

# New Energy Solar

## Offer Document

Product Disclosure Statement  
and 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)

## Responsible entity:

**WALSH & COMPANY.**

INVESTMENTS LIMITED

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# Important information

## Offer Document

This prospectus and product disclosure statement (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 'Fund' or 'New Energy Solar'.

This Offer Document is dated 14 November 2016 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

ASIC takes no responsibility for the contents of this Offer Document and expresses no view regarding the merits of the investment set out in this Offer Document.

This document is important and requires your immediate attention. It contains general financial and other information. It has not been prepared having regard to your investment objectives, financial situation or specific needs. It is important that you carefully read this Offer Document in its entirety before deciding to invest in the Fund. In considering the Offer Document, it is important that you consider the risk factors that could affect the financial performance of the Fund and your investment in the Fund. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Fund in connection with the Offer.

## Responsible Entity and Issuer

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

## 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 values 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 considered not materially adverse to Applicants will be made available at [www.nes.com.au](http://www.nes.com.au) and the Fund will provide a copy of the updated information free of charge to any eligible investor who requests a copy by contacting the Fund at 1300 454 801 during the period of the Offer. In accordance with their obligations under the Corporations Act 2001 (Cth) (**Corporations Act**), the Company and the Responsible Entity may issue a supplementary offer document to supplement any relevant information not disclosed in this Offer Document. You should read any supplementary disclosures made in conjunction with this Offer Document prior to making any investment decision.

## Exposure Period

The Corporations Act prohibits the processing of applications to subscribe for Stapled Securities under this Offer Document (**Applications**) in the seven day period after the lodgement of this Offer Document (**Exposure Period**). This period may be extended by ASIC for up to a further seven days.

The Exposure Period allows this Offer Document to be examined by potential investors 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 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.

## No Guarantee

None of the Responsible Entity, the Company or their respective subsidiaries nor any other party makes any representation or gives any guarantee or assurance as to the performance or success of the Fund, the rate of income or capital return from the Fund, the repayment of the investment in the Fund or that there will be no capital loss or particular taxation consequence of investing in the Fund. An investment in the Fund is subject to investment risks. These risks are discussed in Section 7.

## Selling Restrictions

This Offer Document does not constitute an offer of Units in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this Offer Document in jurisdictions outside Australia may be restricted by law and any person who receives this Offer Document (including nominees, trustees or custodians) should seek advice on and observe those restrictions.

The Offer to which this Offer Document relates is available to persons receiving this Offer Document (electronically or otherwise) in Australia. It is not available to persons receiving it in any other jurisdiction.

This document is not an offer or an invitation to acquire securities in any country other than Australia. In particular, this document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States.

This document may not be released or distributed in the United States or to any US Person. Any securities described in this Offer Document have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the US or to, or for the account or benefit of, any US Person, except in a transaction exempt from, or not subject to, the registration requirements under the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

## Continuous Disclosure

In accordance with ASIC Regulatory Guide 198 "Unlisted disclosing entities: Continuous disclosure obligations", Walsh & Company advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Investors may access material information regarding the Fund from its website at [www.nes.com.au](http://www.nes.com.au).

## Forward-looking Statements

This Offer Document may contain forward looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, events, performance or achievements of the Fund to be materially different from those expressed or implied in such statements. Past performance is not a reliable indicator of future performance.

## References to the Fund and the Board

The Fund 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 Fund 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. They should not be interpreted as an endorsement of this Offer Document or its contents by any person shown in these images. Furthermore, assets whose images are not accompanied by a description should not be interpreted as being owned by the Fund. 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. 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 under this Offer Document, an Applicant accepts that offer to arrange.



## Electronic Offer Document

An electronic version of this Offer Document is available from the Fund's website at [www.nes.com.au](http://www.nes.com.au). If you access the Offer Document electronically, please ensure that you download and read the Offer Document in its entirety.

## Copy of this Offer Document

The Responsible Entity and the Company will provide you with a paper copy of the Offer Document free of charge if you request one during the Offer period, within five days after receiving such a request.

## Expiry Date

The Offer Document will expire on 13 December 2017, 13 months after the date of this Offer Document. No Stapled Securities will be issued or transferred 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 13.



# Letter of introduction

## Dear Investor

On behalf of New Energy Solar Limited and Walsh & Company Investments Limited (**Responsible Entity** or **Walsh & Company**) it is my pleasure to invite you to invest in New Energy Solar.

New Energy Solar<sup>1</sup> was established in 2015 as a sustainable investment fund and successfully completed its first capital raising in January 2016; raising approximately \$180 million from over 2,500 investors.

The Fund's investment strategy is to grow its portfolio of solar and renewable assets, with an initial focus on solar assets with contracted cash flows from creditworthy energy purchasers (**Offtakers**) in the US, Australia and select Asian markets.

During 2016, the Fund has commenced acquiring a portfolio of large scale solar farms with contracted cash flows that generate emissions-free power, committing to acquire a substantial majority interest in two **Utility-Scale** solar farms (large scale generation plants used to provide electricity to the grid or to large scale end-users) located in North Carolina; with capacities of 43MW (DC) and 47MW (DC) respectively. Consistent with the Fund's strategy, the electricity generated by these farms will be sold under the terms of 10-year contracts that provide offtake volume and price certainty (known as **Power Purchase Agreements** or **PPAs**). Completion of these North Carolina acquisitions, subject to the completion of construction and commencement of commercial operations, is expected to take place in March 2017.

