- no material amendment to federal, state or local government legislation, regulations, regulatory requirements or government policy in the jurisdictions in which the Business operates;
- there are no significant changes in electricity market operations or regulatory environment in which the solar power plants operate;
- no significant change in the Business' capital structure, other than what is disclosed in the Offer Document;
- no material changes in applicable accounting standards, other mandatory professional reporting requirements or the Corporations Act;
- no material changes to the Australian or United States tax legislation (and no change to US tax rates);
- no change in the manner in which third party experts estimate portfolio generation for solar power plants;
- there are no significant disruptions to electricity generation or dispatch of the solar power plants;
- the Offtaker, the O&M and asset managers, warranty providers and other counterparties

meet all their obligations under relevant contractual agreements, and no material contract relating to the Existing Portfolio is terminated; and

- An AUD:USD foreign exchange rate of 0.78 has been used by management for 2018 budgeting purposes. Management considered this rate to be reasonable based on recent AUD:USD currency trading ranges.

#### **Specific assumptions**

The key best estimate specific assumptions include:

- in relation to the management estimate of generation, each of the solar power plants in the Existing Portfolio achieves estimated P50 generation. In relation to the High Sensitivity and Low Sensitivity, each of the solar power plants achieves estimated generation calculated in the manner set out in footnotes iii and iv above;
- the Offer raises \$200 million on the basis outlined in the Offer Document;
- the US private placement US\$62.5 million debt facility remains fully drawn throughout 2018 and the US\$20 million bank debt facility is repaid from Offer proceeds prior to 1 January 2018;
- the Business does not enter into any new debt facilities during 2018;
- no capital expenditures are incurred during 2018;
- no non-covered services are received or paid for under the O&M Agreements;
- all cash flows for the Existing Assets attributable to NES US Corp. during 2018 are distributed to NES US Corp.;
- while the cash proceeds from both the Offer and available debt facilities are re-invested in either the CCR Portfolio or alternative acquisitions, they are assumed to generate no investment earnings at all in the year to 31 December 2018; and
- the Other expenses of the Business include costs such as registry fees, leasing, tax, custodian, valuation, legal, travel, accounting and audit fees, ASX listing fees and Board of directors costs, but exclude Offer costs. These other expenses have been estimated based on relevant agreements and quotes from external parties and management's best estimate based on its experience in operating the Business.

### **4.1.7 VALUATION OF EXISTING PORTFOLIO**

The Board and the Responsible Entity use fair market value to determine the carrying amount of the renewable energy assets in which the Business has an interest. The Investment Manager is responsible for advising the Board and the Responsible Entity in their determination of these fair market values.

At a minimum, valuations will be performed annually and otherwise as determined by the Board and the Responsible Entity. The Business engages suitably qualified independent valuation firms to assist in its assessment of fair market value.

#### **APPROACH TO RENEWABLE ENERGY ASSET VALUATION**

It is the policy of the Board and the Responsible Entity to value New Energy Solar's renewable energy assets with reference to a discounted cash flow (**DCF**) methodology once assets are operational. For renewable energy assets that are not yet operational or where the completion of the acquisition by New Energy Solar has not occurred at the time of valuation, the acquisition cost is used an appropriate estimate of fair value.

In a DCF analysis, the fair value of the renewable energy asset investment is derived from the present value of the asset's expected future cash flows, comprising a range of operating assumptions for revenues and costs and an appropriate discount rate range.

The Investment Manager reviews a range of sources in determining its fair market valuation of the renewable energy assets, including:

- comparable renewable energy asset transactions in relevant geographies, such as the US and Australia;
- discount rates publicly disclosed by New Energy Solar's global peers;

- discount rates applicable to comparable infrastructure asset classes; and
- capital asset price model outputs and implied risk premium over relevant risk-free rates.

A broad range of assumptions is used in the valuation models. Given the long-term nature of the assets, the valuation inputs are assessed using long-term historical data to reflect the asset life. Where possible, assumptions are based on observable market and technical data. The Investment Manager also engages technical experts such as long-term electricity price forecasters to provide long-term data for use in its valuations.

## FAIR VALUE OF NEW ENERGY SOLAR'S RENEWABLE ENERGY ASSET INVESTMENTS

As at 30 June 2017, New Energy Solar adopted fair value of its renewable energy assets was US\$215.8 million, which is included in Table 9, below:

**Table 9: Fair Value of New Energy Solar's Existing Portfolio**

PROJECT	FAIR VALUE AS AT 30 JUNE 2017
NC-31	US\$42.8 million
NC-47	US\$48.2 million
Stanford SGS	US\$66.2 million
TID SGS	US\$58.7 million
<b>Total</b>	<b>US\$215.8 million</b>
<b>AUD:USD FX rate assumption<sup>62</sup></b>	<b>0.7689</b>
<b>Total</b>	<b>\$280.7 million</b>

Note: Totals may not sum due to rounding.

The fair value of the Business' renewable energy assets as at 30 June 2017 was determined through the adoption of a pre-tax weighted average cost of capital (**WACC**) in the range of 6.6% to 7.9%.

## 4.2 CCR PORTFOLIO

### 4.2.1 OVERVIEW OF PROPOSED ACQUISITION

The Business, through a subsidiary of the Company, has recently committed to acquire a substantial majority interest in a 130MW<sub>DC</sub> portfolio of 14 solar power plant projects in Oregon and North Carolina, USA (**CCR Portfolio**). Further information on the material contracts relating to the CCR Portfolio can be found in Section 14.3. Operation of the CCR Portfolio projects is expected to commence at staggered intervals between February and December 2018. Funding for acquisition and construction of each project will be progressively transferred to CCR and its subsidiaries from NTP, as various conditions precedent are satisfied, until the project has passed a final capacity test and a final checklist sign off has been provided by the engineer (**Final Completion**), in line with the Business' strategy of minimising its exposure to development risk. Further information about the acquisition process and stages is set out in Section 3.4.6.

Generation from the CCR Portfolio is, or is expected to be, fully contracted to local utilities under long-term PPAs ranging from 13 to 15 years post-COD. O&M for the CCR Portfolio will be outsourced to CCR O&M, a subsidiary of CCR.

**62.** AUD:USD FX rate as at 30 June 2017.

**Table 10: Additional Detail on Proposed CCR Portfolio Acquisition**

<b>Portfolio Location</b>	Oregon and North Carolina
<b>Developer</b>	CCRD
<b>Portfolio Nameplate Capacity</b>	129.7MW <sub>DC</sub> (89.7MW <sub>AC</sub> )
<b>Number of Projects</b>	14 (10 in North Carolina and 4 in Oregon)
<b>Nature of Investment</b>	The Business has committed to acquire a substantial majority interest in the CCR Portfolio: a 99% interest in a holding company, that will, through its subsidiaries, acquire the CCR Portfolio, and upon Final Completion of the last project in the CCR Portfolio, the Business will acquire the remaining 1% interest in the holding company for a nominal amount.
<b>Purchase Price For Interests Acquired</b>	<p>Approximately US\$108 million, subject to certain pre-NTP adjustments, which will preserve agreed yield and return.</p> <p>Funding for the acquisitions is on a project-by-project basis and will be progressively transferred to CCR and its subsidiaries from NTP until Final Completion as various conditions are satisfied for each project. For example, projects are deemed to have reached NTP when, among other conditions, (i) the project has been certified by the independent engineer for the project as ready to build, (ii) the PPA, Interconnection Agreement, EPC Agreement, O&amp;M Agreement and Development Services Agreement (<b>DSA</b>) are in place, (iii) all material permits required for construction and ownership of the project, as may be required at the time NTP is to occur, are in full force and effect and (iv) the Tax Equity Investor has funded its initial 1% capital contribution with respect to the project.</p>
<b>Project Status</b>	The projects in the CCR Portfolio are in late-stage development. Construction is expected to commence on the first project in 2017 and the last project in mid to late 2018.
<b>Target COD</b>	COD for the earliest project is expected to occur during February 2018 and the last project is expected to achieve COD during December 2018. These dates are subject to change.
<b>PPA Offtakers</b>	<p>Duke Energy Progress, Inc. a subsidiary of Duke Energy Corporation;</p> <p>Duke Energy Carolinas, Inc. a subsidiary of Duke Energy Corporation; and</p> <p>PacifiCorp, a wholly owned subsidiary of Berkshire Hathaway Energy Company.</p>
<b>Expected PPA Term (from COD)</b>	13 to 15 years
<b>EPC Contractor</b>	CCR EPC (a subsidiary of CCR)
<b>O&amp;M Services Provider</b>	CCR O&M (a subsidiary of CCR)
<b>Estimated CCR Portfolio First Year of Generation (MWh)<sup>63</sup></b>	186,000MWh to 199,000MWh
<b>Estimated CCR Portfolio First Year of Production AC Capacity Factor<sup>64,65</sup></b>	25.2%

## 4.2.2 NORTH CAROLINA PROJECTS IN CCR PORTFOLIO

The 10 projects in North Carolina (71MW<sub>DC</sub> of capacity) have, or are expected to have, long-term PPAs with subsidiaries of Duke Energy Corporation. Further details on each project are contained in Table 11 below.

**Table 11: Overview of North Carolina projects**

PROJECT NAME	MW <sub>DC</sub>	LOCATION	OFFTAKER / EXPECTED OFFTAKER
<b>Arthur</b>	7.5	Columbus	Duke Energy Progress
<b>Caswell</b>	8.0	Caswell	Duke Energy Progress
<b>Church Road</b>	5.2	Johnston	Duke Energy Progress
<b>County Home</b>	7.5	Richmond	Duke Energy Progress
<b>Hanover</b>	7.5	Onslow	Duke Energy Progress
<b>Heedeh</b>	5.4	Columbus	Duke Energy Progress
<b>Organ Church</b>	7.5	Rowan	Duke Energy Carolinas
<b>Reunion</b>	6.8	Granville	Duke Energy Progress
<b>Snake</b>	7.5	Robeson	Duke Energy Progress
<b>Willard</b>	8.0	Pender	Duke Energy Progress
<b>Total (North Carolina)</b>	<b>71.0</b>		

The approximate locations of CCR Portfolio projects in North Carolina are shown in Figure 36 below. These are located nearby the Business' existing assets in North Carolina, NC-31 and NC-47. This may provide opportunities for operating efficiencies in the future, particularly in relation to O&M and asset management activities.

**Figure 36: Location of North Carolina Projects in the CCR Portfolio**



Source: Investment Manager

## NORTH CAROLINA PROJECTS OFFTAKERS – SUBSIDIARIES OF DUKE ENERGY CORPORATION

The Offtakers for the CCR Portfolio are subsidiaries of Duke Energy Corporation. See Section 4.1

**63.** First year of operation is estimated as a range of P90 to P50 generation estimates, assuming all 14 CCR projects are operating. Refer to Section 4.1.5 for further information regarding variability in solar power plant generation.

**64.** Weighted average based on capacity (MW<sub>AC</sub>).

**65.** Capacity factor based upon P50 generation estimates, assuming all 14 CCR projects are operating.

### 4.2.3 OREGON PROJECTS IN CCR PORTFOLIO

The 4 projects in Oregon (58.7MW<sub>DC</sub> of capacity) are expected to have long-term PPAs with PacifiCorp, a wholly-owned subsidiary of Berkshire Hathaway Energy Company. Further details on each project are contained in Table 12 below.

**Table 12: Overview of Oregon projects**

PROJECT NAME	MW <sub>DC</sub>	LOCATION	OFFTAKER / EXPECTED OFFTAKER
<b>Pendleton</b>	8.4	Umatilla	PacifiCorp
<b>Bonanza</b>	6.8	Klamath	PacifiCorp
<b>Merrill</b>	14.5	Klamath	PacifiCorp
<b>Ochoco</b>	29.0	Crook	PacifiCorp
<b>Total (Oregon)</b>	<b>58.7</b>		

The approximate locations of CCR Portfolio projects in Oregon are shown in Figure 37 below.

**Figure 37: Location of Oregon Projects in CCR Portfolio**



Source: Investment Manager

## OREGON OFFTAKER – PACIFICORP

The Offtaker for all CCR Portfolio projects located in Oregon is, or is expected to be, PacifiCorp, a wholly owned subsidiary of Berkshire Hathaway Energy Company.

### Description

PacifiCorp, a wholly owned subsidiary of Berkshire Hathaway Energy Company, is a US electric power company with two core businesses:

- Pacific Power: A regulated utility serving Oregon, Washington and California; and
- Rocky Mountain Power: A regulated utility serving Utah, Idaho and Wyoming.

Through its subsidiaries, PacifiCorp provides electricity to 1.8 million retail customers including residential, commercial, industrial, and irrigation customers across six western US states. PacifiCorp owns and operates 16,500 miles of transmission lines and 64,000 miles of distribution lines and holds ownership stakes in 72 thermal, hydroelectric, and renewable generation facilities. Together these facilities supply utilities with approximately 10.9GW<sub>DC</sub> of net capacity.

PacifiCorp and its subsidiaries are regulated by the public utilities commission for each state in which they operate, as well as the Federal Energy Regulatory Commission. The respective state public utility commissions regulate the prices charged to retail customers by PacifiCorp. If PacifiCorp subsidiaries encounter significant cost rises they have a reasonable ability to pass on costs to consumers via rate cases filed with the regulatory authorities in their service territories.

### Financial Metrics

Total Assets: US\$22.4 billion (as at 31 December 2016)

PacifiCorp had annual revenues for the year ended 31 December 2016 of US\$5.2 billion.

PacifiCorp has experienced steady growth in net income (US\$763 million in FY16, up from US\$695 million in FY15).

The Responsible Entity and the Company are satisfied with the creditworthiness of PacifiCorp and have taken its published credit ratings into account in forming this view.

## 4.2.4 INFORMATION ABOUT CCR

CCR is one the largest solar developers in the US. With well over US\$2 billion raised and invested and over 5GW<sub>DC</sub> of local solar power plants developed or in development, CCR has grown into one of the United States' leading solar companies. CCR's integrated platform develops, builds, finances and operates localised solar power plants. CCR works in close partnership with landowners, local communities, regulators, lenders and consumers (utilities, businesses and individuals) to develop undeveloped sites into operational solar farms. CCR has operating facilities in eight states and is actively developing in more than a dozen states.

## 4.2.5 IMPACT ON THE BUSINESS

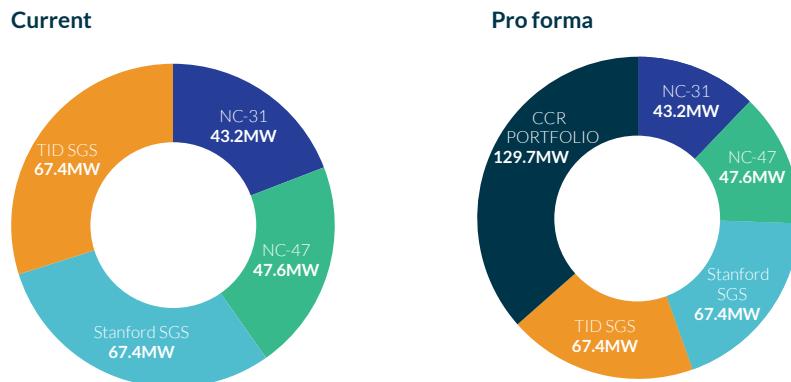
The proposed CCR Portfolio acquisition will increase the scale and diversification of the Business. After the proposed acquisition, the Business will have a substantial majority interest in 18 solar power plants with an installed capacity of 354.7MW<sub>DC</sub> (up from 4 projects and 225MW<sub>DC</sub> currently).

The proposed acquisition will result in the following changes to the Business:

- **diversified PPA counterparties** – the addition of Duke Energy Carolinas, Inc. and PacifiCorp will diversify the range of PPA counterparties;
- **diversified PPA expiries** – the addition of PPAs with expiries of between 13 and 15 years will result in a more evenly distributed PPA expiry profile;
- **reduced exposure to specific regulatory regimes** – the addition of projects in Oregon will further diversify away from existing regulatory regimes in California and North Carolina; and
- **reduced exposure to specific projects in local geographies** – the addition of 14 projects across two states will reduce the level of operating exposure to specific projects.

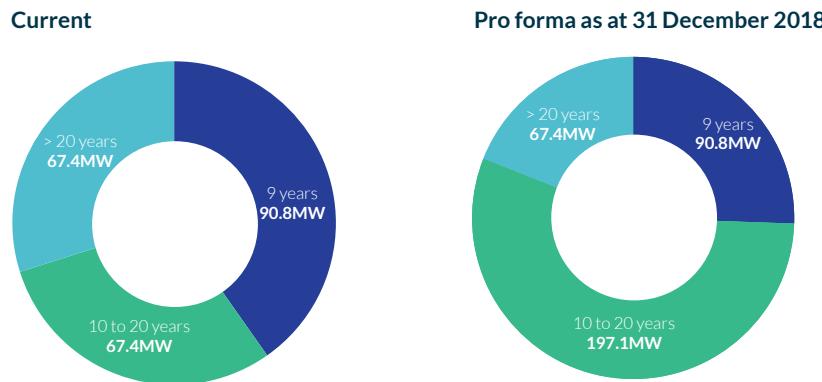
The figures below illustrate the Business' solar power plant portfolio characteristics on a current and pro forma basis, after adjusting for the proposed CCR Portfolio acquisition and assuming that all the CCR Portfolio assets have been acquired and are fully operational.

**Figure 38: Capacity (MW<sub>DC</sub>) by Portfolio**

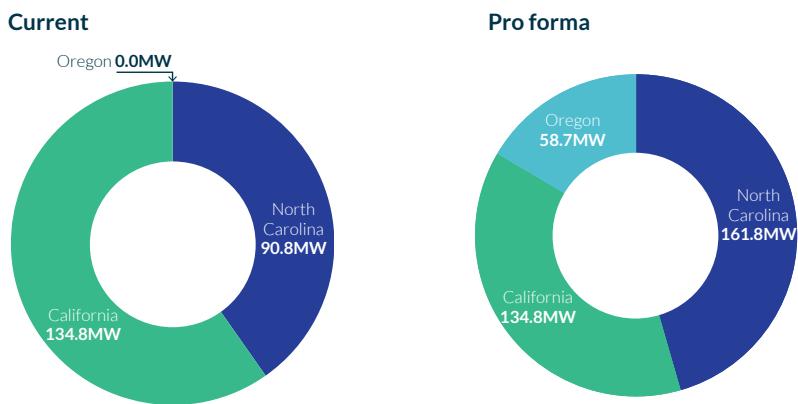


Source: Investment Manager

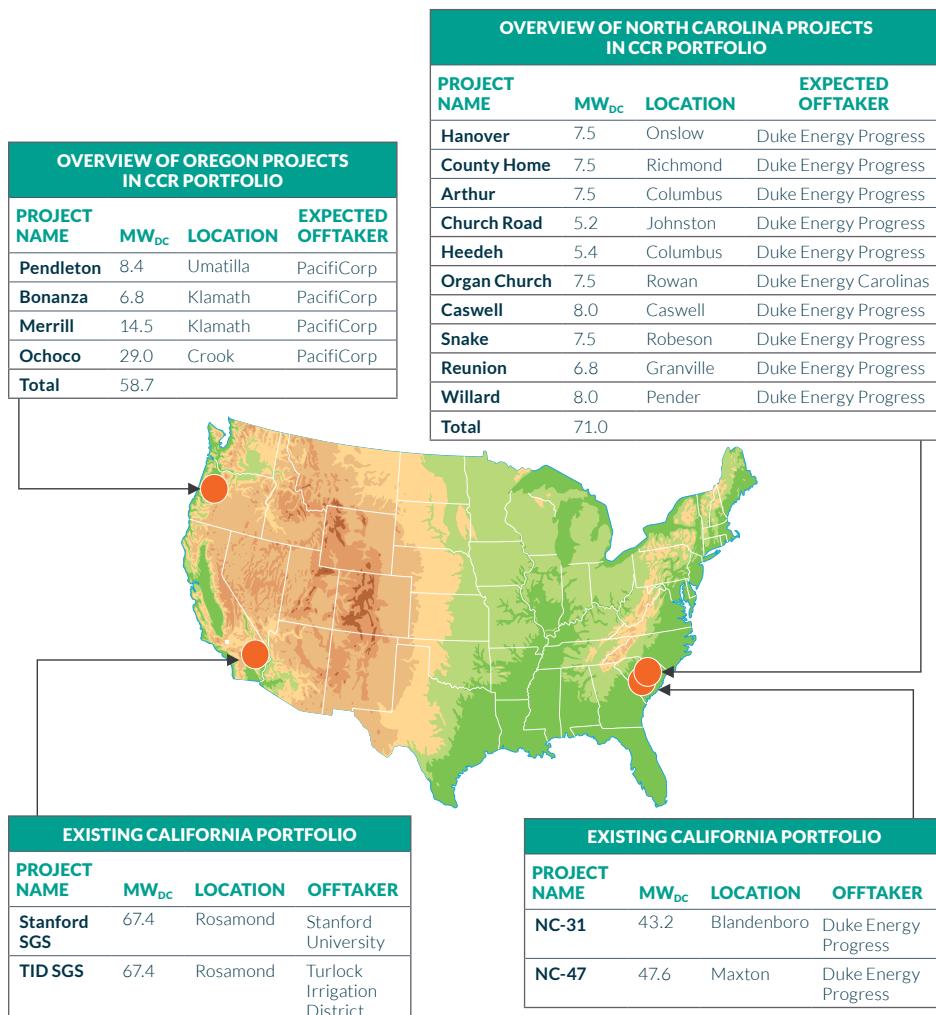
**Figure 39: Capacity (MW<sub>DC</sub>) by PPA length**



Source: Investment Manager

**Figure 40: Capacity (MW<sub>DC</sub>) by state**

Source: Investment Manager

**Figure 41: Location of Existing Portfolio and CCR Portfolio**

Source: Investment Manager

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NC-47 aerial view - June 2017

## **SECTION 5**

### Risks



NC-31 site inspection - October 2017

Prior to investing, you should consider the risks involved in investing in the Business and whether the Business is appropriate for your objectives, needs and financial circumstances. Some of the risks are outside the control of the Responsible Entity or the Company. You should read this Offer Document in its entirety to gain an understanding of the risks associated with an investment in the Business.

This Offer Document contains forward-looking statements based on certain assumptions that are inherently uncertain. Actual events and results of the Business' operations could differ materially from those anticipated. Some of the risks may be mitigated by the use of safeguards and appropriate systems and actions but some are outside the control of the Responsible Entity and the Company and cannot be mitigated.

Neither the Responsible Entity nor the Board forecast or guarantee any rate of return in terms of income or capital or investment performance of the Business. The value of the Stapled Securities and Options will reflect the performance of the investments made by the Business and current market conditions. There can be no certainty that the Business will generate returns, distributions or dividends to the satisfaction of Investors.

Investors can undertake several steps to help minimise the impact of risk. First, seek professional advice suited to your personal investment objectives, financial situation and particular needs. Second, only make investments with a risk level and time frame recommended by your professional advisor.

This section describes the areas the Responsible Entity and the Company believe to be the major risks associated with an investment in the Business. These risks have been separated into risks specific to the Business and the sector and general investment risks.

Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in the Business.

## 5.1 RISKS SPECIFIC TO THE BUSINESS

### 5.1.1 BROAD INVESTMENT STRATEGY

Although the Business' current focus is on large scale solar power plants with contracted cash flows, the Business' investment strategy is broad and does not restrict its investments in renewable energy to any particular renewable energy type, geographic region, size or cash flow profile. Other than as disclosed in this Offer Document, no decision has been made as at the date of this Offer Document regarding any particular future investment to be made by Business. Accordingly, it may be difficult for investors to assess the risks associated with any future investments that may be made by the Business.

### 5.1.2 PRICE OF STAPLED SECURITIES AND OPTIONS

The price of the Options and the Stapled Securities in New Energy Solar quoted on the ASX may fluctuate, resulting in the Stapled Securities trading at prices below or above the Final Price and the Options trading at prices above or below their exercise price as the price of the Stapled Securities fluctuates. These fluctuations may be due to a number of factors, including changes to underlying asset value, general economic conditions, demand for securities, changes in Government policy, legislation and regulations, and general operational business risks.

Consequently, the trading price of New Energy Solar may be influenced by factors that are out of the control of the Business.

No assurances can be made that the performance of the Stapled Securities and Options will not be adversely affected by such market fluctuations or factors. None of New Energy Solar, its Directors or any other person guarantees the performance of the Stapled Securities and Options.

### 5.1.3 INTEREST RATE RISK

The Business has debt facilities in place which have both fixed and floating interest rates. Future debt facilities may have fixed or floating interest rates. As such, changes in interest rates may have a positive or negative impact directly on the Business' net income. Changes in interest rates may also affect the market more broadly and positively or negatively impact the value of the Business' underlying assets.

The Business may implement an interest rate hedging policy. It may undertake this by fixing a portion of the Business' exposure to any floating rate interest rates to an appropriate fixed rate. It may do this by using interest rate swaps or other means. To the extent that interest rate hedging is employed, this risk may be mitigated.

### 5.1.4 GEARING RISK

The Responsible Entity and the Company intend to target a long-term overall gearing ratio for the Business of up to 50% of total gross assets. Gearing may amplify the Business' gains if the value of the Business' direct and indirect renewable energy assets appreciates; however, it may also amplify losses if the value of the assets falls. If the value of the assets against which borrowings are secured declines, there is the risk that the Business' may lose the capital invested if income is insufficient to cover recurring outgoings such as fees, principal and interest and on indebtedness and other expenses.

This would adversely affect the overall value of an investment in the Business and it is possible that Investors could lose some or all of the value of their investment.

### 5.1.5 GENERATION RISK

While the Business has offtake price and volume certainty under PPAs, the Business is still exposed to the volume of generation produced by the plants. Fluctuations in the level of solar resource occur on a short-term basis (hourly, daily, monthly and seasonal variations) and on a longer-term basis or the plant may not perform as expected. Resource fluctuations affect, plant performance, and the amount of energy produced by a solar power plant and, therefore, the revenue generated by it.

The revenue profile over any given year may be different in following years and may not match the expense profile of a solar plant. Increasing the geographic diversity of the Business' portfolio is an important mitigating strategy for overall portfolio generation and revenue.

### 5.1.6 CHANGE IN LONG-TERM WHOLESALE ELECTRICITY SUPPLY, DEMAND, AND PRICES

Lower wholesale electricity prices could impact the Business' ability re-contract with customers on favourable terms, upon expiry of the initial PPA term. In addition, lower wholesale electricity prices may slow the pace of development of solar or other renewable projects in some markets, and limit the number of opportunities for the Business to acquire assets. For these reasons, lower wholesale electricity prices may negatively impact the Business' financial position and performance.

The wholesale electricity price could decrease for a number of reasons:

- increased competition from the construction of a significant new power generation plant, whether powered from renewable or non-renewable energy sources;
- lower electricity demand in the markets in which the Business operates;
- lower prices of alternative fuel sources (e.g. fossil fuels);
- regional oversupply of electricity caused by transmission constraints; or
- development of new, more efficient, energy technologies (whether renewable or non-renewable).

## 5.1.7 OPERATIONAL RISKS

The Business' operational assets are subject to risks that may result in the assets failing to perform in line with expectations. These risks include fluctuations in weather patterns and other environmental changes impacting generation, failure or deterioration of equipment, performance and business stability of the Business' suppliers and contractors, transmission system congestion, curtailment or failure, of the plant, labour issues and strikes, and other operational issues. Some PPAs contain minimum delivery obligations and, should an asset fail to perform in line with expectations the Business may not be able to meet such minimum delivery. Should an asset fail to perform beyond minimum thresholds for a prolonged period (or if Business fails to comply with certain other material obligations) then there is a risk the PPA related to that asset could be terminated, the PPA counterparty may exercise step-in or other rights, or bring a claim for liquidated damages based on the difference between the market price for energy at the time and the PPA price during the period of underperformance.

Curtailment is the limiting of plant output such that less energy is delivered or sold relative to a situation where curtailment has not occurred. Curtailment can be as a result of an economic or physical constraint and, depending on the situation, can be self-imposed by an asset owner because of a price signal (generally a low price), directed by an energy buyer where the buyer receives a price signal, as a result of competitive bidding in wholesale markets, or directed by a system or transmission operator because of a physical constraint. The Business bears a limited amount of non-economic curtailment risk that is defined in the relevant PPA or interconnection agreement and, in certain instances, may receive reduced revenues as a result of curtailment.

## 5.1.8 PRE-OPERATIONAL ASSET RISK

The Business has committed to acquire pre-operational projects (and may do so in additional projects) with a view to securing perceived quality assets at attractive acquisition prices. The Business may be subject to additional risks resulting from investments in pre-operational projects, including delays in the timing of cash flows generated from investments and the plant not achieving its nameplate capacity. Where the Business invests in pre-operational projects, and depending on the nature of the investment, the Business may be exposed to cost and budget overruns to bring the project to operation. The Business may also be exposed to other consequences relating to pre-operational projects, including impacts arising as a result of final project documentation being on terms less favourable to the Business or failure to achieve contractually required milestones, which could give the Offtaker step-in or termination rights or entitle the Offtaker to receive liquidated damages. Delays in development or construction or the acquisition or investment vendor's failure to satisfy conditions precedent relating to the pre-operational nature of a project could result in the Business not acquiring certain projects or delays in the timing of, or reduction of, cash flows. The Business may seek for suppliers, construction or development partners to carry some of the risks inherent in pre-operational assets.

With specific reference to solar panels in the United States, the US International Trade Commission (**USITC**) is currently considering a petition filed by a former solar panel manufacturer requesting the imposition of tariffs on foreign-manufactured solar panels. The USITC may choose to recommend such an action, with the decision to implement made by President Donald Trump. Implementation of a tariff is likely to increase the price of both foreign and domestically-manufactured panels, and may cause issues with short-term supply, as buyers seek to purchase ahead of any decision. Changes in panel price and/or supply may impact the ability of the Business' future construction or development partners to complete projects within the agreed time or at the agreed cost. The Business is not exposed to any such price or supply risk in respect of the operational power plants in the Existing Portfolio, or the power plants to be constructed in the CCR Portfolio.

## 5.1.9 REGULATORY RISK

The Business is subject to a range of laws and regulations. These laws and regulations include those relating to electricity generation, financial services, managed investment schemes, employment, renewable investments and taxation (including ITCs, GST and stamp duty). Changes to laws and regulations in these areas may adversely affect the Business.

There is no guarantee that existing or future laws, regulations, licences, government subsidies and economic incentives (including US tax benefits) from which renewable energy generation operations benefit, will remain. The current renewable energy sector, including the solar energy sector, is supported by certain initiatives including tax incentives and renewable energy targets. A change in government policies or a reduction, elimination or expiration of those initiatives and incentives may have a negative impact on the financial position and performance of the Business, and its ability to source and acquire additional assets for inclusion in its portfolio. A change in state or federal energy regulatory laws could impact the pricing or term of future PPAs, or in the case of projects to be acquired in the future, PPA pricing and term could be impacted by the timing of completing certain actions relating to interconnection or achieving commercial operation.

## 5.1.10 COUNTERPARTY AND WARRANTY RISK

The electricity generated by the Business' investments is primarily intended to be sold under PPAs to utilities, commercial, industrial or government Offtakers. The Business' PPAs are expected to be long-term in nature and may be over 20 years in duration. Should any Offtaker under these contracts become unable or unwilling to fulfil their related contractual obligations, refuse to accept the delivery of power delivered or terminate agreements prior to expiration, the financial position and performance of the Business may be materially adversely impacted.

Where PPAs are in force with government entities there is also a risk of legislative or other political action that may negatively impact the financial position and performance of the Business.

The Business may enter into agreements with third parties for specific project-related activities such as leasing project sites, EPC, O&M, asset management, and interconnections between the assets and transmission networks and, as a result of its investments, may be provided with warranties over the minimum long-term electricity generation capacity of an asset.

Where a counterparty fails to satisfy the terms of their agreement, the Business may be required to seek remedy from the relevant counterparty. There is a risk that sufficient remedy may not be granted or available from the relevant counterparty (for example certain remedies may be limited as to time or as to amount, for example by a contractual limit on the amount that may be claimed by way of liquidated damages), which may impact the value of the investments of the Business. In the case of a vendor to an acquisition or investment transaction, this may include the Business not being able to recover from such vendor for risks such vendor contractually agreed to keep or indemnify the Business for, or otherwise for which such vendor is responsible.

Relevant contractual arrangements are often complex and subject to different interpretations and potential dispute.

Additionally, whilst the Business seeks warranty protection that it believes is sufficient to cover likely risks in relation to the operation of the plant, such warranty protection is typically subject to limitations in relation to the matters covered and the time periods covered, such that there is no guarantee that such warranty protection will provide complete cover in all scenarios.

The Board and the Responsible Entity intend to reduce these risks by engaging only with reputable, creditworthy and suitably experienced counterparties and ensuring that all parties are bound by legal agreements for material transactions.

Where a counterparty to the Business (for example a counterparty to the PPAs or a supplier of panels to the solar power plants) becomes unable or unwilling to fulfil their related contractual obligations, refuses to accept the delivery of power or terminates agreements early, the financial position and performance of the Business may be materially adversely impacted.



TID SGS panel rows closeup - September 2017



TID SGS array - September 2017

### 5.1.11 CURRENCY RISK

A significant proportion of the Business' investments are currently in foreign currency (i.e. in currencies other than Australian dollars) denominated assets. The value of Stapled Securities and Options will be impacted by increases and decreases in the value of those foreign currencies to the extent that the Business' exposure to those foreign currencies is unhedged.

The Board and the Responsible Entity do not currently intend to hedge foreign currency exchange risk but may do so in the future depending on the prevailing exchange rates and economic conditions.

An increase in the value of other currencies against the Australian dollar will mean the NAV of the Business will be worth more when converted into Australian dollars, but if the value of the other currencies falls, the NAV will be worth less in Australian dollar terms.

Volatility in the prevailing exchange rates in the markets in which the Business invests may cause volatility in the distributions of the Business.

The Australian dollar exchange rate has been subject to significant fluctuations in the past and may be subject to significant fluctuations in the future.

The capital value of assets held by the Business may be hedged through use of derivatives such as foreign exchange forward contracts.

### 5.1.12 US INVESTMENT TAX CREDIT RISK

The Business is acquiring assets on the basis of a financing partnership with an investment from a Tax Equity Investor who is able to efficiently convert the tax attributes of solar projects to actual funds; including the federal ITC and accelerated depreciation. (See Section 3.6.1 for further details on US investment structures). The Business may execute binding agreements to acquire projects before the structure of the partnership or key terms are finalised and, to the extent final terms are different to those modelled at the time of project acquisition, or there is failure to agree, financial outcomes from the investment may be impacted, or it may not proceed.

Moreover, any binding agreements that the Business may enter into in connection with such tax equity financing transactions will include customary risk allocations between the Tax Equity Investor and the Business regarding tax credit eligibility for the projects and the amount of such benefits available to the Tax Equity Investor or the recapture of any tax credits. Depending on the underlying triggering event giving rise to a disallowance or recapture in whole or in part of those benefits, the Business may be required to indemnify the Tax Equity Investor for its loss in benefits resulting from such disallowance or recapture.

It is important to note that the Business is indemnified for much of this risk through the acquisition documentation for the Existing Portfolio, the primary exceptions being any action the Business would take that results in abandoning the facility, a casualty event resulting in the facility being abandoned or transferring its ownership interests in the project to a disqualified person. In the case of the CCR Portfolio, the specific terms and conditions remain subject to negotiating and executing the tax equity financing documentation, although the Business will not have as broad vendor indemnification protections as it did in relation to the Existing Portfolio. A reduction or repeal of the current ITC scheme could have a negative impact on the financial outcomes of the projects or they may not proceed. Additionally, tax rate changes whilst the Tax Equity Investor remains a partner of the Business may impact the value of the Tax Equity Investor's investment, and the Business may accept this risk as part of the financing partnership.

### 5.1.13 TAX EQUITY INVESTOR RISK

The ability to source funding from Tax Equity Investors depends on a number of factors, including applicable regulations and ITCs, the tax appetite of individual investors, the structure proposed, the particular features of the project, and the ability of the Business to agree acceptable terms with any particular investor. If a project has already been acquired and the Business is

subsequently unable to source funding from Tax Equity Investors, financial outcomes from the acquisition may be impacted. A longer-term inability to source funding from Tax Equity Investors may impact the ability of the Business to continue to acquire assets.

### 5.1.14 EXPERIENCE OF THE RESPONSIBLE ENTITY AND INVESTMENT MANAGER RISK

The Responsible Entity acts as the responsible entity for the Trust, the Fort Street Real Estate Capital Fund I, II & III, US Masters Residential Property Fund, Emerging Markets Masters Fund, US Select Private Opportunities Fund I, II & III and Evans & Partners Global Disruption Fund.

Although the Investment Manager was newly established in 2015, the principals and executives of the Investment Manager have extensive experience in the identification, acquisition, management and disposal of a diverse range of asset classes. The Investment Manager may engage with other industry consultants as required.

However, there can be no guarantee that the Responsible Entity and Investment Manager will be able to achieve the Business' investment objective or that the Investment Manager will be able to locate appropriate investment opportunities.

### 5.1.15 POTENTIAL DECLINE IN ASSET VALUE

The value of power generation assets is closely linked to electricity demand, electricity pricing, PPA terms, regulations, location, asset supply and demand factors and environmental risks.

Changes to any of these elements may impact the value of the Business' underlying assets and consequently an Investor's investment in the Business.

Investors should note that existing assets and those intended to be acquired by the Business have limited useful lives (expected to be 30 or more years) and uncertain values after the expiry of the relevant PPA or other offtake arrangement at this time. These 'residual values' may even be zero. There is also a risk that the PPA extensions or new PPAs will not be at equivalent rates to existing PPAs, or that new PPAs will not be available on favourable terms. The loss of income may result in a reduction in distributions from the Business and a decline in the value of the assets of the Business. A decline in asset value may also impact loan covenants applicable to the Business and the Business may, as a result, be required to reduce borrowings through the sale of assets, additional capital raisings (including discounted capital raisings) or retaining distributions.

### 5.1.16 TECHNOLOGICAL CHANGES

Technological changes in the power industry generally, and the solar industry specifically, may lower wholesale electricity prices (see Section 5.2.1). Lower long-term wholesale electricity prices or the technical obsolescence of the solar power plants owned by the Business could negatively impact the Business' ability to recontract its electricity output following the expiry of its existing PPAs.

### 5.1.17 ILLIQUIDITY RISK OF UNDERLYING ASSETS

The Responsible Entity and the Company intend for the Business to hold interests primarily in renewable energy assets that are generally illiquid in nature. The Board and the Responsible Entity intend for the Business to be a medium to long-term investor in assets and as such may hold assets until the end of their useful lives, expected to be 30 or more years. If it were necessary or desirable for the Business to sell one or more of its interests in the Existing Portfolio or the CCR Portfolio, it may not be able to do so in a short period of time or it may not be able to realise an investment for the amount at which the Business has valued it. Any protracted sale process, inability to sell an asset or sale at a price that is less than the Business' valuation may adversely affect the Businesses financial performance.

## 5.1.18 CONSTRUCTION RISK

Assets under construction are exposed to risks associated with the project not being completed on time, on budget, in accordance with specifications, or at all, which could impact the applicable PPAs, including a failure to achieve required milestones under the PPA. Any delays in or failure of construction or increases in costs may adversely affect the yield of the investment and consequently impact the Business' operating and financial performance.

## 5.1.19 CO-INVESTOR RISK

The Business may co-invest in assets with third party investment partners such as joint venture partners or trustees of external trusts. Relationships with future investment partners may not operate as intended and there is a risk that this may negatively impact the value of the investments by the Business. The Business will generally only seek to co-invest where it would have a majority interest.

## 5.1.20 ACQUISITION RISK

The Company, the Trust and the Investment Manager may fail to identify material problems during due diligence, over-pay for assets and may acquire assets in new markets where the Business has not previously operated. While the Business performs due diligence on prospective acquisitions, it may not be able to discover all potential operational deficiencies of such projects.

There is no guarantee that any prior or future acquisition will perform as expected or that the returns from such acquisitions will support the financing used to acquire them or maintain them. Acquisitions may have a material adverse impact on the financial position and performance of the Business.

The Business has committed to acquire the CCR Portfolio, however CCR may fail to complete one or more of the remaining development tasks necessary for the Business to complete each stage of each individual project acquisition. Although the structure of the acquisition arrangements is such that the purchase price for a project only becomes payable once certain milestones are met and payments under the EPC contract are staged according to construction milestones, much of the consideration is payable upon satisfaction of early milestones.

A retainage amount and liquidated damages regime in the EPC contract compensates the Business if projects are not completed by its guaranteed COD date. If a particular project is not placed in service by 31 December 2018, and the financial impact is not acceptable to NES, CCR can be required (or may be required by a Tax Equity Investor) to re-purchase the projects at cost for an amount equal to what the Business paid for the project prior to the re-purchase plus certain out-of-pocket third-party consultants fees and costs.

## 5.1.21 SUBSTANTIALLY UNCOMMITTED FUNDS

Subject to market conditions, proceeds of the Offer may be retained in cash until appropriate investment opportunities arise. The distribution rate will be impacted by interest rates and the yield on cash and cash managed investments. The actual impact that interest rates will have on the distribution rate will depend on applicable interest rates and the time it takes for the Investment Manager to identify attractive opportunities to deploy the capital raised.

## 5.1.22 SIZE OF PORTFOLIO

The size of the portfolio of the Business will affect the risk profile of the Business. The Business may not be able to diversify its investments and so manage its risks as efficiently if it achieves the Minimum Subscription under this Offer compared to achieving a greater level of subscription under the Offer. Effective risk management depends on a range of factors including diversification of investments and other factors.

## 5.1.23 RELATED PARTY TRANSACTION RISK

The Responsible Entity and the Company will transact with related parties. There are a number of related party transactions described in this Offer Document. See Section 15.8 for further information.

Conflicts of interest may arise where the interests of one party or the Investors may diverge from the interests of the other party. The Company and the Responsible Entity have a policy to assist in managing this risk (see Section 10.9.1 for further information regarding the conflicts of interest and related party transactions policy).

## 5.1.24 DIVIDEND AND DISTRIBUTION RISK AND RESIDUAL VALUE OF INVESTMENTS

The Business may make dividends and distributions partly or wholly from unrealised revaluation gains, capital, or support facilities arranged by the Responsible Entity and the Company, rather than solely from cash from operations available for distribution. Distributions which include a return of capital of the Trust will result in a corresponding reduction to NAV for the Trust. Investors should note assets intended to be acquired by the Business have limited useful lives (expected to be 30 or more years) and uncertain residual values, which may be zero.

The Business is targeting a distribution of 4.00 cents per Stapled Security for the second half of 2017 based on the general assumptions set out in Section 4.1.6. Based on the specific and general assumptions set out in Section 4.1.6, the Business is also targeting a distribution of 7.75 cents per Stapled Security for the 2018 calendar year – representing a potential annual distribution yield for 2018 of 5.0% to 5.3% based on the Indicative Price Range<sup>66</sup>. The Business' actual distribution for this period, and later periods, may be less than this target distribution range and a proportion of future distributions is likely to contain a return of capital and/or a tax deferred distribution.

As the Business will raise Australian dollars through the Offer, it currently intends to retain sufficient funds in Australian dollars to pay the Business' operating costs and fund the targeted second half of 2017 and 2018 distributions without translating operational earnings from US dollars (net of the impact of the Business' distribution reinvestment plan (see Section 15.19 for details of the plan)).

## 5.1.25 INABILITY TO PAY DISTRIBUTIONS

The level of distributions from time to time will be determined by the Responsible Entity and the Company having regard to the financial position of the Business at that time and any limitations on distribution of cash flows from underlying project or financing entities contained in relevant debt financing agreements. There is no guarantee that distributions will be paid, or as to the level or frequency of the distributions of the Business. Past distribution rates are not a reliable indicator of future distribution rates.

## 5.1.26 CATASTROPHIC RISKS

There is a risk that the Business' investments may be damaged or destroyed by flood, cyclone, hurricane, earthquake, fire, war, explosion, terrorism or some other natural or man-made disaster. To the extent commercially desirable and possible to do so, the Business intends to insure against these risks. However there is no guarantee that insurance will be obtainable for all of these risks or if it is obtainable that it is obtainable at commercially acceptable pricing.

**66.** Targeted 2018 distribution yield is calculated as the target distribution of 7.75 cents per Stapled Security for the 2018 calendar year divided by the Indicative Price Range of \$1.45 to \$1.55 per Stapled Security.

## 5.2 RISKS SPECIFIC TO THE SECTOR

### 5.2.1 REFINANCING RISK

There is the risk that the Business may not be able to obtain borrowings on favourable terms. If the Business is unable to repay or refinance its borrowings upon maturity or in the event of a breach of covenant, the Business may have to seek further equity, dispose of assets or enter into new debt facilities on less favourable terms. These factors could materially adversely affect the Business' ability to operate, pay distributions, acquire new investments and fund capital expenditure.

### 5.2.2 FORCE MAJEURE

Unplanned interruptions and outages outside of the control of the Business, such as cyclones, flood, hurricanes, earthquakes, fire, explosion, terrorist events, plant breakdowns or the plants failing to achieve their benchmark generation capacity can affect the generation of electricity and consequently disrupt the Business' ability to supply electricity. The risks of these events are generally covered by insurance policies or by equipment warranties and guarantees that are expected to apply at the individual project or asset level (see Section 5.2.4 below for further information).

Not all losses from such events may be recoverable from the proceeds of insurance claims or covered by warranties and guarantees, resulting in decreases in the value of the Business and/or potential decreases in the Business' distributions to Investors.

### 5.2.3 SECTOR CONCENTRATION RISK

Generally, the more diversified a portfolio, the lower the risk that an adverse event pertaining to one asset has a material impact on the overall portfolio. The Business is not a diversified investment in that it focuses on specific kinds of renewable energy investments. Additionally, there is a risk that the Business may not be able to source sufficient renewable energy assets which satisfy the Business' investment criteria, in order to diversify the Business by geographic location and Offtaker.

### 5.2.4 INSURANCE RISK

Various factors can influence both the cost of maintaining insurance over the direct and indirect assets of the Business and the extent of cover available. Increased insurance costs, or limits on cover, may have a negative impact on the performance of the Business, as funds that should otherwise be used to invest in assets may be required to pay the increased insurance costs. Limits on insurance cover may prevent the Business from recovering the amount invested in an asset should an event insured against occur.

### 5.2.5 TAX RISK

Changes in income tax, ITCs, indirect tax or duty legislation or policy may affect the returns of the Business. Such changes could result in impacts to cash flows and the distribution policy of the Business having to change. As changes in revenue law or policy and other legal or regulatory changes often cannot be foreseen, the Responsible Entity and the Company will attempt to respond to any such changes prudently.

A reduction in the applicable income tax rate or availability or timing of depreciation benefits may impact a Tax Equity Investor's projected after-tax benefits after taking into account any tax saving from such change. If this impact is negative, allocations of net income and net loss may be adjusted to preserve the Tax Equity Investor's after-tax benefits. If these adjustments are insufficient, any remaining capital contributions will be adjusted which could result in additional contributions from the Business, or the Business' net cash flow distributions from the lessee may be reduced until the Tax Equity Investor's after-tax benefits are restored, which would impact the Business' pre-tax return on investment. Overall, however, a reduction in income tax rate is

expected to have a positive impact on the Business' post-tax return. The Business has various options to manage this risk and to reduce the impact on near-term cash yields such as establishing a reserve account which can be released as the potential liability reduces over the life of the tax equity partnership. It is important to note that the Business is not exposed to this risk in respect of the Existing Portfolio and the detailed mechanism of allocation in respect of the CCR Portfolio is subject to negotiation and execution of tax equity financing documentation, the first project reaching NTP, and the Tax Equity Investor paying a nominal amount for its interest in the lessee company.

## 5.3 GENERAL INVESTMENT RISKS

### 5.3.1 MACROECONOMIC RISKS

The renewable energy market and the value of the assets of the Business can be affected by changes in various macroeconomic conditions. Changes in the Australian, US or other international economic, technological, political or regulatory environment, as well as inflation and market sentiment, can have a negative or positive impact on asset values.

The Responsible Entity and the Company will endeavour to minimise these risks by drawing on the experience of the Investment Manager as well as the Investment Manager's ability to engage its contacts and undertake research in the marketplace.

### 5.3.2 BUSINESS RISK

This risk is relevant to all funds. It includes the risk that the Business could terminate, the fees and expenses of the Business could change, and the Responsible Entity or the Company and/or the various managers retained by the Responsible Entity or the Company may change.

There is also a risk that investing in the Business may lead to a different result than investing directly in the renewable energy market due to income or capital gains or losses accrued in the Business.

### 5.3.3 TAXATION RISK

There are risks that the tax consequences for an individual Investor or for the Business with regard to income tax (including capital gains tax), duty and other taxes may differ from the tax consequences described in Section 9 of this Offer Document. The Business may be required to withhold tax in the jurisdictions outside Australia where it operates and, depending on the jurisdiction, individual Investors may or may not receive a credit for this withholding. The amount of tax the Business is required to withhold may change over time and there is a risk that a change in the circumstances of the Business, the deductibility of expenses including interest on loans from the Trust to NES US Corp., or the characterisation of payments from jurisdictions outside Australia to the Business' Australian entities, will result in an increased amount of tax withheld overseas, which may result in reduced distributions or adverse tax consequences for individual investors or the Business.

Changes to taxation laws and policies in the US, Australia (including any changes in relation to how income of the Business is taxed or in relation to the deductibility of expenses) might adversely impact the Business and Investor returns. It is not possible to predict future changes to tax law or policy.

There is also a risk that any potential distributions may be unfranked or partially franked to the extent that tax is paid outside of Australia.

### 5.3.4 KEY PERSONNEL RISK

There is a risk of departure of key staff or consultants with particular expertise in the renewable energy investment sector, whether they are the directors of the Company or the Responsible Entity, or Senior Management responsible for the Business or independent advisors. The departure of any of members of Senior Management may have an adverse impact on the value of the Business.

### 5.3.5 PERFORMANCE OF OTHER ASSET CLASSES

Higher relative performance (or anticipated performance) in other asset classes can encourage individuals to divert money away from equity investments such as the Business. This may have a negative impact on the demand for and value of the Stapled Securities and Options.

### 5.3.6 TRADING OF STAPLED SECURITIES AND OPTIONS

New Energy Solar has no trading history prior to the Offer. Therefore there can be no guarantee that there will be a liquid market for Stapled Securities or Options. Investors should be aware that this may limit their ability to realise a return or recover their capital. ASX reserves the right (but without limiting its absolute discretion) to remove the Company or the Fund from the official list if the Stapled Securities cease to be stapled together.

### 5.3.7 DILUTION RISK

If the Responsible Entity and the Company issue Stapled Securities and Options to new investors, for example to fund the acquisition of assets in the current pipeline or other assets identified by the Business, the existing Securityholders' proportional ownership of the Business may be reduced.

The Responsible Entity and the Company may need to seek the approval of Securityholders at a meeting if the capital sought to be raised would exceed the limits for new issues of Stapled Securities and Options under the ASX Listing Rules.

### 5.3.8 INVESTOR CONSIDERATIONS

Before deciding to subscribe for Stapled Securities and Options, Applicants should consider whether Stapled Securities and Options are a suitable investment.

There may be tax implications arising from an investment in the Business, the receipt of dividends or distributions from the Business and the disposal of Stapled Securities and Options. Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax advisor in relation to the application of tax legislation.

If you are in doubt about whether you should subscribe for Stapled Securities and Options you should seek advice on the matters contained in this Offer Document from a stockbroker, solicitor, accountant or other professional advisor.



## **SECTION 6**

### **Fees and Expenses**

*NC-31 substation - March 2017*



*Stanford SGS & TID SGS site aerial - September 2017*

### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Business or your financial advisor.

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (**ASIC**) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Business as a whole. Taxes are set out in Section 9 of this Offer Document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

## 6.1 FEES AND COSTS

**Table 13: New Energy Solar Fees and Costs**

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE BUSINESS</b>		
ESTABLISHMENT FEE  The fee to open your investment	Nil	Not applicable.
CONTRIBUTION FEE  The fee on each amount contributed to your investment	3.00% of the Application Monies, plus the net amount of GST of 0.0750% (totalling 3.0750% <sup>2</sup> )	This fee is charged by the Responsible Entity and is payable from the Offer proceeds on the Issue Date. This fee is broken down by the Responsible Entity into the Structuring Fee and the Handling Fee <sup>1</sup> .
<b>WITHDRAWAL FEE</b>		
WITHDRAWAL FEE  The fee on each amount you take out of your investment	Nil	Not applicable.
<b>EXIT FEE</b>		
EXIT FEE  The fee to close your investment	Nil	Not applicable.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>MANAGEMENT COSTS – THE FEES AND COSTS FOR MANAGING YOUR INVESTMENT</b>		
<b>Initial Costs and Expenses of the Offer</b>		
Costs of the Offer not covered by the contribution fee	Estimated at 0.67% of the NAV of the Business plus the net amount of GST of 0.0262% (totalling 0.7005%?). This amount assumes the maximum subscription of \$200 million is raised under the Offer.	This fee is charged by the Responsible Entity out of the Business or from the Offer proceeds on the Issue Date and will be used to meet the expenses of the Offer that are not covered by the Contribution Fee. Some or all of this payment may be distributed to Licensees, including related bodies corporate of the Responsible Entity and the Company. See Section 6.2.1 for further information.
<b>Ongoing Costs of the Business</b>		
RESPONSIBLE ENTITY FEE The fee for operating the Trust.	0.08% per annum of the gross asset value of the Trust plus the net amount of GST of 0.0036% (totalling 0.0836%). This fee is estimated to amount to 0.0540% <sup>3</sup> per annum of the NAV of the Business.	This fee is charged on the gross asset value of the Trust, and is payable monthly to the Responsible Entity out of the Trust.
INVESTMENT MANAGER FEE The fee for the investment management of the Business.	0.70% per annum of the enterprise value of the Company and Trust plus the net amount of GST of 0.0180% (totalling 0.7180%). This fee is estimated to amount to 0.8653% <sup>4,9</sup> per annum of the NAV of the Business.	This fee is charged on the enterprise value of the Company and the Trust (as explained in Section 14.1), and is payable each quarter to the Investment Manager out of the Business.
ACQUISITION AND DISPOSAL FEE <sup>5</sup> The fee payable to the Investment Manager by the Business for acting as advisor on the purchase or sale of the underlying Business assets.	Acquisition Fee – 1.50% of the purchase price of assets acquired by the Business. Disposal Fee – 1.50% of the net proceeds of the sale of any asset of the Business.	These fees are payable upon the settlement of the acquisition or disposal of the relevant Business asset.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>MANAGEMENT COSTS – THE FEES AND COSTS FOR MANAGING YOUR INVESTMENT</b>		
OTHER EXPENSES <sup>6</sup> The fees and costs associated with the administration of the Business, which are to be reimbursed to the Responsible Entity and/or Investment Manager by the Business including registry fees, leasing, tax, custodian, valuation, legal, travel, accounting and audit fees.	Estimated at 0.22% per annum of the NAV of the Business plus the net amount of GST of 0.0143% (totalling 0.2343%).	These expenses are payable directly out of the assets of the Business.
SWITCHING FEE The fee charged for changing investment options.	Nil	Not applicable.

**1.** Some or all of this payment may be distributed to Licensees, including related bodies corporate of the Responsible Entity. (See "Structuring and Handling Fees" under the heading "Additional Explanation of Fees and Costs".)

**2.** These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover 75% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs".)

**3.** These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover at least 55% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs".)

**4.** These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover at least 75% of the GST component of fees charged to it if all investments are made through offshore markets. If investments are made in the domestic market, a RITC of 75% may be applied, and thus the RITC would be apportionable between 75% and 100% depending on the activity of the Business. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs".)

**5.** This is net of GST, as it is anticipated that the Business may be able to recover 100% of the GST component of fees charged to it if all investments are made through offshore markets. If investments are made in the domestic market, a RITC of 75% may be applied, and thus the RITC would be apportionable between 75% and 100% depending on the activity of the Business. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs".)

**6.** "Other expenses" are estimated based on a capital raising of \$200 million.

**7.** These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover up to 55% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs".)

**8.** The amount of the fees in Table 13 may be different if agreed with a wholesale client.

**9.** The Investment Management fee has been estimated with reference to the general and specific assumptions set out in Section 4.1.6.

**Table 14: Example of ongoing annual fees and costs for an investment in the Business<sup>1</sup>**

This table provides an example of how the annual fees and costs for this product can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

**EXAMPLE –  
NEW ENERGY SOLAR      AMOUNT    BALANCE OF \$50,000**

CONTRIBUTION FEES	Nil	Not applicable <sup>1</sup>
PLUS Management costs	1.7790%	AND, for every \$50,000 you have in the Business, you will be charged \$889.54 <sup>2</sup> each year.
EQUALS Cost of Business	1.7790%	If you had an investment of \$50,000 during a year you would be charged fees for that year of \$889.54 <sup>3</sup> .

**1.** Although the contribution fee and the costs of the Offer not covered by the contribution fee apply under the Offer, they have not been included in the above example because they are not typical ongoing costs.

**2.** The fees in Table 14 are inclusive of GST and net of RITC. Please see Table 14 for a further breakdown and explanation of the management costs percentage and the assumed GST recovery amounts in Table 13.

**3.** The management costs figure is an estimate of typical ongoing costs and fees of the Business. The Handling Fee and the Structuring Fee have not been included in the above example because they are upfront amounts (payable from the contribution fee entitlement) and are not typical ongoing costs and fees (See “Additional Explanation of Fees and Costs” for further details).



The following table expands on the information in Table 14 above by setting out the individual amounts payable in respect of each ongoing fee. This excludes certain payments made by the Business (relating to disposal fees and any other one-off additional fees such as the ASX listing). Ongoing expenses and acquisition fees have been included, assuming a capital raising of \$200 million, the Business therefore having approximately \$471 million of assets on the Issue Date and the assumed offshore acquisitions of \$200 million (excluding acquisition costs) within 12 months of the Issue Date. The following table assumes a balance of \$50,000 in the Business.

**Table 15: Breakdown of fees and costs used in above example**

TYPE OF FEE OR COST	AMOUNT	DOLLAR VALUE
Responsible Entity Fee	0.0540% <sup>1</sup>	\$27.02
Investment Management Fee	0.8653% <sup>2</sup>	\$432.64
Other Expenses	0.2343% <sup>3,4</sup>	\$117.17
<b>Sub total</b>	<b>1.1536%</b>	<b>\$576.83</b>
Acquisition Fee	0.6254% <sup>5,6</sup>	\$312.71
<b>Estimated Business Costs</b>	<b>1.7790%<sup>1</sup></b>	If you had an investment of \$50,000 during a year and your balance was \$50,000, then for that year, you would be charged fees of: \$889.54.

1. These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover at least 55% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs".)
2. These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover at least 75% of the GST component of fees charged to it if all investments are made through offshore markets. If investments are made in the domestic market, a RITC of 75% may be applied, and thus the RITC would be apportionable between 75% and 100% depending on the activity of the Business. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs".)
3. Other expenses are estimated fees and costs associated with administration and operation of the Business based on the Business raising \$200 million and expressed as a percentage of the net asset value of the Business.
4. These amounts include the net amount of GST, as it is anticipated that the Business may be able to recover up to 55% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs".)
5. This is net of GST, as it is anticipated that the Business may be able to recover 100% of the GST component of fees charged to it if all investments are made through offshore markets. If investments are made in the domestic market, a RITC of 75% may be applied, and thus the RITC would be apportionable between 75% and 100% depending on the activity of the Business. (See "GST and tax" under the heading "Additional Explanation of Fees and Costs".)
6. Acquisition Fee is indicative only and based on the Business raising \$200 million and assumed offshore acquisitions of \$200 million (excluding acquisition costs) in the 12 months following the Issue Date. Acquisition fees will be payable during the acquisition phase of the Business. The Board and the Responsible Entity currently expect to hold assets for their useful life so it is not anticipated that a disposal fee will be payable within the next 12 months. When the Business is no longer in the acquisition phase, it is expected that ongoing fees will be closer to the sub total of 1.1536% in Table 10 above.

## 6.2 ADDITIONAL EXPLANATION OF FEES AND COSTS

### 6.2.1 STRUCTURING AND HANDLING FEES

The Responsible Entity breaks down the contribution fee into a Structuring Fee and a Handling Fee. The component of the overall contribution fee payable by the Trust will fall under the Trust Constitution. The component of the overall contribution fee payable by the Company will fall under an agreement between the Responsible Entity and the Company.

The effect of the Structuring Fee and the Handling Fee on each \$1.00 contributed under an Application will be approximately three cents, which will be payable to the Responsible Entity.

This will be a one-off payment, payable after the Offer Closing Date and due on the Issue Date. Up to 100% of the payment amount will be used to meet the expenses of the Offer and pay Licensees, including related bodies corporate of the Responsible Entity and the Company, for procuring subscriptions under the Offer. For more information refer to Section 7.5.3.

### 6.2.2 RESPONSIBLE ENTITY FEE

The Responsible Entity will charge a responsible entity fee for the operation of the Trust of 0.08% plus the net amount of GST of 0.0036% (totalling 0.0836%) of the gross asset value of the Trust, in accordance with the Trust Constitution.

### 6.2.3 INVESTMENT MANAGER FEE

The Investment Manager will charge an investment management fee of 0.70% of the enterprise value of the Company and the Trust in accordance with the formula outlined in Section 14.1. The GST input tax credit will depend on the nature of the investments made. Where, as is intended, offshore investments are made by the Business, this may be able to be recovered at 100% of the GST component of the fees charged. If investments are made in the domestic market, a RITC of 75% may be applied, and thus the RITC would be apportionable between 75% and 100% depending on the activity of the Business.

See Section 14.1 for further information.

### 6.2.4 ACQUISITION AND DISPOSAL FEE

The Investment Manager can receive an acquisition fee of 1.50% of the purchase price of assets acquired by the Business, excluding acquisition costs. Accordingly, if the Business acquires an offshore asset for \$25,000,000 the Investment Manager will be entitled to a fee of \$375,000 from the Business on that transaction.

The Board and the Responsible Entity intend for the Business to be a long-term owner of assets, however should an asset be divested, the Investment Manager can receive a disposal fee of 1.50% of the net proceeds of the sale of any assets of the Business, the sale of any units or shares in any controlled entity, the redemption of any units or shares in any controlled entity by the transfer of other assets other than cash, or the distribution in specie of the capital of controlled entities.

On the assumption that assets purchased by the Business are not in Australia, a full input tax credit should be able to be claimed in respect of any GST incurred on the acquisition or disposal fees.

For example, if the Business sells an offshore asset from its portfolio for \$25,000,000 the Investment Manager will be entitled to a fee of \$375,000 from the Business on that transaction.

A summary of the agreement relating to this fee and further details regarding this fee are included in Section 14.1.



Stanford SGS - PV module rows - September 2017



TID SGS PV module closeup - September 2017

## 6.2.5 ONGOING EXPENSES RELATING TO THE MANAGEMENT OF THE BUSINESS

The Responsible Entity is entitled to be reimbursed out of the assets of the Trust, and the Investment Manager is entitled to be reimbursed out of the assets of the Trust and the Company, for all out-of-pocket expenses they properly incur in operating and administering the Business. This includes expenses such as PPA management fees, valuation fees, stamp duties, taxes and bank fees, preparation of financial statements, audit and accounting fees, tax returns, committee fees and compliance costs. The amounts of these fees will be dependent on the costs and size of the Business. All external administration fees and costs are paid out of the assets of the Business.

Australian Fund Accounting Services Pty Limited (a subsidiary of Dixon Advisory) provides administration and accounting services to the Business. Time spent by staff is charged to the Business at agreed rates under a services agreement. Time spent by administrative staff is charged to the Business at agreed rates under the agreement, capped at \$120,000 per annum. This cost is included in 'other expenses' noted in Tables 12, 13 and 14.

No transactional and operational costs are currently incurred by the Trust.

## 6.2.6 WAIVER OR DEFERRAL OF FEES

Walsh & Company, in its capacity as Responsible Entity or New Energy Solar Manager Pty Limited as Investment Manager, may waive or defer the payment of any fees or accept payment of lower fees in any amount and for any period they determine. The Responsible Entity may also reinstate the payment of fees up to the levels prescribed in the Trust Constitution at any time on a prospective basis. The maximum responsible entity fee under the Trust Constitution is 0.5% (plus the net amount of GST) of the gross asset value of the Trust. The maximum contribution fee under the Trust Constitution is 5% (plus the net amount of GST) of application monies.

## 6.2.7 SECURITYHOLDER ADMINISTRATION

If the Responsible Entity is requested by a Securityholder to perform a role outside its normal administration function as contemplated by the Trust Constitution and this Offer Document, there may be a fee payable for such role. The fees will vary depending on the request by the Securityholder and will be disclosed to the Securityholder before the work is commenced.

## 6.2.8 GST

It is expected that the Company and the Trust may be able to recover a portion of the GST component of their costs. The Trust may benefit from at least 55% of the GST component on a broad range of costs under the reduced credit acquisition provisions of the GST Act or otherwise, while the Company may benefit from 75% of the GST component on a more limited range of acquisitions under those same provisions.

The overall recovery of GST charged will be dependent on a number of factors, including the split of the fees between the Trust and the Company. Where a fee is disclosed as being 'net of RITC', this amount has been generally calculated using a reduced credit acquisition rate of 55% for the Trust (except for the Structuring and Handling Fees and Investment Management Fee which should be eligible for a reduced credit acquisition rate of 75%) and 75% for the Company (except for the acquisition and disposal fee for which the Company should be eligible for a full input tax credit on the assumption assets purchased by the Business are not in Australia). However, there may be circumstances where the GST recovery could vary from that as outlined above.

Taxation implications are addressed in Section 9.



## **SECTION 7**

### **Financial Information**

*Stanford SGS at sunset - September 2017*



*TID SGS ground view - September 2017*

## 7.1 FINANCIAL INFORMATION

Financial information for New Energy Solar (comprising the stapled Company, New Energy Solar Limited including its controlled entities, and the Trust, New Energy Solar Fund including its controlled entities, together representing the Business) is set out below for the historical financial period from the date of registration 19 November 2015 to 31 December 2016 (**FY2016**) and for the half-year ended 30 June 2017 (**1H2017**). The financial information presented includes:

(a) Historical financial information of the Business comprising the:

- Statements of profit or loss and other comprehensive income for FY2016, and for 1H2017, including the comparative for the half-year ended 30 June 2016 (**1H2016**);
- Statement of financial position (balance sheet) as at 30 June 2017;
- Statements of cash flows for FY2016 and for 1H2017, including the comparative for 1H2016,

(together, the **Historical Financial Information**).

(b) Pro forma historical financial information of the Business comprising:

- Pro forma balance sheet of the Business as at the completion of the Offer, reflecting the various levels of take up of the Offer (Minimum Subscription, Maximum Subscription and Over Subscription (\$300 million), and accounting for the expenses associated with the Offer at these levels, as well as other significant post balance sheet date adjustments,

(the **Pro Forma Historical Balance Sheet**).

The Historical Financial Information and the Pro forma Historical Balance Sheet are together the Financial Information. The references to Financial Information presented in this section and covered by the Investigating Accountant's Report explicitly exclude any forward-looking statements in relation to the target distribution for the second half of 2017 and the 2018 financial year provided in Section 10.9.1 and the Existing Portfolio underlying cash flow information provided in Section 4.1.6.

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information by Deloitte Corporate Finance Pty Limited whose Investigating Accountant's Report on the Financial Information is contained in Section 8.

## 7.2 ADDITIONAL INFORMATION

Also included in this Section 7 are:

- a summary of the basis of preparation and presentation of the Historical Financial Information and the Pro forma Historical Balance Sheet (see Section 7.3);
- a description of the pro forma adjustments made to the Historical Financial Information to derive the Pro forma Historical Balance Sheet (see Section 7.5.1);
- a summary of New Energy Solar's indebtedness and capitalisation in place at the date of lodgement of this Offer Document (see Section 7.5.4);
- an overview of the trading activities and key impacts on the Business in the form of management's discussion and analysis of the Historical Financial Information (see Section 7.7);
- an extract of the Significant Accounting Policies of the Business (see Section 7.9).

The information in this Section 7 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Offer Document. All amounts disclosed are in Australian dollars (\$) and are rounded to the nearest thousand, unless otherwise noted. Tables have not been amended to correct immaterial summation differences that may arise from this rounding.

## 7.3 BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information included in this Offer Document is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the Business. The directors of the Company and the Responsible Entity of the Trust are responsible for the preparation and presentation of the Financial Information.

Subject to the discussion below in respect of the presentation of accounts for the Business, the Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards, which are consistent with the International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board, and the Accounting Policies set out in Section 7.9.

The Historical Financial Information has been derived from the statutory financial accounts for the Company including its controlled entities, and for the Trust including its controlled entities for FY2016, and from the half-year accounts for these entities for 1H2017, which were audited (FY2016) or reviewed (1H2017) by Deloitte Touche Tohmatsu. The audit and review opinions issued by Deloitte Touche Tohmatsu were unmodified.

The presentation of Historical Financial Information in the remainder of this section includes financial information of the Business, representing the Company including its controlled entities, and the Trust including its controlled entities, on an aggregated basis (after elimination of any inter-group balances and transactions) to reflect the most relevant financial information for investors. The financial information for Company, including its controlled entities, and the Trust, including its controlled entities, cannot be consolidated pursuant to Australian Accounting Standard AASB 10 Consolidated Financial Statements for the reason set out below.

Pursuant to AASB 10, the Company has been nominated as the deemed parent of the stapled group. Since the Company is classified as an “investment entity” for accounting purposes, it is required to measure its controlled entities (including the Trust) at fair value. However, since the Company has no direct interest in the Trust by way of unit holdings, no value can be attributable to the Trust in the books of the Company. As such, to reflect the value of the Trust, it is necessary to aggregate the statutory historical financial results of the Company, including its controlled entities, and the Trust, including its controlled entities, consistent with the presentation in the statutory accounts of the Company and the Trust. This aggregation represents the Business.

Section 7.9 below sets out Significant Accounting Policies including the basis of non-consolidation in detail.

The Pro forma Historical Balance Sheet has been prepared for the purpose of this Offer Document and has been derived from the statement of financial position as at 30 June 2017 of the Business adjusted for pro forma adjustments. The pro forma adjustments are described in the footnotes to the Pro forma Historical Balance Sheet set out in Section 7.5 and include the impact of the Offer and associated costs of the Offer, as well as significant transactions and events (non-operating in nature) that have occurred after 30 June 2017, namely payment on 15 August 2017 of a distribution declared to Securityholders on 28 June 2017 and issue of Stapled Securities pursuant to the distribution reinvestment plan (see Section 15.19 for details of the plan).

The Pro forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of New Energy Solar’s view on its future financial position, which may differ. For instance, the Business intends to continue to invest in future projects and may change its gearing to optimise its capital structure on an ongoing basis. Investors should note that past results are not a guarantee of future performance.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

To obtain a copy of the statutory annual financial accounts of the Company including its controlled entities, and of the Trust including its controlled entities for FY2016, or the half-year financial report for these entities for 1H2017, free of charge, please call 1300 454 801 or download a copy from [www.nes.com.au/announcements](http://www.nes.com.au/announcements). These documents contain important financial information as at and for the financial period ended 31 December 2016 and the half-year ended 30 June 2017, including notes to those statements and declarations by the directors of the Responsible Entity and the Company in relation to those statements and notes, and are incorporated into this Offer Document by reference.



NC-31 north side aerial view - February 2017

## 7.4 HISTORICAL STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out the historical statements of profit or loss and other comprehensive income of the Business for FY2016 and 1H2017 including the half-year comparative for 1H2016 extracted from the statutory financial reports.

AUSTRALIAN DOLLARS	REF	BUSINESS 1H2016 \$	BUSINESS FY2016 \$	BUSINESS 1H2017 \$
<b>Revenue</b>				
Fair value gains on financial assets at fair value through profit or loss	1	-	2,643,456	-
Foreign exchange gain	2	-	3,047,736	-
Recharges to NES US Corp.	3	-	-	599,010
Finance income	4	927,969	3,606,619	5,189,194
<b>Total revenue</b>		<b>927,969</b>	<b>9,297,811</b>	<b>5,788,204</b>
Fair value losses on financial assets at fair value through profit or loss	1	-	-	(12,332,083)
Finance expenses		(298)	(922)	(322)
Responsible entity fees	5	(61,121)	(137,539)	(109,715)
Investment management fees	5	(548,870)	(1,242,838)	(258,248)
Foreign exchange loss	2	(3,630,406)	-	(11,586,070)
Other operating expenses	6	(319,629)	(813,099)	(294,721)
<b>Total expenses</b>		<b>(4,560,324)</b>	<b>(2,194,397)</b>	<b>(24,581,159)</b>
<b>Profit/(loss) before tax</b>		<b>(3,632,355)</b>	<b>7,103,414</b>	<b>(18,792,955)</b>
Income tax benefit/(expense)		(5,975)	(85,643)	23,192
<b>Profit/(loss) after tax for the period</b>		<b>(3,638,330)</b>	<b>7,017,771</b>	<b>(18,769,763)</b>
<b>Other comprehensive income, net of income tax</b>		-	-	-
<b>Total comprehensive income/(loss) for the period</b>		<b>(3,638,330)</b>	<b>7,017,771</b>	<b>(18,769,763)</b>

### Notes:

1. Fair value gains and losses on financial assets: Represents the periodic fair value gain or loss on the Company's investment in its wholly owned subsidiary, New Energy Solar US Corp. The gain reported in the period to 31 December 2016 was comprised of an unrealised foreign exchange translation gain of \$4.3 million, offset by a \$1.7 million decline in New Energy Solar US Corp.'s net asset value (mainly associated with interest expense incurred on loans provided by the Trust). The fair value loss reported in the period to 30 June 2017 was comprised of an unrealised foreign exchange translation loss of \$7.0 million and a \$5.3 million decline in New Energy Solar US Corp.'s net asset value (mainly associated with interest expense on loans provided by the Trust and other operating expenses).
2. Foreign exchange gains and losses: Foreign exchange gains/losses in the period to 31 December 2016 and 30 June 2017 relate to translation of US denominated cash balances and the US\$ denominated Trust loan to New Energy Solar US Corp. (see Section 7.5). The US\$ strengthened against the \$ during the

period from inception to 31 December 2016 and then weakened over the six month period to 30 June 2017 closing at AUD:USD 0.7689 compared to 0.7208 at 31 December 2016.

- 3.** Recharges to New Energy Solar US Corp: These relate to recharges of investment management fees by the Company and the Trust to New Energy Solar US Corp.
- 4.** Finance income: Represents interest earned on cash on hand balances and on the loan by the Trust to New Energy Solar US Corp. This loan bears interest at a fixed rate of 6% per annum over a seven-year term.
- 5.** Responsible Entity and investment management fees: Relates to the Responsible Entity Fee payable by the Trust at a rate of 0.08% per annum (exclusive of GST) calculated on the gross asset value of the Trust, and the pre-listing investment manager fee of 0.7% per annum (exclusive of GST) calculated on the gross asset value of the Business.
- 6.** Other operating expenses: Relate to consulting, advisory and project related expenses of the Business.

## 7.5 PRO FORMA HISTORICAL BALANCE SHEET

### 7.5.1 PRO FORMA ADJUSTMENTS

The table below sets out the historical statement of financial position (balance sheet) of the Business at 30 June 2017, and the pro forma historical balance sheets which adjust for the impacts of the Offer including the proceeds from the Offer and the Offer costs, as well as the other pro forma adjustments explained in the footnotes to the table below.

\$'000	REF	PRO FORMA HISTORICAL BALANCE SHEET <sup>8</sup>				
		Actual (Reported)	Adjusted for Distributions <sup>7</sup>	Minimum Subscription	Maximum Subscriptions	Over Subscription (\$300 million)
<b>Assets</b>						
Cash and cash equivalents	1	6,581	3,427	97,211	193,990	289,441
Trade and other receivables	2	7,637	7,637	7,637	7,637	7,637
Investments in controlled entities at fair value	3	101,021	101,021	101,021	101,021	101,021
Loans to controlled entities	4	168,398	168,398	168,398	168,398	168,398
<b>Total assets</b>		<b>283,637</b>	<b>280,483</b>	<b>374,267</b>	<b>471,046</b>	<b>566,497</b>
<b>Liabilities</b>						
Distribution payable	5	6,072	-	-	-	-
Other liabilities	6	315	315	315	315	315
<b>Total liabilities</b>		<b>6,387</b>	<b>315</b>	<b>315</b>	<b>315</b>	<b>315</b>
<b>Net assets/equity</b>		<b>277,250</b>	<b>280,168</b>	<b>373,952</b>	<b>470,731</b>	<b>566,182</b>
Stapled securities on issue		189,761	191,608	258,275	324,941	391,608
<b>NAV per Stapled Security (\$) 9</b>		<b>1.46</b>	<b>1.46</b>	<b>1.45</b>	<b>1.45</b>	<b>1.45</b>

Notes:

1. Cash and cash equivalents: See reconciliation of cash balances in the table below. The scenarios presented represent different take-up rates of the Offer (note 8) and reflect the proceeds from the Offer and the Offer costs, offset by distributions paid since 30 June 2017.

**2.** Trade and other receivables: Primarily include amounts owed to the Trust from New Energy Solar US Corp in relation to interest receivable on an unsecured loan note (\$7.1 million) and other amounts owed from subsidiary entities (\$0.5 million).

**3.** Investments in controlled entities held at fair value: The Company owns its underlying solar asset investment portfolio through its direct investment in its immediate subsidiary, New Energy Solar US Corp. As an 'investment entity' for accounting purposes, the investment is recorded at fair value. The balance at 30 June 2017 relates to the Company's interest in the NC-31 and NC-47 solar projects acquired in 2017, and the SunPower Stanford and SunPower TID projects acquired in 2016. The fair value of the assets at June 2017 (\$280.7 million) is offset by loan funding provided by the Trust (\$168.4 million) as explained further in Note 4, and third party loan funding on the projects (\$19.5 million). In addition, the balance includes other net working capital assets and liabilities.

**4.** Loans to controlled entities: As discussed above, this reflects the loan note from the Trust to New Energy Solar US Corp in the order of US\$ 129.5 million, converted at the AUD:USD spot rate of 0.7689 at 30 June 2017. The loan has a seven-year term and carries a fixed interest rate of 6.0% per annum. Translation of the loan receivable at balance date has resulted in a significant foreign exchange loss (\$11.2 million) reflected in the statement of profit or loss and other comprehensive income of the Business for 1H2017.

**5.** Distribution payable: Distributions payable to Securityholders at 3.2 cents per Stapled Security for the period ended 30 June 2017. These were paid on 15 August 2017 (\$6.1 million). Of this amount, \$2.9 million was re-invested as part of the distribution reinvestment plan.

**6.** Other liabilities: Includes trade payables and accruals (\$253,000) and taxes payable (\$62,000).

**7.** Balance sheet adjusted for distributions: This reflects the balance sheet position at 30 June 2017 assuming payment of the distributions of \$6.1 million that were accrued for at 30 June 2017, and reinvestment of \$2.9 million resulting in the issue of 1,847,668 Stapled Securities pursuant to the distribution reinvestment plan.

**8.** Pro forma historical balance sheet columns reflect the following:

- a. The column headed "Minimum Subscription" has been prepared on the basis of subscriptions of 66.7 million Stapled Securities by Applicants under this Offer Document at an issue price of \$1.50 per Stapled Security (being the mid-point of the Indicative Price Range), equating to offer proceeds of \$100 million;

- b. The column headed "Maximum Subscription" has been prepared on the basis of subscriptions of 133.3 million Stapled Securities by Applicants under this Offer Document at an issue price of \$1.50 per Stapled Security (being the mid-point of the Indicative Price Range), equating to offer proceeds of \$200 million;

- c. The column headed "Over Subscription (\$300 million)" has been prepared on the basis of subscriptions of 200 million Stapled Securities by Applicants under this Offer Document at an issue price of \$1.50 per Stapled Security (being the mid-point of the Indicative Price Range), equating to offer proceeds of \$300 million;

- d. Expenses of the Offer are set out in detail in Section 7.5.3 and include the:

- Structuring Fee of 0.7688% (inclusive of GST and net of RITC) and the Handling Fee of 2.3063% (inclusive of GST and net of RITC), both fees calculated on the gross proceeds of the Offer payable to the Responsible Entity (see Section 6.2.1 for further information);

- Joint Lead Manager fees payable to Morgan Stanley which are paid in full or in part from the Handling Fee and the Structuring Fee. Any shortfall in these payments will be borne directly by the Business; and

- Other costs of the Offer including ASX listing fee, legal, accounting, taxation, financial advisory services and costs associated with the Offer (see Section 7.5.3); and

- e. It is expected that the Business would be able to recover up to 75% of the GST component of fees charged to it whether under the reduced credit acquisition provisions of the GST Act or otherwise. (See Section 6.2.8 "GST" under the heading "Additional Explanation of Fees and Costs".)

**9.** NAV per Stapled Security: Calculated as the ratio of net assets to the number of Stapled Securities on issue at 30 June 2017, adjusted to reflect the securities on issue under each Offer take-up scenario, assuming the Final Price is at the mid-point of the Indicative Price Range.

## 7.5.2 RECONCILIATION OF THE PRO FORMA CASH BALANCES FOR THE BUSINESS

The table below includes a breakdown of the pro forma cash balance per the pro forma historical balance sheet. The expenses of the Offer have been calculated based on the detailed assumptions set out below in Section 7.5.3.

\$('000)	REF	30 JUNE 2017		PRO FORMA BALANCE SHEET <sup>8</sup>		
		Actual (Reported)	Adjusted for Distributions <sup>7</sup>	Minimum Subscription	Maximum Subscription	Over Subscription
<b>Assets</b>						
Cash and cash equivalents		6,581	3,427	3,427	3,427	3,427
Proceeds of the Offer	<sup>1</sup>	-	-	100,000	200,000	300,000
Expenses of the Offer (see Section 7.5.3)		-	-	(6,216)	(9,437)	(13,986)
<b>Net cash balance</b>		<b>6,581</b>	<b>3,427</b>	<b>97,211</b>	<b>193,990</b>	<b>289,441</b>

Note: Figures in table above converted at the AUD:USD spot rate of 0.7689 at 30 June 2017.

1. The proceeds from the Offer will be used to assist in funding the CCR Portfolio acquisition and future opportunities to continue growing and diversifying the portfolio in line with the Business' investment strategy. If the Maximum Subscription amount is raised, it is intended that the existing US\$20 million bank debt facility will be repaid.

## 7.5.3 EXPENSES OF THE OFFER

The one-off expenses to be paid in relation to the Offer have been estimated below using the different levels of take up of the Offer (Minimum Subscription, Maximum Subscription and Over Subscription (\$300 million)). Refer to the detailed assumptions set out in the footnotes to the table below for a description of the expense and the basis of calculation.

\$('000)	REF	EXPENSES INCLUDING GST (NET OF RITC) <sup>6</sup>		
		Minimum Subscription	Maximum Subscription	Over Subscription
ASX listing fees		274	318	358
Contribution Fee (structuring and handling)	<sup>1</sup>	3,075	6,150	9,225
Additional broker firm and Joint Lead Manager fees	2,3	410	-	923
Financial advisor fees	4	513	1,025	1,538
Financial, taxation and legal fees	5	1,785	1,785	1,785
Other expenses		159	159	159
		<b>6,216</b>	<b>9,437</b>	<b>13,986</b>

Notes:

1. Costs of the offer including a Structuring Fee of 0.7688% (inclusive of GST and net of RITC) and a Handling Fee of 2.3063% (inclusive of GST and net of RITC), both fees are calculated on the gross proceeds of the Offer and payable to the Responsible Entity. The Business has appointed Morgan Stanley and Evans and Partners to act as Joint Lead Managers in relation to the Offer. The Structuring Fee and Handling Fee paid to the Responsible Entity will be used to partially or fully fund the payment of fees to Morgan Stanley, Evans and Partners, Walsh & Company and other Licensees as shown in Note 2.