Additionally, the Fund currently has exclusive rights to undertake due diligence to acquire a substantial majority interest in two further Utility-Scale solar farms located in California from a leading global solar module manufacturer, developer and operator. Each farm has a capacity of 67.7MW (DC) and, again consistent with the Fund's strategy, both have executed PPAs with highly creditworthy Offtakers. The first has a 25-year PPA with Stanford University; a world-leading teaching and research university. Established in 1885 and opened in 1891, Stanford University is located between San Francisco and San Jose, in the heart of Silicon Valley. The second has a 20-year PPA with the Turlock Irrigation District (**TID**); the first publicly owned irrigation district in the state and one of only four in California that also provides electric retail energy directly to homes. Today, TID has exclusive rights to provide electricity and irrigation services within its 662 square mile service area to a customer base of 98,000 homes, farms and businesses. The Board and the Responsible Entity view these Californian solar farms as high-quality assets and the Fund is well-progressed with its due diligence and the negotiation of transaction documents with a view to completing their acquisition prior to the end of 2016.

The Fund's acquisition of these Californian assets is expected to be funded from the net proceeds of this Offer. The transactions may also be funded from other sources available such as cash on hand, credit facilities and other debt instruments. If the acquisitions do not proceed, the net proceeds of the Offer will be used to pursue other solar investments in accordance with New Energy Solar's investment objective and strategy.

1. New Energy Solar is an unlisted 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 **Fund**).

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The Fund targets solar assets that fit its cash flow and Offtaker quality criteria, and which generate gross yields of around 7% to 10% (before tax and borrowing costs), though the Fund may target assets outside this range where market conditions and other circumstances suggest it may be beneficial. It is important to note that the Fund's distributions may be less than the actual or target yields of the Fund's assets.

The life span of many solar panels is currently more than 25 years, with a large majority of the investment cost incurred upfront. Once the panels are producing, the operating costs are minimal. This is very different to fossil fuel power plants, where fuel input and operating costs are significant throughout the life of the asset. The sun as fuel for a solar asset is free and plentiful.

By investing in New Energy Solar, Investors will be supporting an investment intended to generate social returns by reducing the energy sector's reliance on fossil fuels, as well as attractive risk-adjusted financial returns in the current low interest rate environment.

We encourage you to read this Offer Document carefully, including Section 7 on key risks relating to investing in the Fund, before making your decision to invest.

Yours faithfully,



**Alex MacLachlan**

Chairman of the Responsible Entity and Chairman of New Energy Solar Limited



# Investment overview and important dates

## Key Dates

Offer Opening Date	14 November 2016
Offer Closing Date	5 December 2016
Issue Date	9 December 2016

The above dates are indicative only and may vary, subject to the requirements of the Corporations Act. The Responsible Entity and the Company may vary the dates and times of the Offer (including closing the Offer early).

## About the Offer

Key Offer details	Summary	More information
<b>Issuer</b>	New Energy Solar Limited (ACN 609 396 983) ( <b>Company</b> ) and Walsh & Company Investments Limited in its capacity as Responsible Entity of New Energy Solar Fund ( <b>Trust</b> ) (ARSN 609 154 298).	Section 3 & Section 11
<b>Offer</b>	<p>This Offer Document is for an offer of Stapled Securities in the Fund. Each Stapled Security consists of one unit (<b>Unit</b>) in the Trust stapled to one share (<b>Share</b>) in the Company.</p> <p>Units and Shares are 'stapled' together in that they cannot be traded or dealt with separately.</p> <p>The Offer comprises an offer of up to 74.074 million Stapled Securities at a price per Stapled Security of \$1.62 to raise up to \$120 million with the ability to raise an additional \$80 million through oversubscriptions (<b>Offer</b>).</p>	Section 4
<b>Application Price</b>	\$1.62 per Stapled Security.	
<b>Minimum Subscription</b>	A Minimum Subscription of \$60 million (37.037 million Stapled Securities) must be raised by the Offer Closing Date. If the Minimum Subscription is not raised by that date, all Application Monies will be refunded, without interest.	Section 4.2
<b>Minimum Application per Investor</b>	\$2,025 (1,250 Stapled Securities)	
<b>Purpose of the Offer</b>	<p>The purpose of the Offer is to raise additional capital to further diversify the portfolio of assets in the Fund. The Fund currently has exclusive rights to conduct due diligence to purchase a substantial majority interest in two further Utility-Scale solar farms located in California, US for a combined price in the range of US\$120–125 million.</p> <p>Both farms have long term committed power purchase agreements from highly creditworthy counterparties. One farm has a 25-year agreement with Stanford University while the other has a 20-year agreement with TID.</p>	Section 4.1



Key Offer details	Summary	More information
<b>Purpose of the Offer (continued)</b>	<p>The Board and the Responsible Entity view these Californian solar farms as high-quality assets and the Fund is well-progressed with its due diligence and the negotiation of transaction documents with a view to completing their acquisition prior to the end of 2016.</p> <p>It is expected that the transactions will be funded from the net proceeds of the Offer, although they may also be funded from other sources available such as cash on hand, credit facilities and other debt instruments. If the transactions do not proceed, the net proceeds of the Offer will be used to pursue other solar investments in accordance with the Fund's investment objective and strategy.</p>	
<b>Net asset value (NAV) and net tangible assets (NTA)</b>	<p>The NAV/NTA per Stapled Security as at 10 November 2016 was \$1.48.</p> <p>The impact of the Offer on the NAV/NTA per Stapled Security is shown in Table 5 in Section 9.1.</p>	Section 9.1
<b>Superannuation funds</b>	Superannuation funds can invest subject to the investment mandate of the particular fund and the trustee's general powers and duties.	
<b>Underwriting</b>	This Offer is not underwritten.	