**2. From the Contribution Fees collected:**

- a. a. The Responsible Entity will pay to Morgan Stanley, subject to a minimum fee of \$2.5 million inclusive of amounts payable by Morgan Stanley to other Licensees (regardless of the gross proceeds of the Offer):
  - i. 0.75% of the gross proceeds of the Offer; and
  - ii. 2.25% of the gross proceeds of the Offer relating to Applications other than Evans Dixon Applications (out of which Morgan Stanley will pay away to Licensees other than Evans Dixon 1.50% of that 2.25% amount and retain 0.75%).
- b. The Responsible Entity will retain 0.75% of the gross proceeds of the Offer relating to Evans Dixon Applications; and
- c. The Responsible Entity will pay to Evans Dixon 1.50% of the gross proceeds of the Offer relating to Evans Dixon Applications. This amount may be retained by Evans Dixon or paid away to Licensees in the Evans Dixon group.

2. A discretionary incentive fee of 0.5% of the gross proceeds of the Offer relating to Applications other than Evans Dixon Applications may also be paid by the Business to Morgan Stanley. The figures above are drafted on the assumption that the incentive fee will be payable in the Over Subscription scenario, however this remains at the discretion of the Business.

To the extent that the Contribution Fees are insufficient to cover all the fees identified in Note 2 above, they will be paid by the Business. The expenses of the Offer under the Minimum Subscription scenario above assume gross capital proceeds raised of \$100 million, with 60% relating to Applications other than Evans Dixon Applications, and the remaining 40% relating to Evans Dixon Applications.

3. Financial advisor fees reflect the fees paid to Fort Street Advisers as the financial advisor of the Offer. The fee is calculated at 0.50% of the total estimated proceeds of the Offer.

4. Financial, taxation and legal fees: Include fees paid to Deloitte Corporate Finance Pty Limited as the Investigating Accountant, KPMG for taxation advice, Herbert Smith Freehills as the Issuers' legal counsel and Gilbert+Tobin as the Joint Lead Manager's legal counsel.

5. The amounts above include the net amount of GST, as it is anticipated that the Business may be able to recover up to 75% of the GST component of fees charged to it, whether under the reduced credit acquisition provisions of the GST Act or otherwise.

## 7.5.4 SUMMARY OF INDEBTEDNESS AND CAPITALISATION INDEBTEDNESS

Table 16 below shows available and drawn debt facilities of the Business as at the date of this Offer Document. The debt facilities referred to below are currently secured against certain underlying assets of the Business and are shown on a 'look through' basis rather than a statutory basis. The Business has sufficient working capital to carry out its stated objectives as at the date of this Offer Document.

If the Minimum subscription is not achieved, or the net proceeds of the Offer are not sufficient to fully fund the CCR Portfolio, the Business will use available cash, and expects to be able to extend its debt arrangements to fund it.

**Table 16: Summary of debt facilities of the Business**

FACILITY	FACILITY LIMIT	MATURITY	REPAYMENT PROFILE	INTEREST RATE	BORROWER ENTITY <sup>3</sup>	BUSINESS ASSETS PROVIDED AS SECURITY	DRAWN AMOUNT AT DATE OF THE OFFER
Bank debt facility	US\$20 million	23 August 2018 <sup>1</sup>	Bullet (full repayment required at end of term)	LIBOR +1.5% per annum	NES US Funding 1, LLC	NC - 31 and NC - 47 (Non-recourse)	US\$20 million
US private placement of loan notes	US\$62.5 million <sup>2</sup>	30 September 2041	Two-year interest only, then amortising over remainder of term	4.43% per annum, fixed	NES Antares HoldCo, LLC	Stanford SGS and TID SGS (Non-recourse)	US\$62.5 million

1. Repayable at any time without penalty. If the Maximum Subscription amount is raised, it is intended that the existing US\$20 million bank debt facility will be repaid.

2. Settled post 30 June 2017, on 2 October 2017.

3. All borrower entities are controlled entities of the Company. As these controlled entities are not consolidated by the Company (refer Section 7.1 above), the associated debt is not separately shown in the balance sheet of the Business, rather it is reflected instead as part of the "Investment in controlled entities – at fair value".

The terms of the US Private Placement contain customary representations and warranties from a subsidiary of the Business, NES Antares HoldCo, LLC. Key covenants in relation to NES Antares HoldCo, LLC under the US Private Placement include a minimum forward and historical debt service cover ratio of 1.20 times, requirement to maintain an investment grade rating and limits on additional indebtedness.

#### **Capitalisation**

The details of ownership of Stapled Securities and Options at completion of the offer are set out in Section 12.4.

## **7.6 HISTORICAL STATEMENTS OF CASH FLOWS**

The table below sets out the historical statements of cash flows of the Business for FY2016 and 1H2017 including the 1H2016 comparative.

<b>AUSTRALIAN DOLLARS</b>	<b>REF</b>	<b>BUSINESS</b>	<b>BUSINESS</b>	<b>BUSINESS</b>
		<b>1H2016</b> \$	<b>FY2016</b> \$	<b>1H2017</b> \$
<b>Cash flows from operating activities</b>				
Interest income received	1	927,969	1,494,353	45,443
Payments to suppliers	2	(1,001,091)	(1,968,864)	(683,383)
<b>Net cash flow from operating activities</b>		<b>(73,122)</b>	<b>(474,511)</b>	<b>(637,940)</b>
<b>Cash flows from investing activities</b>				
Payments for investments	3	-	(110,710,102)	-
<b>Net cash flow from investing activities</b>		<b>-</b>	<b>(110,710,102)</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of securities	4	179,025,858	302,139,612	-
Payment of issue costs	5	(3,191,766)	(7,065,021)	(606)
Loans to subsidiaries of New Energy Solar Limited	6	(27,042)	(172,161,661)	-
<b>Net cash flow from financing activities</b>		<b>175,807,050</b>	<b>122,912,930</b>	<b>(606)</b>
Net (decrease)/increase in cash and cash equivalents		175,733,928	11,728,317	(638,546)
Cash at the beginning of the period		-	-	7,224,827
Effect of exchange rate changes		(3,630,406)	(4,503,490)	(5,410)
<b>Cash and cash equivalents at the end of the period</b>		<b>172,103,522</b>	<b>7,224,827</b>	<b>6,580,871</b>

Notes:

1. Interest income received: Represents interest earned on cash balances of the Business. Interest earned has declined as funds have been invested into New Energy Solar US Corp to fund acquisition of solar assets.
2. Payments to suppliers: Represents payments made to suppliers in respect of general operating expenses of the Business as reflected in the statements of profit or loss in Section 7.4 above.

3. Payments for investments: Payments for investments represent capital injected by the Company into New Energy Solar US Corp primarily to fund the acquisition of solar assets.
4. Proceeds from issue of securities: The Business was established in November 2015 and raised gross proceeds of approximately \$180 million through an initial capital raising in January 2016. A further \$123 million in gross proceeds was raised in a second capital raising in December 2016.
5. Issue costs: Represents fees paid to Walsh & Company Investments Limited, the Responsible Entity of the Trust, comprising a Structuring Fee of 1.5660% (including GST, net of RITC) and a Handling Fee of 1.5660% (including GST, net of RITC), both fees calculated on the gross proceeds of the initial capital raising in January 2016 and the secondary capital raising in December 2016.
6. Loans to subsidiaries: Represents loan funding provided by the Trust to New Energy Solar US Corp in the order of US\$129.5 million.

## 7.7 MANAGEMENT DISCUSSION AND ANALYSIS ON THE HISTORICAL FINANCIAL INFORMATION

The information below discusses the main factors which affected the Business' operations and relative financial performance in FY2016 and 1H2017. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected the Business' historical operational and financial performance, or everything that may affect the Business' future operational or financial performance.

### PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The Business was established in November 2015 and raised gross proceeds of approximately \$180 million through an initial capital raising in January 2016. A further approximately \$123 million in gross proceeds was raised in a second capital raising in December 2016. The principal activities of the Business since its establishment have been pursuing and investing in utility scale solar power plants that generate emissions free power. There have been no significant changes in the nature of these activities since the Business was established.

With the Existing Portfolio generating electricity by 30 June 2017, the asset management team has moved its focus to optimising generation yields. While some adverse weather impacted generation yields early in 2017, the return to more normal weather conditions has seen the Business' solar power plants generating in line with expectations, and with electricity generation having increased with the arrival of the high insolation summer months.

### REVENUE AND EXPENSES

The principal activity of New Energy Solar is indirectly investing in utility scale solar power plants that generate emissions free power via the Company's wholly owned US subsidiary, New Energy Solar US Corp.

New Energy Solar US Corp is funded by a combination of equity from the Company and a loan from the Trust, both of which are denominated in US dollars. As the Company and the Trust are both considered to meet the definition of an 'investment entity' for accounting purposes (see "Significant accounting policies" set out in Section 7.8), New Energy Solar US Corp is not consolidated in the Company's financial statements, rather it is required to be held at fair value in the financial statements.

The impact of this on the financial statements is that the main operating revenues of the Business consist of dividends from New Energy Solar US Corp, fair value movements in the value of the Company's investment in New Energy Solar US Corp, and interest on the loan from the Trust to New Energy Solar US Corp. Net operating income from assets held in the US and all US expenses are reflected through the movement in the fair value of investments in the profit or loss statement. The underlying cash flows of solar power plants, being revenues from the sale of electricity and renewable energy certificates less expenses, are distributed on a periodic basis from underlying projects through to New Energy Solar US Corp, and underpin New Energy Solar US Corp's ability to pay interest on the loan to the Trust and dividends to the Company as noted above.

As both the Company's equity investment in New Energy Solar US Corp and the Trust's loan to New Energy Solar US Corp are denominated in US dollars, and the Company and the Responsible Entity do not currently intend to hedge its exposure to foreign currencies, the Business is also exposed to valuation movements associated with changes in the US dollar/Australian dollar exchange rate.

## FY2016 FINANCIAL PERFORMANCE

During the period from inception of the Business to 31 December 2016, the Business recorded a statutory net profit of \$7.0 million on revenues of approximately \$9.3 million. Revenues were driven by interest income earned on loans receivable and cash at bank (\$3.6 million), foreign exchange gains on US dollar denominated loan receivables (\$3.0 million) and fair value gains on US dollar denominated investments largely due to FX movements (\$2.6 million) as the US\$ appreciated relative to the \$ during the period.

Key expenses over the period included investment management fees and Responsible Entity fees (\$1.4 million in total), as well as other consulting, advisory and project related expenses (\$0.8 million).

## FY2016 CASH FLOWS

Operating cash flows for the financial period reflected a cash outflow of \$0.5 million. Key financing and investing cash flows included proceeds from the issue of securities (\$302.1 million) which were used to fund the Company's investment in New Energy Solar US Corp (\$110.7 million), the loan note from the Trust to New Energy Solar US Corp (\$172.2 million) and expenses relating to the issue of securities (\$7.1 million).

## 1H2017 FINANCIAL PERFORMANCE

During the six months ended 30 June 2017, the Existing Portfolio generated in excess of 189,000MWh of electricity. The Business recognised revenues of \$5.8 million which primarily related to interest and charges to New Energy Solar US Corp as explained above. The Business also accrued distributions from underlying projects of \$3.1 million held on the balance sheet in the fair value of investments.

Loss after tax for the period was \$18.8 million which included significant unrealised foreign exchange losses as a result of the appreciation of the Australian dollar relative to the US dollar between 31 December 2016 and 30 June 2017 during the period.

## 1H2017 CASH FLOWS

On a cash basis however, the Business incurred a cash outflow of \$0.6 million predominantly reflecting payments made to suppliers over the period.

## DISTRIBUTIONS

The Business paid its first distribution of 3.2 cents per Stapled Security on 15 August 2017 relating to the period ended 30 June 2017, amounting to \$6.1 million. Of this amount, \$2.9 million was re-invested as part of the distribution reinvestment plan (see Section 15.19 for details of the plan). Past performance is not a reliable indicator of future performance.

## 7.8 NO FORECASTS

The Responsible Entity and the Board make no forecasts or predictions in this Offer Document in relation to the future earnings or future financial position of the Business, other than in relation to the target distribution for the second half of 2017 and the 2018 financial year provided in Section 10.9.1 and the Existing Portfolio underlying cash flow information for 2018 provided in Section 4.1.6.

Although the Business has committed to acquire the CCR Portfolio, there is no certainty when or if the conditions precedent to those acquisitions will be satisfied. Also, the Business has no certainty as to whether or when the CCR Portfolio projects will proceed and if they do proceed,

to their terms which also means there is no certainty whether the net proceeds of the Offer will be applied to acquire the CCR Portfolio projects or other renewable energy assets. Accordingly, the Responsible Entity and the Board do not have a reasonable basis on which to make forecasts in relation to the financial position, performance or prospects of the Business other than in relation to the target distribution for the second half of 2017 and the 2018 financial year provided in Section 10.9.1 and the Existing Portfolio underlying cash flow information provided in Section 4.1.6.

## 7.9 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below represent the significant accounting policies adopted by the Business and in the preparation of the pro forma historical balance sheet. The policies described are based on the current structure and activities of the Business.

### (A) BASIS FOR NON-CONSOLIDATION

The pro forma historical balance sheets reflect the combined financial position of the Company including its controlled entities and the Trust including its controlled entities, on an aggregated basis, and have been prepared to reflect Securityholders' combined interest in the Company and the Trust by aggregating the Company's and the Trust's financial information after eliminating transactions and balances between the Company and the Trust.

The Company and the Trust are considered to meet the definition of an 'investment entity' for accounting purposes as described in AASB 10 'Consolidated Financial Statements' (refer below). Under AASB 10 an "investment entity" is required to hold its controlled entities (subsidiaries) at fair value through the profit or loss rather than consolidate them. Subsidiaries are entities over which control is exercised. Control exists when the entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Under the accounting standards the Trust is considered to be a subsidiary of the parent of the stapled group, being the Company, and is therefore required to be recorded by the Company at its fair value. However, the fair value of the Company's investment in the Trust is considered to be nil as a result of the Company holding no direct interest in this subsidiary. Therefore the pro forma historical balance sheets have been prepared to show the aggregated financial position of the Company and the Trust as described above.

Under the definition of an "investment entity", as set out in AASB 10, an entity will be required to satisfy all of the following three tests:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

In assessing whether the Company and the Trust will meet the definition of an 'investment entity' under AASB 10, the Board and the Responsible Entity note, based on the current structure and activities, that:

- the Company and the Trust have multiple investors, obtaining funds from a diverse group of security holders that would not otherwise have access individually to invest in utility scale renewable energy assets;
- the business purpose of the Company and the Trust is to invest funds for investment income and potential capital growth. The intended underlying assets, including those held directly or indirectly by the Company and the Trust, will have limited operational lives (expected to be 30 or more years) and therefore minimal residual value, and so while they are expected to be held on a long-term basis, they are not currently expected to be held indefinitely; and

- the Board and the Responsible Entity intend to measure and evaluate performance of the underlying investments on a fair value basis which is most relevant for its Securityholders.

The Board and the Responsible Entity consider that based on the current structure and activities the Company and the Trust will display all or most typical characteristics of an ‘investment entity’ as described in AASB 10.

## (B) FUNCTIONAL AND PRESENTATION CURRENCY

The pro forma historical balance sheets are presented in Australian dollars, which is the Business’ functional and presentation currency. All amounts are rounded to the nearest thousand dollars unless otherwise noted.

Transactions in foreign currencies are initially recorded in Australian dollars by applying the prevailing exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies (i.e. in currencies other than Australian dollars) that are outstanding at the reporting date are retranslated at the prevailing exchange rate at the Balance Sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the prevailing rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

## (C) FINANCIAL INSTRUMENTS

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Business becomes a party to the contractual provisions of the instrument.

“AASB 9 – Financial Instruments” has been early adopted. AASB 9 includes requirements for the classification and measurement of financial assets and financial liabilities.

### FINANCIAL ASSETS

As ‘investment entities’, both the Company and the Trust are required pursuant to AASB 10 to measure their financial assets at fair value through profit or loss.

### FINANCIAL LIABILITIES

Financial liabilities are classified as derivative and non-derivative instruments as appropriate. The Board and the Responsible Entity determine the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

Non-derivative instruments are subsequently measured at amortised cost using the effective interest rate method. Derivative instruments are subsequently measured at fair value, with movements recorded through profit or loss.

### DERECOGNITION

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions at the measurement date. The Responsible Entity and the Board determine the fair value of investments and underlying assets on information received from the Investment Manager. The Investment Manager’s assessment of fair value of investments is determined in accordance with “AASB 13 – Fair Value Measurement”, using discounted cash flow principles unless a more appropriate methodology is applied. The Investment Manager may at its discretion source independent valuers to undertake these valuations.

## (D) IMPAIRMENT OF ASSETS

The directors of the Responsible Entity and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through profit or loss.

No impairment assessment is performed in respect of financial assets where fair value changes are recorded in profit or loss.

## (E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## (F) RECEIVABLES

Receivables are financial assets with a contractual right to receive fixed or determinable payments. Receivables are recorded at fair value.

## (G) TRADE AND OTHER PAYABLES

Trade and other payables are recognised when the Business becomes obliged to make payments resulting from the purchase of goods or services. The balance is unsecured and is recognised as a current liability with the amount being normally paid within 30 days of the recognition of the liability.

## (H) PROVISIONS

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

## (I) TAXES

### Income Tax

#### Trust

Under current Australian income tax laws, the Responsible Entity is not liable to pay income tax on the net (taxable) income of the Trust, provided the Trust is not a public trading trust and its distributable income for each income year is fully distributed to Securityholders, by way of cash or reinvestment.

It is the intention that the Trust will not conduct any activities resulting in it being taxed as a public trading trust. This test is a year-to-year test. Should the Trust conduct any activities resulting in it being a public trading trust, the Trust would largely be taxed in the same manner as a company (see below) in that income year.

#### Company

Under current Australian income tax laws, the Company is liable to pay income tax at the prevailing corporate tax rate, relevantly currently 30% (and potentially 27.5% if the company qualified for a small business company taxpayer).

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the Balance Sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses can be used.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **Goods and Services Tax (GST)**

It is expected that the Company and the Trust may be able to recover a portion of the GST component of their costs. The Trust may benefit from at least 55% of the GST component on a broad range of costs under the reduced credit acquisition provisions of the GST Act or otherwise, while the Company may benefit from 75% of the GST component on a more limited range of acquisitions under those same provisions. The overall recovery of GST charged will be dependent on a number of factors, including the split of the fees between the Trust and the Company. Where a fee is disclosed as being “net of RITC”, this amount has generally been calculated using a reduced credit acquisition rate of 55% for the Trust (except for the investment management fee which should be eligible for a reduced credit acquisition rate of 75%) and 75% for the Company (except for the acquisition and disposal fee for which the Company should be eligible for a full input tax credit on the assumption assets purchased by the Business are not in Australia). It is noted that there may be circumstances where the GST recovery could vary from that outlined above.

### **(J) REVENUErecognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Business and the revenue can be reliably measured. All revenue is stated net of GST.

#### **INTEREST INCOME**

Interest income is recognised in profit or loss using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### **DIVIDEND/DISTRIBUTION INCOME**

Dividend/distribution income is recognised on the date that the Business' right to receive the dividend/distribution is established.

### **(K) SHARE/UNIT CAPITAL**

#### **ORDINARY SHARES/UNITS**

Ordinary shares/units are classified as equity. Issued capital is recognised at the fair value of consideration received by the Company and the Trust. Incremental costs directly attributable to the issue of ordinary shares/units are recognised as a deduction from equity.

#### **DIVIDENDS/DISTRIBUTIONS TO SECURITYHOLDERS**

Dividends/distributions are recognised in the reporting period in which they are announced, determined, or publicly recommended by the board of the Company and/or the Responsible Entity.

## (L) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Business' accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and judgements are continually evaluated and based on historic experience and other factors believed to be reasonable under the circumstances.

The directors have assessed that both the Company and the Trust meet the definition of an "investment entity". This assessment includes significant judgement of the factors supporting "investment entity" classification as set out in note (a).

As the definition of an "investment entity" under AASB 10 is met, the Company and the Trust account for their subsidiaries at fair value through profit or loss, rather than consolidating them. In performing this fair value assessment underlying investments are therefore measured at fair value for financial reporting purposes. Once an underlying asset has been owned for a period of no more than twelve months, the Board and the Responsible Entity will appoint the Investment Manager to produce investment valuations on an appropriate basis which will include projected future cash flows of the solar plant assets. Such valuations will be performed at least annually thereafter. As these assets are expected to be illiquid in nature, these ongoing valuations will include unobservable inputs and will therefore be categorised as Level 3 investments. The Investment Manager may at its discretion source independent valuers to undertake these valuations.



Stanford SGS - ground view - September 2017

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## **SECTION 8**

*TID SGS PV module closeup - September 2017*

## **Investigating Accountant's Report**



*TID SGS ground view - September 2017*



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The Directors  
Walsh & Company Investments Limited  
as Responsible Entity for New Energy Solar Fund  
Level 15, 100 Pacific Highway  
North Sydney NSW 2060

The Directors  
New Energy Solar Limited  
Level 15, 100 Pacific Highway  
North Sydney NSW 2060

1 November 2017

Dear Directors

#### **INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE**

##### **Introduction**

This report has been prepared at the request of the directors of Walsh & Company Investments Limited (the Responsible Entity) as responsible entity for New Energy Solar Fund (the Trust), and the directors of New Energy Solar Limited (the Company) for inclusion in a combined Prospectus and Product Disclosure Statement (the Offer Document) to be issued by the Responsible Entity and the Company (together, the Issuers) on or about 1 November 2017 in respect of the public offering of fully paid stapled securities and options for the issue of stapled securities in the Trust and the Company (the Offer), and the listing of the Trust and the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 for the issue of this report.

The Trust and the Company are together referred to in this report as the Business. References to the Business, New Energy Solar Fund, New Energy Solar Limited and Walsh & Company Investments Limited and capitalised terms used in this report have the same meaning as defined in the Glossary of the Offer Document.

##### **Scope**

###### ***Historical Financial Information***

Deloitte Corporate Finance Pty Limited has been engaged by the directors of the Responsible Entity and the directors of the Company (together, the Directors) to review the historical financial information of the Business comprising the:

- Historical statements of profit or loss and other comprehensive income for the financial period from 19 November 2015 to 31 December 2016 (FY2016), and for the half-year ended 30 June 2017 (1H2017), including the comparative for the half-year ended 30 June 2016 (1H2016);
- Historical statement of financial position (balance sheet) as at 30 June 2017;
- Historical statements of cash flows for the financial period from 19 November 2015 to 31 December 2016, and for the half-year ended 30 June 2017, including the comparative for the half-year ended 30 June 2016,

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

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as set out in Sections 7.4, 7.5.1 and 7.6 respectively of the Offer Document (together, the **Historical Financial Information**).

The Historical Financial Information represents an aggregation of the statutory financial information of the Company including its controlled entities, and of the Trust including its controlled entities for FY2016 and 1H2017. The statutory accounts of the Company and the Trust were audited (FY2016) or reviewed (1H2017) by Deloitte Touche Tohmatsu. The audit and review opinions issued by Deloitte Touche Tohmatsu were unmodified.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the adopted accounting policies of the Company and the Trust. The Historical Financial Information is presented in the Offer Document in an abbreviated form insofar as it does not include all of the presentation and disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

### **Pro forma Historical Balance Sheet**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the pro forma historical financial information of the Business comprising:

- Pro forma historical balance sheet of the Business on completion of the Offer, reflecting the various levels of take up of the Offer (Minimum Subscription, Maximum Subscription and Over Subscription (\$300M)), and accounting for the expenses associated with the Offer at these levels, as well as other significant post balance sheet date adjustments,

as set out in Section 7.5.1 of the Offer Document (the **Pro forma Historical Balance Sheet**)

The Pro forma Historical Balance Sheet has been derived from the Historical Financial Information to illustrate the assets and liabilities of the Business adjusted for pro forma adjustments. The pro forma adjustments are described in the footnotes to the Pro forma Historical Balance Sheet set out in Section 7.5.1 of the Offer Document and include the impact of the Offer and associated costs of the Offer, as well as significant transactions and events (non-operating in nature) that have occurred after 30 June 2017 (the Pro forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the Pro forma Historical Balance Sheet relate, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro forma Historical Balance Sheet does not represent the Business's actual or prospective financial position.

### **Directors' responsibility**

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information and the Pro forma Historical Balance Sheet, including the selection and determination of the Pro forma Adjustments made to the Historical Financial Information and included in the Pro forma Historical Balance Sheet; and
- the information contained within the Offer Document.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information and the Pro forma Historical Balance Sheet that is free from material misstatement, whether due to fraud or error.

### **Our responsibility**

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and the Pro forma Historical Balance Sheet based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement

# Deloitte.

(ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

- a review of the extraction of the Historical Financial Information from the annual financial accounts of the Company including its controlled entities and for the Trust including its controlled entities for FY2016, and from the half-year accounts for these entities for 1H2017;
- consideration of work papers, accounting records and other documents of the Business;
- consideration of the appropriateness of the Pro forma Adjustments applied to the Pro forma Historical Balance Sheet;
- a consistency check of the application of the stated basis of preparation, as described in the Offer Document, to the Historical Financial Information and the Pro forma Historical Balance Sheet;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Historical Financial Information and the Pro forma Historical Balance Sheet; and
- a review of accounting policies for consistency of application.

## Conclusions

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information and the Pro forma Historical Balance Sheet are not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 7.3 of the Offer Document.

## Restrictions on Use

Without modifying our conclusions, we draw attention to Section 7.3 of the Offer Document, which describes the purpose of the Historical Financial Information and the Pro forma Historical Balance Sheet, being for inclusion in the Offer Document. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

## Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Offer Document in the form and context in which it is included.

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## **Disclosure of Interest**

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company and of the Trust.

Yours faithfully

**DELOITTE CORPORATE FINANCE PTY LIMITED**



**Michael Kaplan**

Authorised Representative

Deloitte Corporate Finance Pty Limited (AFSL Number 241457)

AR Number 463220

# Deloitte.

August 2017

## Financial Services Guide (FSG)

### What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

### Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

### General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

### How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220  
[complaints@deloitte.com.au](mailto:complaints@deloitte.com.au)  
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS). FOS provides fair and independent financial services dispute resolution free to consumers.

[www.fos.org.au](http://www.fos.org.au)  
1800 367 287 (free call)  
Financial Ombudsman Service  
GPO Box 3 Melbourne VIC 3001

### What compensation arrangements do we have?

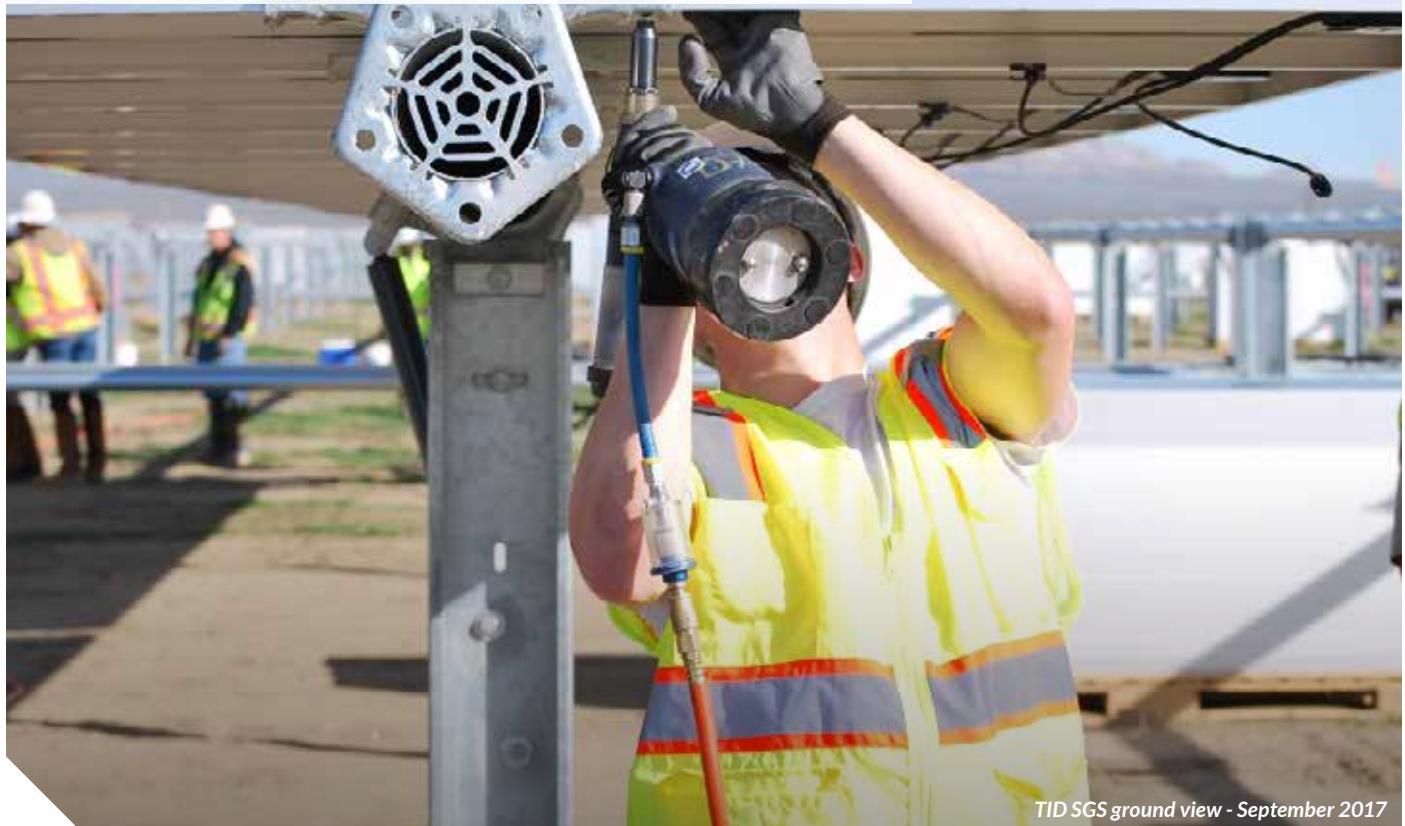
Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).



## SECTION 9

### Tax Information

*NC-31 Blocks 4 and 9 - February 2017*



*TID SGS ground view - September 2017*



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The Directors  
Walsh & Company Investments Limited  
as Responsible Entity for  
New Energy Solar Fund  
Level 15  
100 Pacific Highway  
North Sydney NSW 2060

The Directors  
New Energy Solar Limited  
Level 15  
100 Pacific Highway  
North Sydney NSW 2060

31 October 2017

Dear Directors

### **Australian income tax, GST and stamp duty consequences of subscribing for Stapled Securities in New Energy Solar**

In accordance with our letter of engagement, this letter has been prepared for inclusion in the Offer Document in relation to the issue of units in New Energy Solar Fund ("NES Fund") and shares in New Energy Solar Limited ("NES Company") respectively (together, "Stapled Securities") including options in relation to these Stapled Securities (the "Options") to potential investors ("Investors"). Walsh & Company Investments Limited is the Responsible Entity for NES Fund.

#### **1. Scope of comments**

Our comments below provide a broad overview of the key Australian income tax, capital gains tax ("CGT"), goods and services tax ("GST") and stamp duty (collectively, Australian tax) implications for Investors acquiring, holding and disposing of Stapled Securities and Options and do not attempt to address all of the Australian taxation consequences relevant to Investors who acquire Stapled Securities and Options pursuant to the Offer Document.

The categories of Investors considered in this summary are limited to Australian tax resident individuals, companies (other than life insurance companies), trusts, partnerships, complying superannuation funds and foreign resident Investors that hold their investment in Stapled Securities and Options on capital account for Australian income tax purposes.



**Walsh & Company Investments Limited**  
 Australian income tax, GST and stamp duty  
 consequences of subscribing for Stapled  
 Securities in New Energy Solar  
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Specifically, this letter does not consider the taxation consequences for Australian or foreign tax resident banks, insurance companies, Investors who hold their shares on revenue account or as trading stock or investors who acquire the Stapled Securities and Options otherwise than pursuant to the Offer Document, Investors subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* which have made an election to rely on the Fair Value or Reliance on Financial Reports ("ROFR") methodologies, or Investors who are exempt from Australian income tax or foreign resident companies, trusts and partnerships.

In our comments we have not considered any of the US tax consequences for the Investors.

The following tax comments are based on the tax law in Australia in force as at the date of this letter. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each Investor. During the ownership of the Stapled Securities and Options by Investors, the taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each Investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Stapled Securities and Options, taking into account their specific circumstances. This letter is based on the facts as set out in the Offer Document that have not been independently reviewed or verified by KPMG. In particular, we understand the following in relation to the Stapled Securities:

- the rights and obligations of the Responsible Entity of the NES Fund (the "RE") and NES Company in the stapling deed are such that the RE has no control over the affairs and operations of NES Company;
- the governance arrangements including the composition of the boards of directors of the RE and NES Company are such that they do not influence each other;
- The RE has provided a loan to New Energy Solar US Corporation ("NES US Corp") to invest into solar farm projects in the US; and
- the loan arrangement between the RE and NES US Corp is on commercial, arm's length terms.

The inclusion of this letter in the Offer Document is subject to the terms of our consent for its inclusion and to be named in the Offer Document.

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act. Taxation issues, such as (but not limited to) those covered in this letter, are only one of the matters an Investor needs to consider when making a decision about a financial product. Investors should consider taking advice from someone who holds an Australian financial services licence before making such a decision.

## 2. Stapled securities

Each of the Stapled Securities being offered to the public in accordance with the Offer Document comprise of the following:



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- One unit ("Unit") in NES Fund (ARSN 609 154 298), an Australian resident unit trust; and
- One share ("Share") in NES Company (ACN 609 396 983), an Australian resident company.

Whilst each component of the Stapled Securities cannot be traded separately, each component will be treated separately for Australian tax purposes. This effectively means that the Australian tax consequences arising in respect of each component of the Stapled Security must be considered separately.

NES Company owns all of the shares in NES US Corp and NES Fund has provided a loan to NES US Corp. NES US Corp invests into solar farm projects in the US.

### Australian taxation considerations

#### 3. Taxation treatment of NES Company and NES Fund

##### 3.1. NES Company

The taxable income of NES Company (i.e. its assessable income (including any net capital gain) less allowable deductions) should be subject to income tax in the hands of NES Company at the current Australian corporate tax rate (being 30% for large companies).

##### 3.2. NES Fund

Generally, as an Australian unit trust, NES Fund should not be subject to income tax and should be considered as a "flow through" entity for Australian income tax purposes where the unitholders of NES Fund ("Unitholders") are "presently entitled" to all of the income of NES Fund and the income is distributed to Unitholders in each income year and NES Fund is not a "public trading trust" for the income year.

Where a unit trust is a public trading trust as defined in Division 6C of the *Income Tax Assessment Act 1936*, it is taxed at the company tax rate and distributions to Unitholders of trust income, or of other profits derived by the trustee, are to be taxed on the same basis as that applicable to dividends paid by a company. A unit trust will be treated as a public trading trust if, at any time during a year of income, it operates or controls an active trade or business and is also a "public unit trust".

As units in NES Fund are being offered to public, it should be treated as a public unit trust. Accordingly, NES Fund should be treated as a public trading trust where it operates or controls an active trade or business. We understand that it is intended that the RE will not carry on a trading business or control or have the ability to control (either directly or indirectly) the affairs or operations of another person in respect of the carrying on by that other person of a trading business, and therefore should not be treated as a public trading trust. Further, investing or trading in secured or unsecured loans is not a trading activity for the purposes of the public trading trust test.

Based on the proposed activities of NES Fund it should not constitute a public trading trust. However, the public trading trust test is an annual test which takes into account



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the actual activities of NES Fund during a given income year. For this reason it will be necessary to monitor the activities of the RE and the NES Fund each year.

### 3.2.1. *Managed Investment Trust regime*

A managed investment trust ("MIT") is an Australian trust that meets certain requirements (including licensing requirements, "widely-held" requirements and "closely-held" restrictions) and amongst other things, in years in which the requirements are satisfied, is eligible for a concessional rate of withholding tax (generally 15%, with some limited exceptions) imposed on certain payments made by a MIT to a foreign tax resident investor who resides in specified countries with which Australia has agreed an Exchange of Information (**EOI**) Agreement and eligible to elect to treat certain investments as held on capital account. The withholding tax rate on distributions to foreign tax resident investors in other countries is 30%.

We have been advised that NES Fund satisfied the requirements to be a MIT in the income year ended 30 June 2016 and made the irrevocable capital election during the income year ended 30 June 2016. The effect of this is that certain assets of NES Fund are treated as held on capital account. Where these certain assets are held for more than 12 months and are realised in the future, and NES Fund qualifies as a MIT for the relevant income year, NES Fund should qualify for the CGT discount in relation to the gain.

It will be necessary to monitor NES Fund's compliance with the requirements of the MIT provisions annually (including but not limited to the fact that it continues to be widely held and not closely held). In particular, the ability of NES Fund to comply with the MIT provisions in future will be confirmed following the proposed capital raising as the proposed new investors will need to be known before it can be confirmed that NES Fund continues to be widely held and not closely held.

### 3.2.2. *Attribution Managed Investment Trust regime*

The attribution managed investment trust ("AMIT") regime was introduced as an alternative regime to overcome perceived uncertainties in the Australian taxation treatment of trusts. The new AMIT regime applies to trusts from income years starting on or after 1 July 2016 and the AMIT regime applies on an elective basis with the election being irrevocable.

A trust will qualify as an AMIT if:

- The trust is a MIT;
- The rights to income and capital arising from each of the membership interest in the trust are clearly defined; and
- The trustee of the MIT makes an irrevocable choice to apply the AMIT regime.

Under the AMIT regime, among other things, the following key rules apply:

- An attribution model for determining member tax liabilities where each member is allocated a "determined member component" of assessable, exempt and non-assessable non-exempt characters, which ensures that amounts derived or



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received by the AMIT that are attributed to members retain the character they had in the hands of the trustee for income tax purposes.

- The AMIT regime introduces a formal unders and overs system that allows a trustee to carry forward certain errors in the calculations of taxable income to the year that the errors are discovered.
- The income tax calculations of AMITs are subject to a four year discovery period after which they are no longer subject to ATO review.
- Members of AMITs are able to make upward and downward cost base adjustments in the units they hold.

We have been advised that the RE has not made a decision as to whether it will elect to apply the AMIT regime to the NES Fund. If such an election is made, the net income of the NES Fund will be allocated to the Unitholders in accordance with the AMIT Regime.

#### 4. Taxation treatment of Investors

##### 4.1. Acquisition of Stapled Securities and Options

Each Unit in NES Fund, and each Share in NES Company, will be a separate CGT asset. For CGT purposes, the cost base (and reduced cost base) of each Unit and each Share is determined by allocating the amount each Investor paid (or is required to pay) to acquire each Unit and each Share, plus any incidental costs of acquisition for each Unit and each Share.

The Options should also be treated as a separate CGT asset with the cost base (and reduced cost base) of each Option determined by the issue price (if any) paid by the Investor plus any incidental costs of acquisition of Options.

##### 4.2. Dividends paid on Shares

Dividends may be paid to Investors holding shares in NES Company ("Shareholders") by NES Company and it may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

###### 4.2.1. Australian resident individuals and complying superannuation entities

Dividends paid by NES Company on a Share will constitute assessable income of an Australian resident Investor. Australian resident Investors who are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt from tax on dividends in relation to shares to the extent they are held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend. Such



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Investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on such Investor's taxable income. Where the tax offset exceeds the tax payable on such Investor's taxable income, such Investors should be entitled to a tax refund.

To the extent that the dividend is unfranked, such Australian resident Investors will generally be taxed at their respective tax rates with no tax offset.

#### 4.2.2. *Australian resident corporate investors*

Corporate Investors are also required to include both the dividend and associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend. Any excess franking credits received cannot give rise to a refund for a company but can be converted into carry forward tax losses.

#### 4.2.3. *Australian resident trusts and partnerships*

Investors who are trustees (other than the trustees of complying superannuation entities) or partnerships will be required to include the amount of the dividend together with any franking credit in determining the net income of the trust or partnership. Subject to certain requirements, the relevant beneficiary or partner may be entitled to a tax offset equal to the franking credit included in the beneficiary's or partner's share of the net income of the trust or partnership.

#### 4.2.4. *Availability of franking credits*

The benefit of franking credits can be denied where an Investor is not a 'qualified person', in which case the Investor will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a "qualified person", two tests must be satisfied, namely the "holding period" rule and the "related payment" rule.

Under the holding period rule, an Investor is required to hold Shares "at risk" for at least 45 days continuously, not counting the day of acquisition or disposal. In relation to any particular dividend payment, if an Investor has not already satisfied the holding period rule on ex-dividend date (the last day on which you can acquire a share which entitles you to a particular dividend payment for that share), the Investor must hold the Shares until the 45 day period is met in order to qualify for franking benefits, including franking credits.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the Investor to have held the Shares at risk for the continuous 45 day period as above but within the limited period commencing on



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the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

#### 4.2.5. *Dividends paid to foreign resident Investors*

Generally, the payment of any unfranked dividends to foreign resident Investors should subject to the Australian dividend withholding tax at the rate of 30% which may be reduced under the applicable Australian Double Tax agreement with various countries.

To the extent that the dividends paid by NES Company to foreign resident Investors are franked or declared to be Conduit foreign income ("CFI"), the foreign resident Investors should not be subject to Australian dividend withholding tax on these amount.

#### 4.3. *Distributions from the NES Fund*

It is expected that the Investors will be made presently entitled to all of the income of NES Fund and that the net (taxable) income of NES Fund is distributed to the Investors and therefore the RE should not be subject to tax on any portion of the net (taxable) income of NES Fund.

An Investor's proportionate share of the NES Fund's net (taxable) income will be determined by their proportional entitlement to the distributable income of the NES Fund. There may be circumstances where the calculation of NES Fund's net (taxable) income and the distributable income are different.

Broadly, the Investors will be assessed in the same income year in which NES Fund derived the income. This will include distributions that an Investor becomes presently entitled to but may not receive until after the end of that income year.

The components of income derived by the NES Fund will each retain its character when distributed to its Unitholders.

As the income of the NES Fund may include Australian interest and other foreign source (interest) income, distributions from NES Fund should also include foreign source income for Australian income tax purposes. In relation to foreign source income, the foreign income tax offset ("FITO") regime operates to provide relief for foreign tax paid on amounts which are also taxed in Australia ("double taxed amounts").

Broadly, FITOs should be available where:

- NES Fund has "paid" foreign income tax on amounts included in its Australian assessable income; and
- NES Fund is subject to Australian income tax in respect of these amounts.

A FITO that may be claimed by an Investor in a year of income is broadly calculated as the lesser of the Investor's share of the amount of the foreign tax paid and the offset limit. Broadly, the offset limit is the greater of:

- (i) A\$1,000; and



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- (ii) the amount of the Australian income tax otherwise payable on an Investor's foreign source income on which foreign tax has been incurred and other assessable foreign source income.

An Investor may choose not to calculate their actual offset limit and instead accept their offset limit to be A\$1,000. FITOs are non-refundable and accordingly, to the extent that a FITO cannot be used by an Investor in an income year, the excess FITO is lost and cannot be carried forward to a later income year.

NES Fund may also make cash distributions to Investors in excess of the net income of the trust. Such distributions may arise as a result of:

- "Tax deferred" distributions (e.g., returns of capital, income sheltered by tax losses, differences between tax and accounting depreciation rates); and
- "CGT concession" amounts (i.e., the discount component of net capital gains derived by NES Fund).

#### 4.3.1. *Tax deferred distributions*

When the net (taxable) income of a trust in an income year is less than the distributions received by a Unitholder, the difference should not be included in the Unitholder's assessable income at that time to the extent the Unitholder has sufficient cost base in the Units. This amount is generally referred to as the non-assessable part, or more commonly as a tax-deferred distribution.

In broad terms, the tax cost base of the Units of the Unitholder will be required to be reduced by the amount of the tax-deferred distribution. Once the cost base has been reduced to nil, any subsequent tax-deferred distribution will be taxed as a capital gain in the Investor's hands.

The RE will provide an annual tax statement to Investors setting out the components of each distribution made by the NES Fund.

#### 4.3.2. *Distributions paid to foreign resident Investors*

To the extent that the income distributed by NES Fund to foreign resident Investors is Australian sourced, the trust distribution is subject to the following tax amounts which the RE is required to withhold and pay to the Australian Taxation Office ("ATO"):

- Australian interest income component subject to interest withholding tax at the rate of 10%; and
- Other Australian sourced income component (excluding dividends and royalties if any) (referred to as Fund Payment) is subject to the MIT withholding tax rate of 15% for distribution to foreign tax resident Investors who reside in a country with which Australia has agreed an EOI Agreement, otherwise subject to 30% tax on distribution to non-EOI countries.

Generally, to the extent that the income distributed by NES Fund to foreign resident Investors is foreign sourced, the trust distribution is not subject to tax in Australia.



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#### 4.4. Sale or redemption of Stapled Securities

Australian tax resident Investors who hold their Shares and Units on capital account would be required to consider the impact of the Australian CGT provisions in respect of the disposal of their Shares or Units.

Where the capital proceeds received on disposal of the Shares or Units exceed the CGT cost base of those Shares or Units, Australian tax resident Shareholders or Unitholders should be required to recognise a capital gain. Conversely, Australian tax resident Shareholders or Unitholders may recognise a capital loss on the disposal of Shares or Units where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares or Units.

All capital gains and losses recognised by an Australian tax resident Shareholder or Unitholder for an income year are added together. To the extent that a net gain exists, such Shareholders or Unitholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). Any remaining net gain (after the application of any carried forward capital losses) will then be required to be included in the Australian tax resident Shareholder's or Unitholder's assessable income and should be taxable at the Shareholder's or Unitholder's applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against future capital gains provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders or Unitholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares or Units have been held for at least 12 months prior to disposal. The discount available is 50% for Australian resident individuals or trusts and 33.33% for Australian complying superannuation funds. This concession is not available to corporate Shareholders or Unitholders.

In relation to trusts, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

##### 4.4.1. Exercise or sale of Options by Investors

If an Option is exercised by the Investors for the issue of Stapled Securities then no capital gains or loss should arise to the Investors and the tax cost base of the Stapled Securities includes the cost base of the Option in addition to the exercise price (if any).

If Options are sold or lapse, a capital gain or loss should arise for the Investors with the capital gain broadly being equal to the excess of the capital proceeds over the tax cost base of the Options and the capital loss equal to the excess of the tax cost base of the Options over the proceeds (if any). Investors who are ordinarily eligible for the CGT discount (i.e. individuals, trusts or complying superannuation funds) will be eligible to apply the CGT discount to any capital gain arising on the sale of Options.



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#### *4.4.2. Sale or redemption of Stapled Securities and Options by foreign resident Investors*

The foreign resident Investors should only be subject to the Australian CGT where their investment in Stapled Securities or Options satisfy the following two tests:

- satisfy the “non-portfolio interest” test i.e. the investment in NES Company and NES Fund is at least 10% at the time of the CGT event or throughout a 12 month period that began no earlier than two years before that time and ended no later than that time; and
- satisfy the “principal asset” test i.e. more than 50% of the underlying investments of NES Company and NES Fund should be Taxable Australian Real Property (“TARP”).

As NES currently only invests in US assets, the Stapled Securities and Options currently should not satisfy the principal asset test and accordingly potential sale or redemption of Stapled Securities or Options by foreign resident Investors should not be subject to the Australian CGT. However, these test are applied at the time of the CGT event and the underlying investments of NES should be considered at the time of the CGT event to consider if the potential sale or redemption is subject to the Australian CGT.

#### *4.4.3. Non-resident capital gains withholding tax*

A purchaser is required to withhold 12.5% of the purchase price payable in respect of the acquisition of certain TARP interests (“non-resident capital gains withholding tax” or “NRWT”).

As NES currently only invests in US assets, the potential sale of the Stapled Securities or Options by foreign resident Investors should not be subject to the NRWT.

#### *4.5. Tax File Numbers and Australian Business Numbers*

The Investors are not obliged to quote their tax file number (**TFN**), or where relevant, Australian Business Number (**ABN**), to the RE or NES Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by NES Fund and NES Company at the highest marginal tax rate plus the Medicare levy from certain distributions/dividends.

Investors should generally be entitled to an income tax credit for any such tax withheld.

#### *4.6. Australian Government’s review of stapled structures*

In January 2017, the ATO released a Taxpayer Alert 2017/1 (“TA 2017/1”), which detailed the ATO’s concerns regarding the use of stapled structures to re-characterise trading income into more favourably taxed passive income through stapled structures. On 2 May 2017, the Treasury released a consultation paper seeking views from interested parties on potential policy options dealing with this perceived re-characterisation of trading income into more favourably taxed passive income through stapled structures. The consultation process was extended to the end of 2017, and we



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understand that the Treasury is continuing to consider policy options in respect of stapled structures and the re-characterisation of income.

It is possible that any future amendments may impact the taxation treatment of either the NES Fund, NES Company, or Investors.

### 5. Stamp duty

No stamp duty should be payable by an Investor on acquiring the Stapled Securities or the Options by way of an issue pursuant to the Offer on the basis that neither NES Fund nor NES Company directly or indirectly hold any land or interests in land in Australia.

No liability to stamp duty should arise for any future dealings in the Stapled Securities or on the exercise or sale of the Options provided that neither NES Fund nor NES Company directly or indirectly hold any land or interests in land in Australia at the time.

If either NES Fund or NES Company subsequently acquires land in Australia, stamp duty liability should not arise provided NES remains listed with its Stapled Securities quoted on the Australian Securities Exchange at the time of the transaction, and no Investor acquires 90% or more of the Stapled Securities (including acquisitions with any associated persons or under one arrangement with other Investors).

### 6. Australian goods and services tax

Under current Australian law, goods and services tax ("GST") should not be payable in respect of the issue, acquisition, disposal or transfer of Stapled Securities or the Options or on the payment of dividends/distributions.

However, Investors may be charged GST on brokerage, or other professional advisory services acquired by Investors in their own right in relation to the Proposed IPO of NES.

Shareholders should determine whether they will be entitled to claim GST input tax credits on any GST incurred on costs associated with the acquisition or disposal of Stapled Securities or Options.

\* \* \* \* \*

Yours sincerely

A handwritten signature in black ink that reads "Scott Farrell".

Scott Farrell

Partner



## SECTION 10

TID SGS aisle - September 2017

### Key People, Interests and Benefits



NC-47 site dedication - June 2017

## 10.1 THE INVESTMENT MANAGER

### 10.1.1 ROLE OF THE INVESTMENT MANAGER

New Energy Solar Manager Pty Limited is the Investment Manager of the Company and the Trust. The Investment Manager is a related body corporate of the Responsible Entity.

The Investment Manager is responsible for executing the strategy of the Business in accordance with the terms of the Investment Management Agreement. This includes:

- identifying investment opportunities;
- undertaking due diligence;
- engaging and managing operations and maintenance providers;
- engaging and managing asset, project and construction management providers;
- seeking to maximise the value of the Business' assets;
- negotiating with power purchasers;
- assisting in procuring advisors to provide support (where required) in the assessment of investment opportunities;
- assisting in procuring advisors (where required) for debt arranging and other treasury services, and procuring other third party services as reasonably required;
- advising on and executing asset exit strategies; and
- advising on and executing on liquidity events for investors.

The Responsible Entity and Board has delegated authority to the Investment Manager to acquire and dispose of investments and manage the Business' assets in a manner consistent with the investment strategy without approval from the Board or the Responsible Entity. The current investment strategy is set out in Section 3.2.1 and may be amended by agreement between the Investment Manager, the Board and the Responsible Entity.

See Section 14.1 for a summary of the key terms of the Investment Management Agreement.

### 10.1.2 ROLE OF THE INVESTMENT COMMITTEE

The Investment Committee supports the Investment Manager in the execution of the investment strategy by providing advice and input on specific transactions and industry trends.

The Investment Committee currently comprises four members:

- Alan Dixon, a representative of New Energy Solar Limited;
- Alex MacLachlan, a representative of the Responsible Entity;
- Tom Kline, a representative of the Investment Manager; and
- John Martin, a representative of the Investment Manager.

None of the Investment Manager, the Responsible Entity or the Board are bound by the recommendations of the Investment Committee.

### 10.1.3 SENIOR MANAGEMENT

The senior members of the Investment Manager who are responsible for the management of New Energy Solar are set out below. Each of the members of the Senior Management are employed by a member of the Dixon Advisory Group and provide services for the benefit of the Business.



**JOHN MARTIN** BEcon (USYD)

**CEO, NEW ENERGY SOLAR**

John was appointed as New Energy Solar's Managing Director and CEO in May 2017. John brings a wealth of experience and capability to the role after more than two decades of experience in corporate advisory and investment banking with a focus on the infrastructure, energy and utility sectors.

John previously led the Infrastructure and Utilities business at corporate advisory firm Aquasia where he advised on more than \$10 billion of infrastructure and utility M&A and financing transactions. Prior to this John held various investment bank management positions including the Head of National Australia Bank Advisory and the Joint Head of Credit Markets and Head of Structured Finance at RBS/ABN AMRO.

During his time at ABN AMRO, John managed the Infrastructure Capital business which was viewed as a market leader in the development and financing of infrastructure and utility projects in Australia. John started his career as an economist with the Reserve Bank of Australia and then worked in various treasury and risk management positions, before moving to PwC as the partner responsible for financial risk management. At PwC John advised some of Australia's largest corporations on the management and valuation of currency, interest rate and commodity exposures – with a focus on advising energy companies trading in the Australian National Electricity Market.

John has a Bachelor of Economics (Honours) from the University of Sydney. John is a member of the Advisory Board for the Walsh & Company US Select Private Opportunities Fund III (ASX:USP), and is a past board member of Infrastructure Partnerships Australia.



**TOM KLINE** BCom, LLB (HONS) (ANU)

**EXECUTIVE DIRECTOR – NORTH AMERICA**

Tom was the inaugural CEO of New Energy Solar after the launch of the business in December 2015. Tom relocated to the US in April 2017 to oversee the operation of the Existing Portfolio. Tom will also guide the business' continued investment in North American projects.

Tom has extensive experience in funds management, corporate finance, and mergers and acquisitions, having been part of the senior management team at Walsh & Company and Dixon Advisory since 2009. Before Dixon Advisory, Tom worked at UBS AG in Sydney. During his time at UBS, he was a member of the Power, Utilities and Infrastructure team and advised on a wide range of public and private M&A and capital market transactions. Tom advised some of Australia's leading energy generators and infrastructure players including EnergyAustralia and Transurban. Tom also advised energy and utility companies on the proposed introduction of Australia's federal carbon trading scheme (Carbon Pollution Reduction Scheme) and implications for fossil fuel and renewable energy generation.

Tom has a Bachelor of Commerce and Bachelor of Laws (Honours) from the Australian National University.



**LIAM THOMAS** BAgribus (Curtin), MSc (Curtin), MBA (MELB)

**HEAD OF INVESTMENTS**

Liam joined New Energy Solar in March 2016 to lead transaction origination and execution activities. Liam has over 14 years' experience in M&A, corporate and business development, projects, and commercial management in the energy, infrastructure, mining and agribusiness sectors.

Prior to joining NES, Liam was a senior member of the International Development team at Origin Energy focused on the investment and development strategy for utility scale solar, hydro, and geothermal projects in Latin America and South-East Asia. Liam's previous roles have included General Manager of Commercial Development at Aurizon, Commercial Manager for the Northwest Infrastructure iron ore port joint venture, and Project Manager at Orica, focusing on large-scale mining-related infrastructure and manufacturing projects. Earlier in Liam's career, he worked in the agricultural commodities sector with AWB Limited.

Liam has a Bachelor of Agribusiness and Master of Science from Curtin University, and a Master of Business Administration from the University of Melbourne.

## 10.2 DIRECTORS OF THE RESPONSIBLE ENTITY



**ALEX MACLACHLAN** BA (Cornell), MBA (Wharton)

**CHAIRMAN (Responsible Entity)**

**CEO, Walsh & Company**

Alex joined Dixon Advisory in 2008 to lead the then newly formed Funds Management division, which later became Walsh & Company. Alex focused the efforts of the Funds Management division on providing retail investors with access to asset classes and investment opportunities that would normally only be available to institutional investors.

From funds under management of under \$100 million at the time of his start, Alex has grown Walsh & Company Group to approximately \$5 billion of assets under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy.

Prior to joining the firm, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, Alex worked on more than \$100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies.

Alex has a Bachelor of Arts from Cornell University and a Masters of Business Administration from The Wharton School, University of Pennsylvania.



**WARWICK KENEALLY** BEc, BCom (ANU), CA

**DIRECTOR (Responsible Entity)**

**Head of Finance, Walsh & Company**

Warwick is Head of Finance at Walsh & Company, the funds management division of Dixon Advisory. Before joining Walsh & Company, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG working in their Canberra, Sydney and London offices – and has undertaken a range of complex restructuring and insolvency engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks.

Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management. Among his

former roles, Warwick worked on the initial stages of the HIH insolvency – as part of the key management group tasked with the wind-down of the global estate.

Warwick has a Bachelor of Economics and Bachelor of Commerce from the Australian National University and is a Chartered Accountant.



**TRISTAN O'CONNELL** BCom (ANU), CPA

**DIRECTOR (Responsible Entity)**

**Group Chief Financial Officer and Company Secretary, Evans Dixon**

Tristan is Group Chief Financial Officer and Company Secretary for Evans Dixon.

At Evans Dixon, Tristan oversees the finance and accounting function of the firm's group of companies. This incorporates funds management accounting for 16 funds. He began his association with Dixon Advisory in 2005, joining to spearhead its financial management and growth. Tristan brought to Dixon Advisory more than a decade in corporate financial and management roles within the wholesale markets industry. This included a long tenure at Tullet Prebon, one of the world's leading inter-dealer broker firms that specialise in over-the-counter interest rate, foreign exchange, energy and credit derivatives. Tristan was Financial Controller of the Australian operation and held senior finance roles in their Singapore and London offices.

Tristan has a Bachelor of Commerce from the Australian National University, is a member of CPA Australia and is a Fellow of the Financial Services Institute of Australasia.

## 10.3 BOARD OF THE COMPANY



**JEFFREY WHALAN** AO, BA (UNSW), FAICD, FAIM

**NON-EXECUTIVE CHAIRMAN (Company)**

Jeffrey is Managing Director of the Jeff Whalan Learning Group a specialist human resources company. Jeffrey is also the Non-Executive Chairman of Australian Governance Masters Index Fund Limited (ASX:AQF) and he was a senior executive officer in the Australian Public Service from 1990 to 2008.

Jeffrey was appointed an Officer in the Order of Australia in 2008 for his work as CEO of Centrelink. Among other things, the award recognised his achievements in 'the development of corporate accountability processes'.

Jeffrey is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. As CEO of Centrelink, Jeffrey was responsible for the largest agency of the Australian Public Service, with \$70 billion of government outlays and 27,000 staff. Prior to joining Centrelink, he was the managing director of the Health Insurance Commission, (subsequently known as Medicare Australia).

Jeffrey has held Deputy Secretary positions in the Department of Prime Minister and Cabinet, the Department of Defence and the then Department of Family and Community Services. He has also held senior executive positions in the Department of Transport and the Department of Health.

Jeffrey is an independent director within the meaning of independence described in Section 10.8.1.



**ALAN DIXON** BComm (ANU), CA

**DIRECTOR (Company)**

**Managing Director and CEO, Evans Dixon**

Alan is the Managing Director and CEO of Evans Dixon, an asset manager and financial advisory firm established in February 2017, through the merger of Evans & Partners and Dixon Advisory. Evans Dixon has over \$20 billion of assets under management or advice.

Primarily based in the US, Alan also oversees the firm's senior leaders and influences the strategic initiatives of more than 600 professionals working with clients in Sydney, Melbourne, Brisbane, Canberra, Jersey City and New York City. He is also Managing Director and CEO of Dixon Advisory USA, a leader in the US urban single-family home rental business.

Alan joined Dixon Advisory in January 2001. Prior to joining Dixon Advisory, Alan worked in Chartered Accountancy and Investment Banking roles in Australia.

Alan holds a Bachelor of Commerce from the Australian National University and is a member of the Institute of Chartered Accountants in Australia. He is also an SMSF Professionals' Association of Australia (SPAA) Accredited SMSF Specialist Advisor™.



**JAMES DAVIES** BCS (UNE), MBA (LBS)

***NON-EXECUTIVE DIRECTOR (Company)***

James has over 30 years of experience in investment management across real estate, private equity, infrastructure, natural resources and special situations. Most recently he was Head of Funds Management at New Forests Asset Management, overseeing \$2.5 billion worth of investments in broad acre real estate, forestry assets and environmental markets. Prior to that he held Director roles at Hastings Funds Management Limited and Royal Bank of Scotland's Strategic Investments Group. He has sat on numerous Investment Committees and Boards including as Chairman of Timberlink Australia and Forico.

James holds a Bachelor of Computer Science from the University of New England, a Masters of Business Administration from London Business School and is a Member of the Australian Institute of Company Directors. James is an independent director within the meaning of independence described in Section 10.8.1.



**JOHN HOLLAND** MA (Hons) (Oxford)

***NON-EXECUTIVE DIRECTOR (Company)***

John holds a portfolio of complementary non-executive board roles. In particular, he chairs KCG Europe, a brokerage business which is part of the Virtu Financial group, and Open Door Capital Management (a Greater China Asset Management company), as well as acting as Non-Executive Director of sQuidcard Limited (a UK and African Payments business in the Education and Aid Sectors). John also chairs the Board and Advisory Board respectively of ASX Listed Asian Masters Fund (AUF) and Emerging Markets Masters Fund (EMF).

Prior to his current roles, John was Managing Director and Member of UBS Investment Bank Board. Over the course of his 24-year career at UBS and its predecessor banks, John helped to build and then led UBS' leading Asian Equities and banking business based in Hong Kong, before returning to London to assume various senior management roles in the Global Equities business.

Throughout his career, John has had significant experience working with a wide range of Financial Regulators, including a three-year stint as a member of the European Securities Markets Experts Group advising the European Commission on new regulation.

John holds a Master of Arts (Hon) from Oriel College, Oxford University, majoring in Philosophy, Politics and Economics. John is an independent director within the meaning of independence described in Section 10.8.1.

**JOHN MARTIN** BEcon (USYD)

***Director (Company)***

**Managing Director and CEO, New Energy Solar**

See Section 10.1.3 for further information

**MAXINE MCKEW*****NON-EXECUTIVE DIRECTOR (Company)***

Maxine is an author and Honorary Enterprise Professor of the Melbourne Graduate School of Education at the University of Melbourne. Her most recent book, published by Melbourne University Press in 2014, is *Class Act*, a study of the key challenges in Australian schooling. This publication followed the success of her memoir, *Tales From the Political Trenches*, an account of her brief but tumultuous time in the Federal Parliament.

Maxine's background traverses both journalism and politics. For many years she was a familiar face to ABC TV viewers and was anchor of prestigious programmes such as the 7.30 Report and Lateline. Her work has been recognised by her peers with both Walkley and Logie awards. When she left journalism to enter politics, Maxine wrote herself into the Australian history books by defeating Prime Minister John Howard in the Sydney seat of Bennelong. In government she was both parliamentary secretary for early childhood and later, for regional development and local government.

Maxine is a director of Per Capita and the John Cain Foundation. In 2015 she was also appointed to serve on the board of the State Library of Victoria. Maxine is an independent director within the meaning of independence described in Section 10.8.1.

## **10.4 DIRECTOR DISCLOSURE**

None of the directors has been an officer of a company that has entered into a form of external administration because of insolvency during the time the director was an officer or subject to any legal or disciplinary action that is less than 10-years-old.

## **10.5 INTERESTS AND BENEFITS**

Other than as set out below or elsewhere in this Offer Document, no:

- director or proposed director of the Company;
- person named in this Offer Document as performing a function in a professional, advisory, or other capacity in connection with the preparation or distribution of this Offer Document;
- promoter of the Company; or
- financial services licensee named in this Disclosure Document as a financial services licensee involved in the Offer;
- holds at the time of lodgement of this Offer Document with ASIC, or has held in the two years before lodgement of this Offer Document with ASIC, an interest in:
  - the formation or promotion of the Company;
  - property acquired or proposed to be acquired by the fund in connection with its formation or promotion, or in connection with the Offer; or
  - the Offer,

and no amount (whether in cash, Stapled Securities, Options or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any director or proposed director of the Company to induce them to become, or qualify as, a director of the Company.

## 10.6 INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

### 10.6.1 INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

A summary of the Board, directors of the Responsible Entity and Senior Management Securityholdings prior to the Offer, is provided below.

**Table 17: Interests of Directors and Senior Management**

<b>COMPANY</b>	<b>HOLDINGS IN STAPLED SECURITIES PRIOR TO THE DATE OF THE OFFER DOCUMENT</b>
<b>Directors</b>	
Alan Dixon	3,810,646
James Davies	-
Jeffrey Whalan	423,700
John Martin	12,597
John Holland	-
Maxine McKew	-
<b>Senior Management</b>	
Liam Thomas	15,746
Tom Kline	63,513
<b>RESPONSIBLE ENTITY</b>	
<b>HOLDINGS IN STAPLED SECURITIES PRIOR TO THE DATE OF THE OFFER DOCUMENT</b>	
<b>Directors</b>	
Alex MacLachlan	253,509
Tristan O'Connell	31,833
Warwick Keneally	-

The directors are entitled to and may participate in the Offer.

### 10.6.2 DIRECTOR REMUNERATION AND RELATED ARRANGEMENTS

Except for the interest and remuneration disclosed in this Offer Document, the Board has not received, and is not entitled to, any benefit in relation to this Offer.

As at the date of the Offer Document, no personnel are employed by the Company.

#### EXECUTIVE DIRECTORS

The terms and conditions of any executives of the Company, including remuneration and termination, will be determined by the Board having regard to market conditions and the performance of individuals and the Company. The Board also ensures that there is no discrimination on remuneration in respect to gender.

## NON-EXECUTIVE DIRECTORS OF THE COMPANY

The total annual remuneration paid to non-executive directors of the Company may not exceed the limit set by the Securityholders at a general meeting. The Board intends, at the 2018 general meeting, to seek an increase in the current limit from \$200,000 per annum to \$400,000 per annum or such other amount deemed appropriate by the Business to enable payment of commercial arms-length directors' fees and to allow for expansion of the Board if necessary.

The remuneration of the non-executive directors of the Company is fixed rather than variable. Remuneration may be provided in such manner that the Board decides (including by way of contribution to a superannuation fund on behalf of the director) and if any of the fees of any director is to be provided other than in cash, the Board may determine the manner in which the non-cash component of the fees is to be valued. The Board is also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as directors.

As at the date of the Offer Document, the annual non-executive director fees agreed to be paid by the Company to:

- Jeffrey Whalan, Chairman is \$75,000; and
- Each of James Davies, John Holland and Maxine McKew is \$50,000,

subject to Securityholder approval, to be sought at the next AGM, to increase the current cap of remuneration for the non-executive directors from \$200,000 to \$400,000. If that Securityholder approval is not given, the total amount to be paid to the non-executive directors will be limited to \$200,000.

All non-executive director fees are inclusive of statutory superannuation contributions.

The Company may engage any one or more of the non-executive directors in a consulting capacity if particular expertise or time commitment is required. Such engagement will be on normal commercial terms as approved by the Company's board from time to time.

## DIRECTOR PROTECTION DEEDS

The Company has entered into a director protection deed with each of its directors. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each director in respect of certain liabilities which the director may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. These liabilities include losses or liabilities incurred by the director of the Company to any other person as an officer of the Company, including legal expenses. The Company is also required to maintain insurance policies for the benefit of the relevant director. Each director has the right of access to all relevant Company information and to the Company's management and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense.

## 10.7 INTERESTS OF ADVISORS

KPMG has acted as taxation advisor to the Company and the Trust in connection with the Offer. The Responsible Entity and the Company have paid, or agreed to pay, approximately \$120,000 (excluding disbursements and GST) to KPMG for these services at the date of this Offer Document. Further amounts may be paid to KPMG in accordance with its timed-based charge-out rates.

Deloitte Corporate Finance Pty Limited has acted as investigating accountant to the Company and the Trust in connection with the Offer. The Responsible Entity and the Company have paid, or agreed to pay, approximately \$280,000 (excluding disbursements and GST) to Deloitte Corporate Finance Pty Limited for these services at the date of this Offer Document. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with its timed-based charge-out rates.

Herbert Smith Freehills is entitled to be paid approximately \$700,000 (plus GST and disbursements) in fees and charges for legal services rendered to the Business up to the date of

this Offer Document in connection with the Offer. Further amounts may be paid in accordance with its normal time based charges.

Fort Street Advisers Pty Ltd has acted as a financial advisor to the Company and the Trust in connection with the Offer. The Responsible Entity and the Company have agreed to pay a fee of 0.5% of the gross proceeds of the Offer (excluding disbursements and GST) to Fort Street Advisers Pty Ltd for services up to the completion of the Offer.

Morgan Stanley will receive fees for acting as a joint lead manager and sole bookrunner for the Offer as described in Section 14.9.

National Australia Bank Limited has acted as co-manager to the Offer and will receive from the Bookrunner a fee of 1.5% of the amount allocated to them under the Broker Firm Offer.

Evans and Partners has acted as a joint lead manager in connection with the Offer and will receive from Evans Dixon a fee of 1.5% of the gross proceeds of the Offer relating to applications procured by Evans and Partners.

## 10.8 CORPORATE GOVERNANCE

The Board and the Responsible Entity recognise the importance of strong corporate governance and are committed to high standards of governance and compliance.

The Board and the Responsible Entity, where appropriate, benchmark the Business against the 3rd Edition of the Corporate Governance Principles & Recommendations (**ASX Recommendations**) issued by the ASX Corporate Governance Council. The Board's and the Responsible Entity's corporate governance practices have been documented in the Corporate Governance Charter and are made available to Securityholders and Optionholders on the Business' website.

The Board and the Responsible Entity will review the corporate governance practices at least annually and document any changes in the Corporate Governance Statement and Charter.

### 10.8.1 BOARD APPOINTMENT AND COMPOSITION

The composition and independence of the Board is considered to be appropriate for the Company at this time.

The Board has adopted a definition of independence that is based on that set out in Box 2.3 of the ASX Recommendations.

The Board considers a director to be independent where he or she is independent of the Responsible Entity's management and is free from any business, interest, position or other relationship that might influence, or reasonably be perceived to influence, in a material respect, the directors' capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company and Shareholders generally. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted materiality guidelines to assist it in this regard.

The Board will regularly review the independence of each director in light of information disclosed by each director to the Board.

The Board will review its composition as required against the Company's Board skill matrix to ensure that the Board has the appropriate mix of qualifications, experience and expertise for which the Board is looking to achieve in its membership.

Due to the current size and makeup of the Board, other than the Audit Committee, the Board has determined not to establish separate committees of the Board at this time. The functions of the nomination, remuneration and risk committees are performed by the Board as a whole when required.

### 10.8.2 BOARD ROLES AND RESPONSIBILITIES

The Board and the Responsible Entity have formalised their roles and responsibilities in a Corporate Governance Charter. The Corporate Governance Charter sets out the Board's

structure, composition and responsibilities, and the relationship and interaction between the Board and the Investment Manager.

The Board is responsible for the management and operation of the Company including protection of Shareholder interests and overall corporate governance. The Board is subject to numerous duties under the Corporations Act, fiduciary duties and other duties under general law, including duties to act honestly, exercise care and diligence and act in the best interests of Shareholders.

### 10.8.3 BOARD COMMITTEES

#### EXTERNAL AUDIT

The Board reviews all final draft external financial reports with the external auditor and makes recommendations on their adequacy prior to their release to Shareholders, investors and other public forums.

#### AUDIT COMMITTEE

The key responsibilities of the Audit Committee include overseeing and reviewing the:

- preparation of the Business' financial statements and reports;
- appointment, remuneration, independence and competence of the Business' external auditors;
- effectiveness of the Business' system of risk management and internal controls; and
- Business' systems and procedures for compliance with applicable legal regulatory requirements.

Under its charter, the Audit Committee is comprised of two independent members and one director of the Responsible Entity. The Audit Committee currently comprises Jeffrey Whalan, Barry Sechos and Tristan O'Connell (as chair).

### 10.8.4 CONSTITUTIONS AND COMPLIANCE PLANS

The Company Constitution and the Trust Constitution set out the rights and obligations of the Company, the Responsible Entity, and the Securityholders. Summaries of the Company Constitution and the Trust Constitution are set out at Sections 15.3 and 15.4 respectively.

To ensure compliance with the Trust Constitution, the Corporations Act and the ASX Listing Rules, the Trust's compliance plan sets out the measures it will apply in operating the Trust.

### 10.8.5 CORPORATE GOVERNANCE

The Board and the Responsible Entity have adopted the following governance framework, each having been prepared having regard to the ASX Recommendations and which are available on the Business' website.

#### Continuous disclosure

The Trust and the Company are disclosing entities for the purposes of the Corporations Act and will be required to comply with the continuous disclosure regime under the Corporations Act.

The Responsible Entity and the Company have established internal systems and procedures to ensure that timely disclosure is made to Investors.

As the Trust and the Company are disclosing entities, the Business will be subject to regular reporting and disclosure obligations.

The Corporate Governance Charter of the Trust and the Company documents the Continuous Disclosure Policy adopted by the Responsible Entity and the Board which reinforces the commitment of Company and the Responsible Entity to their continuous disclosure obligations, and describes the processes in place to enable them to provide Securityholders with timely disclosure in accordance with those obligations.

#### Investor communications

In addition to the Business' continuous disclosure obligations, the Business has a policy of seeking to keep all Securityholders informed. The Board and the Responsible Entity aim to

keep Securityholders informed of all major developments affecting the Business' activities announcements to the public, releases to the media and despatch of financial reports. All ASX announcements made to the market, including annual and half-year financial results, and information relating to the Business' governance are placed on the Business' website at [www.nes.com.au](http://www.nes.com.au). Securityholders also have the option to send any communication to the Business using any of the methods listed on the Business' website.

### **Security Trading Policy**

The Board has established a Security Trading Policy which outlines the permissible dealing of the Stapled Securities and the Options and applies to all directors of the Company and the Responsible Entity, and to the Investment Manager.

The policy imposes restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

### **Code of Conduct**

The Board is committed to the establishment and maintenance of appropriate ethical standards.

### **Diversity Policy**

The Company has adopted a Diversity Policy to actively facilitate a more diverse and representative management structure and to address the representation of women on the Board. The Board will include in the annual report each year a summary of the Company's progress towards achieving the measurable objectives set under the Diversity Policy for the year to which the annual report relates and the proportion of female directors on the Board.

### **Risk Management Policy**

The Responsible Entity has adopted a Risk Management Policy covering the corporate risk management objectives, accountabilities, responsibilities and authorised activities for the Responsible Entity. The Company has adopted the Responsible Entity's Risk Management Policy and is subject to its underlying risk management framework.

The Company will engage an insurance broking firm as part of the Board's annual assessment of the coverage of insured assets and risks. A risk management workshop will not be held, but business risks will be continually assessed (at least annually) by the Board in accordance with the Company's Risk Management Policy.

### **Compliance Framework**

The Responsible Entity and the Company have a risk management process that includes the Responsible Entity maintaining a compliance plan (which is audited every year) and a compliance committee. The compliance plan sets out how the Responsible Entity will ensure compliance with both the Corporations Act and the Trust Constitution when operating the Trust. The compliance committee, comprising a majority of members who are independent of the Responsible Entity (one representative from the Responsible Entity and two external representatives), will monitor compliance with the compliance plan. The compliance plan of the Trust will be audited externally on an annual basis.

The risk management processes of the Company and the Trust include a comprehensive compliance framework including compliance policy, training and monitoring elements.

### **Capital Allocation Policy**

The capital allocation between the Trust and the Company is a reflection of the proportion of NAV that each of the Trust and the Company contribute to the NAV of the Business.

If the Company (or its relevant controlled entities) has insufficient capital to undertake an acquisition and the Trust has surplus capital, the Trust may provide the necessary funds to the Company or its relevant controlled entity to undertake that acquisition. The funds may be provided in the form of debt, equity or other investment structure, and may or may not bear interest. As a result, while the relative net asset position of each of the Company and the Trust will not be affected by this capital reallocation, the Company and the Trust have the ability to acquire assets by the appropriate entity within the Business.

The Business will determine before the point of acquisition the appropriate acquirer or acquirers within the Business structure to acquire an asset or a part of an asset. The Board and the Responsible Entity will consider the relative benefits to the Business as a whole of the intended acquisition structure and any relevant implications at the individual entity level.

The Trust Constitution and the Company Constitution also provide flexibility for the allocation of capital between the Trust and the Company to be adjusted to better reflect the assets held by the Trust and the Company. See Sections 15.3 and 15.4 for further information.

### **Borrowings Policy**

The Board and the Responsible Entity may undertake borrowing at the Trust or Company level or at other levels in the overall Business structure, including the asset level, as considered appropriate by the Board and the Responsible Entity. Borrowings may be denominated in Australian dollars or other currencies.

The Board and the Responsible Entity intend to target a long-term overall gearing ratio for the Business of up to 50% of total gross assets. Individual projects may be geared to higher levels. In assessing investments, the Business will have regard to the underlying gearing at the project level.

The Business may implement an interest rate hedging policy, by fixing a portion of the Business' exposure to any floating rate interest rates to an appropriate fixed rate.

### **Distribution Policy**

The Board and the Responsible Entity will seek to make investments with a view to generating sufficient income to consistently provide a distribution stream.

All Trust income, determined in accordance with the Trust Constitution, will be distributed while income received by the Company may be retained or paid out by way of distributions.

To the extent that tax is paid outside of Australia, the Company does not anticipate being able to pay franked distributions. However, where the Company pays income tax in Australia or receives franked distributions itself, the Company may allocate franking credits to distributions paid by it to Investors. Where the Trust receives franking credits on distributions or distributions, it may be able to pass such franking credits on to its Unitholders when paying distributions. In some circumstances, the Trust may have the capacity to distribute foreign income tax offsets.

The Board and the Responsible Entity announced an initial distribution of 3.2 cents per Stapled Security in respect of the period ended 30 June 2017 and an intention to pay distributions to Securityholders on a six-monthly basis in respect of the periods ending on 31 December and 30 June.

The Business is targeting a distribution of 4.00 cents per Stapled Security for the second half of 2017 based on the general assumptions set out in Section 4.1.6. Additionally, based on the specific and general assumptions set out in Section 4.1.6, the Business is targeting a distribution of 7.75 cents per Stapled Security for the 2018 calendar year – representing a potential annual distribution yield for 2018 of 5.0% to 5.3% based on the Indicative Price Range<sup>67</sup>. It is important to note that the Business' actual distribution for this period and later periods may be less than this target distribution range and that a proportion of future distributions is likely to be in the form of a return of capital and/or a tax deferred distribution.

Volatility in the prevailing Australian dollar foreign exchange cross-rates relevant to the markets in which the Business invests may cause volatility in Business distributions.

The Company and the Trust may lend, invest or use other structures to move capital between the Company and the Trust. The structure of these arrangements may impact distributions paid from the Trust and dividends paid by the Company. The Board and the Responsible Entity currently intend to enter into lending, investing or other structures where that benefits the Business as a whole.

**67.** Target 2018 distribution yield is calculated as the target distribution of 7.75 cents per Stapled Security for the 2018 calendar year divided by the Indicative Price Range of \$1.45 to \$1.55 per Stapled Security.

On payment of dividends and distributions, the portions attributable to income, capital and debt will be disclosed to Securityholders. The Company and the Trust will provide an annual tax dividends and distribution statement summary for Investors to complete their income tax returns. No guarantee can be given in respect of future earnings of the Business or that dividends or distributions will be paid. The Responsible Entity and the Board do not intend to use scheme borrowings to pay dividends or distributions.

The Business currently intends to transfer a significant portion of the net proceeds of the Offer to the US, to be held in US dollars. It is currently intended that sufficient cash will however be retained in Australia to pay the Business' operating costs, fund the target distribution for the second half of 2017 and fund the target distribution for the 2018 calendar year (net of the impact of the Business' distribution reinvestment plan (see Section 15.19 for details of the plan)).

#### **Cash Policy and Working Capital**

The Business' policy is to hold funds in cash, cash equivalents, cash deposits, and interests in cash management trusts pending investment or capital expenditure by the Business or to meet anticipated distributions or working capital requirements. There is no limitation on the amount of cash that may be retained by the Business.

The Board and the Responsible Entity will endeavour to maximise the cash returns of the Business.

#### **Hedging Policy**

The Board and the Responsible Entity expect the Business to receive income streams and hold assets denominated in US dollars, Australian dollars and other currencies. The Board and the Responsible Entity do not currently intend to hedge this currency risk. The Board and the Responsible Entity may re-evaluate the hedging policy in the event of changes in the prevailing relevant exchange rates and economic conditions. The Board and the Responsible Entity believe that a proportion of the proceeds of the Offer will be invested in solar energy assets located in the US. It is currently intended that a proportion of the net proceeds raised from the Offer will be converted into US dollars following the issue of Stapled Securities and Options to prepare the Business to acquire assets located in the US.

As future assets of the Business may be denominated in currencies other than Australian dollars, particularly initially US dollars, the value of assets expressed in Australian dollars may fluctuate with the prevailing relevant foreign exchange rates. The Board and the Responsible Entity may establish borrowing facilities in other currencies to act as a natural hedge against a degree of this foreign currency exposure.

#### **Raising Further Capital**

The Board and the Responsible Entity may, at a future date, decide to raise further capital. A further issue of Stapled Securities or Options may be contemplated if there is significant demand to invest in the Business, or there remain attractive opportunities for investment which the Responsible Entity and the Company can pursue with additional capital and it is beneficial to existing Securityholders.

#### **Valuation Policy**

The Board and the Responsible Entity will use fair market value to determine the carrying amount of the renewable energy asset investments in which the Business has an interest. The best method to calculate fair market value is by applying a discount rate to the expected future cash flows of the relevant asset. At a minimum, formal valuations will be performed annually and otherwise as determined by the Board and the Responsible Entity. The Business may engage suitably qualified independent valuers to assist in its assessment of fair market value. Fair value assessments will be performed at least twice a year.

## 10.8.6 RELATED PARTY TRANSACTION POLICY AND CONFLICTS OF INTEREST

The Responsible Entity and the Company maintain and comply with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest.

The key elements of the related party transaction policy include the following:

- (a) all related party transactions must be immediately notified to the compliance officer through the completion of a conflicts of interest notice, following receipt of which the compliance officer will complete the conflicts of interest register;
- (b) each related party transaction will be evaluated and assessed as either a minor conflict or a material conflict;
- (c) all related party transactions relating to the Company and its controlled entities are assessed for commerciality by the Board of the Company prior to the Board approving the transaction; and
- (d) each related party transaction will be approved by Securityholders unless the Responsible Entity or the Company (as relevant) determines that it falls within an appropriate Corporations Act exception, including where a transaction is on arm's length terms or terms that are more favourable to the Business than arm's-length terms.

Compliance with the policies and procedures set out in the related party transaction policy is monitored by the relevant compliance officer by, among other things, reviewing the conflicts of interest and related party records and registers.

Any breaches of policies and procedures will be reported in accordance with the Business' established reporting procedures. The reporting procedures may involve reporting the breach directly to the directors of the Responsible Entity, the Board, or to ASIC, depending on the seriousness of the breach.