## About the Fund

Key Fund features	Summary	More information
<b>Fund Type</b>	<p>The Fund is a stapled entity 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>Units and Shares are stapled together to form Stapled Securities, which cannot be traded or dealt with separately.</p> <p>The Company and the Trust may invest 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> <p>The Fund is unlisted.</p>	Section 3.8
<b>Responsible Entity</b>	Walsh & Company is the Responsible Entity of the Trust.	Section 11
<b>Investment Manager</b>	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.	Section 11.7
<b>Term of the Fund</b>	<p>The Fund does not have a fixed term.</p> <p>It is important that Investors understand that if they invest in Stapled Securities they have no right to withdraw, redeem or otherwise exit from their investment in the Fund.</p> <p>Investors should not invest in Stapled Securities if a potentially significantly long investment term, the illiquidity of the Stapled Securities or the absence of exit rights is not suitable for them.</p>	Section 3.7

Key Fund features	Summary	More information
<b>Investment Objective</b>	<p>The Fund's objective is to help Investors generate positive social impacts and financial returns through investment in Utility-Scale solar assets.</p> <p>Financially, these assets are expected to produce stable long-term cash flows while socially, investing in solar assets results in a significant reduction in emissions (relative to fossil fuel power).</p> <p>The Fund's mandate does allow the acquisition of 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 assets.</p>	Section 3.1
<b>Investment Strategy</b>	<p>The Fund will focus on direct or indirect investment in:</p> <ul style="list-style-type: none"> <li>– Utility-Scale solar farms with contracted cash flows;</li> <li>– in the United States, Australia and select Asian markets with the ability to invest globally; and</li> <li>– potentially acquiring interests in assets together with third party investment partners such as joint venture partners or trustees of external trusts.</li> </ul> <p>The Board and the Responsible Entity intend to target assets that generate yields of around 7% to 10% (before tax and borrowing costs), though the Fund may target assets outside this range. It is important to note that the Fund's distributions may be less than the actual or target yields of the Fund's assets.</p> <p>The Fund may also invest in other renewable energy assets.</p>	Section 3.4
<b>Assets of the Fund</b>	<p>As at the date of this Offer Document the assets of the Fund are:</p> <ul style="list-style-type: none"> <li>– binding contractual rights to acquire two assets in North Carolina (currently under construction) with long-term power purchase agreements (<b>PPAs</b>) with a highly creditworthy Offtaker;</li> <li>– exclusive rights to conduct due diligence to acquire two additional assets in California with long-term PPAs with a leading international university, The Board of Trustees of the Leland Stanford Junior University (<b>Stanford University</b>) and Turlock Irrigation District, both highly creditworthy Offtakers; and</li> <li>– cash.</li> </ul>	Section 3.2

## Fees and Costs<sup>2</sup>

Fee	Summary	More information
<b>Structuring Fee</b>	1.5660% of the gross proceeds of the Offer. This fee is used to pay the costs of the Offer.	Section 8.1 & Section 8.2.1
<b>Handling Fee</b>	1.5660% of the gross proceeds of the Offer.	Section 8.1 & Section 8.2.1
<b>Responsible Entity Fee</b>	0.0836% per annum of the gross asset value of the Trust.	Section 8.1 & Section 8.2.3
<b>Investment Manager Fees</b>	<p>An investment management fee of 0.7175% per annum on the gross asset value of the Fund. An asset acquisition fee of 1.50% of the purchase price of any Fund asset (excluding acquisition costs).</p> <p>An asset disposal fee of 1.50% of the net sale proceeds of any Fund asset.</p>	Section 8.1, Section 8.2.2 & Section 8.2.4
<b>Other expenses</b>	Estimated at 0.30% per annum of the gross asset value of the Fund.	Section 8.1 & Section 8.2.5

2. All fees in this table are quoted inclusive of GST and net of RITC, where applicable. (See Section 8.2 "Additional Explanation of Fees and Costs").








# Section 1.

## Key investment benefits and risks

# 1. Key investment benefits and risks

## 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 each of the tables below.

Key benefit		More information
<b>Positive social impact alongside financial return</b>	<ul style="list-style-type: none"> <li>Financial return – the Fund seeks to generate stable long-term cash flows from solar energy assets and potential growth through new acquisitions and developments</li> <li>Environmental impact – an opportunity to invest in assets that will potentially contribute to a reduction of the energy sector’s reliance on fossil fuels</li> <li>Social impact – solar energy represents one of the best potential solutions to providing power to the world’s developing and emerging markets</li> </ul>	Section 6
<div> <div> <b>NES Portfolio</b><sup>3</sup> </div> <div> Generates energy to power<sup>4</sup>  <b>52,000 homes</b> </div> <div> Tonnes of CO2 emissions displaced<sup>5</sup> p.a.  <b>244,000</b> </div> <div> Equivalent number of cars removed from the road<sup>6</sup>  <b>57,500</b> </div> </div>		

3. Estimated annual environmental impact assumes that the Fund acquires the assets it has entered into commitments to acquire (NC-31 and NC-47) and the assets that the Fund is engaging in exclusive negotiations to acquire (Stanford Solar Generating Station and Turlock Solar Generation Station).

4. Based upon an average house utilising approximately 8,375KWh per annum.

5. Solar energy 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.

6. Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum. Equivalent number of cars is calculated as the number of cars per annum that produce an equivalent amount of CO<sub>2</sub> emission to what is estimated to have been displaced.

Key benefit		More information
<b>Portfolio of long-life solar assets with contracted cash flows to highly creditworthy counterparties</b>	<ul style="list-style-type: none"> <li>Investments in two assets under construction with long-term power purchase agreements (<b>PPAs</b>) with a highly creditworthy purchaser (<b>Offtaker</b>)</li> <li>Expected investment in two additional projects that the Fund has exclusive rights to undertake due diligence to purchase. These two projects have long-term PPAs with Stanford University and Turlock Irrigation District</li> <li>A portfolio weighted average PPA term of approximately 17 years if the proposed Californian acquisitions proceed</li> </ul>	Section 6
<b>Access to growing portfolio</b>	<ul style="list-style-type: none"> <li>Potential future equity or debt capital raisings to further grow and diversify the Fund's portfolio</li> <li>Focus by the Fund in the US, Australia and select Asian markets</li> </ul>	Section 3
<b>Strategy of balancing yields from solar assets with future growth opportunities</b>	<ul style="list-style-type: none"> <li>Targeting a portfolio of assets with contracted cash flows, whose underlying project assets target or deliver yields of around 7% to 10% (before tax and borrowing costs) per annum<sup>7</sup></li> <li>An initial platform of assets with contracted cash flows to underpin growth through further acquisitions and development opportunities</li> </ul>	Section 3.4
<b>Exposure to a growing global solar market opportunity</b>	<ul style="list-style-type: none"> <li>Opportunity for Australian retail investors to invest in international solar energy markets through a domestic investment vehicle</li> <li>Significant growth potential in solar energy – solar power generation is forecast to increase to 16% of global electricity generation by 2050<sup>8</sup>, from today's levels of about 2%</li> </ul>	Section 5
<b>Uncorrelated cash flows</b>	<ul style="list-style-type: none"> <li>Cash flows for the Fund's assets will be underpinned by long-term PPAs with highly creditworthy Offtakers</li> <li>Contracted cash flows produced by each of the Fund's assets will be uncorrelated to global equity and fixed income markets</li> </ul>	Section 12.7
<b>Favourable policy and regulatory conditions</b>	<ul style="list-style-type: none"> <li>Renewable energy targets are now in place in over 160 countries, many supported by favourable local policies and incentives</li> <li>Rising international awareness of the health and environmental impacts of air pollution from burning fossil fuels; with national policies increasingly geared towards creating a clean, safe, and healthy environment for citizens</li> </ul>	Section 5

7. It is important to note that the Fund's distributions may be less than the actual or target yields of the Fund's assets.

8. Source: © OECD/IEA 2014, Technology Roadmap Solar Photovoltaic Energy, IEA Publishing. Licence: [www.iea.org/t&c](http://www.iea.org/t&c). The IEA has not consented to the inclusion of this statement in the Offer Document.



## 1.2 Key Investment Risks

Key risk		More information
<b>Broad investment strategy</b>	Although the Fund's initial focus will be on Utility-Scale, solar farms with contracted cash flows, the Fund's 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 Fund.	Section 7.1.2
<b>Illiquidity risk</b>	There is no fixed term for the Fund and Investors have no rights to withdraw from the Fund. The Fund will be unlisted and there may not be a ready market for selling Stapled Securities.	Section 7.1.4
<b>Changes in long-term electricity prices</b>	Prices of electricity supplied by utilities or other renewable energy sources may decrease. This may negatively impact on the Fund's financial position and performance and its ability to negotiate favourable PPAs, upon expiry of the initial PPA term, in the markets in which the Fund's assets may operate.	Section 7.2.1
<b>Electricity supply and demand for renewable energy</b>	Renewable energy continues to grow as a proportion of the total energy production in local and international markets. However, the ultimate adoption of renewable electricity may be limited, and will depend on overall demand for electricity, consumer preference for and willingness to pay for renewable energy, and the ongoing proportion of electricity generated using fossil fuels.	Section 7.2.2
<b>Pre-operational asset risk</b>	The Fund has acquired an interest in two pre-operational projects (and may do so in additional projects). As a result, the Fund may be subject to additional risks including cost and budget overruns and delays in the timing of cash flows generated from investments.	Section 7.1.5
<b>Regulatory risk</b>	There is no guarantee that existing or future laws, regulations, government subsidies and economic incentives from which renewable energy production 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 Fund.	Section 7.2.4
<b>Counterparty and warranty risk</b>	Where a counterparty to the Fund (for example a counterparty to the PPAs or a supplier of panels to the solar farms) becomes unable or unwilling to fulfil their related contractual obligations, refuses to accept the delivery of power delivered or terminates agreements early, the financial position and performance of the Fund may be materially adversely impacted.	Section 7.1.7
<b>Currency risk</b>	A significant proportion of the Fund's investments are in foreign currency denominated assets. The value of Stapled Securities will be impacted by increases and decreases in the value of those foreign currencies to the extent that the Fund's exposure to those assets 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 7.1.10