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## **SECTION 11**

### **ASIC Benchmarks and Disclosure Principles**

NC-31 Blocks 9 and 12 - February 2017



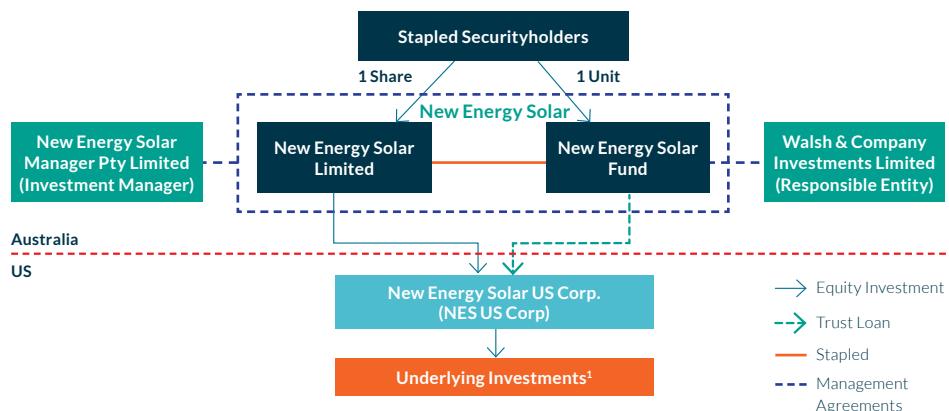
Stanford SGS at sunset - September 2017

ASIC Regulatory Guide 231 – Infrastructure entities: Improving disclosure for retail investors sets out benchmark and principles disclosure guidelines for infrastructure entities. A full copy of ASIC Regulatory Guide 231 – Infrastructure Entities: Improving Disclosure for Retail Investors can be found on the ASIC website.

The Business has acquired substantial majority interests in four operational, utility scale solar power plants in the United States of America (**US**) and committed to acquire the CCR Portfolio. Two of the four assets in the Existing Portfolio are located in California and have been operational since December 2016. The other two plants are in North Carolina, one of which has been operational since March 2017, and another which became operational in May 2017.

A summarised structure of the Business is provided below for illustrative purposes.

**Figure 42: Structure of the Business**



Note 1: Underlying investments may be owned directly or indirectly

The Board and the Responsible Entity provide the following disclosure against the ASIC Benchmark Disclosure Principles:::

## Benchmark 1: Corporate structure and management

The Company and the Trust's corporate governance policies and practices conform with the principles and recommendations in Guidance Note 9A.

**Statement:** This benchmark is met.

**Explanation:** The Business publishes a corporate governance statement on its website which sets out detailed disclosures in respect of compliance with the ASX Corporate Governance Principles and Recommendations.

**Further Information:** For additional disclosure on this benchmark see Sections 10.8, 10.8.5, and 15.1.

## Benchmark 2: Remuneration of management

Incentive-based remuneration paid to management of the Business is derived from the performance of the Business and not the performance of other entities within its consolidated group, except where the Business is the parent of the consolidated group.

**Statement:** The benchmark is met.

**Explanation:** N/A

**Further Information:** For additional disclosure on this benchmark, see Section 15.4.10.

### Benchmark 3: Classes of units and shares

All Stapled Securities are fully paid and there are currently no Options on issue. There are three classes of securities: Stapled Securities and, Class A Options and Class B Options.

**Statement:** The benchmark is met.

**Explanation:** N/A

**Further Information:** For additional disclosure on this benchmark, see Sections 15.3 and 15.4 and 17.3.5.

**Benchmark 4: Substantial related party transactions**

The Company and the Trust comply with ASX Listing Rule 10.1 for substantial related party transactions.

**Statement:** The benchmark is met.

**Explanation:** The Business discloses related party transactions that are material to the investment decision of investors.

In respect of transactions between the stapled entities and their wholly owned entities which comprise the Business, ASIC has provided the Business with customary relief for those transactions to proceed without the need to seek Securityholder approval.

**Further Information:** For additional disclosure on related party transactions see Sections 10.8 and 15.8.

**Benchmark 5: Cash flow forecast**

The Company and the Responsible Entity have, for the current financial year, prepared and had approved by its directors:

- a 12-month cash flow forecast for the Business and has engaged an independent suitably qualified person or firm to provide, in accordance with the auditing standards:
  - » negative assurance on the reasonableness of the assumptions used in the forecast; and
  - » positive assurance that the forecast is properly prepared on the basis of the assumptions and on a basis consistent with the accounting policies adopted by the entity; and
  - » an internal unaudited cash flow forecast for the remaining life, or the right to operate (if less) for each new significant infrastructure asset acquired by the Business.

**Statement:** The benchmark is met.

**Explanation:** Internal, unaudited cash flow forecasts for each of the investments made by the Business have been completed in connection with the respective acquisitions.

A consolidated Business cash flow model which forecasts aggregate Business cash flows has been developed. This consolidated Business cash flow model was subject to a model review specifically designed to comply with the objectives of RG 231.

**Further Information:** Not applicable.

**Benchmark 6: Base-case financial model**

Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the Business' base-case financial model that:

- checks the mathematical accuracy of the model, including that:
- the calculations and functions in the model are in all material respects arithmetically correct; and
- the model allows changes in assumptions, for defined sensitivities, to correctly flow through to the results; and
- includes no findings that would, in the Business' opinion, be materially relevant to the Business' investment decision.

**Statement:** The benchmark is met.

**Explanation:** The Business has acquired substantial majority interests in four operational utility scale solar power plants. Following acquisition of these solar power plants, an agreed-upon procedures check of the New Energy Solar consolidated base case financial model was performed by an assurance practitioner.

**Further Information:** Not applicable.

**Benchmark 7: Performance and forecast**

For any operating asset developed by the Business, or completed immediately before the Business' ownership, the actual outcome for the first two years of operation equals or exceeds any original publicly disclosed forecasts used to justify the acquisition or development of the asset.

**Statement:** The benchmark is not applicable.

**Explanation:** The Business has acquired substantial majority interests in four utility scale solar power plants which have recently become operational. These solar power plants have not been operating for a sufficient period to calculate any annual deviations from forecasts.

**Further Information:** For further information refer to the transaction announcements on the New Energy Solar website at <http://www.nes.com.au/announcements>

**Benchmark 8: Distributions**

If the Business is a unit trust, it will not pay distributions from scheme borrowings.

**Statement:** The benchmark is met.

**Explanation:** On 28 June 2017, the Business announced its initial distribution and the intent to pay distributions moving forward on a semi-annual basis. The first distribution was paid to Securityholders on 15 August 2017 via cash or the issue of additional Stapled Securities in New Energy Solar (for investors who elected to participate in the Dividend Reinvestment Plan). On payment of dividends and distributions, portions attributable to income and capital are disclosed to Securityholders. The Responsible Entity does not intend to pay distributions from Trust borrowings.

**Further Information:** For additional disclosure on this benchmark, see Section 10.9.1.

**Benchmark 9: Updating the unit price**

If the Business is unlisted and a unit trust, after finalising a new valuation for an infrastructure asset, the Business reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.

**Statement:** The benchmark is met.

**Explanation:** The Responsible Entity amended the constitution to update the issue price for the purposes of the last capital raise by the Company and the Trust in November 2016. The Company and the Trust also launched a distribution reinvestment plan in June 2017 at a revised price.

**Further Information:** For additional disclosure on this benchmark, see Sections 10.9.1, 15.3 and 15.4.

For further information on the amendment to the constitution refer to the Notice of Extraordinary General Meeting dated 20 October 2016 which was released on the New Energy Solar website.

The Business provides the following disclosure against the ASIC Disclosure Principles:

<b>Principle 1: Key relationships</b>	<b>Disclosure:</b>
Disclose:	
(a) the important relationships for the entity and any other related party arrangements relevant to an investor's investment decision, including any controlling arrangements, special voting rights or director appointment rights; and	(a) The structure of the Business is outlined in Figure 43 in Section 15.1.  The Responsible Entity is the responsible entity of the Trust.
(b) for any significant infrastructure asset under development:	
(i) key relationships in the development, including any concessionaire, developer, builder, sponsor, promoter, asset manager, independent expert, financier, joint venture party, issuer or manager; and	The Investment Manager acts as investment manager for the portfolio of assets of each of the Trust and the Company. The Investment Manager is a related body corporate of the Responsible Entity and is a corporate authorised representative (CAR NO: 1237667) of Walsh & Company Asset Management Pty Limited (ACN 159 902 708, AFSL 450257). The Investment Manager cannot make investment decisions above a delegated level of authority without the approval of the Board and/or the directors of the Responsible Entity, depending on the ultimate intended or current ownership of an asset.
(ii) key participants that bear material development related risks, including for timing and cost of delivery of the development, procurement and cost of financing for the development, and guaranteeing the performance of other entities.	It is not anticipated that any investor or third party will have control, special voting rights or director appointment rights for the Trust or the Company.
	(b) The Business has acquired substantial majority interests in four utility scale solar power plants which are now operational.
	<b>Further Information:</b> For additional disclosure, see Sections 3 and 15 and transaction announcements located on the Business' website at: <a href="http://www.nes.com.au/announcements/">http://www.nes.com.au/announcements/</a>

**Principle 2: Management and performance fees**

Disclose:

- (a) all fees and related costs associated with the management of the Business' assets paid or payable directly or indirectly out of the money invested in the Business, providing a clear justification for the fees; and
- (b) if performance fees are payable, how these fees will be paid, for example:
- for mature operating infrastructure assets – explain if and how the performance fees will be paid, including whether these fees are payable only from operating cash flow; and
  - for operating infrastructure assets in a growth phase and development assets; and
  - explain how the performance fees will be paid, whether these fees are funded by debt, capital, the issue of securities or otherwise, and the risks to members in paying performance fees in these ways.

**Disclosure:**

- (a) Under the Trust Constitution, the Responsible Entity is entitled to receive a responsible entity fee equal to 0.57475% per annum (inclusive of GST and net of RITC) of the gross assets of the Trust. The Responsible Entity has agreed to accept a reduced responsible entity fee of 0.0836% per annum (inclusive of GST and net of RITC) of the gross assets of the Trust and waived its rights to the balance of the fee until advised on three months' notice to Investors. This reduced responsible entity fee is consistent with market practice for such fees.

The Investment Manager is entitled to receive:

- (i) an investment manager fee of 0.7180% per annum (inclusive of GST and net of RITC) on the gross asset value of the Business payable monthly. However if the Business is listed on the ASX then the investment manager fee will be charged on a different basis, it will be 0.7180% per annum (inclusive of GST and net of RITC) on the enterprise value of the Company and the Trust, as outlined in Section 14.1 payable quarterly;
- (ii) an asset acquisition fee equal to 1.50% of the purchase price (exclusive of acquisition costs) in respect of all acquisitions undertaken by the Business; and
- (iii) an asset disposal fee equal to 1.50% of the net sale proceeds received from the disposal of an asset by the Business. The Business intends to be a medium to long-term holder and does not currently intend to divest assets of the Business.

These investment manager fees are consistent with market practice for an investment manager of similar investments.

- (b) No performance fees are payable by the Business in respect of the performance of the assets of the Business.

**Further Information:** For additional disclosure, see Section 6.1.

<b>Principle 3: Related party transactions</b>	<b>Disclosure:</b>
<p>Disclose details of any related party arrangements relevant to the investment decision, including:</p> <ul style="list-style-type: none"> <li>(a) the value of the financial benefit/consideration payable;</li> <li>(b) the nature of the relationship;</li> <li>(c) whether the arrangement is on arm's length terms, the remuneration is reasonable, some other Chapter 2E exception applies or ASIC has granted relief;</li> <li>(d) whether member approval of the transaction has been sought and if so when;</li> <li>(e) the risks associated with the related party arrangement;</li> <li>(f) the policies and procedures in place for entering into these arrangements and how compliance with those policies and procedures is monitored;</li> <li>(g) for management agreements with related parties: <ul style="list-style-type: none"> <li>(i) the term of the agreement;</li> <li>(ii) if the fee is payable by the Business on termination of the agreement, the method of termination that will incur a fee and details on how that fee is calculated;</li> <li>(iii) any exclusivity arrangements in the management agreement;</li> <li>(iv) whether a copy of agreement is available to investors and, if so, how an investor can obtain a copy of the agreement;</li> <li>(v) any other arrangements that have the potential or actual effect of entrenching the existing management; and</li> </ul> </li> <li>(h) for transactions with related parties involving significant infrastructure assets: <ul style="list-style-type: none"> <li>(i) what steps the Business took to evaluate the transaction; and</li> <li>(ii) if not otherwise disclosed, summary of any independent expert opinion obtained for the transaction and whether, and if so how, an investor can obtain a copy of the opinion.</li> </ul> </li> </ul>	<p>The only related party arrangements relevant to the investment decision of investors in the Business are (i) the investment management arrangements between the Investment Manager, the Responsible Entity and the Company and (ii) the Development Agreement between the Company, the Responsible Entity and NES Development Services Pty Limited. Each are described below.</p> <p>In respect of the Investment Management Agreement relationship:</p> <ul style="list-style-type: none"> <li>(a) the Investment Manager is entitled to receive an investment manager fee, asset acquisition fee and an asset disposal fee, details of which are set out in relation to Principle 2 above;</li> <li>(b) the Investment Manager manages all key investment decisions with respect to the portfolio of assets of the Business and makes investment decisions within its delegated authority under the Investment Management Agreement. Where such decisions exceed the Investment Manager's delegated authority such decisions will be subject to the final approval of the Board and/or the directors of the Responsible Entity, depending on the ultimate or current ownership of an asset;</li> <li>(c) the terms of the Investment Management Agreement are on arms-length commercial terms and are consistent with market practice for such investment management arrangements;</li> <li>(d) member approval of the terms of the Investment Management Agreement has not been sought as it is on arms-length commercial terms and was put in place on establishment of the Trust and the Company;</li> <li>(e) the Responsible Entity and the Company may transact with related parties, including in respect of fees payable to the Responsible Entity under the Trust Constitution and to the Investment Manager under the Investment Management Agreement. Conflicts of interest may arise in these circumstances, with the risk that the conflicted party may be tempted to act in its own interests or those of a related party rather than in the interests of the Company or the Trust;</li> <li>(f) the Responsible Entity and the Company each have an appropriate conflict of interest and related party transaction policy to assist in managing related party transactions, including a notification and assessment procedure. The compliance officer for each entity is responsible for reviewing, and monitoring all transactions in</li> </ul>

which that entity is a participant, and in which any of its related parties has or will have a direct or indirect material interest. Each related party transaction will be approved by Securityholders unless it falls within an exception. Further information is provided at Section 15.8;

- (g) the initial term of the Investment Management Agreement is to 1 December 2027. If not terminated on expiry of the initial term, the term is automatically extended for additional periods of one year. While the investment management arrangement is not expressed to be exclusive, as the Company and the Responsible Entity have committed to not acquire or dispose of assets other than on the recommendation of the Investment Manager, in practice any second investment manager appointed during the term of the Investment Management Agreement would need to work with the Investment Manager in relation to any potential acquisition or disposal of assets. A copy of the agreement is not available to investors but is summarised in Section 14.1; and
- (h) there are no transactions with related parties outside the Trust's and Company's stapled entity structure involving significant infrastructure assets.

In respect of the Development Agreement:

- (a) the Company has appointed NES Development Services Pty Limited (NES Development Services), which is a related party of the Company, on a non-exclusive basis to provide asset development services for any renewables project, including but not limited to individual large scale solar plants, which the Company directly or indirectly operates or owns from time to time (or has and rights to operate);
- (b) The asset development services will be provided on arm's length commercial terms. The acquisition of assets developed by NES Development Services will be offered on terms to be agreed by the parties which must be on arm's length commercial terms;
- (c) member approval of the terms of the Development Agreement has not been sought as it is on arms-length commercial terms;
- (d) Conflicts of interest may arise relating to the Development Agreement, with the risk that the conflicted party (NES Development Services) may be tempted to act in its own interests or those of a related party rather than in the interests of the Company or the Trust;

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- (e) the Responsible Entity and the Company each have an appropriate conflict of interest and related party transaction policy to assist in managing related party transactions, including a notification and assessment procedure. The compliance officer for each entity is responsible for reviewing, and monitoring all transactions in which that entity is a participant, and in which any of its related parties has or will have a direct or indirect material interest. Each related party transaction will be approved by Securityholders unless it falls within an exception. Further information is provided at Section 15.8;
  - (f) the initial term of the Development Services Agreement is one year, with rolling one year extensions if the agreement has not been terminated. The Development Services Agreement is on a non-exclusive basis. A copy of the agreement is not available to investors but is summarised in Section 14.4; and
  - (g) there are no transactions with related parties outside the Trust's and Company's stapled entity structure involving significant infrastructure assets.

Except as set out in Section 14, the Business does not have any current material related party transactions with entities outside the Business. In respect of transactions between the stapled entities and their wholly owned entities that comprise the Business, ASIC has provided the Business with customary relief for those transactions to proceed without the need to seek Securityholder approval, reflecting the fact that those transactions are within the same economic group and the ultimate Securityholders of the relevant Business economic group entities are the same.

Directors of the Company have the benefit of director protection deeds and are entitled to receive directors' fees (although Alan Dixon and John Martin have elected to waive their entitlement to such fees).

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**Further Information:** For additional disclosure, see Sections 10.9.1, 14.1, 14.5 and 15.8.

**Principle 4: Financial ratios**

Disclose:

- (a) if target financial ratios have been publicly disclosed, the respective financial ratios actually achieved for the entity and how these target and actual ratios are calculated; and
- (b) an explanation of what the financial ratios mean in practical terms and how investors can use the ratios to determine the entity's level of debt-related risk.

**Disclosure:**

(a) The Board and the Responsible Entity currently expect to target a long-term overall gearing ratio for the Business of up to 50% of total gross assets, with the ability of the Business to temporarily have an overall gearing ratio of this level. The Existing Portfolio was funded with 100% equity. However, the Business has used debt facilities to allow further diversification of the portfolio and to meet some of the ongoing PPA performance security arrangements for the Existing Portfolio as well as to provide working capital for the Business.

PPA performance security allows the Offtaker to draw all or part of the security to fund the purchase of electricity if the project selling electricity materially underperforms for a sustained period of time. When considering the debt facilities currently in place, the Business has a total gearing ratio (calculated as total gross debt dividend by total gross assets) of approximately 18.6%. The gearing ratio is calculated as New Energy Solar's proportionate share of drawn third-party debt held by the Business divided by total assets of the Business. It is important to note that the gearing ratio refers exclusively to external or third-party debt. The Company and the Responsible Entity also have the ability to make loans between them or their subsidiaries where it is perceived to be beneficial to investors. For example, the Trust has a loan outstanding to New Energy Solar US Corp., which is a subsidiary of New Energy Solar Limited.

- b) Debt imposes ongoing repayment obligations. These repayments are usually met by the cash flows produced by the Business' power plant investments. In practical terms, a higher gearing ratio will generally magnify gains during periods where the power plants owned by the Business perform in line with expectations but can also magnify losses if the power plants significantly underperform expectations. Over the long-term a gearing ratio of up to 50% of total gross assets, is the level at which the Investment Manager perceives an optimal balance of return maximisation versus acceptable risk for long-term investments in solar power plants with contracted offtakes. A 18.6% gearing ratio which is well below the targeted long-term gearing ratio of up to 50% of total gross assets, therefore be considered conservative, with headroom for the Business to potentially improve returns over the long-term through increasing gearing.

When considering the debt facilities currently in place, the Business has a gearing ratio in gross terms (calculated as gross debt divided by total assets) of approximately 27.8% (excluding the proceeds of the Offer). This equates to a gearing ratio in net terms of approximately 2.6% (calculated as net debt divided by total assets, and where net debt is being gross interest-bearing debt less cash and cash equivalents).

**Further Information:** For additional disclosure, see Sections 10.9 and 7.5.4.

#### Principle 5: Capital expenditure and debt maturities

Disclose:

- (a) planned capital expenditure for the next 12 months and how this expenditure is to be funded; and
- (b) a breakdown of material debt maturities for the entity; in the intervals set out in the table, on a consolidated contractual basis showing the drawn amount, the undrawn amount, the total drawn and undrawn amount, the percentage of variable interest rate risk, the weighted average interest rate, the percentage of debt that is not limited recourse to a particular asset and whether the debt is fully amortising or requires principal and interest payments.

#### Disclosure:

- (a) The Business has a substantial majority interest in four operational, utility scale solar power plants and has completed detailed due diligence and committed to acquire a substantial majority interest in a portfolio of 14 power plants located in North Carolina and Oregon.
- (b) The Business has two external debt obligations as summarised below.

#### Short-term debt facility:

- Facility size: US\$20 million
- Drawn amount: US\$20 million
- Undrawn amount: US\$0 million
- Funding date: 24 August 2017
- Variable interest rate: 1.5% + LIBOR
- Interest only, non-amortising
- 100% non-limited recourse to any particular asset
- Maturity date: 23 August 2018

#### US private placement of loan notes:

- Facility size: US\$62.5 million
- Drawn amount: US\$62.5 million
- Undrawn amount: US\$0 million
- Funding date: 2 October 2017
- Fixed interest rate: 4.43%
- Two years interest only, then amortising over remainder of term
- 100% non-limited recourse to any particular asset
- Maturity date: 30 September 2041

**Further Information:** For additional disclosure, see Sections 13.3 and 7.5.4.

**Principle 6: Foreign exchange and interest rate hedging**

Disclose:

- (a) any current foreign exchange and interest rate hedging policy for the entity; and
- (b) whether the entity's foreign exchange and/or variable interest rate exposure conforms with its foreign exchange and interest rate hedging policy.

**Disclosure:**

- (a) The Business receives income streams and holds assets denominated in US dollars. It may also receive income and hold assets in Australian dollars and other currencies. The Board and the Responsible Entity do not currently intend to hedge this currency risk. The Board and the Responsible Entity may re-evaluate the hedging policy in the event of changes in prevailing relevant exchange rates and economic conditions.
- (b) The Business' current foreign exchange and/or variable interest rate exposure conforms to its foreign exchange and interest rate hedging policy.

**Further Information:** For additional disclosure, see Section 10.9.1.

**Principle 7: Base-case financial model**

Disclose:

- (a) for acquisitions of a significant infrastructure asset, the following details of the Business' base case financial model:
  - (i) key assumptions and source of those assumptions;
  - (ii) a confirmation by the directors as to whether or not they consider that the assumptions are reasonable;
  - (iii) any process the directors undertook to satisfy themselves that the assumptions were reasonable, including if an expert provided an opinion on the model, and if so, provide a summary of that expert opinion;
  - (iv) the agreed upon procedures check that the assurance practitioner has performed to review the base case financial model (as per benchmark 6) and any findings which are materially relevant to the investment decision; and
  - (v) any conflicts of interest that may arise in either the expert opinion or the agreed-upon procedures check.
- (b) up to five of the key assumptions in an infrastructure entity's base case financial model that are likely to have the most material impact;

**Disclosure:**

- (a) The Business has a substantial majority interest in four operational, utility scale solar power plants and has committed to acquire the CCR Portfolio. Assumptions in project acquisition models are reviewed by management and predominately align to source documentation provided by third party advisors such as independent engineers and tax experts. The Business has obtained an agreed upon procedures check of the consolidated Business model as per Benchmark 6.
- (b) The Business continues to be in an acquisition phase and any key assumptions impacting a base case financial model are highly sensitive to the assets that the Business ultimately acquires. However, five assumptions that are most likely to impact upon the performance of an operating asset over a 12-month period are solar irradiation, operating costs, forecast and unplanned capital expenditure and PPA counterparty default. The directors of the Responsible Entity and the Company consider that all adopted assumptions are reasonable.
- (c) The four operational solar power plants owned by the Business have an output capacity of 225MW<sub>DC</sub>, however actual generation of these power plants is variable and dependent on climatic and other conditions. For more detail on capacity and generation see Section 4. These plants have only recently commenced commercial operations and therefore there is

<ul style="list-style-type: none"> <li>(i) on the operating performance of the entity for at least the next 12 months; or</li> <li>(ii) in the case of a development asset, in the first year of operation, demonstrating the impact on the infrastructure and investor entity, if any (and separately if all) of the assumptions were materially less favourable than anticipated.</li> </ul> <p>(c) also disclose:</p> <ul style="list-style-type: none"> <li>(i) a reasonable estimate of the operating capacity of the entity's significant infrastructure assets;</li> <li>(ii) for any operating asset developed by the infrastructure entity or completed immediately before the infrastructure entity's ownership, any material discrepancies between any publicly disclosed forecasts and the actual performance for the first two years of operation; and</li> <li>(iii) any material discrepancies between the assumptions contained in the infrastructure entity's base case financial model used to raise any debt and the model used to raise any equity, respectively, within six months of each other in the current financial year.</li> </ul>	insufficient data for the Business to reliably identify annual discrepancies between forecasts and actual performance.
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#### Principle 8: Valuations

Disclose:

- (a) details on the entity's valuation policy;
- (b) whether valuations and supporting documentation are available to investors and, if so, how they are made available. If valuations and supporting documentation are not available to investors, the infrastructure entity should provide a summary of the valuations (required for significant infrastructure assets only) containing, at a minimum, the following information:
  - (i) whether the valuation was prepared internally or externally;
  - (ii) the date of the valuation;
  - (iii) the scope of the valuation and any limitations on the scope;
  - (iv) the purpose of the valuation;

#### Disclosure:

- (a) The Board and the Responsible Entity use fair market value to determine the carrying amount of the Business' renewable energy asset investments.
- (b) Valuations and supporting documentation will not be made available to investors. Changes in the fair market value of solar power plants owned by the Business are reported in annual and half-year financial reports and are subject to review by an external auditor.
- (c) Under the Investment Management Agreement, the Investment Manager is responsible for preparing valuations and receives a management fee calculated on the gross assets of the Business. This could potentially create a conflict of interest; however, valuations must be in accordance with the valuation policies determined by the Board and the Responsible Entity from time to time. The Business may engage suitably qualified independent valuers to assist in the assessment of fair market value.

- (v) the value assessed and key assumptions used to determine value;
- (vi) the key risks specific to the infrastructure assets being valued;
- (vii) the valuation methodology;
- (viii) the period of any forecast and terminal value assumptions;
- (ix) the discount rate used and the basis for calculating this rate; and
- (x) the income capital expenditure and capital growth rates over the forecast period; and
- (c) any circumstances that may result in a conflict of interest arising in the preparation of the valuations.

**Further Information:** For additional disclosure, see Sections 4.1.7 and 10.9.1.

#### Principle 9: Distribution policy

##### Disclose:

- (a) the current distribution policy and any rights that the entity has to change the policy;
- (b) on payment of distributions, the portion attributable to, for example, income, capital and debt; and
- (c) the risks associated with distributions being paid from sources other than operating cash flow, including the sustainability of such distributions.

##### Disclosure:

- (a) The Board and the Responsible Entity will seek to make investments with a view to generating sufficient income to provide a stable dividend and distribution stream. All income from the Trust will be distributed while income received by the Company may be retained or paid out by way of dividends or return of capital.  
On 28 June 2017 the Business announced its inaugural distribution and announced an intent to pay distributions six-monthly. The Business reserves the right to change its distribution policy as the Board and Responsible Entity consider necessary and appropriate.
- (b) On payment of dividends and distributions the portions attributable to income, capital and debt are disclosed to Securityholders.
- (c) The Business has a substantial majority interest in four US solar power plants and has committed to acquire the CCR Portfolio. The Business intends to invest globally. To the extent that tax is paid outside of Australia the Company does not anticipate being able to frank dividends. However, where the Company pays income tax in Australia or receives franked distributions itself, the Company may allocate franking credits arising from such income tax payments and franked distributions received to frank dividends paid by it to Investors. Where the Trust receives franking credits on franked dividends or distributions, it may be able to pass such franking credits on to its Unitholders when paying distributions.

	<p>In some circumstances, the Trust may have the capacity to distribute foreign income tax offsets.</p> <p>The Company and the Trust may lend, invest or use other structures to move capital between the Company and the Trust. The structure of these arrangements may impact distributions paid from the Trust and dividends paid by the Company. The Company and Trust currently intend to enter into lending, investing or other structures where it benefits the Business as a whole.</p> <p>The Company and the Trust will provide an annual tax dividend and distribution statement summary for Securityholders to complete their income tax returns.</p>
<b>Principle 10: Withdrawal policy</b>	<p><b>Further Information:</b></p> <p>For additional disclosure, see Section 10.9.1.</p>
<b>Principle 11: Portfolio diversification</b>	<p><b>Disclosure:</b></p> <p>(a) The Business' investment strategy permits investment in renewable energy assets in any location. The Business does not have a portfolio diversification policy, but intends to invest in a number of geographically dispersed renewable energy assets that meet the investment criteria of the Business.</p> <p>(b) Not applicable.</p> <p>(c) Not applicable.</p> <p><b>Further Information:</b> For additional disclosure, see Section 3.2.1.</p>

Note: The fees in the above are inclusive of GST and net of RITC, where applicable. (See Section 6.2 "Additional Explanation of Fees and Costs".)



## **SECTION 12**

*TID SGS array - close up - September 2017*

### **The Offer**



*TID SGS - modules close-up - September 2017*

## 12.1 INTRODUCTION

The Offer is an invitation to subscribe for new Stapled Securities and Options in New Energy Solar at an Offer price of between \$1.45 and \$1.55 per Stapled Security, to raise between \$100 million and \$300 million.

Successful Applicants under the Offer will pay the Final Price. The Final Price will be determined at the conclusion of the Institutional Offer bookbuild process and may be set at a price below, within or above the Indicative Price Range.

No amount is payable for the Options. For every two Stapled Securities issued under this Offer Document, the Applicant will also be issued:

- One Class A Option exercisable during a 20 Business Day period ending at 5.00pm AEDT on 8 February 2019, entitling the Optionholder to be issued a further Stapled Security for an exercise price of the Final Price plus 5 cents; and
- One Class B Option exercisable during a 20 Business Day period ending at 5.00pm AEST on 8 August 2019, entitling the Optionholder to be issued a further Stapled Security for an exercise price of the Final Price plus 10 cents.

The Offer is made on the terms, and is subject to the conditions, set out in this Offer Document. All Stapled Securities will rank equally with each other. Class A Options will rank equally with other Class A Options on issue and Class B Options will rank equally with other Class B Options on issue.

## 12.2 STRUCTURE OF THE OFFER

The Offer comprises:

- the **Retail Offer**, which consists of the:
  - » **Broker Firm Offer** – which is open to Australian resident retail clients of Brokers who have received a firm allocation of Stapled Securities and Options from such Brokers at the Final Price;
  - » **Priority Offer** – which is open only to existing Securityholders who have a registered address in Australia and who have received a Priority Offer Invitation; and
  - » **General Public Offer** - which is open to Applicants with a registered address in Australia and consists of an invitation to apply for Stapled Securities at the Final Price; and
- the **Institutional Offer** - which consists of an offer to Institutional Investors in Australia and certain other eligible jurisdictions (excluding the US) to bid for Stapled Securities, made under this Offer Document.

The allocation of Stapled Securities and Options between the Retail Offer and the Institutional Offer will be determined by agreement between the Company, the Responsible Entity and the Bookrunner, having regard to the allocation policies outlined in Sections 13.1.4, 13.2.4, 13.3.4 and 13.6.4 .

## 12.3 PURPOSE OF THE LISTING AND THE OFFER AND USE OF PROCEEDS

The Offer is being conducted to provide New Energy Solar with additional capital to further diversify its assets.

The listing is being conducted to provide:

- New Energy Solar with access to capital markets;
- Existing Securityholders with an opportunity to realise their investment in New Energy Solar, in whole or in part as the case may be; and
- a liquid market for Stapled Securities and Options and an opportunity for others to invest in the Business.

The Company and the Responsible Entity intend to use the proceeds of the Offer to assist in funding the CCR Portfolio and future opportunities to continue growing and diversifying the portfolio in line with the Business' investment strategy. They may also fund future acquisitions with other available sources of capital such as cash on hand, credit facilities and other debt instruments. In addition to the CCR Portfolio, the Investment Manager is engaged in bilateral discussions on near-term opportunities in respect of assets that are expected to represent additional generation capacity of 347MW<sub>DC</sub>, and expects to be able to commit residual proceeds within 12 months.

If only the Minimum Subscription is raised under the Offer, the Business expects that it will have alternative options for funding the acquisition of the CCR Portfolio such as term debt, letters of credit or bridge financing facilities. If short-term funding is available and put in place to fund the acquisition of the CCR Portfolio, the Business expects to subsequently explore longer term debt facilities or additional equity raisings to replace this short-term funding. If the Maximum Subscription amount is raised, the Business intends to repay the existing US\$20 million bank debt facility prior to 1 January 2018.

**Table 18: Sources and uses of funds**

SOURCES OF FUNDS	\$MILLION	USE OF FUNDS	\$MILLION
Cash proceeds from the issue of new Stapled Securities under the Offer	200 <sup>68</sup>	CCR Portfolio <sup>69</sup>	140.2 <sup>71</sup>
		Repayment of bank debt facility	26.0 <sup>70,71</sup>
		Costs of the Offer <sup>72</sup>	9.4
		Future acquisitions and other corporate purposes	24.4
<b>Total sources</b>	<b>200</b>	<b>Total uses</b>	<b>200</b>

**68.** Assumes that the Final Price is at the mid-point of the Indicative Price Range and that the Maximum Subscription of \$200 million is raised.

**69.** Committed to acquire the CCR Portfolio. Assuming the CCR Portfolio is fully funded by cash. The Business may also fund the CCR Portfolio with available sources such as credit facilities and other debt instruments.

**70.** It is the current intention of the Company and the Responsible Entity to repay and cancel the existing US\$20 million bank debt facility if the Maximum Subscription amount is achieved.

**71.** Based upon a AUD:USD FX rate of 0.77.

**72.** Includes fees payable to the Bookrunner, Joint Lead Managers, Co-Manager, Financial Advisor, legal fees, accounting and tax advisory fees and other transaction costs. See Section 7.5.3 for a table of expenses of the Offer.

## 12.4 SECURITYHOLDING STRUCTURE AT THE COMPLETION OF THE OFFER

The details of ownership of Stapled Securities and Options at Completion of the Offer are set out in Table 19 below:

**Table 19: Stapled Securityholding and Options Structure on Completion of the Offer:**

	<b>STAPLED SECURITIES ON ISSUE AT THE DATE OF THIS OFFER DOCUMENT (million)</b>		<b>STAPLED SECURITIES HELD AT COMPLETION (million)</b>
Existing Securityholders	191.6 Stapled Securities	100%	191.6 Stapled Securities 59%
New Stapled Securityholders	0 Stapled Securities	0%	133.3 Stapled Securities 41%
			66.65 Class A Options Securities N/A
			66.65 Class B Options Securities N/A
<b>Total</b>	<b>191.6</b>	<b>100%</b>	<b>325.0 Stapled Securities (excluding Options) 100%</b>

This assumes the Final Price is at the mid-point of the Indicative Price Range and that the Maximum Subscription of \$200 million is raised.

In the opinion of the Business, the free float of Stapled Securities at the time of listing on the ASX will be not less than 20% of ordinary Stapled Securities on issue at the time.

## 12.5 CONTROL IMPLICATIONS OF THE OFFER

The Responsible Entity and the Company do not expect any Securityholders or Optionholders will control (as defined by section 50AA of the Corporations Act) the Business on Completion of the Offer.

## 12.6 POTENTIAL EFFECT OF THE FUNDRAISING ON THE FUTURE OF NEW ENERGY SOLAR

The Responsible Entity and the Company believe that on Completion of the Offer, the Business will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet its stated business objectives.

## 12.7 TERMS AND CONDITIONS OF THE OFFER

**Table 20: Terms and conditions of the Offer**

<b>TOPIC</b>	<b>SUMMARY</b>
<b>Type of securities being offered</b>	Stapled Securities in New Energy Solar (each comprising one Unit in the Trust stapled to one Share in the Company). Shares and Units cannot be traded separately.  For every two Stapled Securities issued under this Offer Document, the Applicant will also be issued, one Class A Option and one Class B Option.

TOPIC	SUMMARY
<b>Rights and liabilities attached to Stapled Securities and Options being offered</b>	A description of the Stapled Securities, including the rights and liabilities attaching to them, is set out in Section 12.4, 15.4.1 and 15.5.1. A description of the Options is set out in Section 12.1, and the terms of the Options are set out in Section 17.
<b>Application Price</b>	The Indicative Price Range for the Offer is \$1.45 to \$1.55 per Stapled Security. The Indicative Price Range may be varied at any time by the Company, the Responsible Entity, and the Bookrunner. Successful Applicants under the Offer will pay the Final Price, which will be determined at the conclusion of the Institutional Offer bookbuild process and may be set at a price below, within or above the Indicative Price Range. No amount is payable for the issue of Options.  Applicants under the Broker Firm Offer, Priority Offer and General Public Offer will apply for a set dollar value of Stapled Securities. Accordingly, Applicants will not know the number of Stapled Securities and Options they will receive at the time they make their investment decision, nor will they know the Final Price. To the extent permitted by law, an Application may not be varied and is irrevocable once submitted.
<b>Offer period</b>	Key dates are set out on page 11.  The Retail Offer opening date is expected to be Friday, 10 November 2017 and the Retail Offer closing date is expected to be Monday, 27 November 2017.  The Institutional Offer will be undertaken between Monday, 27 November 2017 and Tuesday 28 November 2017.  Applicants under the Priority Offer and the General Public Offer who are paying by cheque must ensure that their Application Monies and completed Application Form are received by before 5.00pm AEDT on Wednesday, 22 November 2017.
<b>Cash proceeds to be raised</b>	\$100 million to \$300 million is expected to be raised under the Offer.
<b>Minimum Subscription</b>	A Minimum Subscription Amount of \$100 million must be raised by the close of the Institutional Offer. If the Minimum Subscription Amount is not raised by that date, the Offer will not proceed and all Application Monies will be refunded (without interest) within seven days of that date.
<b>Underwriting</b>	The Offer is not underwritten.
<b>Minimum and maximum Application Size</b>	Applications under the General Public Offer, the Broker Firm Offer, and the Priority Offer must be for a minimum amount of \$2,000. The maximum application size under the Priority Offer is \$15,000. There is no maximum application size under the General Public Offer and the Broker Firm Offer.  There is no minimum or maximum application size under the Institutional Offer.

<b>TOPIC</b>	<b>SUMMARY</b>
<b>Allocation policy</b>	<p>The allocation of Stapled Securities and Options between the Retail Offer and the Institutional Offer will be determined by agreement between the Company, the Responsible Entity and the Bookrunner, having regard to the allocation policies outlined in:</p> <ul style="list-style-type: none"> <li>• Section 13.1.4 for the General Public Offer;</li> <li>• Section 13.2.4 for the Broker Firm Offer;</li> <li>• Section 13.3.4 for the Priority Offer; and</li> <li>• Section 13.6.4 for the Institutional Offer.</li> </ul> <p>The allocation policy for the Offer includes a limit on issuing Stapled Securities to a single entity where that single entity would hold more than 10% of the Stapled Securities on issue.</p>
<b>Confirmation of Allocation</b>	<p>It is expected that initial holding statements will be despatched by standard post on or about Monday, 11 December 2017.</p> <p>Refunds to Applicants who make an Application and are scaled back will be made as soon as possible following the issue of the Stapled Securities and Options to Applicants (<b>Completion</b>), which is expected to occur on or about Friday, 8 December 2017.</p> <p>No refunds will be made where the overpayments relate solely to rounding at the Final Price.</p>
<b>Quotation of Stapled Securities and Options on the ASX</b>	<p>The Responsible Entity and the Company intend to make an application to the ASX within seven days after the date of this Offer Document for admission of the Company and the Trust to the official list of the ASX, quotation of Stapled Securities on the ASX (which is expected under the code "NEW"), quotation of Class A Options on the ASX (which is expected to be under the code "NEWOA" and quotation of Class B Options on the ASX (which is expected to be under the code "NEWOB").</p> <p>If the ASX does not approve the application within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The ASX takes no responsibility for this Offer Document or the investment to which it relates. The fact that the ASX may admit New Energy Solar to the official list of the ASX is not to be taken as an indication of the merits of New Energy Solar or the Stapled Securities and Options offered for subscription.</p>
<b>Commencement of trading of Stapled Securities and Options on the ASX</b>	<p>It is expected that the Stapled Securities and Options will commence trading on the ASX on or about Monday, 4 December 2017, initially on a conditional and deferred settlement basis.</p> <p>See Section 13.8.3 for more information in relation to conditional trading including in relation to contracts formed on acceptance of Applications and bids, the conditions to Settlement and what happens if the Offer is withdrawn after Stapled Securities and Options have commenced trading on a conditional and deferred settlement basis.</p>
<b>ASIC and ASX Waivers</b>	Refer to Section 15.

TOPIC	SUMMARY
<b>Tax considerations</b>	Refer to Section 9.
<b>Brokerage, commission and stamp duty considerations</b>	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Stapled Securities or Options under the Offer.
<b>Enquiries and further information</b>	<p>Applicants with enquiries concerning the Application Form or this Offer Document and the Offer should contact us on 1300 454 801 between 8:30am and 5.00pm AEDT Monday to Friday during the Offer period or via email at <a href="mailto:info@newenergysolar.com.au">info@newenergysolar.com.au</a>.</p> <p>If you have any questions about whether to invest in the Business, you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest.</p>

## 12.8 SYNDICATE

Morgan Stanley has been appointed to act as sole bookrunner and as a joint lead manager to the Offer. Evans and Partners has been appointed to act as a joint lead manager (but is not a bookrunner) to the Offer.

National Australia Bank Limited has been appointed as co-manager to the Offer.

## 12.9 DISCRETION REGARDING THE OFFER

The Company and the Responsible Entity may withdraw the Offer at any time before the issue of Stapled Securities and Options to successful Applicants and bidders. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company, the Responsible Entity, and the Bookrunner also reserve the right to close the Offer, or any part of it, early. They also reserve the right to extend the Offer, or any part of it, and accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Stapled Securities and Options than applied or bid for.

## 12.10 ASX LISTING, REGISTERS AND HOLDINGS STATEMENTS, AND CONDITIONAL AND DEFERRED SETTLEMENT TRADING

### 12.10.1 APPLICATION TO THE ASX FOR LISTING OF NEW ENERGY SOLAR AND QUOTATION OF STAPLED SECURITIES AND OPTIONS

The Responsible Entity and the Company intend to make an application to the ASX within seven days after the date of this Offer Document for admission of the Trust and the Company to the official list of the ASX, quotation of the Stapled Securities on the ASX (which is expected to be under the code "NEW"), quotation of Class A Options on the ASX (which is expected to be under the code "NEWOA") and quotation of Class B Options on the ASX (which is expected to be under the code "NEWOB"). The ASX takes no responsibility for this Offer Document or the investment to which it relates. The fact that the ASX may admit the Trust and the Company to the official list of the ASX is not to be taken as an indication of the merits of New Energy Solar or the Stapled Securities and Options offered under this Offer Document.

If permission is not granted for the official quotation of the Stapled Securities and Options on the ASX within three months after such application is made (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. Subject to certain conditions (including any waivers obtained by New Energy Solar from time to time), New Energy Solar will be required to comply with the ASX Listing Rules.

## 12.10.2 CHESS AND ISSUER SPONSORED HOLDINGS

New Energy Solar has applied to participate in CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Stapled Securities and Options become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Stapled Securities of a Securityholder and the Options of an Optionholder who is a participant in CHESS or a Securityholder or Optionholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Stapled Securities and Options will be registered on the issuer sponsored subregister.

Following Completion, Securityholders and Optionholders will be sent a holding statement that sets out the number of Stapled Securities and Options that have been allocated to them. This statement will also provide details of a Securityholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Securityholders and Optionholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Securityholders and Optionholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Securityholder's or Optionholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Registry in the case of a holding on the issuer sponsored subregister. New Energy Solar and the Registry may charge a fee for these additional issuer sponsored statements.

## 12.10.3 CONDITIONAL AND DEFERRED SETTLEMENT TRADING AND SELLING ON MARKET

It is expected that the Stapled Securities and Options will commence trading on the ASX on or about Monday, 4 December 2017, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications and bids will be conditional on settlement occurring under the Offer Management Agreement and the issue of Stapled Securities and Options to successful Applicants. Trades occurring on the ASX before Completion will be conditional on Completion occurring.

Conditional trading will continue until New Energy Solar has advised the ASX that Settlement has occurred, which is expected to be on or about Friday, 8 December 2017. Trading will then be on an unconditional but deferred delivery basis until New Energy Solar has advised the ASX that holding statements have been despatched to Securityholders and Optionholders, which will be on or about Monday, 11 December 2017. Normal settlement trading is expected to commence on or about Tuesday, 12 December 2017.

If Completion has not occurred within 14 days (or such longer period as the ASX allows) after the day Stapled Securities and Options are first quoted on the ASX, the Offer and all contracts arising on acceptance of Applications and bids will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through the ASX participating organisations during the conditional trading period will be cancelled and of no effect.

To assist Applicants in determining their allocation prior to receipt of a holding statement, New Energy Solar will announce details of pricing and basis for allocations on its website ([www.nes.com.au](http://www.nes.com.au)). After the basis for allocations has been determined, Applicants will also be able to call New Energy Solar on 1300 454 801, between 8:30am and 5.00pm AEDT Monday to Friday, until Completion, or contact their Broker to confirm their allocations.

It is the responsibility of each person who trades in Stapled Securities or Options to confirm their holding before trading in Stapled Securities or Options. If you sell Stapled Securities or Options before receiving a holding statement, you do so at your own risk. The Company, the Responsible Entity, the Joint Lead Managers, and the Registry disclaim all liability, whether in negligence or otherwise, if you sell Stapled Securities or Options before receiving your holding statement, whether on the basis of a confirmation of allocation provided by any of them or a Broker.

## 12.11 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Offer Document, the Stapled Securities, Options or the Offer or otherwise to permit a public offering of the Stapled Securities or Options in any jurisdiction outside Australia.

This Offer Document does not constitute an offer or invitation to apply for Stapled Securities or Options of New Energy Solar in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Offer Document.

This Offer Document may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

In particular, the Stapled Securities and Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Each Applicant under the Offer will be taken to have represented, warranted and agreed as follows:

- it understands that the Stapled Securities and Options have not been, and will not be registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold, re-sold, pledged or transferred in the United States except in accordance with US Securities Act registration requirements or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable state securities laws;
- it is not in the United States;
- it is purchasing the Stapled Securities and Options in an offshore transaction meeting the requirements of Regulation S; and
- it has not and will not send this Offer Document or any other offer document outside Australia except in compliance with all applicable laws in the jurisdiction in which the Stapled Securities and Options are offered and sold.

Each Applicant under the Institutional Offer has been required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

### 12.11.1 HONG KONG

WARNING: This document has not been, and will not be, authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Stapled Securities and Options have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Stapled Securities and Options has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Stapled Securities and Options which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### 12.11.2 NEW ZEALAND

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (**FMC Act**). The Stapled Securities and Options are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

### 12.11.3 SINGAPORE

This document has not been registered as a prospectus with the Monetary Authority of Singapore (**MAS**) and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (SFA) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. New Energy Solar is not a collective investment scheme authorised under section 286 of the SFA or recognised by the MAS under section 287 of the SFA and the Stapled Securities and Options are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Stapled Securities and Options may not be circulated or distributed, nor may the Stapled Securities and Options be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an "institutional investor", please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Stapled Securities and Options being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### 12.11.4 UNITED KINGDOM

If the Business determines that that Offer will be extended to certain institutional investors in the United Kingdom and makes the required "notification" to the Financial Conduct Authority in the United Kingdom, as required under the Alternative Investment Fund Managers Directive, then the following disclosure and disclaimers will apply to those institutional investors in the United Kingdom.

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (the **FSMA**)) has been published or is intended to be published in respect of the Stapled Securities and Options. This document is issued on a confidential basis to “professional investors” (within the meaning of the Alternative Investment Fund Managers Directive) who are also “qualified investors” (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Stapled Securities and Options may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Stapled Securities and Options has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the issuer of the Stapled Securities and Options.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **Relevant Persons**). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

If the Stapled Securities and Options are marketed in the United Kingdom they will be marketed in compliance with the National Private Placement Regime.

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## **SECTION 13**

### How To Apply

*TID SGS PV modules - ground view - September 2017*



*TID SGS panel rows closeup - September 2017*

## 13.1 GENERAL PUBLIC OFFER

### 13.1.1 WHO CAN APPLY?

The General Public Offer is open to Applicants with a registered address in Australia.

### 13.1.2 HOW TO APPLY

Applicants under the General Public Offer:

- must complete the Application Form (being the hard copy form attached to the back of this Offer Document or the online Application Form available from [www.nes.com.au](http://www.nes.com.au)) in accordance with the instructions contained within the Application Form<sup>71</sup>;
- will pay the Final Price determined by the Institutional Offer bookbuild and process set out in Sections 13.6.2 and 13.6.3;
- if making payment by BPAY (see below), must ensure that their completed Application Form and Application Monies are received before 5.00pm AEDT on the Offer Closing Date. Applications for Stapled Securities received after 5.00pm AEDT on the Offer Closing Date will not be accepted and Application Monies will be returned to Applicants (without interest); and
- if making payment by cheque (see below), must ensure that their completed Application Form and Application Monies are received before 5.00pm AEDT on Wednesday, 22 November 2017. Applications for Stapled Securities received after 5.00pm AEDT on Wednesday, 22 November 2017, will not be accepted and Application Monies will be returned to Applicants (without interest).

The Company, the Responsible Entity and the Bookrunner may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases, without notification. Applicants are therefore encouraged to submit their Applications as early as possible.

The minimum Application under the General Public Offer is \$2,000. There is no maximum value of Stapled Securities and Options that may be applied for under the General Public Offer.

### 13.1.3 HOW TO PAY

Applicants under the General Public Offer may pay their Application Monies either by BPAY in accordance with the instructions on the online Application Form, or by cheque in accordance with the instructions set out below.

#### PAYMENT BY BPAY

For payment by BPAY, please follow the instructions on the online Application Form. You can only make payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

If you are paying by BPAY, please make sure you use the specific biller code and your unique Customer Reference Number (**CRN**) provided to you or generated by the online Application Form.

Application Monies paid via BPAY must be received by no later than 5.00pm AEDT on the Offer Closing Date and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment. Neither the Company, the Responsible Entity, the Joint Lead Managers or the Registry take any responsibility for any failure to receive Application Monies or payment by BPAY before the General Public Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

You will be deemed to have applied for such whole number of Stapled Securities at the Final Price, which is covered in full by your Application Monies.

**73.** Applications made using the online Application Form (available at [www.nes.com.au](http://www.nes.com.au)) must submit payment via BPAY.

## PAYMENT BY CHEQUE

For payment by cheque, you must complete the hard copy Application Form attached to the back of this Offer Document in accordance with the instructions on the form and return it accompanied by a cheque in Australian currency drawn on an Australian branch of a financial institution, for the amount of the Application Monies, payable to "**NES Trust Account**" and crossed "**Not Negotiable**".

You will be deemed to have applied for such whole number of Stapled Securities at the Final Price, which is covered in full by your Application Monies. You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque will be processed on the day of receipt.

## MAIL DELIVERY

Your completed Application Form and cheque for your Application Monies must be received by no later than 5.00pm AEDT on Wednesday, 22 November 2017. If you make payment via cheque, you should mail or hand deliver your completed hard copy Application Form, together with Application Monies to:

### Postal

#### New Energy Solar Offer

c/- Walsh & Company Investments Limited  
GPO Box 575  
CANBERRA ACT 2601

### Hand delivered

#### CANBERRA

New Energy Solar Offer  
c/- Walsh & Company Investments Limited  
Level 1, 73 Northbourne Avenue  
CANBERRA ACT 2601

#### SYDNEY

New Energy Solar Offer c/- Walsh & Company Investments Limited Level 15, 100 Pacific Highway NORTH SYDNEY NSW 2060	New Energy Solar Offer c/- Evans and Partners Level 5, 5 Martin Place SYDNEY NSW 2000
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#### MELBOURNE

New Energy Solar Offer c/- Walsh & Company Investments Limited Level 2, 250 Victoria Parade EAST MELBOURNE VIC 3002	New Energy Solar Offer c/- Evans and Partners Mayfair Building, 171 Collins Street MELBOURNE VIC 3000
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## 13.1.4 ALLOCATION POLICY UNDER THE GENERAL PUBLIC OFFER

The allocation of Stapled Securities and Options among Applicants in the General Public Offer will be determined by the Company and the Responsible Entity in their absolute discretion.

## 13.2 BROKER FIRM OFFER

### 13.2.1 WHO CAN APPLY?

The Broker Firm Offer is only open to persons who have received a firm allocation from their Broker and who have a registered address in Australia and are not located in the United States. You should contact your Broker to determine whether you can receive an allocation of Stapled Securities and Options under the Broker Firm Offer.

### 13.2.2 HOW TO APPLY

If you have received an invitation to apply for Stapled Securities and Options from your Broker and wish to apply for those Stapled Securities and Options under the Broker Firm Offer, you should contact your Broker to request a copy of this Offer Document and Application Form, and for information about how to submit your Application Form and for payment instructions.

Application Forms for applications under the Broker Firm Offer must be completed in accordance with the instructions given to you by your Broker and the instructions set out in the Application Form.

Applicants under the Broker Firm Offer will pay the Final Price determined by the Institutional Offer bookbuild, as described in Section 13.6.3.

Application Monies must be paid in accordance with instructions from your Broker. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Broker Firm Offer Application Form and Application Monies are received before 5.00pm AEDT on the Offer Closing Date or any earlier closing date as determined by your Broker.

Applicants under the Broker Firm Offer must not send their Application Forms to the Registry, Walsh & Company or the Joint Lead Managers.

The Company, the Responsible Entity, and the Bookrunner may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for Instructions.

The minimum Application under the Broker Firm Offer is \$2,000. There is no maximum number or value of Stapled Securities that may be applied for under the Broker Firm Offer.

### 13.2.3 HOW TO PAY

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

### 13.2.4 ALLOCATION POLICY UNDER THE BROKER FIRM OFFER

The allocation of Stapled Securities and Options to Brokers will be determined by agreement between the Company, the Responsible Entity and the Bookrunner. Stapled Securities and Options that have been allocated to Brokers for allocation to their Australian resident retail clients, will be issued to the Applicants nominated by those Brokers (subject to the right of the Bookrunner, the Company and the Responsible Entity to reject, aggregate or scale back Applications).

It will be a matter for the Broker as to how they allocate firm stock among their eligible clients and if any Application Monies need to be refunded. Brokers (and not the Company, Responsible Entity, Walsh & Company or the Joint Lead Managers) will be responsible for ensuring that their Australian resident retail clients who have received a firm allocation from them receive the relevant Stapled Securities and Options.

The Company and the Responsible Entity expect to announce the final allocation policy under the Broker Firm Offer on or about 29 November 2017.

Applicants under the Broker Firm Offer should confirm their allocation with the Broker from whom they received their allocation.

If you sell Stapled Securities or Options before receiving a holding statement, you do so at your own risk.

## 13.3 PRIORITY OFFER

### 13.3.1 WHO CAN APPLY?

The Priority Offer is open to existing Securityholders with a registered address in Australia and who have received a Priority Offer invitation. If you are a Priority Offer Applicant, you will receive a personalised invitation to apply for up to \$15,000 of Stapled Securities and Options under the Priority Offer.

Please follow the instructions on the personalised invitation if you wish to apply for Stapled Securities and Options under the Priority Offer.

### 13.3.2 HOW TO APPLY

If you have received a Priority Offer invitation and you wish to apply for all or some of those Stapled Securities, you must submit an Application Form in accordance with the instructions provided in your Priority Offer invitation.

- Application Forms and Application Monies paid by BPAY must be received on or before the Offer Closing Date of 5.00pm AEDT on Monday, 27 November 2017. Applications for Stapled Securities received after 5.00pm AEDT on the Offer Closing Date, will not be accepted and Application Monies will be returned to Applicants (without interest).
- Application Forms and Application Monies paid by cheque must be received by 5.00pm AEDT on Wednesday, 22 November 2017. Applications for Stapled Securities received after 5.00pm AEDT on Wednesday, 22 November 2017, will not be accepted and Application Monies will be returned to Applicants (without interest).

You will be deemed to have applied for such whole number of Stapled Securities at the Final Price, which is covered in full by your Application Monies.

The Company, the Responsible Entity, and the Bookrunner may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases, without notification.

Applications under the Priority Offer must be for a minimum of \$2,000. The maximum application size under the Priority Offer is \$15,000. Should you wish to apply for Stapled Securities and Options in excess of \$15,000, such Application for additional Stapled Securities and Options will be treated as an application in the General Public Offer.

### 13.3.3 HOW TO PAY

Payment for Applications made under the Priority Offer should be made in accordance with the instructions set out in your personalised Priority Offer invitation.

### 13.3.4 ALLOCATION POLICY UNDER THE PRIORITY OFFER

Applicants in the Priority Offer will receive an allocation of up to \$15,000 Stapled Securities and Options in priority to Applicants under the remainder of the Retail Offer or the Institutional Offer. To the extent that you wish to apply for Stapled Securities and Options in excess of \$15,000, such Application for additional Stapled Securities and Options will be treated as an application in the General Public Offer and may be scaled back at the discretion of the Company and the Responsible Entity.

## 13.4 ACCEPTANCE OF APPLICATIONS UNDER THE RETAIL OFFER (THE GENERAL PUBLIC OFFER, THE BROKER FIRM OFFER, AND THE PRIORITY OFFER)

An Application in the Retail Offer is an offer by you to the Company and the Responsible Entity to apply for Stapled Securities and Options in the dollar amount specified in the Application Form at the Final Price on the terms and conditions set out in this Offer Document (including any supplementary or replacement Offer Document) and the Application Form. At the time of making an Application, an Applicant will not know the precise number of Stapled Securities or Options they will be allocated and the price paid per Stapled Security; this will not be known until the Final Price is determined as set out in Section 13.6.3. To the extent permitted by law, an Application by an Applicant may not be varied and is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified on the Application Form without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Stapled Securities and Options to successful Applicants conditional upon the quotation of Stapled Securities and Options on the ASX and Completion.

By making an Application, you declare that you were given access to the Offer Document (including any supplementary or replacement Offer Document), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Offer Document or the complete and unaltered electronic version of this Offer Document.

The Company, the Responsible Entity, and the Bookrunner reserve the right to reject any Application which is not correctly completed or which is submitted by a person whom they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be issued Stapled Securities at the Final Price. Successful Applicants in the Retail Offer will receive the number of Stapled Securities equal to the value of their Application accepted by the Company and the Responsible Entity divided by the Final Price (rounded down to the nearest whole Stapled Security).

## 13.5 APPLICATION MONIES

Application Monies received under the Retail Offer will be held in a special purpose account until Stapled Securities and Options are issued to successful Applicants.

Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Stapled Securities and Options than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your BPAY payment or cheque. If the amount of your BPAY payment or cheque for your Application Monies is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Stapled Securities.

## 13.6 INSTITUTIONAL OFFER

### 13.6.1 INVITATIONS TO BID

The Company and the Responsible Entity are inviting certain eligible Institutional Investors to bid for Stapled Securities and Options in the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors in Australia and certain other eligible jurisdictions (excluding the United States) to bid for Stapled Securities and Options under this Offer Document.

## 13.6.2 INSTITUTIONAL OFFER PROCESS AND THE INDICATIVE PRICE RANGE

The Institutional Offer will be conducted using a bookbuild process managed by the Bookrunner. Full details of how to participate, including bidding instructions, will be provided to eligible participants by the Bookrunner.

Participants can only bid into the bookbuild for Stapled Securities and Options through the Bookrunner. They may bid for Stapled Securities and Options at specific prices or at the Final Price. Participants may bid above or within the Indicative Price Range, which is \$1.45 to \$1.55 per Stapled Security. The Indicative Price Range may be varied at any time by the Company, Responsible Entity, and the Bookrunner. Under the terms of the Offer Management Agreement, the Final Price will be determined by agreement between the Company, the Responsible Entity, and the Bookrunner after the close of the Retail Offer and the Institutional Offer as described in section 13.6.3.

The Institutional Offer will open on Monday, 27 November 2017 and close on Tuesday, 28 November 2017. The Company, the Responsible Entity, and the Bookrunner reserve the right to vary the times and dates of the Offer, including closing the Offer or any part of it early, extending the Offer or any part of it or accepting late Applications or bids, either generally or in particular cases, without notification.

Bids in the Institutional Offer may be amended or withdrawn at any time up to close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to subscribe or procure subscribers for the Stapled Securities and Options bid for (or such lesser number as may be allocated) at the price per bid or at the Final Price, where this is below the price per bid, on the terms and conditions set out in this Offer Document (including any supplementary or replacement Offer Document) and in accordance with any bidding instructions provided by the Bookrunners to participants.

Bids can be accepted or rejected in whole or in part without notice to the bidder. Acceptance of a bid will give rise to a binding contract on allocation of Stapled Securities and Options to successful bidders conditional on the quotation of Stapled Securities and Options on the ASX and Completion.

Details of the arrangements for notification and settlement of allocations applying to participants in the Institutional Offer will be provided to participants in the bookbuild process.

## 13.6.3 FINAL PRICE

The Institutional Offer bookbuild process will be used to determine the Final Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by agreement between the Company, Responsible Entity, and the Bookrunner after the close of the Retail Offer and the Institutional Offer.

It is expected that the Final Price will be announced to the market on Wednesday, 29 November 2017. In determining the Final Price, consideration will be given to, but will not be limited to, the following factors:

- the level of demand for Stapled Securities (and Options) under the Institutional Offer at various prices;
- the level of demand for Stapled Securities (and Options) under the Retail Offer;
- the objective of maximising the proceeds of the Offer;
- the desire for an orderly secondary market in the Stapled Securities (and Options); and
- the nature and size of the Offer and circumstances in which the Offer would be made (including any potential dilutionary effect).

The Final Price will not necessarily be the highest price at which Stapled Securities and Options could be sold. The Final Price may be set below, within or above the Indicative Price Range. All successful Applicants under the Offer will pay the Final Price.

### 13.6.4 ALLOCATION POLICY UNDER THE INSTITUTIONAL OFFER

The allocation of Stapled Securities and Options among bidders in the Institutional Offer will be determined by agreement between the Company, the Responsible Entity and the Bookrunner.

The Company, the Responsible Entity and the Bookrunner have absolute discretion regarding the basis of allocation of Stapled Securities and Options among Institutional Investors.

The initial determinant of the allocation of Stapled Securities and Options under the Institutional Offer will be the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Stapled Securities and Options.

The allocation policy will also be influenced by a range of factors, including:

- the price and number of Stapled Securities and Options bid for by particular bidders;
- the timeliness of the bid by particular bidders; and
- any other factors that the Company, Responsible Entity, and the Bookrunner consider appropriate.

## **SECTION 14**

### **Material Contracts**

*NC-47 aerial view - June 2017*

*TID SGS aerial view - September 2017*

Set out below is a brief summary of certain contracts to which the Business is a party and which the directors have identified as material to the Business or are of such a nature that an investor may wish to have details of particulars of them when making an assessment of whether to apply for Stapled Securities and Options.

To fully understand all rights and obligations of a material contract, it would be necessary to review it in full and these summaries should be read in this light.

## 14.1 INVESTMENT MANAGEMENT AGREEMENT

The Responsible Entity, the Company and the Investment Manager entered into an agreement dated 3 December 2015 (**Investment Management Agreement**) under which the Investment Manager provides investment management services to New Energy Solar. They subsequently entered into a deed of variation dated 20 October 2017 amending the Investment Management Agreement with effect on and from 1 December 2017 (**Variation**).

### MANAGEMENT SERVICES

Under the Investment Management Agreement the Investment Manager has the overall obligation to provide investment management services to New Energy Solar in accordance with terms and conditions of that agreement. The Investment Manager is an authorised representative under Walsh & Company Asset Management Pty Limited's AFSL (Licence number: 450257) (**Relevant AFSL**) with an authorisation to provide general financial product advice. The Investment Manager is not required to perform any service, activity or task for which it is not authorised under the Relevant AFSL until it subsequently becomes so authorised or holds an AFSL authorising such service, activity or task. It is also not required to hold any direct asset on behalf of the Company or the Responsible Entity. The Responsible Entity and the Board have delegated authority to the Investment Manager to acquire and dispose of investments and manage the Business' assets in a manner consistent with the investment strategy without approval from the Board or the Responsible Entity. The current investment strategy is set out in Section 3.2.1 and may be amended by agreement between the Investment Manager, the Board and the Responsible Entity.

### TERM AND TERMINATION

The initial term of the Investment Management Agreement was 10 years commencing on 12 February 2016 (**Initial Term**). Under the Variation the Initial Term was extended to expire on 1 December 2027, which is expected to be the tenth anniversary of the listing of the Company and the Trust, rather than 12 February 2026. Following the Initial Term, the agreement will automatically continue for successive one year terms, unless a party gives notice of termination at least three months before the end of the relevant term. The Investment Management Agreement may be terminated in one of the circumstances referred to below.

### TERMINATION BY THE COMPANY AND THE RESPONSIBLE ENTITY

Following consultation between the Company and the Responsible Entity, the Company may, on behalf of itself and the Responsible Entity, remove the Investment Manager and terminate the Investment Management Agreement:

- after the expiry of the Initial Term on delivery of three months' prior written notice to the Investment Manager, which notice must be given if New Energy Solar is listed and the Securityholders resolve by ordinary resolution at a general meeting to remove the Investment Manager;
- immediately if the Investment Manager is insolvent; or
- if the Investment Manager is in default or in breach of the Investment Management Agreement in a material respect and such breach or default cannot be rectified or is not rectified within 30 days after receiving notice.

## TERMINATION BY THE INVESTMENT MANAGER

The Investment Manager may terminate the Investment Management Agreement:

- immediately if the Company or the Responsible Entity are insolvent;
- if Shares in the Company and Units in the Trust cease to be stapled and may be freely traded separately; or
- if the Company or the Responsible Entity is in default or in breach of the Investment Management Agreement in a material respect or is in default of its payment obligations to the Investment Manager under the Investment Management Agreement and such breach or default is not rectified within 30 days after receiving notice.

## BASE MANAGEMENT FEE

Following New Energy Solar's admission to the official list of the ASX, the Investment Manager is entitled to receive an investment management fee of 0.175% per quarter (equivalent to an annualised management fee of 0.70% (exclusive of GST) per annum) of the enterprise value of the Company and the Trust calculated on the last business day of each quarter, paid quarterly in arrears. Enterprise value is determined in accordance with the following formula:

$$EV = (N \times VWP) + EB + OI$$

Where:

**N** is the average number of Stapled Securities on issue during the last 15 trading days in the relevant quarter;

**VWP** is the volume weighted average trading price of all Stapled Securities traded on the ASX over the last 20 trading days in that quarter on which Stapled Securities traded, provided that if Stapled Securities have not traded in that quarter, the closing price for the last trade undertaken on the ASX;

**EB** is the aggregate outstanding amount of any external borrowing of the Business; and

**OI** is the total value of any other instruments being, equity, debt or hybrid instruments issued by the Trust, the Company or their Controlled Entities not already included in the calculation of EV in this formula. The value of any listed equity included in this calculation will be the amount determined by the product of N and VWAP (where N and VWAP are to be read by replacing references to Stapled Securities with the relevant equity instrument). The value of all other instruments included in this calculation will be the face value of the relevant instrument.

## ACQUISITION FEE

The Investment Manager is entitled to receive a fee in consideration for its assistance in the acquisition of an asset calculated at 1.50% (exclusive of GST) of the purchase price of the asset acquired by New Energy Solar (exclusive of certain acquisition costs). The acquisition fee is payable by the Responsible Entity and the Company in proportion to the purchase price paid by those parties.

## DISPOSAL FEE

The Investment Manager is entitled to receive a fee in consideration for its assistance in the disposal of an asset calculated at 1.50% (exclusive of GST) of the sale price of that asset (exclusive of certain sale costs). The disposal fee is also payable in relation to the redemption or reduction of capital of a Stapled Security or payment on a winding up of an entity, in which the Business directly or indirectly holds an interest. The disposal fee is payable by the Responsible Entity and the Company in proportion to the net sale proceeds received by those parties.

## ISSUE OF SECURITIES IN LIEU OF INVESTMENT MANAGEMENT FEE

In certain circumstances the Investment Manager may, at its election, require the Company and the Responsible Entity to issue Stapled Securities in lieu of all or any part of the investment management fee that has or will fall due for payment in accordance with the terms of the Investment Management Agreement. If Securityholder approval is required for the issue of Shares or Units in lieu of all or any part of the investment management fee and such approval is not granted, New Energy Solar must pay the Investment Manager for that part of the fee that would have been issued in the form of Stapled Securities. The Investment Manager is entitled to interest calculated at the Reserve Bank of Australia (**RBA**) cash rate plus 2% per annum for the period in which the fee was due and when payment actually occurs.

ASX has indicated that it would be likely to grant a waiver from Listing Rules 7.1 and 10.11 to enable the Company and the Responsible Entity to issue Stapled Securities to the Investment Manager in lieu of its investment management fee, on the condition that Securityholder approval is sought every third year for the issue of Stapled Securities to the Investment Manager in lieu of such fees.

## PERFORMANCE FEE

The Investment Manager is not entitled to receive a performance fee under the terms of the Investment Management Agreement.

## COSTS AND EXPENSES

The Investment Manager is entitled to be reimbursed for all reasonable costs and expenses it incurs in the provision of services under the Investment Management Agreement. The Company or the Responsible Entity may establish reasonable expenditure limits in respect of expenditure associated with the acquisition or disposal of an asset, and the Investment Manager is not entitled to be reimbursed for expenditure that is not consistent with an expenditure limit.

## INDEMNITY

The Investment Manager indemnifies each of the Company and the Responsible Entity for any losses or liabilities respectively incurred by each of them, except to the extent that the loss or liability is caused by the negligence, breach of the Investment Management Agreement, other default, fraud or dishonesty of New Energy Solar or their respective officers or agents. The Investment Manager's liability is limited to \$5 million, except in the case of dishonesty or fraud.

Each of the Company and the Responsible Entity indemnifies the Investment Manager for any losses or liabilities incurred by the Investment Manager arising out of or in connection with the Investment Management Agreement, except to the extent that the loss or liability is caused by the negligence, breach of the Investment Management Agreement, other default, fraud or dishonesty of the Investment Manager or its respective officers or agents.

## NON EXCLUSIVITY

Nothing in the Investment Management Agreement prevents the Company and the Responsible Entity's right or ability to appoint a party, other than the Investment Manager, to provide services of the kind being provided by the Investment Manager under the Investment Management Agreement.

However under the Investment Management Agreement the Company and the Responsible Entity have committed to not acquire or dispose of assets other than on the recommendation of the Investment Manager, so in practice any second investment manager appointed during the term of the Investment Management Agreement would need to work with the Investment Manager in relation to any potential acquisition or disposal of assets.

Provided that the Investment Manager does not prejudice or otherwise derogate its responsibilities under the Investment Management Agreement, the Investment Manager may from time to time perform similar services for itself and other persons.

## AMENDMENT

The Investment Management Agreement may only be amended in writing executed by the Company, the Responsible Entity and the Investment Manager. Other than as required by law, the parties do not intend to seek, and the Investment Management Agreement does not require the parties to seek, Securityholder approval for amendments to the Investment Management Agreement.

## 14.2 MATERIAL CONTRACTS RELATING TO THE EXISTING PORTFOLIO

### EXISTING PORTFOLIO PPA CONTRACTS

Each of the power plants in the Existing Portfolio have reached COD and have PPAs in place to sell 100% of the electricity generated at a fixed price. The North Carolina plants have standalone REC Agreements with a separate counterparty, while the California plants have PPAs which include both electricity and REC offtake.

Further details about the Existing Portfolio can be found in Section 4.

As each of the PPAs and REC Agreements for the Existing Portfolio have fixed prices, they provide the Business with price certainty and protection against low electricity and REC spot, or market, prices. While providing long-term price certainty, the fixed price nature of the PPAs also means the Business revenue will not increase during high spot, or market, price scenarios during the PPA term. It is important to note that the PPAs and REC Agreements for the Existing Portfolio are fixed price but that this fixed price applies only to volumes generated and delivered in accordance with the PPA. The Business is not paid for volumes not generated and delivered except in limited circumstances, (under the terms of some but not all of the PPAs) where the energy buyer has directed the plant to reduce generation.

**Table 21: Summary of Existing Portfolio PPAs and REC Agreements**

PROJECT	COUNTERPARTY	VOLUME CONTRACTED	EXPIRY	PRICING
NC-31	Duke Energy Progress, Inc.	100% of electricity generated	January 2027	Fixed
NC-31	Subsidiary of VivoPower	100% of RECs generated	January 2027	Fixed
NC-47	Duke Energy Progress, Inc.	100% of electricity generated	April 2027	Fixed
NC-47	Subsidiary of VivoPower	100% of RECs generated	April 2027	Fixed
Stanford SGS	Stanford University	100% of electricity and RECs generated	December 2041	Fixed
TID SGS	TID	100% of electricity and RECs generated	February 2037	Fixed

Generally, the PPAs for the Existing Portfolio include the following features:

- the project entity is required to deliver all power output to the Offtaker during the term to the delivery point, which is the connection point of the project to the electrical system (typically called 'the substation');
- the PPAs set out a target annual generation quantity and a minimum delivery quantity with tolerances for over and under delivery;
- some of the PPAs also include RECs, others are electricity-only with RECs covered under separate agreements (as outlined in the table above);
- the Offtaker agrees to pay specified fixed rates for the delivered power during the term of the PPA;
- the PPA does not provide the Offtaker with any rights to electricity or RECs energy after the term of the PPA; and
- the Offtaker may terminate the PPA prior to the end of the term in certain circumstances, including (but not limited to) in the case of:
  - » insolvency of the project entity;
  - » failure to make payments when due;
  - » continuing 'force majeure' events (matters beyond the reasonable control of the parties);
  - » material and ongoing under delivery of power against targets; and
  - » failure to meet regulatory requirements applicable to the project.

Completion of the Offer and the admission of the Company and the Trust to the official list of the ASX do not comprise an event of default under any of these PPAs.

## EXISTING O&M CONTRACTS

The largest cost of operating a solar plant is the ongoing O&M cost of the modules, trackers, inverters and associated equipment. The Business currently has comprehensive arrangements in place with reputable O&M providers for the Existing Portfolio. These arrangements include guaranteed availability levels, with liquidated damages payable if the provider fails to maintain plant availability over a period. The O&M Agreements includes a fixed annual price, with escalation, for a defined scope of services required to maintain the solar power plant's generation, availability and connection into the wider electricity transmission network. Additional services (**Non-Covered Services**) are provided at defined hourly or unit rates, with a budget for these Non-Covered Services in the annual O&M budget for each project. The Business intends to enter into similar arrangements for future acquired assets.

**Table 22: Summary of the Existing Portfolio O&M Agreements**

PROJECT	PROVIDER	PRICING	INITIAL TERM	EXTENSIONS
NC-31	GranSolar	Fixed + Escalator	1 year	1-year extensions by mutual agreement
NC-47	DEPCOM	Fixed + Escalator	1 to 2 years	1-year extensions by mutual agreement
Stanford SGS	SunPower	Fixed + Escalator	5 years	Three 5-year extensions at the option of the project entity
TID SGS	SunPower	Fixed + Escalator	5 years	Three 5-year extensions at the option of the project entity

Generally, under these O&M Agreements, either party may terminate the contracts prior to the end of the term in the case of specified events of default, such as failure to pay amounts due under the contract, breach of representations and warranty, ongoing force majeure or failure to perform material obligations.

Each of the parties indemnifies the other for losses caused by their failures, however (subject to some exceptions) the O&M contractor's liability is typically limited to an amount equal to one year's fees paid to the contractor.

Completion of the Offer and the admission of the Company and the Trust to the official list of the ASX do not comprise an event of default under any of these O&M contracts.

## 14.3 MATERIAL CONTRACTS RELATING TO THE CCR PORTFOLIO

### MEMBERSHIP INTEREST PURCHASE AGREEMENT

As the date of this Offer Document, the Business, through a subsidiary of the Company, has entered into binding contractual obligations dated 5 October 2017 to acquire the CCR Portfolio. This interest is a 99% interest in a holding company (**Holdco**), that will, through its subsidiaries, acquire the CCR Portfolio, and upon final completion of the last project, the Business will acquire the remaining 1% interest in the holding company for a nominal amount. Once acquired, the CCR Portfolio will be owned by the Business under the inverted lease structure described in Section 3.6.3.

The primary document regulating the acquisition is the Membership Interest Purchase Agreement (**MIPA**) between Cypress Creek Power II, LLC (**Seller**), and NES Orion Holdco, LLC, a subsidiary of the Company (**Purchaser**). Under the MIPA the Seller has committed to sell or procure the sale of the interests in the CCR Portfolio and the Purchaser has committed to buy them. Part of the overall acquisition consideration will be payable under separate Development Services Agreements (**DSA**) and EPC Agreements (**EPCA**) for each project between CCRD (for the DSA), CCR EPC (for the EPCA), and the relevant project company (**Project Company**).

The MIPA sets out the following transaction steps and features.

For a nominal amount, the Purchaser has acquired a 99% interest in Holdco that will, through its subsidiaries, acquire the CCR Portfolio. Holdco owns 100% of another company (**Managing Member**) and, in turn, Managing Member owns 51% of the company (**Owner**) that will own the 14 Project Companies. Prior to the financial closing of the tax equity transaction described in the "Notice to Proceed" section below, Managing Member also owns 100% of the company (**Lessee Company**) that, after the closing of the tax equity transaction, will lease the solar assets from the relevant Project Company. The remaining 49% of Owner is owned by the Lessee Company.

From this point, acquisition payments will be made under the MIPA, and development payments made under the DSA, on a project-by-project basis, depending on the stage of development completion for each project. The relevant development stages for each project can be summarised as set out below.

- **Notice to Proceed (NTP)** – at this point, among other conditions, the project has been certified by the independent engineer for the project as ready to build. The following agreements must also be in place at this stage: PPA, Inter-connection Agreement, EPC, O&M Agreement, and DSA. Additionally, all material permits required for construction and ownership of the project, as may be required at the time NTP is to occur, must be in full force and effect and the Tax Equity Investor must have funded its initial 1% capital contribution with respect to the project.
- **Mechanical Completion** – the project has now been built to specification (as certified by the engineer). All equipment is in place but the facility is not yet operating.

- **COD/Substantial Completion** – the project is fully operational, connected to the power grid and has passed a threshold capacity test under the EPCA. The PPA Offtaker has provided all necessary confirmations and commenced accepting and paying for electricity.
- **Final Completion** – the project has passed a final capacity test and a final checklist sign off has been provided by the engineer.

When Notice to Proceed has been achieved for the first project:

- the Tax Equity Investor (who will be a US financial institution) will acquire and pay a nominal amount (1% of its overall funding obligation) for a 99% interest in the Lessee Company;
- the owner of the Project Company, CCRD, will cause the transfer of ownership of the relevant Project Company to the Owner. This step is repeated as each subsequent project reaches NTP; and
- following such transfer to the Owner, the Purchaser will contribute funds to Holdco in a sufficient amount to pay 75% of the total amount due for that project under the MIPA and DSA, respectively, with the MIPA component being paid directly by Holdco and the DSA component contributed down to the relevant Project Company to make the payment under the DSA.

From NTP, the Project Company will draw down on borrowings to fund construction of the project under the EPCA. This project finance will be provided to the Project Company by a US subsidiary of the Business.

When Mechanical Completion occurs for a project:

- the Tax Equity Investor pays 19% of its required equity capital contributions for the project; and
- the Purchaser will contribute funds to Holdco in a sufficient amount to pay for a further 10% of the total amount due for that project under the MIPA and DSA, respectively (with the MIPA component being paid directly by Holdco and the DSA component contributed down to the relevant Project Company to make the payment under the DSA), taking the total amount paid under each agreement from 75% to 85%.

When COD/Substantial Completion occurs:

- the Tax Equity Investor pays the balance of its required equity capital contributions for the project;
- the Purchaser will contribute funds to Holdco in a sufficient amount to pay for the remaining 15% of the total amount due for that project under the MIPA and DSA, respectively, (with the MIPA component being paid directly by Holdco and the DSA component contributed down to the relevant Project Company to make the payment under the DSA), taking the total amount paid under each agreement from 85% to 100%.

When Final Completion occurs for a project:

- the retention amount required under the EPC contract will be released to the EPC contractor; and
- following Final Completion for the last project, for a nominal amount, the Purchaser acquires the remaining 1% interest in Holdco from the Seller.

Following the above transactions and steps, the Business will own 100% of Holdco, Holdco will own 100% of Managing Member, and all Project Companies will be 100% owned by the Owner. Although the Lessee Company (which owns 49% of the Owner with Managing Member owning the remaining 51%) is 99% owned by the Tax Equity Investor, the majority of cash flows from the projects are paid to the Business rather than to the Tax Equity Investor. See Section 3.6 for more information about the cash flow and income split between the Business and the Tax Equity Investor.

Each of the parties indemnifies the other for losses caused by their failures however, if a particular project is not placed in service by 31 December 2018, and the financial impact is not acceptable to the Purchaser, Seller can be required to re-purchase that project at cost. Otherwise, Seller's liability under the MIPA and DSA is generally limited to the purchase price payable under the MIPA plus the amount payable under the DSA. The MIPA also contains a mechanism to allow for partial termination and exclusion or replacement of a project if, due to circumstances beyond either parties control, the economics of a particular project materially change. A partial termination mechanism, with termination rights for the Purchaser and Seller, also applies in the case of specified events including genuine failure of a project to receive a necessary government approval, breach of representations and warranty or other uncured breach, or failure to perform material obligations.

Completion of the Offer and the admission of the Company and the Trust to the official list of the ASX do not comprise an event of default under the MIPA or related contracts.

## DEVELOPMENT SERVICES AGREEMENT

For each project, there will be a DSA between CCRD as developer and the relevant Project Company. The DSA for each project will be on substantively identical terms, with a pro forma version included as part of the executed MIPA.

The purpose of each DSA is to set out the terms under which the relevant Project Company engages CCRD to provide non-EPC services to develop the projects, including permits and approvals, construction monitoring, providing relevant insurances, and otherwise ensuring the projects comply with the terms of key project documents such as the PPA, interconnection agreement, and site lease.

Each of the parties indemnifies the other for losses caused by their failures. CCR's liability under the MIPA and DSA is generally limited to the purchase price payable under the MIPA plus the amount payable under the DSA. Either Party may terminate the DSA in the case of specified events including uncured breach or failure to comply, uncured non-payment, bankruptcy or insolvency.

Completion of the Offer and the admission of the Company and the Trust to the official list of the ASX do not comprise an event of default under any DSA.

## ENGINEERING, PROCUREMENT AND CONSTRUCTION AGREEMENT

For each project, there will be an EPCA between CCR EPC as contractor (**Contractor**) and the relevant Project Company. The EPCA for project will be on substantively identical terms, in a form agreed at the time of MIPA execution, but each individual EPCA will be executed when each project reaches NTP.

Each EPCA will set out the terms under which the relevant Project Company engages the Contractor to design and construct the project. Each EPCA will be on a fixed-time and fixed-price basis, with CCR taking risk on cost and timely delivery of the projects (other than customary carve outs, such as where the owner directs work to stop or under force majeure events).

Invoicing occurs monthly, with New Energy Solar's independent engineer reviewing progress (including site visits) prior to payment being made. A retention amount and liquidated damages regime protects the Project Company against loss from late delivery (after a guaranteed COD date) or capacity shortfalls. CCR provides a customary EPC workmanship warranty, with individual equipment manufacturers providing specific warranties for modules, inverters, trackers, and other key items. Either party may terminate an EPCA in the case of specified events including uncured breach or failure to comply, uncured non-payment, bankruptcy or insolvency.