## Section 2. ASIC benchmarks and disclosure principles

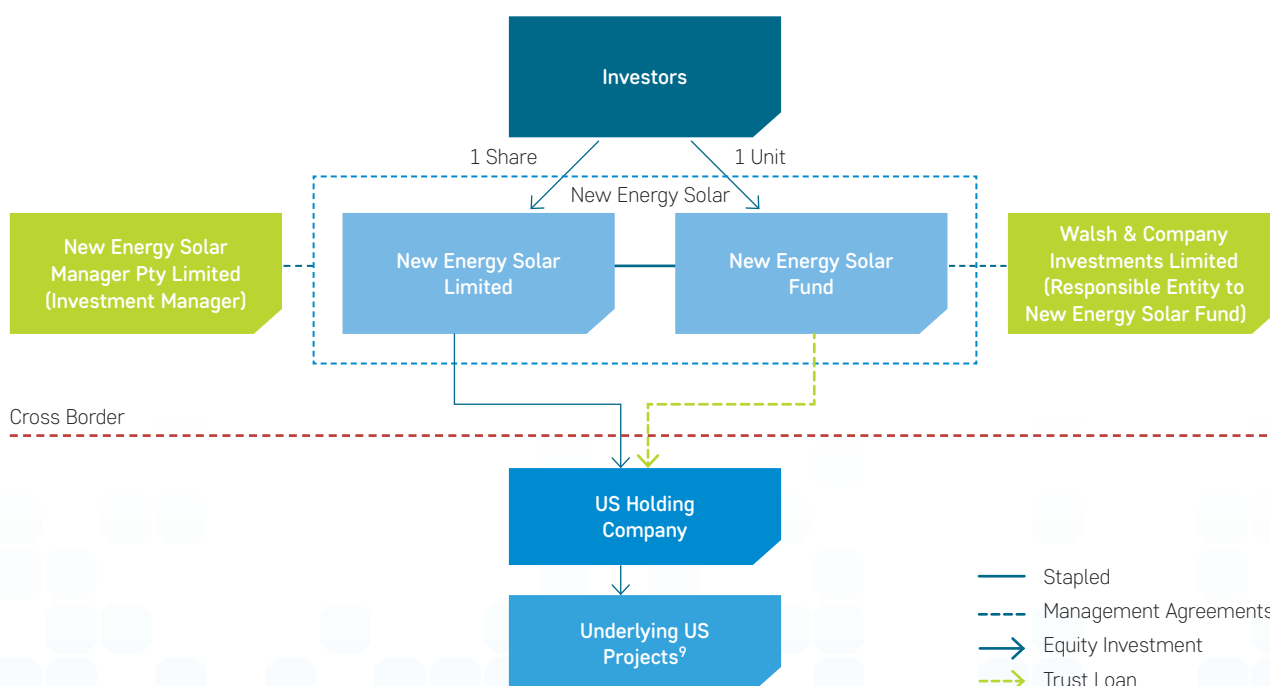
## 2. ASIC benchmarks and disclosure principles

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 Fund is a stapled entity comprising New Energy Solar Fund (ARSN 609 154 298) (**Trust**) (being a registered managed investment scheme), New Energy Solar Limited (ACN 609 396 983) (**Company**) (being a public company) and their controlled entities. Walsh & Company Investments Limited (ACN 152 367 649) (AFSL 410 433) (**Responsible Entity**) is the responsible entity for the Trust. The Fund is not listed on ASX or any other financial market. Units and Shares are stapled and must be traded and otherwise dealt with together.

The Fund has an interest in two pre-operational projects located in North Carolina, United States of America.

A summarised structure of the Fund is provided below for illustrative purposes:



9. Underlying investments may be owned directly or indirectly.



The Board and the Responsible Entity provide the following disclosure against the ASIC Benchmark Disclosure Principles:

Benchmarks	Statement	Explanation	Further Information
<b>Benchmark 1: Corporate structure and management</b>  The Company and the Trust's corporate governance policies and practices conform with the principles and recommendations in Guidance Note 9A.	This benchmark is met.	The Fund 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. In addition, the Company and the Trust have a corporate governance charter which is also accessible on the website.	For additional disclosure on this benchmark see Sections 3.15, 3.16, 12.10 and 12.11 of the Offer Document.
<b>Benchmark 2: Remuneration of management</b>  Incentive-based remuneration paid to management for the Fund is derived from the performance of the Fund and not the performance of other entities within its consolidated group, except where the Fund is the parent of the consolidated group.	The benchmark is met.		For additional disclosure on this benchmark, see Section 12.1 of the Offer Document.
<b>Benchmark 3: Classes of units and shares</b>  All units or shares are fully paid and have the same rights.	The benchmark is met.		For additional disclosure on this benchmark, see Sections 12.2 and 12.3 of the Offer Document.
<b>Benchmark 4: Substantial related party transactions</b>  The Company and the Trust comply with ASX Listing Rule 10.1 for substantial related party transactions.	The benchmark is met.	The Fund 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 Fund, ASIC has provided the Fund with customary relief for those transactions to proceed without the need to seek Securityholder approval.	For additional disclosure on related party transactions see Sections 3.16, 12.1, and 12.11 of the Offer Document.