Completion of the Offer and the admission of the Company and the Trust to the official list of the ASX does not comprise an event of default under any EPCA.

## CCR PORTFOLIO PPA CONTRACTS

Executed PPAs are in place for three of the four Oregon projects. The PPA for the outstanding Oregon project is in final form with execution expected in November, once interconnection power lines and equipment and zoning requirements are finalised. Three North Carolina projects, Hanover, Church Road, and Heedeh, have executed PPAs in place. The remaining North Carolina projects are subject to a "Notice of Commitment to Sell the Output of a Qualifying Facility" to Duke Energy Carolinas, LLC or Duke Energy Progress, LLC, or another similar arrangement (**Notice of Commitment**). These arrangements express an intent to establish a legally enforceable obligation pursuant to relevant federal legislation to sell the output of the project to the utility at avoided cost rates.

**Table 23: Summary of the Business' CCR Portfolio PPAs**

PROJECT	COUNTERPARTY	VOLUME CONTRACTED	INITIAL TERM	PRICING	STATUS
Hanover, Church Road, and Heedeh	Duke Energy Progress, Inc.	100% of electricity generated	15 years (start date varies by project)	Fixed	Fully executed
Other North Carolina Projects	Duke Energy Progress, Inc. and Duke Energy Carolinas, LLC	100% of electricity generated	15 years (start date varies by project)	Fixed	Notice of Commitment
Bonanza, Pendleton, Merrill	PacifiCorp	100% of electricity generated subject to annual minimum	13 years (start date varies by project)	Escalating (fixed escalation schedule)	Fully executed
Ochoco	PacifiCorp	100% of electricity generated subject to annual minimum	15 years	Escalating (fixed escalation schedule)	Interconnection power lines and zoning to be finalised
Bonanza, Pendleton, Merrill	3 Degrees	100% of RECs generated	Expires end 2019	Fixed	Fully executed
Bonanza, Pendleton, Merrill	Not disclosed	100% of RECs generated	2020 - 2023	Fixed	Agreed form

The terms of the PPAs, or proposed PPAs, and the REC Agreements for the CCR Portfolio are on similar terms to the PPAs and REC for the Existing Portfolio in respect of delivery obligations, volumes, performance standards, default, and termination.

Completion of the Offer and the admission of the Company and the Trust to the official list of the ASX do not comprise an event of default under any of the CCR Portfolio PPAs

## CCR PORTFOLIO O&M CONTRACTS

For each project, there will be an O&M Agreement between CCR O&M and the relevant Project Company. The O&M Agreement for each project will be on substantively identical terms, with a pro forma version included as part of the executed MIPA. The O&M Agreement includes a fixed annual price, with escalation, for a defined scope of services (**Covered Services**). Additional services (**Non-Covered Services**) are provided at defined hourly or unit rates, with a budget for these Non-Covered Services included in the annual O&M budget for each Project.

**Table 24: Summary of CCR Portfolio O&M Agreements**

PROJECT	PROVIDER	PRICING	TERM	EXTENSIONS	STATUS
CCR Portfolio	CCR O&M	Fixed + Escalator	Five years from 1 January or 30 June (whichever date occurs following COD)	One-year extensions by mutual agreement	Agreed form. Individual O&M Agreement to be executed with the relevant Project Company at each NTP.

The terms of the O&M Agreements for the CCR Portfolio are similar to the O&M Agreements for the Existing Portfolio in respect of availability guarantees, performance standards, default, and termination.

Completion of the Offer and the admission of the Company and the Trust to the official list of the ASX do not comprise an event of default under any of the CCR Portfolio O&M Agreements.

## 14.4 PROJECT SERVICES AGREEMENT

NES US Corp. has entered into a non-exclusive arrangement dated 27 October 2017 with NES Project Services, LLC for the provision of asset management, operations and maintenance services and/or construction management services (**Services**). The agreement is for an initial one year term, with rolling one year extensions if the agreement has not been terminated. The Services will be provided upon request by NES US Corp. at prevailing market rates at the time. The Services will be provided on arm's length and commercial terms.

## 14.5 DEVELOPMENT AGREEMENT

The Trust and Company have entered into an arrangement dated 27 October 2017 with NES Development Services Pty Limited (**NES Development Services**) pursuant to which they have appointed NES Development Services on a non-exclusive basis to provide asset development services to the Business from time to time as agreed between the parties for any renewables project, including but not limited to individual large scale solar plants, which the Business directly or indirectly invests in from time to time.

The asset development services will be provided on arm's length and commercial terms. Under the agreement, the Business also has a first right of refusal to purchase assets developed and offered for sale by NES Development Services from time to time. The acquisition of assets developed by NES Development Services will be offered on terms to be agreed by the parties which must be on arm's length commercial terms. The Business is under no obligation to accept the offer. The agreement is for an initial one-year term, with rolling one year extensions if the agreement has not been terminated.

## 14.6 OFFER MANAGEMENT AGREEMENT

The Offer is being managed by the Bookrunner pursuant to the Offer Management Agreement between the Company, the Responsible Entity and the Bookrunner.

The Bookrunner has agreed to:

- arrange and manage the Offer; and
- provide settlement support for the Institutional Offer and Broker Firm Offer.

The Bookrunner has not agreed to underwrite the Offer and does not guarantee that the Offer will be successful.

For the purposes of this Section 14.6:

**Group** means the Company, the Responsible Entity and their respective subsidiaries.

**Offer Related Documents** means the following documents issued or published by, or on behalf of, and with the authorisation of, the Company and the Responsible Entity in respect of the Offer (and in a form approved by the Bookrunner):

- the Offer Document, any Application Form and any supplementary Offer Document;
- any cover email, including appropriate cautionary legend, sent to eligible Institutional Investors in Australia and New Zealand and other agreed foreign jurisdictions with a link to or attaching the Offer Document in connection with the Institutional Offer and Bookbuild; and
- any marketing, roadshow presentation and/or ASX announcement(s) used by or on behalf of the Company and the Responsible Entity to conduct the Offer.

### (A) FEES AND COSTS

The Company and the Responsible Entity have agreed to pay the Bookrunner, subject to a minimum fee of \$2.5 million (regardless of the gross proceeds of the Offer) a structuring fee equal to 0.75% of the gross proceeds of the Offer and a management fee equal to 2.25% of the gross proceeds of the Offer (other than proceeds relating to Evans Dixon Applications, the Priority Offer and the General Public Offer). In addition, an incentive fee of up to 0.5% of the gross proceeds of the Offer (other than proceeds relating to Evans Dixon Applications, the Priority Offer and the General Public Offer) may also be payable to the Bookrunner at the absolute discretion of the Company and the Responsible Entity.

Any fees payable to co-managers, co-lead managers and Brokers appointed in relation to the Offer (other than Evans Dixon Applications) are payable by the Bookrunner on behalf of the Company and the Responsible Entity out of the structuring and management fees payable to it under the Offer Management Agreement. In addition to the fees described above, the Company and the Responsible Entity have agreed to reimburse the Bookrunner for certain other reasonable agreed costs and expenses, including legal costs incurred by the Bookrunner in relation to the Offer.

### (B) REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

The Offer Management Agreement contains certain representations and warranties provided by the Company and the Responsible Entity (as applicable) to the Bookrunner, as well as customary conditions precedent (including conducting due diligence, lodgement of this Offer Document, and ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties relate to matters such as the nature of the Responsible Entity and the Business, the conduct of the Business (including in respect of its operations, disclosure and compliance with the Corporations Act, the ASX Listing Rules and other applicable laws), information provided to the Bookrunner, accounting controls, material contracts, licenses, litigation, insurance, capitalisation of the Company and the Trust, the Stapled Securities and the

Options, information in this Offer Document, the conduct of the Offer as well as customary US representations and warranties.

A number of standard representations and warranties are also given by the Bookrunner to the Company and the Responsible Entity.

The undertakings given by the Company and the Responsible Entity relate to matters including, but not limited to, provision of and consultation with the Bookrunner in respect of ASIC and ASX correspondence, notification of breach to the Bookrunner, variation of the constitutions of the Company or the Trust and undertakings that during the period following the date of the Offer Management Agreement:

- until 120 days after the date of Completion, it will not (without the prior written consent of the Bookrunner, which is not to be unreasonably withheld or delayed) allot or agree to allot (or indicate that it may do so), any shares, units or other securities that are convertible or exchangeable into equity, or represent the right to receive equity of the Company, the Responsible Entity or any other Group member, or enter into any swap or other arrangements that transfers to another, in whole or in part, any of the economic consequences of ownership of securities of the type, however settled, subject to certain limited exceptions including the valid exercise of any Options, pursuant to an employee securities, option or incentive plan, a non-underwritten dividend reinvestment plan or bonus share plan, or proposed transaction disclosed in this Offer Document;
- until 120 days after the date of Completion, alter the capital structure of the Company or the Responsible Entity (other than a reallocation of capital between the Company and the Trust following Completion); or amend their constitutions, except with the prior written consent of the Bookrunner (which after Completion, cannot be unreasonably withheld or delayed);
- until 120 days after the date of Completion, it will not vary in any material respect any term of a material agreement described in section 14 of this Offer Document or any contract that is material to its business, except with the prior written consent of the Bookrunner (which after Completion, cannot be unreasonably withheld); and
- until 120 days after the date of Completion it will carry on its business, and procure that each Group member carries on its business in the ordinary course and not dispose of any material part of its business or property.

## (C) INDEMNITY

Subject to certain exclusions relating to, among other things the fraud, recklessness, wilful misconduct or gross negligence by the Bookrunner or certain of their affiliated parties (**Indemnified Parties**), the Company and the Responsible Entity agree to keep the Indemnified Parties, indemnified from losses suffered in connection with the Offer.

## (D) TERMINATION

The Bookrunner may, by notice given to the Company and the Responsible Entity, and without cost or liability, terminate the Offer Management Agreement if any of the following events has occurred or occurs at any time from the date of this agreement until on or before 2.00pm (AEDT) on the date of Settlement (or such other time as specified):

- (**stapling**) the stapling deed is breached, terminated, rescinded or materially altered or amended without the consent of the Bookrunner (such consent not to be unreasonably withheld or delayed).
- (**disclosures**) a statement in the Offer Document is or becomes misleading or deceptive or is likely to mislead, or a matter required to be included is omitted from an Offer Document (including, without limitation, having regard to the provisions of Part 6D.2).
- (**Supplementary Offer Document**) the Company and the Responsible Entity issue or, in the reasonable opinion of the Bookrunner, are required to issue, a supplementary Offer Document to comply with sections 719 or 1016E of the Corporations Act or the Company

and the Responsible Entity lodge a supplementary Offer Document that is in a form that has not been approved by the Bookrunner.

- **(Acquisition)** the Membership Interest Purchase Agreement (as summarised in Section 14.3 of this Offer Document) is terminated, rescinded, repudiated or purported to be terminated, rescinded or repudiated, is amended in a material respect, or is or becomes void or voidable.
  - **(market fall)** at any time the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the day immediately prior to the Bookbuild closing date and is not at or below that level at the close of trading:
    - » on 2 consecutive Business Days during any time after the date of the Bookbuild; or
    - » on the Business Day prior to the date of Settlement.
  - **(forecasts)** there are not, or there cease to be, reasonable grounds for any statement or estimate in the Offer Related Documents, including this Offer Document, which relates to a future matter or any statement or an estimate in the Offer Related Documents is in the reasonable opinion of the Bookrunner unlikely to be met in the projected timeframe (including financial forecasts).
  - **(fraud)** the Company and the Responsible Entity or any of their respective directors or officers (as those terms are defined in the Corporations Act) engage in any fraudulent conduct or activity.
  - **(listing and quotation)** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
    - » the Business' admission to the official list of ASX on or before 5.00pm on the listing approval date required under the Offer Management Agreement; or
    - » the quotation of the Stapled Securities and the Options on ASX or for the Stapled Securities and the Options to be traded through CHESS on or before the date on which the Stapled Securities and Options are to be first quoted on ASX,
- or if granted, the approval is subsequently withdrawn or qualified (other than by customary conditions) or withheld.
- **(notifications)** any of the following notifications are made in respect of the Offer:
    - » ASIC issues an order (including an interim order) under section 739 or 1020E of the Corporations Act and such order becomes public and is not withdrawn within 2 Business Days of when it is made, or if it is made within 2 Business Days of the date of Settlement, it has not been withdrawn by the date of Settlement;
    - » ASIC holds a hearing under section 739(2) or 1020E(4) of the Corporations Act;
    - » an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Related Document or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) (**ASIC Act**) in relation to the Offer or an Offer Related Document, except where such application, investigation or hearing does not become publicly known and is disposed of or withdrawn within 2 Business Days or if it is made within 2 Business Days of the date of Settlement, it has not been withdrawn by the date of Settlement;
    - » any person (other than the Bookrunner) who has previously consented to the inclusion of its name in any Offer Related Document withdraws that consent; or
    - » any person (other than the Bookrunner) gives a notice under section 730 of the Corporations Act in relation to an Offer Related Document or otherwise withdraws their consent.
  - **(certificate not provided)** the Company or the Responsible Entity do not provide a certificate as and when required by the Offer Management Agreement.

- **(material contracts)** any of the obligations of the relevant parties under any of the contracts that are material to the business of the Group or the material agreements summarised in section 14 of this Offer Document are not capable of being performed in accordance with their terms or if all or any part of any such contracts:
  - » is terminated;
  - » ceases to have effect, otherwise than in accordance with its terms; or
  - » is or becomes void, voidable, illegal, invalid, unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal.
- **(withdrawal)** the Company and the Responsible Entity withdraws an Offer Related Document or the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer.
- **(insolvency events)** any Group member becomes insolvent or there is an act or omission which may result in any of those entities becoming insolvent.
- **(timetable)** an event specified in timetable contained in the Offer Management Agreement from the date of this agreement up to and including the Bookbuild opening date is delayed by more than two Business Days or an event specified in the timetable from but excluding the Bookbuild opening date is delayed by more than one Business Day (other than any delay agreed between the Company, the Responsible Entity and the Bookrunner or a delay as a result of an extension to the exposure period by ASIC).
- **(unable to issue Stapled Securities or Options)** the Company and the Responsible Entity are prevented from allotting and issuing the Stapled Securities or Options within the time required by the timetable for the Offer, the Offer Related Documents, the ASX Listing Rules or by applicable laws, an order of a court of competent jurisdiction or a governmental authority.
- **(change to Company or Responsible Entity)** the Company or the Responsible Entity:
  - » alters its issued capital or the issued capital of a Group member; or
  - » disposes or attempts to dispose of a substantial part of the business or property of the Company, the Responsible Entity or a Group member, without the prior written consent of the Bookrunner.
- **(regulatory approvals)** a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or the Responsible Entity to perform its obligations under the Offer Management Agreement or to carry out the transactions contemplated by the Offer Related Documents.
- **(legal proceedings)** legal proceedings against the Company and the Responsible Entity commence or any regulatory body commences an enquiry or public action against the Company and the Responsible Entity.
- **(force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Bookrunner to satisfy an obligation under this document, or to market, promote or settle the Offer.
- **(change in Senior Management)** a change in the positions held by Liam Thomas (Head of Investments), John Martin CEO and Managing Director or Tom Kline (Executive Director – North America) or the board of directors of the Company or the Responsible Entity occurs.
- **(vacancy in office)** any of Liam Thomas (Head of Investments), John Martin CEO and Managing Director or Tom Kline (Executive Director – North America) vacate their office.

- **(prosecution)** either:
  - » a director of or a proposed director of the Company or the Responsible Entity named in this Offer Document is charged with an indictable offence;
  - » any governmental agency commences any public action against the Company and the Responsible Entity or any of its directors in their capacity as directors of the Company or the Responsible Entity, or announces that it intends to take such action; or
  - » any director or a proposed director of the Company or the Responsible Entity named in this Offer Document is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.

## (E) TERMINATION EVENTS SUBJECT TO MATERIALITY

The Bookrunner may, by notice given to the Company and the Responsible Entity, and without cost or liability, terminate the Offer Management Agreement, if any of the following events occur at any time from the date of the Offer Management Agreement until on or before 2.00pm (AEDT) on the date of Settlement (or such other time as specified) only if, the Bookrunner has reasonable grounds to believe that the event:

- has or is likely to have a materially adverse effect on:
  - » the success, settlement or marketing of the Offer or on the ability of the Bookrunner to market or promote or settle the Offer or on the likely price at which the Stapled Securities or Options will trade on ASX; or
  - » the willingness of investors to subscribe for the Stapled Securities or Options; or
- will, or is likely to give rise to a liability of the Bookrunner or one of its affiliates under, or give rise to, or result in, a contravention by the Bookrunner or its affiliates or the Bookrunner or its affiliates being involved in a contravention of any applicable law.

The Bookrunner can terminate as above, if any of the following events occur:

- **(disclosures)** a statement in an Offer Related Document (other than the Offer Document) or the information used by or on behalf of the Company and the Responsible Entity to conduct the Offer (Public Information) is or becomes misleading or deceptive or is likely to mislead, or a matter required to be included is omitted from an Offer Document (including, without limitation, having regard to the provisions of Part 6D.2 and Part 7.9).
- **(material contracts)** any of the obligations of the relevant parties under any of the contracts that are material to the business of the Group or the material agreements summarised in section 14 of this Offer Document are not capable of being performed in accordance with their terms or if all or any part of any such contracts:
  - » is amended or varied without the consent of the Bookrunner; or
  - » is breached.
- **(new circumstances)** there occurs a new circumstance that arises after the Offer Document is lodged that would have been required to be included in the Disclosure Document if it had arisen before lodgement.
- **(disclosures in the due diligence report and any other information)** the due diligence report prepared by the due diligence committee in connection with the Offer or the verification material or any other information supplied by or on behalf of the Company and the Responsible Entity to the Bookrunner in relation to the Group or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission.
- **(adverse change)** any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group (insofar as the position in

relation to an entity in the Group affects the overall position of the Company and the Responsible Entity), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those respectively disclosed in any Offer Related Document or the Public Information.

- **(change of laws)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand, the United States or any State or Territory of Australia a new law, or the Reserve Bank of Australia or New Zealand, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement).
- **(breach of laws)** there is a contravention by the Company, the Responsible Entity or any Group member of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), ASIC Act, its constitution, or any of the Listing Rules.
- **(compliance with law)** any of the Offer Related Documents or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulations.
- **(representations and warranties)** a representation, warranty, undertaking or obligation contained in the Offer Management Agreement on the part of the Company or the Responsible Entity is breached, becomes not true or correct or is not performed.
- **(breach)** the Company or the Responsible Entity defaults on one or more of its obligations under the Offer Management Agreement.
- **(constitution)** the Company and the Responsible Entity varies any term of their constitution without the prior written consent of the Bookrunner.
- **(debt covenants)** the Company, the Responsible Entity or any Group member is in breach of any debt covenant.
- **(information supplied)** any information supplied (including any information supplied prior to the date of the Offer Management Agreement) by or on behalf of a Group member to the Bookrunner in respect of the Offer or the Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including by omission).
- **(certificate incorrect)** a certificate provided by the Company and the Responsible Entity pursuant to the Offer Management Agreement is false, misleading, inaccurate or untrue or incorrect (including by omission).
- **(hostilities and disruption in financial markets)** any of the following occur:
  - » hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Japan, the People's Republic of China, South Korea or a member state of the European Union or any major terrorist attack is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
  - » a general moratorium on commercial banking activities in Australia, Hong Kong, the United Kingdom or the United States is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - » any adverse effect on the financial markets in Australia, Japan, Hong Kong, the United Kingdom or the United States, or in foreign exchange rates, or any development involving a prospective change in political, financial or economic conditions in any of those countries; or trading in all securities quoted or listed on ASX, the New York Stock Exchange, the London Stock Exchange or the Hong Kong Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.

## 14.7 OPTION EXERCISE DEED POLL

The Company and the Responsible Entity have entered into an exercise deed poll in favour of the Optionholders. Under the exercise deed poll, the Company and the Responsible Entity undertake to issue Stapled Securities to each Optionholder on the exercise of their Options and to cause those Stapled Securities to be admitted to official quotation on the ASX.



NC-47 aerial view - June 2017

## **SECTION 15**

### Additional Information



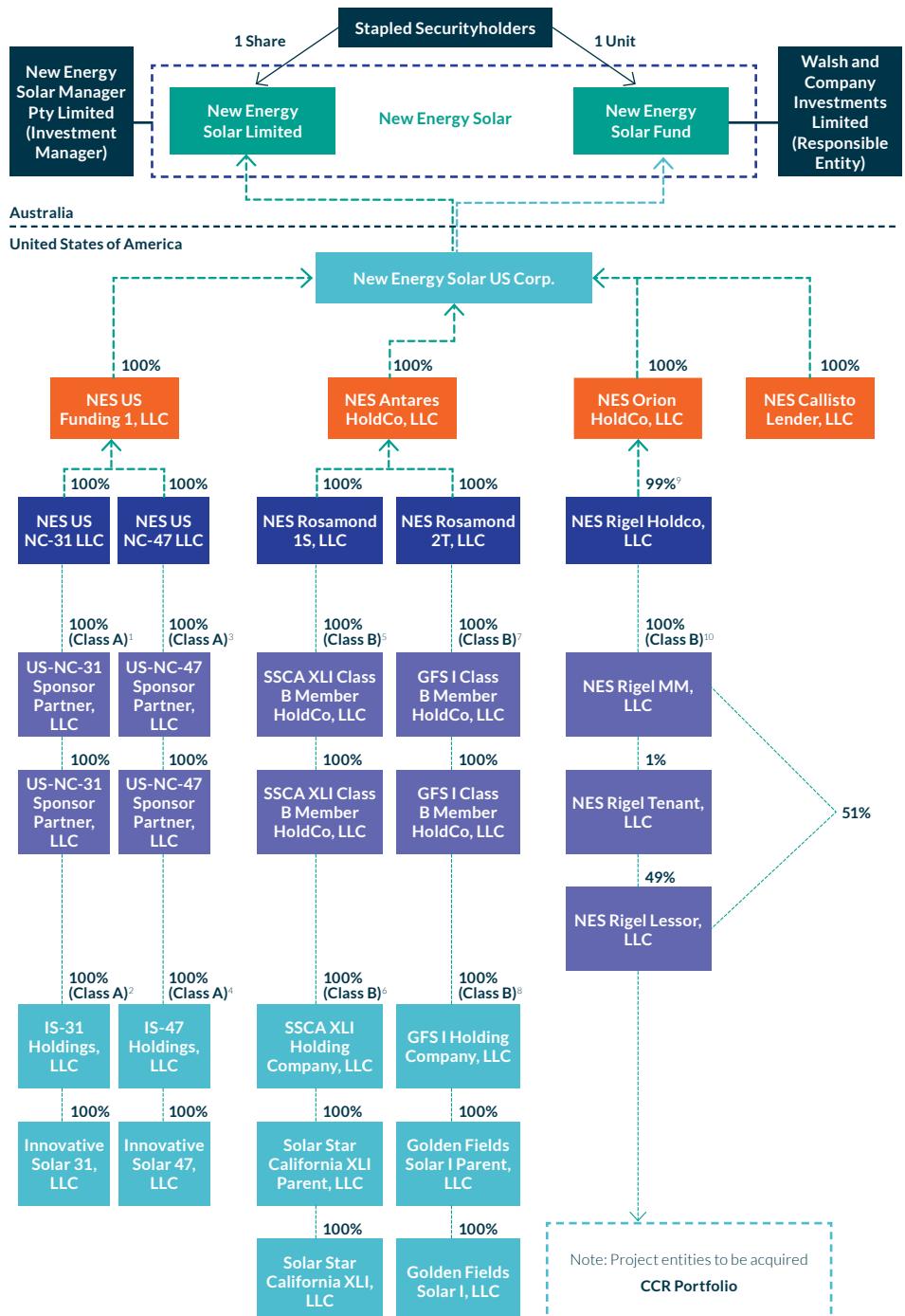
TID SGS array - aerial view - September 2017

## 15.1 CORPORATE STRUCTURE

The corporate structure for the Business is shown below. The notes below the diagram set out the economic interests attaching to the class of shares held by the relevant entities where such economic interests differ from the securities held.

Each of the entities listed below undertakes the business of New Energy Solar as set out in this Offer Document.

**Figure 43: Corporate structure of the Business**



1. Class A represents an 85.55% interest in the cash and taxable income/loss received by US-NC-31 Sponsor Partner, LLC.
2. Class B represents a 100% interest in the residual cash received by IS-31 Holdings, LLC up until 31 March 2022 (the Cash Flip Date), after the payment of a 2% p.a. preferred distribution to the Class A Member, and a 1% interest in the taxable income/loss received by IS-31 Holdings, LLC up until 31 December 2023 (the Income Flip Date). Class B represents a 95% interest in the cash received by IS-31 Holdings, LLC post 31 March 2022 and 95% interest in the taxable income/loss received by the partnership after 31 December 2023.

3. Class A represents an 90% interest in the cash and taxable income/loss received by US NC-47 Sponsor Partner, LLC.
4. Class B represents a 100% interest in the residual cash received by IS-47 Holdings, LLC up until 31 May 2022 (the Cash Flip Date), after the payment of a 2% p.a. preferred distribution to the Class A Member, and a 1% interest in the taxable income/loss received by IS-47 Holdings, LLC up until 31 December 2023 (the Income Flip Date). Class B represents a 95% interest in the cash received by IS-47 Holdings, LLC post 31 May 2022 and 95% interest in the taxable income/loss received by IS-47 Holdings, LLC after 31 December 2023.
5. Class B represents a 99.9% interest in the cash and taxable income/loss received by SSCA XLI Class B Member Holdco, LLC prior to 1 January 2052 (the Flip Date). Class B represents a 70% interest in the cash and taxable income/loss received by SSCA XLI Class B Member Holdco, LLC following 1 January 2052.
6. Class B represents a 99.99% interest in the residual cash received by SSCA LXI Holding Company, LLC, after the payment of a 3% p.a. preferred distribution to the Class A Member, and a 0.99% interest in the taxable income/loss received by SSCA LXI Holding Company, LLC up until 31 December 2023 (the Flip Date). Class B represents an 87.99% interest in the cash and taxable income/loss received by SSCA LXI Holding Company, LLC following 31 December 2023.
7. Class B represents a 99.9% interest in the cash and taxable income/loss received by GFS I Class B Member Holdco, LLC prior to 1 January 2052 (the Flip Date). Class B represents a 70% interest in the cash and taxable income/loss received by GFS I Class B Member Holdco, LLC following 1 January 2052.
8. Class B represents a 99.99% interest in the residual cash received by GFS 1 Holding Company, LLC, after the payment of a 3% p.a. preferred distribution to the Class A Member, and a 0.99% interest in the taxable income/loss received by GFS 1 Holding Company, LLC up until 31 December 2023 (the Flip Date). Class B represents an 84.81% interest in the cash and taxable income/loss received by GFS 1 Holding Company, LLC following 31 December 2023.
9. As at the date of the Offer, NES Orion Hold Co has acquired 99% of the membership interests of NES Rigel Hold Co, but does not control the entity. Following completion of the last project in the CCR Portfolio, NES Orion Hold Co will acquire the remaining 1% of NES Rigel Hold Co and will then control the entity.
10. Prior to 31 December 2023 (the Flip Date) the Managing Member interests in NES Rigel Tenant, LLC (NES Rigel MM, LLC) (**MM**) represent a 1% interest in the residual cash received by NES Rigel Tenant, LLC, after the payment of a 2% p.a. preferred distribution to the investor member, US\$150,000 p.a. administration fee to the MM and a 65% of post preferred distribution and post administration fee return of capital to MM. MM also represents a 1% interest in the taxable income/loss received by NES Rigel Tenant, LLC up until 31 December 2023 (the Flip Date). MM represents a 95% interest in the cash and taxable income/loss received by NES Rigel Tenant, LLC following 31 December 2023.

The Business has a US corporation (**NES US Corp.**) to hold its US investments either directly or indirectly. The Company owns all of the equity in NES US Corp. and NES US Corp. has issued loan notes to the Trust. The loan notes are on arm's length commercial terms and have an interest rate of 6% per annum. Typically, NES US Corp. will set up a wholly owned US entity for each project and that entity will invest into partnerships as described in Sections 3.5 and 3.6.

## 15.2 SUMMARY OF CONSTITUTIONS

### 15.2.1 STAPLING PROVISIONS

The Company Constitution and the Trust Constitution are designed to provide for the operation of a stapled entity. The Constitutions each contain provisions to ensure that each Stapled Security (comprising one fully paid ordinary share in the Company and one fully paid unit in the Trust) is treated as one security to the extent permitted by law (**Stapling Provisions**).

The Stapling Provisions are substantially consistent across the two Constitutions, and the Constitutions are to be read subject to the Stapling Provisions, except to the extent that this would result in a breach of the Corporations Act, the ASX Listing Rules or any other law.

### 15.2.2 RIGHTS AND LIABILITIES OF SECURITYHOLDERS

The rights and liabilities attaching to ownership of Stapled Securities (comprising one fully paid ordinary share in the Company and one fully paid unit in the Trust) arise from a combination of the Constitutions, statute, the ASX Listing Rules and general law.

A summary of the significant rights attaching to the Securities and a description of the other material provisions of the Constitutions are set out in Sections 15.3 and 15.4. The summary set out in those sections is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Securityholders.

### 15.2.3 OVERVIEW OF STAPLING PROVISIONS

The Stapling Provisions essentially provide the following:

- the holders of Units in the Trust will be identical to the holders of shares in the Company;
- as far as the law permits, a Stapled Security (comprising one fully paid ordinary share in the Company and one fully paid unit in the Trust) will be treated as one security;
- the number of Units in the Trust on issue at any time must equal the number of shares in the Company on issue;
- no transfer of a unit in the Trust is to occur without a share in the Company being transferred at the same time from the same transferor to the same transferee, and vice versa; and
- no unit in the Trust is to be issued unless a share in the Company is issued at the same time to the same person.

### 15.2.4 CESSATION OF STAPLING PROVISIONS

Subject to the Corporations Act, the ASX Listing Rules and Securityholders passing a special resolution, the Board and the Responsible Entity may determine that the Stapling Provisions will cease to apply or be suspended and that a particular date is to be the unstapling date. The Board and the Responsible Entity may subsequently determine that the Stapling Provisions should recommence.

### 15.2.5 RANKING OF STAPLED SECURITIES AND DISTRIBUTIONS

Each Stapled Security will be issued fully paid. From the date of issue or transfer, the Stapled Securities will rank equally with all other Stapled Securities on issue.

### 15.2.6 STAPLING DEED

The Responsible Entity and the Company have entered into a stapling deed (**Stapling Deed**) that sets out the terms and conditions governing the relationship between the Responsible Entity and the Company while stapling of Units and Shares applies. The Stapling Deed deals with a variety of general matters, including:

- co-operation by and consultation between the parties on all matters relating to the Stapled Securities;
- dealings in Stapled Securities;
- the allocation of the price payable for issue, redemption or buy-back of a Stapled Security among a Unit and a Share;
- provisions for unstapling; and
- the duties and obligations of the parties, including duties in relation to stapling.

## 15.3 TRUST CONSTITUTION

The Trust has been registered by ASIC as a managed investment scheme under Chapter 5C of the Corporations Act. The provisions of the Corporations Act can affect the terms of the Trust's constitution (**Trust Constitution**) and the obligations of the Responsible Entity. The Trust is governed by the Trust Constitution, which has been lodged with ASIC.

Walsh & Company is the responsible entity of the Trust. The respective rights and obligations of the Responsible Entity and the Unitholders are determined by the Trust Constitution and the Corporations Act, together with any exemptions and declarations issued by ASIC and the general law relating to trusts. Neither the provision of these laws and rules, nor their effect on the Trust Constitution have been summarised below.

The Trust Constitution is a lengthy and complex document. The following is a brief outline of the Trust Constitution. Because the outline is brief, investors should confirm all information by reference to the Trust Constitution itself, which is available free of charge from the Responsible Entity. If you are unsure about anything, you should seek advice from a financial advisor and examine a copy of the Trust Constitution.

The Trust Constitution deals with a wide range of matters, including:

- Applications for Units and the nature of a Unitholder's interest in the Trust;
- the term of the Trust and Unitholders' entitlements on winding up;
- distributions;
- further issues of Units;
- transferability of Units;
- powers of the Responsible Entity;
- Unitholders' meetings;
- Unitholders' liability;
- stapling;
- capital reallocations from and to the Trust; and
- the Responsible Entity's fees (see Section 6.2.2).

### 15.3.1 UNITS

The beneficial interest in the Trust is divided into Units. A Unit confers an interest in the Trust's assets as a whole, it does not confer an interest in any particular asset. The Responsible Entity can issue Units in accordance with the Trust Constitution. The Trust Constitution contains provisions regarding the Responsible Entity's ability to issue different classes of units.

### 15.3.2 LIABILITY OF A UNITHOLDER

The liability of a Unitholder is limited to the amount unpaid (if any) on a partly paid Unit.

### 15.3.3 APPLICATION PRICE FOR UNITS

The Trust Constitution contains provision for determining the Application Price of Units, for this and any future issues. The Trust Constitution also provides for the Responsible Entity to determine a different Application Price in relation to some Units, a class of Units or all Units to the extent it is permitted to do so by applicable ASIC relief.

### 15.3.4 VOTING

Subject to the Trust Constitution, and any rights or restrictions attached to any class or classes of units, on a show of hands each Unitholder (and each proxy, attorney or representative) has one vote, and on a poll, each Unitholder (and each proxy, attorney or representative) has one vote for each dollar value of Units held.

Voting at a general meeting is by a show of hands unless a poll is effectively demanded. However, all special and extraordinary resolutions must be decided on a poll.

### 15.3.5 GENERAL MEETINGS

The Responsible Entity may convene and arrange to hold a general meeting of the Trust at any time and must do so if required under the Corporations Act. Each unitholder will receive notice of general meetings and be entitled to attend and vote at any general meeting in accordance with the Corporations Act. Currently under the Corporations Act, a notice of a general meeting of Unitholders must be provided to the Unitholders at least 21 days before the meeting.

### 15.3.6 ISSUES OF UNITS

Subject to the Corporations Act, the ASX Listing Rules, the Stapling Provisions and any special rights conferred on the holders of any units or class of units, the Responsible Entity may:

- issue units in the Trust; and
- grant options over unissued units in the Trust.

### 15.3.7 TRANSFERS OF UNITS

Subject to the Trust Constitution and ASX Listing Rules, a unit in the Trust is transferable as provided by the operating rules of the relevant clearing settlement facility or by any other method of transfer which is required or permitted by the Corporations Act and ASX. While a unit in the Trust is a component of a Stapled Security, any transfer must be a transfer of that Stapled Security.

### 15.3.8 RESPONSIBLE ENTITY'S FEES

The Responsible Entity is entitled to the fees set out in Section 6.2.2. The Responsible Entity can choose to waive or defer payment of any fee to which it would otherwise be entitled.

### 15.3.9 INCOME AND DISTRIBUTIONS

While the Trust is not a public trading trust (i.e. taxed akin to a company), it is expected to be administered so that at the end of each tax year its Unitholders are presently entitled to the distributable income of the Trust. The Responsible Entity will generally determine the distributable income of the Trust for each tax year based on the net income of the Trust. However, the Responsible Entity may in its sole and absolute discretion determine that the distributable income for the tax year will be some other amount, whether income or capital, which the Responsible Entity considers appropriate for the distribution for that tax year.

The Responsible Entity may also distribute capital of the Trust from time to time. Unitholders on the register on the record date for a distribution are entitled to a share in the Trust's income based on the number of Units held.

If additional tax is withheld from any dividend or distributions paid to the Trust as a consequence of the characteristics of any particular Unitholder or Unitholders, including the number or percentage of Units on issue held by any such Unitholders, then that additional tax will be allocated to that Unitholder and will be deducted from the distributable income payable to that Unitholder. Where the income of the Trust is reduced by taxes attributable to the ownership of Units by certain Unitholders, the entitlement to distributable income of such Unitholders may be adjusted by the Responsible Entity so that the entitlement to distributable income of all the other Unitholders is equivalent to the amount they would receive in the absence of such taxes.

### 15.3.10 CAPITAL REALLOCATION FROM TRUST TO STAPLED ENTITY

As set out above, the Responsible Entity may decide to pay amounts to Unitholders representing part of the capital of the Trust.

While the Trust remains stapled to the Company, the Responsible Entity may make a capital payment to the Company as a capital reallocation amount if the Responsible Entity is satisfied that the capital payment will be applied as an additional capital payment in respect of each share in the Company.

### 15.3.11 RESPONSIBLE ENTITY'S POWERS AND DUTIES

The Responsible Entity holds the Trust's assets on trust, and may manage these assets as if it were the absolute and beneficial owner of them, subject only to its duties and obligations to Unitholders.

Examples of the Responsible Entity's powers include acquiring or disposing of any real or personal property, borrowing or raising money, encumbering any asset, incurring any liability, giving any indemnity, providing any guarantee, applying for listing of the Trust, entering into derivative and currency swap arrangements and entering into underwriting arrangements.

The Responsible Entity may appoint delegates or agents to perform any act or to exercise any of its powers as well as to assist with its duties and functions.

### 15.3.12 WINDING UP

If the Trust is wound up, the Responsible Entity must realise the assets of the Trust and following payment of the amounts referred to in the Trust Constitution and subject to any special rights or restrictions attached to any unit, distribute the net proceeds of realisation among the Unitholders pro rata in accordance with the paid-up proportion of units held by Unitholders.

## 15.4 COMPANY CONSTITUTION

The following information is a summary of the Company Constitution. Shareholders have the right to acquire a copy of the Company Constitution, free of charge, from the Company.

### 15.4.1 RIGHTS ATTACHING TO SHARES

The rights attaching to shares in the Company are set out in the Company Constitution and are, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law. The principal rights, liabilities and obligations of the shareholders summarised below.

### 15.4.2 VOTING AT GENERAL MEETINGS

At a general meeting of the Company, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (unless a shareholder has appointed more than one proxy) and one vote on a poll for each share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote except where the chairperson is also a member of the Company.

### 15.4.3 GENERAL MEETINGS

Each shareholder of the Company is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Company Constitution, Corporations Act and ASX Listing Rules. The Company must give at least 28 days' written notice of a general meeting.

### 15.4.4 DISTRIBUTIONS

The Board may pay any interim and final distributions that, in its judgement, the financial position of the Company justifies. The Board may also pay any distribution required to be paid under the terms of issue of a share, and fix a record date for a distribution and the timing and method of payment.

### 15.4.5 ISSUE OF FURTHER SHARES

The Board may (subject to the Company Constitution, the Stapling Provisions, the ASX Listing Rules and the Corporations Act) issue, allot or grant options for, or otherwise dispose of, shares in the Company on such terms as the Board decides.

## 15.4.6 VARIATION OF CLASS RIGHTS

The procedure set out in the Company Constitution must be followed for any variation of rights attached to Company shares. The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- with the written consent of the holders of at least 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

## 15.4.7 TRANSFER OF SHARES

Subject to the Company Constitution and to any restrictions attached to Shares, Shares may be transferred via a proper ASTC transfer (effected in accordance with the Corporations Regulations, ASX Listing Rules and the ASX Settlement Operating Rules), any other ASX requirements and the Corporations Act, or via a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. While a Share in the Company is a component of a Stapled Security, any transfer must be a transfer of that Stapled Security.

The Board may decline to register a transfer of shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

## 15.4.8 DIRECTORS – APPOINTMENT AND REMOVAL

Under the Company Constitution, the Board is comprised of a number of directors determined by the directors, unless the Company's shareholders pass a resolution varying that number at a general meeting. Directors are elected or re-elected at general meetings of the Company.

No director (excluding any Managing Director) may hold office without re-election beyond the third annual general meeting following the meeting at which the director was last elected or re-elected. The Board may also appoint a director in addition to the existing directors or to fill a casual vacancy on the Board, and that director (apart from the Managing Director) will then hold office until the conclusion of the next annual general meeting of the Company.

## 15.4.9 DIRECTORS - VOTING

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two directors present or entitled to vote (in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost).

## 15.4.10 DIRECTORS – REMUNERATION

See Section 10.6.2 for a summary of the remuneration arrangements for the directors.

## 15.4.11 POWERS AND DUTIES OF DIRECTORS

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Company Constitution) may exercise all powers and do all things that are within the Company's power and the powers that are not required by law or by the Company Constitution to be exercised by the Company in general meeting.

## 15.4.12 CAPITAL REALLOCATION FROM COMPANY TO STAPLED ENTITY

Subject to the Corporations Act and the Listing Rules, the Company may at any time make a capital payment to another Stapled Entity as a capital reallocation amount if the Board is satisfied

that the capital payment will be applied as an additional capital payment in respect of each attached share.

#### 15.4.13 AMENDMENT

The Company Constitution may be amended only by a special resolution passed by shareholders of the Company.

### 15.5 RIGHTS AND LIABILITIES OF OPTIONHOLDERS

The rights and liabilities of Optionholders are set out in the Option Terms in Section 17 and are summarised in Section 12.1.

### 15.6 STATUS OF THE BUSINESS' PROJECTS

The current status of each of the Business' current or proposed investments is provided in Section 4.

### 15.7 UNITED STATES REGULATORY APPROVAL FOR INVESTORS

Investors who acquire 10% or more of the Stapled Securities on issue may need to seek the approval of the Federal Energy Regulatory Commission under the requirements of the Federal Power Act (US) and should seek professional advice in relation to that approval, having regard to their personal circumstances.

### 15.8 RELATED PARTY TRANSACTIONS

The Responsible Entity and the Company may transact with related parties. All transactions, including those with related parties, are conducted on arm's length and commercial terms. There are a number of related party transactions described in this Offer Document in relation to the Business, such as fees payable to the Responsible Entity under the Trust Constitution and to New Energy Solar Manager Pty Limited under the Investment Management Agreement. See Section 14.1 for further information.