Benchmarks	Statement	Explanation	Further Information
<p><b>Benchmark 5: Cash flow forecast</b></p> <p>The Company and the Responsible Entity have, for the current financial year, prepared and approved by its directors:</p> <ul style="list-style-type: none"> <li>– a 12-month cash flow forecast for the Fund and has engaged an independent suitably qualified person or firm to provide, in accordance with the auditing standards:</li> <li>– negative assurance on the reasonableness of the assumptions used in the forecast; and</li> <li>– 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</li> <li>– 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 Fund.</li> </ul>	<p>The benchmark is not met.</p>	<p>The Fund has only recently been established (2015) and is currently in an acquisition phase.</p> <p>Any consolidated Fund cash flow forecasts are dependent on acquisitions and therefore cannot be accurately projected at present.</p> <p>Internal, unaudited cash flow forecasts for each of the investments made by the Fund have been completed in connection with the respective acquisitions.</p>	<p>Not applicable.</p>
<p><b>Benchmark 6: Base-case financial model</b></p> <p>Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the Fund's base-case financial model that:</p> <ul style="list-style-type: none"> <li>– checks the mathematical accuracy of the model, including that: <ul style="list-style-type: none"> <li>– the calculations and functions in the model are in all material respects arithmetically correct; and</li> <li>– the model allows changes in assumptions, for defined sensitivities, to correctly flow through to the results; and</li> </ul> </li> <li>– includes no findings that would, in the Fund's opinion, be materially relevant to the Fund's investment decision.</li> </ul>	<p>The benchmark is not met.</p>	<p>The Fund has been recently established and currently has made binding commitments to acquire majority interests in two investments, neither of which have commenced commercial operations. The base-case financial model has not yet been reviewed. The Fund did, however, have its acquisition model reviewed for mathematical accuracy by a third party.</p>	<p>Not applicable.</p>

Benchmarks	Statement	Explanation	Further Information
<p><b>Benchmark 7: Performance and forecast</b></p> <p>For any operating asset developed by the Fund, or completed immediately before the Fund's 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.</p>	The benchmark is not applicable.	The Fund has been recently established and currently has made binding commitments to acquire majority interests in two investments, which have not yet commenced operations.	For further information refer to the transaction announcements on the Fund's website at: <a href="http://www.nes.com.au/announcements/">http://www.nes.com.au/announcements/</a>
<p><b>Benchmark 8: Distributions</b></p> <p>If the Fund is a unit trust, it will not pay distributions from scheme borrowings.</p>	The benchmark is met.	The Fund has been recently established and currently has made binding commitments to acquire majority interests in two investments which have not yet commenced commercial operations or the payment of distributions. On payment of dividends and distributions, the portions attributable to income, capital and debt will be disclosed to Securityholders.	For additional disclosure on this benchmark, see Section 3.14 of the Offer Document.
<p><b>Benchmark 9: Updating the unit price</b></p> <p>If the Fund is unlisted and a unit trust, after finalising a new valuation for an infrastructure asset, the Fund reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.</p>	The benchmark is met.	The Responsible Entity has recently amended the constitution to update the issue price for the purposes of the Offer.	<p>For additional disclosure on this benchmark, see Sections 3.20 and 12.2 of the Offer Document.</p> <p>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 Fund's website.</p>



The Fund provides the following disclosure against the ASIC Disclosure Principles:

Disclosure Principles	Disclosure	Further Information
<p><b>Principle 1: Key relationships</b></p> <p>Disclose:</p> <p>(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</p> <p>(b) for any significant infrastructure asset under development:</p> <p>(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</p> <p>(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.</p>	<p>(a) The structure of the Fund is outlined in Figure 1 in Section 3.8.</p> <p>The Responsible Entity is the responsible entity of the Trust. The Company and the Responsible Entity have common directors.</p> <p>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 &amp; Company Asset Management Pty Limited (ACN 159 902 708, AFSL 450257). The Investment Manager cannot make investment decisions without the approval of the Board of the Company and/or the Responsible Entity, depending on the ultimate intended or current ownership of an asset.</p> <p>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.</p> <p>(b) On 29 July 2016, the Fund entered into binding agreements with VivoPower to acquire a majority share of the North Carolina 43MW Solar Power Project in Bladenboro, North Carolina. VivoPower is the developer of this asset, which is currently being constructed by GranSolar Group. Under the terms of the acquisitions, VivoPower bears the material development-related risks for this project. The Fund's equity contribution will not be paid until the satisfaction of conditions precedent including the Project reaching completion and commencing power sales to the contracted Offtaker.</p> <p>On 25 October 2016, the Fund entered into binding agreements with VivoPower to acquire a majority share of the North Carolina 47MW Solar Power Project in Maxton, North Carolina. VivoPower is the developer of this asset, which is currently being constructed by DEPCOM Power, Inc. Under the terms of the acquisition, VivoPower bears the material development-related risks for this project. The Fund's equity contribution will not be paid until the satisfaction of conditions precedent including the project reaching completion and commencing power sales to the contracted Offtaker.</p>	<p>For additional disclosure, see Sections 3 and 11 of the Offer Document and transaction announcements located on the Fund's website at: <a href="http://www.nes.com.au/announcements/">http://www.nes.com.au/announcements/</a></p>

Disclosure Principles	Disclosure	Further Information
<p><b>Principle 2: Management and performance fees</b></p> <p>Disclose:</p> <p>(a) all fees and related costs associated with the management of the entity's assets paid or payable directly or indirectly out of the money invested in the entity, providing a clear justification for the fees; and</p> <p>(b) if performance fees are payable, how these fees will be paid, for example:</p> <ul style="list-style-type: none"> <li>– 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</li> <li>– for operating infrastructure assets in a growth phase and development assets: 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.</li> </ul>	<p>(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.</p> <p>The Investment Manager is entitled to receive:</p> <ul style="list-style-type: none"> <li>(i) an investment manager fee of 0.7175% per annum (inclusive of GST and net of RITC) on the gross asset value of the Fund payable monthly. If the Company and the Trust were to list in the future on a prescribed financial market, and there is no guarantee that they will list or provide any liquidity in Stapled Securities, the investment manager fee would be charged on a different basis, quarterly at 1.0250% per annum (inclusive of GST and net of RITC) on the enterprise value of the Fund;</li> <li>(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 Fund; and</li> <li>(iii) an asset disposal fee equal to 1.50% of the net sale proceeds received from the disposal of an asset by the Fund. The Fund intends to be a medium to long-term holder and does not currently intend to divest assets of the Fund.</li> </ul> <p>These investment manager fees are consistent with market practice for an investment manager of similar funds.</p> <p>(b) No performance fees are payable by the Fund in respect of the performance of the assets of the Fund.</p>	<p>For additional disclosure, see Sections 8.2, 12.1 and 12.2 of the Offer Document.</p>

Disclosure Principles	Disclosure	Further Information
<p><b>Principle 3: Related party transactions</b></p> <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 Fund 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> </ul>	<p>The only related party arrangement relevant to the investment decision of investors in the Fund is the investment management arrangements between the Investment Manager, the Responsible Entity and the Company. In respect of this relationship:</p> <ul style="list-style-type: none"> <li>(a) the Investment Manager is entitled to receive an investment manager fee an 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 Fund, subject to the final approval of the Board of the Company and/or 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> </ul>	<p>For additional disclosure, see Sections 3.16, 11.4, 11.7 and 12.1 of the Offer Document.</p>

Disclosure Principles	Disclosure	Further Information
<p>(h) for transactions with related parties involving significant infrastructure assets:</p> <p>(i) what steps the Fund took to evaluate the transaction; and</p> <p>(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.</p>	<p>(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 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 3.16 of the offer document;</p> <p>(g) the term of the Investment Management Agreement is 10 years and if not terminated on expiry of the term is automatically extended for additional periods of one year. The investment management arrangement is exclusive in that the Company and the Responsible Entity may not appoint any other manager to manage the assets of the Fund during the term of the agreement. A copy of the agreement is not available to investors but is summarised in Section 12.1 of the offer document; and</p> <p>(h) there are no transactions with related parties outside the Trust's and Company's stapled entity structure involving significant infrastructure assets.</p>	<p>The Fund does not have any current material related party transactions with entities outside the Fund. In respect of transactions between the stapled entities and their wholly owned entities that comprise the Fund, ASIC has provided the Fund 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 Fund economic group entities are the same.</p> <p>Directors of the Company have the benefit of director protection deeds and are entitled to receive director's fees (though each current Director has elected to waive his entitlement to such fees).</p>



Disclosure Principles	Disclosure	Further Information
<p><b>Principle 4: Financial ratios</b></p> <p>Disclose:</p> <p>(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</p> <p>(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.</p>	<p>The Board and the Responsible Entity currently expect to target a long-term overall gearing ratio for the Fund of around 50% of total assets. The acquisitions of the North Carolina Projects are both expected to be initially funded with 100% equity, in which case they would not impact overall gearing of the Fund.</p>	<p>For additional disclosure, see Section 3.13 of the Offer Document.</p>
<p><b>Principle 5: Capital expenditure and debt maturities</b></p> <p>Disclose:</p> <p>(a) planned capital expenditure for the next 12 months and how this expenditure is to be funded; and</p> <p>(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.</p>	<p>(a) The Fund has been recently established and currently has made binding commitments to acquire majority interests in two investments, neither of which have been completed as at the date of this Offer Document. While the Responsible Entity and the Company are continuing to evaluate potential opportunities, including the California Projects, no decision has been made to proceed with any further investments. Accordingly, the Fund currently has no further committed capital expenditure for the next 12 months. Investment of funds and capital expenditure in relation to those investments will be made progressively as and when investment opportunities arise and are executed.</p> <p>(b) The Fund currently has no external debt obligations.</p>	<p>See North Carolina 43MW Announcement dated 1 August 2016 and North Carolina 47MW Announcement dated 26 October 2016.</p>
<p><b>Principle 6: Foreign exchange and interest rate hedging</b></p> <p>Disclose:</p> <p>(a) any current foreign exchange and interest rate hedging policy for the entity; and</p> <p>(b) whether the entity's foreign exchange and/or variable interest rate exposure conforms with its foreign exchange and interest rate hedging policy.</p>	<p>(a) The Fund expects 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 prevailing relevant exchange rates and economic conditions.</p> <p>(b) The Fund's current foreign exchange and/or variable interest rate exposure conforms with its foreign exchange and interest rate hedging policy.</p>	<p>For additional disclosure, see Section 3.18 of the Offer Document.</p>