The Responsible Entity and the Company may also seek professional services for the Business, the Trust and the Company from qualified service providers, including related parties. The fees for these services will be charged at normal commercial rates. Examples of areas in which related parties may provide services to the Business, the Trust and the Company are:

- a) accounting, taxation, legal and compliance;
- b) treasury advisory services including debt arrangement, financial risk management advice and execution of hedging strategies;
- c) financial structuring and underwriting;
- d) product distribution;
- e) corporate advice;
- f) asset management
- g) operations and maintenance;
- h) construction management; and
- i) development.

Related parties of Walsh & Company include:

- Australian Fund Accounting Services Pty Limited;
- Evans and Partners Pty Limited (a Licensee and Joint Lead Manager);
- the Investment Manager;
- Dixon Advisory & Superannuation Services Limited (a Licensee);

- Walsh & Company Asset Management Pty Limited;
- NES Development Services Pty Limited; and
- NES Project Services, LLC.

## 15.9 COMPLAINTS

The Responsible Entity and the Company seek to resolve any potential and actual complaints over the management of the Trust and the Company to the satisfaction of Securityholders.

You may lodge any complaints in writing to the Responsible Entity at the address shown in the directory in Section 18 of this Offer Document. Complaints will be acknowledged immediately or as soon as practicable and responded to not more than 45 days after receipt by us.

If you are unsatisfied with the outcome, you can contact the Credit and Investments Ombudsman – which is independent from us, on 1800 138 422.

## 15.10 INSTRUCTIONS

Subject to the requirements outlined, or as stipulated by us, you, or persons authorised by you, can provide instructions (quoting your Investor number) in writing, by facsimile, or by any other method allowed by us from time to time. By investing in the Business, you authorise us to accept instructions provided by these methods.

## 15.11 INTERESTED DEALINGS

Subject to the Corporations Act, the Responsible Entity, the Company or any officer, employee or associate of the Responsible Entity or the Company may:

- a) hold Stapled Securities and Options;
- b) deal with itself (as Responsible Entity of the Trust or in another capacity, as applicable), an associate or with any Securityholder or Optionholder;
- c) be interested in any contract or transaction with itself (as Responsible Entity of the Trust or in another capacity), an associate or with any Securityholder or Optionholder;
- d) act in the same or a similar capacity in relation to any other managed investment scheme; and
- e) retain for its own benefit any profits or benefits derived from any such contract or transaction.

## 15.12 PRIVACY

When you apply to invest in the Business, you acknowledge and agree that:

- (a) you are required to provide the Responsible Entity and the Company with certain personal information to:
  - (i) facilitate the assessment of an Application;
  - (ii) enable the Responsible Entity and the Company to assess the needs of Applicants and provide appropriate facilities and services for Applicants; and
  - (iii) carry out appropriate administration.
- (b) The Responsible Entity and the Company may be required to disclose this information to:
  - (i) third parties who carry out functions on behalf of the Business on a confidential basis;
  - (ii) third parties if that disclosure is required by law; and
  - (iii) related bodies corporate (as that term is defined in the Corporations Act) which carry out functions on behalf of the Business.

We are unlikely to disclose personal information to overseas recipients. In some circumstances, we may need to obtain your consent before this occurs. Our policy is to only use cloud or other

types of networked or electronic storage where infrastructure is physically located in Australia. We have carried out our due diligence regarding our cloud service providers and have entered into suitable contractual arrangements with them.

Under the *Privacy Act 1988* (as amended), Applicants may request access to their personal information held by (or on behalf of) the Business. Applicants may request access to personal information by telephoning or writing to Walsh & Company.

We collect personal information from you to administer your investment. If you think that our records are wrong or out of date – particularly your address and email address – please contact us and we will correct this information immediately. You can always access the personal information that we hold about you.

You may choose not to provide certain personal information. However, if you choose not to provide information requested for the purposes of fulfilling your request for a specific product or service, we may not be able to provide you with the requested product or service, or the product or service which we do provide might not fully meet your needs.

A copy of the privacy policy of the Responsible Entity is available to Applicants on the website and on request. The privacy policy includes the contact details of the Privacy Officer in the event that an Applicant has a complaint about the handling, use or disclosure of personal information.

## 15.13 ANTI-MONEY LAUNDERING/COUNTER-TERRORISM FINANCING ACT 2006

The Responsible Entity and the Company may be required under the Anti-Money Laundering/Counter-Terrorism Financing Act 2006 (Cth) or any other law to obtain identification information from Applicants. The Responsible Entity and the Company reserve the right to reject any Application from an Applicant (or transfer any request) where there is a failure to provide the required identification information upon request.

## 15.14 FOREIGN ACCOUNT TAX COMPLIANCE

The *Foreign Account Tax Compliance Act (FATCA)* is a US tax law aimed at financial institutions and other financial intermediaries to prevent tax evasion by US citizens and other US tax residents through use of non-US investments or accounts.

Australia has signed an intergovernmental agreement (**IGA**) with the US to implement FATCA in Australia. The FATCA provisions are in Division 396 in Schedule 1 of the *Taxation Administration Act 1953* (Cth), which is administered by the Australian Taxation Office (**ATO**). Under the IGA and FATCA provisions, Reporting Australian Financial Institutions have due diligence and reporting obligations.

The Responsible Entity and the Company, on behalf of the Business, are Reporting Australian Financial Institutions under the IGA. The Responsible Entity and the Company intend to fully comply with the Business' FATCA obligations as determined by the FATCA provisions, the IGA and any associated guidance from the ATO. These obligations include (but are not limited to) the Responsible Entity and the Company identifying and documenting the status of an investor in the Business as a US Person, a US controlled entity or a non-complying FATCA financial institution. The Responsible Entity, on behalf of the Trust, and the Company are then obligated by law to report certain information on applicable investors to the ATO which will in turn report this information to the US Internal Revenue Service.

In order for the Business to comply with its FATCA obligations, the Responsible Entity and the Company are obligated to request certain information from investors. Certain information collected will be reported to the ATO which will in turn report this information to the US Internal Revenue Service.

The Business, the Responsible Entity and the Company are not liable for any loss an investor may suffer as a result of the Business' compliance with FATCA.

The Responsible Entity and the Company will also provide information about the Business' FATCA status when required so that FATCA withholding is not applied to payments received on its investments (for example distributions paid on US securities). If the Responsible Entity or the Company (on behalf of the Business) suffers any amount of FATCA withholding and is unable to obtain a refund for such withholding, the Responsible Entity (on behalf of the Trust) or the Company will not be required to compensate investors for any such withholding and the effects of these amounts will be reflected in the returns of the Business.

This information is of a general nature only. Please consult your tax advisor should you wish to understand the implications of FATCA to your particular circumstances.

## 15.15 W-8 FORMS

The Board and the Responsible Entity currently focus on solar energy assets in the US and Australia. Where the Business invests in US entities, the Business may be subject to withholding tax.

Completion of a W-8 form may have the benefit of exempting Securityholders and Optionholders from withholding tax in the US. The Internal Revenue Service in the US requires foreign holders that are subject to withholding tax in the US to complete W-8 forms. Failure to complete W-8 forms may mean that Securityholders and Optionholders will not be eligible for relief from any US withholding tax.

## 15.16 COMMON REPORTING STANDARD

The common reporting standard (**CRS**) is a global reporting standard for the Automatic Exchange of Financial Information developed by the Organisation for Economic Co-operation and Development (**OECD**). Australia has signed the multilateral convention and legislation to implement CRS in Australia, which has been enacted through Division 396 in Schedule 1 of the *Taxation Administration Act 1953* (Cth), to be administered by the ATO. CRS commences for Australian financial institutions from 1 July 2017, with the first reporting of information in 2018. Under CRS, Reporting Australian Financial Institutions have due diligence and reporting obligations.

The Business will be an Australian Financial Institution under CRS. The Responsible Entity and the Company, on behalf of the Business, intend to fully comply with the CRS obligations and any associated guidance from the ATO. These obligations include (but are not limited to) the Responsible Entity and the Company documenting the status of Investors that are non-residents of Australia and certain entities controlled by non-residents of Australia. The Responsible Entity and the Company are then obligated by law to report certain information on applicable investors to the ATO which may in turn report this information to the tax authority in the applicable jurisdictions.

To comply with their CRS obligations, the Responsible Entity and the Company are obligated to request certain information from investors. Certain information collected will be reported to the ATO which may in turn report this information to the tax authority in the applicable jurisdictions. Penalties can apply if investors fail to provide the information or provide false information.

Neither the Business, the Responsible Entity, nor the Company are liable for any loss an investor may suffer as a result of their compliance with CRS.

This information is of a general nature only. Please consult your tax advisor should you wish to understand the implications of CRS on your particular circumstances.

## 15.17 ASIC EXEMPTIONS

The Company and the Responsible Entity have applied for the following exemption from the following provision of the Corporations Act:

- an exemption from compliance with section 1020B(2) of the Corporations Act relating to the prohibition of certain short sales of securities on behalf of all persons who sell or offer to sell Stapled Securities or Options during the period of conditional trading on ASX.

## 15.18 ASX CONFIRMATIONS AND WAIVERS

The Company and the Responsible Entity have applied to ASX for the following ASX Listing Rule waivers and confirmations:

- confirmation that New Energy Solar is not required to provide ASX with accounts for the last 3 full financial years as would otherwise be required under Listing Rule 1.3.5(a);
- customary stapling waivers in relation to ASX Listing Rules 1.1 (Condition 7 and Condition 8), 2.1 (Condition 2), 8.10 and 10.1 to allow New Energy Solar to be treated as a single stapled economic entity;
- confirmation that New Energy Solar has a substantial portion of its assets that are tangible assets or assets with a readily ascertainable value such that the restrictions in Appendix 9B should not apply;
- a waiver from Listing Rules 7.1 and 10.11 to enable the Company and the Responsible Entity to issue Stapled Securities to the Investment Manager in lieu of investment management fees;
- confirmation that New Energy Solar will not be treated as an "Investment Entity" within the meaning of the Listing Rule 19.12; and
- confirmation that the Company and the Responsible Entity may undertake conditional and deferred settlement trading of the Stapled Securities and the Options, subject to certain conditions to be approved by ASX.

## 15.19 DISTRIBUTION REINVESTMENT PLAN

The Business established a distribution reinvestment plan on 16 June 2017.

The plan enables eligible Securityholders to increase their holding in Stapled Securities by reinvesting all or part of the Business' distributions in additional Stapled Securities free of brokerage, commission and other costs. The plan provides the following three choices for a distribution:

1. reinvest the full distribution in additional Stapled Securities;
2. reinvest part of the distribution in Stapled Securities and receive the rest in cash; or
3. receive the total distribution payment in cash.

Full terms and conditions of the plan are set out in a Distribution Reinvestment Plan Booklet which is available at [www.newenergysolar.com.au/sites/default/files/announcements/nes\\_drp\\_plan\\_final160617.pdf](http://www.newenergysolar.com.au/sites/default/files/announcements/nes_drp_plan_final160617.pdf). In summary:

- all Australian and New Zealand resident Securityholders are eligible to participate;
- participation in the plan is voluntary and Securityholders can choose to cease participation at any time;
- to participate in the plan, Securityholders must complete a distribution election notice form and return it to the Business' registry;
- Securityholders may elect to participate for all or part of their Stapled Securities;
- there is no minimum participation requirement;
- the price at which Stapled Securities will be issued under the plan will be determined by the directors of the Company and the Responsible Entity. While the Stapled Securities are quoted on the ASX, the price will be the arithmetic average of the daily volume weighted average market price per Stapled Security during the 10 trading days commencing on the trading day following the relevant record date less any discount (terms have the meanings given in the plan);
- if the Business considers it appropriate, the plan may be partly or fully underwritten;
- Stapled Securities issued under the plan will rank equally with existing Stapled Securities;

- on each issue of Stapled Securities under the plan the Business must apply for quotation of such Stapled Securities on the official list of the ASX in accordance with the ASX listing rules; and
- the Business may modify or vary the rules of the plan at any time or from time to time by notice in writing to participants.

## 15.20 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below (each a **Consenting Party** and together the **Consenting Parties**) has given, and has not, before the lodgement of this Offer Document with ASIC, withdrawn its written consent to being named in this Offer Document in the form and context in which it is named:

- Morgan Stanley Australia Securities Limited as Joint Lead Manager and Sole Bookrunner to the Offer;
- Evans and Partners Pty Ltd as Joint Lead Manager to the Offer;
- National Australia Bank Limited as Co-Manager to the Offer;
- Fort Street Advisers as financial adviser to New Energy Solar in relation to the Offer;
- Herbert Smith Freehills as Australian legal adviser (excluding in relation to taxation matters) to New Energy Solar in relation to the Offer. Herbert Smith Freehills did not advise the Business in relation to the acquisition of the Existing Portfolio or the CCR Portfolio;
- KPMG as taxation adviser to New Energy Solar in relation to the Offer and to the inclusion in this Offer Document of its taxation letter, as contained in Section 9, in the form and context in which it is included;
- Deloitte Corporate Finance Pty Limited, as Investigating Accountant to New Energy Solar in relation to the Offer and to the inclusion in this Offer Document of its Investigating Accountant's Report, as contained in Section 8, in the form and context in which it is included;
- Deloitte Touche Tohmatsu as auditor of New Energy Solar; and
- Link Market Services Limited as Registry.

No Consenting Party has made any statement that is included in this Offer Document or any statement on which a statement made in this Offer Document is based, except as stated above. None of the Consenting Parties has authorised or caused the issue of this Offer Document. None of the Consenting Parties makes any offer of Stapled Securities or Options, and, subject to the law, expressly disclaims and takes no responsibility for any statements or omissions in this Offer Document, except as stated above.



## **SECTION 16**

### Glossary

*NC-31 array and substation - March 2017*



*Stanford SGS modules row - November 2016*

<b>\$</b>	Australian dollars
<b>1H2016</b>	Half-year ended 30 June 2016
<b>1H2017</b>	Half-year ended 30 June 2017
<b>2H2017</b>	Half-year ended 31 December 2017
<b>AC</b>	Alternating current is an electric charge, which is the primary form of electricity used in domestic and commercial applications
<b>AEDT</b>	Australian Eastern Daylight Time
<b>AEST</b>	Australian Eastern Standard Time
<b>AFSL</b>	Australian financial services licence
<b>Applicant</b>	An applicant for Stapled Securities (and Options) under this Offer Document
<b>Application</b>	An application for Stapled Securities (and Options) under this Offer Document
<b>Application Form</b>	An application form in the form attached to this Offer Document or the online application form available from <a href="http://www.nes.com.au">www.nes.com.au</a>
<b>Application Monies</b>	The Final Price multiplied by the number of Stapled Securities applied for
<b>ASIC</b>	Australian Securities & Investments Commission
<b>ASX</b>	Australian Securities Exchange Limited
<b>ASX Listing Rules</b>	The rules of the ASX that govern the admission, quotation and removal of securities from the official list of the ASX
<b>ASX Settlement Operating Rules</b>	The settlement rules of the ASX as amended, varied or waived from time to time
<b>ATO</b>	Australian Taxation Office
<b>AUD</b>	Australian dollars
<b>BNEF</b>	Bloomberg New Energy Finance
<b>Board</b>	The board of directors of the Company
<b>Bookbuild</b>	The process through which Institutional Investors and ASX participating organisations may be invited to bid for Stapled Securities (and Options) under the Institutional Offer and during which the number of Stapled Securities (and Options) offered is determined
<b>Bookrunner</b>	Morgan Stanley Australia Securities Limited (ABN 55 078 652 276)
<b>Broker</b>	A broker appointed by the Joint Lead Managers to act as a participating broker in relation to the Offer and to participate in the Broker Firm Offer
<b>Broker Firm Offer</b>	Has the meaning given in Section 13.2.1

<b>Business</b>	The Trust and the Company and their controlled entities and, as the context requires, the businesses operated by those entities
<b>Business Day</b>	Has the same meaning as in the ASX Listing Rules
<b>Capacity Factor</b>	Measures the ratio of actual electricity energy generation (expressed in direct current (DC) terms) over a period of time (typically a year) to the maximum theoretical electricity energy output (expressed in DC terms) over the same timeframe if solar energy could be harnessed 24 hours per day. Typically expressed as a percentage
<b>CCGT</b>	Combined-cycle natural gas turbines
<b>CCR or Cypress Creek Renewables</b>	Cypress Creek Renewables, a leading North American developer and operator of solar power plants
<b>CCR O&amp;M</b>	Cypress Creek O&M, LLC
<b>CCR Portfolio</b>	The substantial majority interest in a portfolio of 14 power plants located in North Carolina and Oregon which the Business has entered into binding agreements to acquire, from Cypress Creek Renewables
<b>CCRD</b>	Cypress Creek Renewables Development, LLC
<b>CHESS</b>	ASX's Clearing House Electronic Sub-register System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules
<b>Class A Options</b>	The options designated as 'Class A Options' and having the terms set out for 'Class A Options' in the Option Terms in Section 17
<b>Class B Options</b>	The options designated as 'Class B Options' and having the terms set out for 'Class B Options' in the Option Terms in Section 17
<b>COD</b>	Commercial operations date, as described in Section 4
<b>Company</b>	New Energy Solar Limited (ACN 609 396 983)
<b>Company Constitution</b>	The constitution of the Company
<b>Completion or Completion of the Offer</b>	The completion of the Offer, being the date upon which Stapled Securities and Options are issued to successful Applicants or bidders in accordance with the terms of the Offer
<b>Consenting Party</b>	A party referred to in the Offer Document who has given, and has not withdrawn, its written consent to be named in the Offer Document.
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>DC</b>	Direct current is the unidirectional electric charge produced before being converted to AC via an inverter for use in most domestic and commercial applications
<b>DEPCOM</b>	DEPCOM Power, Inc.
<b>Dixon Advisory</b>	Dixon Advisory Group Pty Limited (ACN 080 207 076) and its subsidiaries

<b>DSA</b>	Development Services Agreement in relation to the CCR Portfolio
<b>EPC</b>	Engineering, procurement and construction
<b>EPCA</b>	EPC Agreements in relation to the CCR Portfolio
<b>Escalator</b>	A fixed-price escalation schedule under a PPA
<b>Evans and Partners</b>	Evans and Partners Pty Ltd (ABN 85 125 338 785)
<b>Evans Dixon</b>	Evans Dixon Pty Limited (ACN 609 913 457) and its subsidiaries
<b>Evans Dixon Applications</b>	An Application by a client of Evans Dixon Pty Limited (ACN 609 913 457) or its subsidiaries
<b>Existing Portfolio</b>	The Business' four utility scale solar power plants in the United States, two in North Carolina and two in California
<b>FATCA</b>	Foreign Account Tax Compliance Act (US)
<b>Final Completion</b>	The completion of the last project in the CCR Portfolio
<b>Final Price</b>	The price per Stapled Security that all successful Applicants and bidders will pay for Stapled Securities under the Offer as determined by the bookbuild and process set out in Section 13.6.3, denominated in Australian dollars
<b>Fort Street Advisers</b>	Fort Street Advisers Pty Ltd (ACN 137 980 520)
<b>Flip Date</b>	The date at which allocations of cash and income to members of the Lower Tier Partnership change, or "flip". The Flip Date typically occurs after an agreed period of time
<b>FY2016</b>	Historical financial period from the date of registration of New Energy Solar on 19 November 2015 to 31 December 2016
<b>GDP</b>	Gross domestic product
<b>General Public Offer</b>	Has the meaning given in Section 13.1.1
<b>Gigawatt (GW)</b>	Gigawatt – a unit of electric power 1GW = 1,000MW
<b>GranSolar</b>	Grupo GranSolar LLC
<b>Gigawatt (GW)</b>	Gigawatt – a unit of electric power 1GW = 1,000MW
<b>GST</b>	The value added tax, if any, on goods, services and other things payable in accordance with the GST Act or another relevant and applicable legislation or law whether in Australia, the US or another jurisdiction
<b>GST Act</b>	A New Tax System (Goods and Services Tax) Act 1999 (Cth) and the regulations thereto as amended or replaced from time to time
<b>GTM</b>	GTM Research
<b>GW</b>	Gigawatt – a unit of electric power 1GW = 1,000MW
<b>Handling Fee</b>	A one-off payment payable by the Business to the Responsible Entity

<b>Holdco</b>	A holding company (as subsidiary of the Company) that will, through its subsidiaries, acquire the CCR Portfolio
<b>Indicative Price Range</b>	The indicative price range for the Offer of \$1.45 to \$1.55
<b>Initial Term</b>	The initial term of the Investment Management Agreement
<b>Institutional Investors</b>	<p>Investors who are:</p> <ul style="list-style-type: none"> <li>• persons in Australia who are wholesale clients under section 761G of the Corporations Act and either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) of the Corporations Act; or</li> <li>• institutional investors in certain other jurisdictions, as agreed by the Company, the Responsible Entity and the Bookrunner, to whom offers of Stapled Securities can lawfully be made without the need for a lodged or registered prospectus, product disclosure statement or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Business is willing in its discretion to comply), in either case provided that such investors are not in the United States</li> </ul>
<b>Institutional Offer</b>	The invitation to Institutional Investors in Australia under this Offer Document to acquire Stapled Securities (and Options), as described in Section 13.6
<b>Investment Committee</b>	The Investment Committee that supports the Investment Manager as outlined in Section 10.1.2
<b>Investment Management Agreement</b>	An agreement between the Investment Manager, the Responsible Entity and the Company to provide investment management services to the Company and the Trust as described in Section 14.1
<b>Investment Manager</b>	New Energy Solar Manager Pty Limited (ACN 609 166 645) a corporate authorised representative (CAR No. 1237667) of Walsh & Company Asset Management Pty Limited (ACN 159 902 708, AFSL 450 257)
<b>Investor</b>	An Applicant or an investor in Stapled Securities (and Options) whose Application is accepted by the Responsible Entity and the Company
<b>Issue Date</b>	The issue of Stapled Securities and Options to Investors following the Offer Closing Date
<b>ITC</b>	Investment tax credits
<b>Joint Lead Managers</b>	The Bookrunner and Evans and Partners
<b>kW</b>	Kilowatt – a unit of electric power 1kW = 1,000W
<b>kWh</b>	Kilowatt hours
<b>LCOE</b>	Levelised cost of energy

<b>Lessee</b>	A lessee company that holds the lease over projects (under an inverted lease) and pays rental to the owner based on a share of net operating income and a share of revenues. Under these leases, the Lessee receives all revenues in respect of the projects and pays all costs required to operate the assets
<b>Lessee Company</b>	A Lessee in relation to the CCR Portfolio
<b>Licensee</b>	A holder of an AFSL who has introduced an Applicant to the Offer. Such Licensees may include a related party of the Responsible Entity such as Dixon Advisory & Superannuation Services Limited and Evans and Partners Pty Ltd, each a related party of the Responsible Entity
<b>LCOE</b>	Levelised cost of energy
<b>LLC</b>	US limited liability company
<b>Lower Tier Partnership</b>	Partnership (technically a US LLC) comprised of the Tax Equity Investor and the Upper Tier Partnership
<b>Managing Member</b>	A 100% subsidiary of Holdco which owns 51% of the company that owns the 14 Project Companies in relation to the CCR Acquisition
<b>Maximum Subscription</b>	A maximum subscription of \$200 million
<b>Minimum Subscription</b>	A minimum subscription of \$100 million
<b>MIPA</b>	Membership Interest Purchase Agreement dated 5 October 2017 between the Seller and the Purchaser, as described in Section 14.3
<b>MoU Portfolio</b>	Investments covered by Memoranda of Understanding with two developers for over 750MW <sub>DC</sub> of solar power plants in the United States, as described in Section 3.4.3
<b>MW</b>	Megawatt – a unit of electric power 1MW = 10,000kW or 1,000,000 watts. All references to MW refer to alternating current MW (MW <sub>AC</sub> ), unless explicitly defined as direct current MW (MW <sub>DC</sub> ).
<b>MWh</b>	Megawatt hours
<b>Nameplate Capacity</b>	The number registered as the electricity output of a power plant, typically expressed in MW. Nameplate capacity is the intended maximum sustained output of a power plant
<b>NAV</b>	Net asset value of the Business
<b>NC-31</b>	North Carolina 43.2MW <sub>DC</sub> Project, a utility scale solar power plant that the Business has a substantial majority interest in
<b>NC-47</b>	North Carolina 47.6MW <sub>DC</sub> Project, a utility scale solar power plant that the Business has a substantial majority interest in
<b>NEM</b>	National Electricity Market (of Australia)
<b>NES Development Services</b>	New Energy Solar Development Services Pty Ltd

<b>NES US Corp.</b>	New Energy Solar US Corp.
<b>New Energy Solar</b>	The Business
<b>Non-Covered Services</b>	Additional services provided under a O&M Agreement
<b>NTP</b>	Notice to proceed, as described in Section 14.3
<b>O&amp;M</b>	Operations and maintenance
<b>O&amp;M Agreement</b>	An agreement for the provision of operations and maintenance services in respect of one or more project
<b>Offer</b>	The offer of Stapled Securities and Options under this Offer Document to raise gross proceeds of up to \$200 million with the ability to accept oversubscriptions for a further \$100 million
<b>Offer Closing Date</b>	The date by which valid acceptances must be received by the Responsible Entity and the Company being 27 November 2017 or such other date as may be determined in accordance with this Offer Document
<b>Offer Document</b>	This offer document dated 2 November 2017 and lodged with ASIC on that date
<b>Offer Management Agreement</b>	The offer management agreement dated on or about 2 November 2017 between the Company, the Responsible Entity, and the Bookrunner
<b>Offer Opening Date</b>	Expected to be 10 November 2017
<b>Offtaker</b>	A purchase of electricity and/or RECs under a PPA and/or a REC Agreement
<b>Optionholder</b>	A holder of an Option
<b>Option Terms</b>	The terms of issue of the Options, set out in Section 17
<b>Options</b>	Class A Options and Class B Options
<b>Owner</b>	The single "lessor" company in an inverted lease structure who wholly owns the individual entities that in turn own each project
<b>P10</b>	A P10 generation value represents an upside case, where the generation estimate will only be expected to be exceeded 10% of the time. See section 4.1.5 for further information in relation to P10
<b>P50</b>	A P50 one-year generation value represents the probability of generation exceedance for any given individual year. A P50 value represents a generation estimate which has an equal probability (i.e. 50% probability) of being higher or lower than actual generation. See section 4.1.5 for further information on P50
<b>P90</b>	A P90 value represents a generation estimate which has a 10% probability of being lower than actual generation and a 90% probability of being higher than actual generation. See section 4.1.5 for further information on P90

<b>PPA</b>	Power purchase agreement as described in Sections 3.6 and 14.2
<b>Priority Offer</b>	Has the meaning given in Section 13.3.1
<b>Priority Offer Applicant</b>	An existing Securityholder who has received a Priority Offer invitation
<b>Priority Offer Reference Number</b>	The individual reference number provided to Securityholders to be used in applying under the Priority Offer
<b>Project Company</b>	A project company in relation to the CCR Portfolio acquisitions
<b>Purchaser</b>	New Energy Solar Orion Holdco, LLC
<b>PV</b>	Photovoltaic being a method of converting solar energy into direct current (DC) electricity
<b>REC</b>	Renewable Energy Certificate
<b>REC Agreement</b>	An agreement to purchase RECs as described in Sections 3.3 and 14.2
<b>Registry</b>	Link Market Services Limited (ACN 083 214 537)
<b>Responsible Entity</b>	Walsh & Company Investments Limited (ACN 152 367 649) (AFSL 410 433)
<b>RET</b>	Renewable Energy Target
<b>Retail Offer</b>	The General Public Offer, the Broker Firm Offer, and the Priority Offer, combined
<b>RTIC</b>	Reduced input tax credit arising under the GST Act
<b>RPS</b>	Renewable portfolio standards
<b>Securities Act</b>	US Securities Act of 1933
<b>Securityholder</b>	A holder of a Stapled Security
<b>SEIA</b>	Solar Energy Industries Association
<b>Seller</b>	Cypress Creek Power II, LLC
<b>Senior Management</b>	John Martin, Tom Kline and Liam Thomas
<b>Settlement</b>	The settlement of the Offer under the Offer Management Agreement
<b>Share</b>	An ordinary share in the Company
<b>Shareholder</b>	A holder of a Share
<b>Sponsor Equity</b>	Capital contributed into a project
<b>Sponsor Equity Interest</b>	Indirect ownership of the underlying project
<b>Sponsor Equity Investor</b>	An investor who provides equity capital to a project

<b>Stanford Power</b>	Stanford University Power, LLC, a wholly owned subsidiary of Stanford University
<b>Stanford SGS</b>	California 67.4MW <sub>DC</sub> Project, a utility scale solar power plant that the Business has a substantial majority interest in
<b>Stanford University</b>	The Board of Trustees of the Leland Stanford Junior University
<b>Stapled Security</b>	One Unit in the Trust and one Share in the Company stapled to each other as described in Section 3.5.1
<b>Stapling Provisions</b>	Provisions in the Company Constitution and Trust Constitution to ensure that each Stapled Security is treated as one security to the extent permitted by law
<b>Sponsor Equity Interest Stapling Provisions</b>	Indirect ownership of the underlying project by an investor who is not a Tax Equity InvestorProvisions in the Company Constitution and Trust Constitution to ensure that each Stapled Security is treated as one security to the extent permitted by law
<b>Sponsor Equity</b>	Capital contributed into a project by an investor who is not a Tax Equity Investor
<b>Sponsor Equity Interest</b>	Indirect ownership of the underlying project by an investor who is not a Tax Equity Investor
<b>Sponsor Equity Investor</b>	An investor, who is not a Tax Equity Investor, who provides equity capital to a project
<b>Structuring Fee</b>	A one-off structuring fee equal to 0.7688% (inclusive of GST and net of RITC) of the gross proceeds of the Offer under this Offer Document
<b>SunPower</b>	SunPower Corporation, Systems
<b>Target gearing range</b>	Up to 50% of total gross assets
<b>Tax Equity Investor</b>	An investor who is able to efficiently convert the tax attributes of solar projects to actual funds; including a federal Investment Tax Credit and accelerated depreciation
<b>TID</b>	Turlock Irrigation District
<b>TID SGS</b>	California 67.4MW <sub>DC</sub> Project, a utility scale solar power plant that the Business has a substantial majority interest in
<b>Trust</b>	New Energy Solar Fund (ARSN 609 154 298)
<b>Trust Constitution</b>	The constitution of the Trust
<b>TWh</b>	Terawatt hours, which is a unit of electric power 1TWh = 1,000,000MWh
<b>Unit</b>	An ordinary unit in the Trust, being an undivided share in the beneficial interest in the Trust
<b>Unitholder</b>	A holder of a Unit

<b>Upper Tier Partnership</b>	Partnership (technically a US LLC ) under which the developer and the equity investor contribute capital
<b>US or United States</b>	The United States of America
<b>US Person</b>	Any "US person" as defined in Regulation S under the US Securities Act of 1933
<b>US Securities Act</b>	US Securities Act of 1933
<b>USITC</b>	US International Trade Commission
<b>utility scale</b>	Large-scale generation plants used to provide electricity to the grid or to large scale energy purchasers
<b>VivoPower</b>	VivoPower USA LLC
<b>Walsh &amp; Company</b>	Walsh & Company Investments Limited (ACN 152 367 649) (AFSL 410 433)



## **SECTION 17**

### **Option Terms**

*TID SGS aisle and tracking system - September 2017*



*TID SGS at sunset - September 2017*

Each Applicant who subscribes for Stapled Securities under the Offer Document will also be issued, for no additional consideration, one Class A Option and one Class B Option for every two Stapled Securities issued to that Applicant. Each Option is issued on and subject to the following terms and conditions:

## 17.1 ISSUER

The issuer of the Options is Walsh & Company Investments Limited (ACN 152 367 649) in its capacity as the responsible entity for the New Energy Solar Fund (ARSN 609 154 298).

## 17.2 ISSUE PRICE

No amount is payable on the issue of an Option.

## 17.3 EXERCISE OF AN OPTION

### 17.3.1 ENTITLEMENT

Each Option entitles the holder, on exercise of the Option, to be issued one Stapled Security.

### 17.3.2 EXERCISE PRICES

Each Class A Option will have an Exercise Price of the Final Price plus 5 cents.

Each Class B Option will have an Exercise Price of the Final Price plus 10 cents.

### 17.3.3 EXERCISE PERIOD AND LAST EXERCISE DATE

The last exercise date for each Class A Option is 8 February 2019. Any Class A Option not validly exercised by 5.00pm (AEDT) on that date lapses with immediate effect and is no longer capable of exercise.

The last exercise date for each Class B Option is 8 August 2019. Any Class B Option not validly exercised by 5.00pm (AEST) on that date lapses with immediate effect and is no longer capable of exercise.

### 17.3.4 MANNER OF EXERCISE

Each Option may only be exercised by the registered holder of the Option by delivering an Exercise Notice to New Energy Solar at its registered office specifying the number of Options being exercised.

An Exercise Notice may only be delivered at any time during the applicable Exercise Period and may be delivered by email, fax, post, courier, by hand, or by any other method approved by New Energy Solar. Once delivered, an Exercise Notice cannot be withdrawn or revoked by the Optionholder.

An Optionholder may only exercise Options in multiples of 5,000 unless the Optionholder exercises all Options in the relevant class held by that Optionholder.

In order for an Exercise Notice to be valid, New Energy Solar must receive in cleared funds before the end of the applicable Exercise Period, payment of an amount of money equal to the Exercise Price for the number of Options to which the Exercise Notice relates by way of bank cheque or by other means of payment approved by New Energy Solar.

If the amount of money paid is less than the Exercise Price for the number of Options to which the Exercise Notice relates, New Energy Solar may in its discretion elect to treat the Exercise Notice as an Exercise Notice for such lower amount of Options.

## 17.3.5 ISSUE OF STAPLED SECURITIES ON EXERCISE

On or about the second Trading Day after the last day of the Exercise Period, New Energy Solar must issue the number of Stapled Securities equal to the number of Options the subject of valid Exercise Notices.

No fraction of a Stapled Security will be issued on the exercise of any parcel of Options and no refund will be made to an Optionholder exercising their rights in respect of that part of the Exercise Price, which represents such a fraction.

The new Stapled Securities issued upon the exercise of an Option will be issued fully paid, will rank equally in all respects with all other issued fully paid Stapled Securities of New Energy Solar from the date of the issue of those new Stapled Securities and will only carry an entitlement to receive distributions that have a record date after date of issue of those new Stapled Securities.

## 17.3.6 CONSTITUTIONS

Each Optionholder who exercises Options consents to becoming a member of New Energy Solar Limited (ACN 609 396 983) and a unit holder of New Energy Solar Fund (ARSN 609 154 298), and agrees to be bound by the constitutions of New Energy Solar upon the issue of the new Stapled Securities.

## 17.3.7 QUOTATION OF STAPLED SECURITIES

New Energy Solar will apply for official quotation on the ASX of all Stapled Securities resulting from the exercise of Options on or before the date of issue of the Stapled Securities.

## 17.4 RIGHTS OF OPTIONHOLDERS

### 17.4.1 TRANSFER

Each option is transferrable.

### 17.4.2 QUOTATION OF OPTIONS

New Energy Solar will apply for official quotation on the ASX of the Options on or before the date of issue of the Stapled Securities.

### 17.4.3 DISTRIBUTIONS

An Option does not confer any right to dividends or other distributions.

### 17.4.4 VOTING RIGHTS

An Option does not confer any rights to attend general meetings of New Energy Solar, to vote or speak at such meetings, or to receive reports to holders of Stapled Securities.

### 17.4.5 PARTICIPATION RIGHTS

Optionholders will not be entitled to participate in any new issue to existing holders of Stapled Securities, unless and except to the extent that they have exercised their Options and been issued new Stapled Securities before the record date for determining entitlements to the new issue of securities and are entitled to participate in the new issue as a holder of Stapled Securities.

## 17.5 ADJUSTMENTS TO TERMS OF OPTIONS

### 17.5.1 PRO RATA ISSUES OR BONUS ISSUES

If there is a pro-rata issue or bonus issue to the holders of Stapled Securities (except an issue in lieu of distributions or by way of distribution reinvestment) after the issue of the Options and before the date the relevant Options must be exercised or lapse, the Exercise Price of the relevant Options or the number of Stapled Securities to be issued on the exercise of those Options will be adjusted in accordance with the ASX Listing Rules.

### 17.5.2 REORGANISATIONS

If there is a reorganisation (including a consolidation, sub-division, return of capital, reduction of capital, cancellation) of the capital of New Energy Solar Limited (ACN 609 396 983) or New Energy Solar Fund (ARSN 609 154 298) or both after the issue of the Options and before the relevant Options are exercised or lapse, the Exercise Price of the Options or the number of Stapled Securities to be issued on the exercise of the Options will be adjusted in accordance with the ASX Listing Rules.

### 17.5.3 CALCULATIONS BINDING

Any calculations or adjustments to these terms and conditions of the Options which are required or permitted to be made under these terms and conditions will be made by the directors of New Energy Solar and will, in the absence of manifest error, be final and conclusive and binding on New Energy Solar and each Optionholder.

### 17.5.4 NOTIFICATIONS

New Energy Solar must within a reasonable period or, as otherwise required by the ASX Listing Rules if applicable at that time, give to the Optionholder notice of any change to the Exercise Price of any Options held by the Optionholder or the number of Stapled Securities to be issued on the exercise of the Option.

## 17.6 APPLICATION OF THE ASX LISTING RULES

While New Energy Solar is admitted to the Official List of ASX, the Options and any Stapled Securities issued on exercise of these Options are subject always to the provisions of the constitutions of New Energy Solar and the ASX Listing Rules and to the extent of any inconsistency between these terms and conditions, the constitutions of New Energy Solar and the ASX Listing Rules, the ASX Listing Rules will prevail.

## 17.7 GOVERNING LAW

The terms and the rights and obligations of the Optionholders are governed by the laws of New South Wales, Australia. Each Optionholder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

## 17.8 DEFINED TERMS

**Applicant** means an applicant under the Offer Document.

**ASX** means ASX Limited or the Australian Securities Exchange operated by ASX Ltd as the case requires.

**ASX Listing Rules** means the listing rules of ASX as amended from time to time.

**Business Day** has the same meaning as in the ASX Listing Rules.

**Exercise Notice** means a written notice in the form approved by New Energy Solar from time to time.

**Exercise Period** means:

(a) for a Class A Option, the period of 20 Business Days ending on 8 February 2019; and

(b) for a Class B Option, the period of 20 Business Days ending on 8 August 2019.

**Exercise Price** has the meaning given to that term in Section 17.3.2.

**Final Price** has the meaning given to that term in the Offer Document.

**New Energy Solar** means New Energy Solar Limited (ACN 609 396 983) and Walsh & Company Investments Limited (ACN 152 367 649) in its capacity as the responsible entity for the New Energy Solar Fund (ARSN 609 154 298).

**Offer** means the public offering of Stapled Securities and Options under the Offer Document.

**Offer Document** means the combined prospectus and product disclosure statement of New Energy Solar dated on or about 2 November 2017.

**Option** means a Class A option or a Class B option, as applicable, as described in the Offer Document.

**Optionholder** means a registered holder of an Option.

**Stapled Securities** means each unit in the New Energy Solar Fund (ARSN 609 154 298) (**Trust**) and ordinary share in New Energy Solar Limited (ACN 609 396 983) stapled together and unable to be separately traded or dealt with.

**Trading Day** has the same meaning as in the ASX Listing Rules.

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## **SECTION 18**

### **Directory**

*Stanford SGS at sunset - September 2017*



*TID SGS ground view - September 2017*

## BUSINESS

New Energy Solar Fund (ARSN 609 154 298)

New Energy Solar Limited (ACN 609 396 983)

Level 15, 100 Pacific Highway, North Sydney NSW 2060

Telephone: 1300 454 801

Fax: 1300 883 159

Email: info@newenergysolar.com.au

**[www.nes.com.au](http://www.nes.com.au)**

## RESPONSIBLE ENTITY OF NEW ENERGY SOLAR FUND

Walsh & Company Investments Limited (ACN 152 367 649) (AFSL 410 433)

Level 15, 100 Pacific Highway, North Sydney NSW 2060

Telephone: 1300 454 801

Fax: 1300 883 159

## INVESTMENT MANAGER

New Energy Solar Manager Pty Limited (ACN 609 166 645)

Level 15, 100 Pacific Highway, North Sydney NSW 2060

Telephone: 1300 454 801

Fax: 1300 883 159

## AUDITOR

Deloitte Touche Tohmatsu

Grosvenor Place, 225 George Street, Sydney NSW 2000

## TAX ADVISOR

KPMG

Level 38, Tower Three, 300 Barangaroo Avenue, Sydney NSW 2000

## LEGAL ADVISOR

Herbert Smith Freehills

ANZ Tower, 161 Castlereagh Street, Sydney NSW 2000 Australia

Telephone: +61 2 9225 5000

Fax: +61 2 9322 4000

**[www.herbertsmithfreehills.com](http://www.herbertsmithfreehills.com)**

## INVESTIGATING ACCOUNTANT

Deloitte Corporate Finance Pty Limited  
Grosvenor Place, 225 George Street, Sydney NSW 2000

## FINANCIAL ADVISOR

Fort Street Advisers Pty Ltd  
Level 27, 1 O'Connell Street, Sydney NSW 2000  
Telephone: +61 2 8241 1300  
[www.fortstreet.com.au](http://www.fortstreet.com.au)

## JOINT LEAD MANAGER AND SOLE BOOKRUNNER

Morgan Stanley Australia Securities Limited  
Chifley Tower, 2 Chifley Square, Sydney NSW 2000  
Telephone: 1800 808 576  
[www.morganstanley.com.au](http://www.morganstanley.com.au)

## JOINT LEAD MANAGER

Evans and Partners Pty Ltd  
Mayfair Building, 171 Collins Street, Melbourne VIC 3000  
Telephone: +61 3 9631 9888  
Fax: +61 3 8610 1608  
[www.evansandpartners.com.au](http://www.evansandpartners.com.au)

## CO-MANAGER

National Australia Bank Limited  
255 George Street, Sydney NSW 2000

## REGISTRY

Link Market Services Limited  
Level 12, 680 George Street, Sydney NSW 2000