Disclosure Principles	Disclosure	Further Information
<p><b>Principle 7: Base-case financial model</b></p> <p>Disclose:</p> <p>(a) for acquisitions of a significant infrastructure asset, the following details of the Fund's base-case financial model:</p> <p>(i) key assumptions and source of those assumptions;</p> <p>(ii) a confirmation by the directors as to whether or not they consider that the assumptions are reasonable;</p> <p>(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;</p> <p>(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</p> <p>(v) any conflicts of interest that may arise in either the expert opinion or the agreed-upon procedures check;</p> <p>(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;</p> <p>(i) on the operating performance of the entity for at least the next 12 months; or</p> <p>(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.</p>	<p>(a) The Fund has been recently established and currently has made binding commitments to acquire majority interests in two investments under construction. While the Responsible Entity and the Company are continuing to evaluate potential opportunities, no binding decisions have been made to proceed with any further investment.</p> <p>Given the recent establishment of the Trust and the Company there has been no review of assumptions or assurance in respect of that model. The Fund did, however, have its project acquisition model reviewed for mathematical accuracy.</p> <p>(b) The Fund is currently in an acquisition phase and any key assumptions impacting a base case financial model are highly sensitive to the assets that the Fund 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.</p> <p>(c) Neither North Carolina Project has commenced commercial operations and therefore the Fund is unable to identify discrepancies between disclosed forecasts and actual performance.</p>	<p>Not applicable.</p>

Disclosure Principles	Disclosure	Further Information
	<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>	

Disclosure Principles	Disclosure	Further Information
<p><b>Principle 8: Valuations</b></p> <p>Disclose:</p> <ul style="list-style-type: none"> <li>(a) details on the entity's valuation policy; and</li> <li>(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: <ul style="list-style-type: none"> <li>(i) whether the valuation was prepared internally or externally;</li> <li>(ii) the date of the valuation;</li> <li>(iii) the scope of the valuation and any limitations on the scope;</li> <li>(iv) the purpose of the valuation;</li> <li>(v) the value assessed and key assumptions used to determine value;</li> <li>(vi) the key risks specific to the infrastructure assets being valued;</li> <li>(vii) the valuation methodology;</li> <li>(viii) the period of any forecast and terminal value assumptions;</li> <li>(ix) the discount rate used and the basis for calculating this rate;</li> <li>(x) the income capital expenditure and capital growth rates over the forecast period; and</li> </ul> </li> <li>(c) any circumstances that may result in a conflict of interest arising in the preparation of the valuations.</li> </ul>	<ul style="list-style-type: none"> <li>a) The Board and the Responsible Entity use fair market value to determine the carrying amount of the Fund's renewable energy asset investments.</li> <li>(b) Valuations and supporting documentation will not be made available to investors.</li> <li>(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 Fund. 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.</li> </ul> <p>The Fund may engage suitably qualified independent valuers to assist in the assessment of fair market value.</p>	<p>For additional disclosure, see Section 3.20 of the Offer Document.</p>



Disclosure Principles	Disclosure	Further Information
<p><b>Principle 9: Distribution policy</b></p> <p>Disclose:</p> <ul style="list-style-type: none"> <li>(a) the current distribution policy and any rights that the entity has to change the policy;</li> <li>(b) on payment of distributions, the portion attributable to, for example, income, capital and debt; and</li> <li>(c) the risks associated with distributions being paid from sources other than operating cash flow, including the sustainability of such distributions.</li> </ul>	<ul style="list-style-type: none"> <li>(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.  Once the Fund has declared its inaugural dividend/distribution the Board and the Responsible Entity intend to pay dividends and distributions six monthly. The Fund reserves the right to change its distribution policy as the Board and Responsible Entity consider necessary and appropriate.</li> <li>(b) On payment of dividends and distributions the portions attributable to income capital and debt will be disclosed to Securityholders.</li> <li>(c) The Fund has made binding commitments to invest in two assets outside Australia, and 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. In some circumstances, the Trust may have the capacity to distribute foreign income tax offsets.  The Fund will provide an annual tax dividend and distribution statement summary for investors to complete their income tax returns. The Company and the Trust may lend, invest or utilise 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 Fund as a whole. The Fund also has the flexibility to fund distributions from debt.  The Company and the Trust will provide an annual tax dividend and distribution statement summary for investors to complete their income tax returns.</li> </ul>	<p>For additional disclosure, see Section 3.14 of the Offer Document.</p>

Disclosure Principles	Disclosure	Further Information
<p><b>Principle 10: Withdrawal policy</b></p> <p>Disclose whether there is a withdrawal policy together with the information outlined in the Principle in relation to the withdrawal arrangements.</p>	<p>The Responsible Entity has a policy to not allow any redemptions and therefore will not provide withdrawal rights to Investors. The Company does not provide withdrawal rights to holders of Shares. As a result, Stapled Securities are presently illiquid.</p> <p>The Responsible Entity and the Board retain the right to change this policy to provide liquidity to Investors and, if they decide to do so, they will notify Investors and advise them of its policy for redemptions (in the case of Units) and buybacks, return of capital or other methods of distributing capital (for Shares) which will be subject to the Trust Constitution and the Corporations Act, (respectively).</p> <p>As a newly established entity, the Fund has not previously reduced its capital.</p>	Not applicable.
<p><b>Principle 11: Portfolio diversification</b></p> <p>Disclose:</p> <p>(a) details on whether the infrastructure entity has a portfolio diversification policy and, if so, details of that policy;</p> <p>(b) the Fund's actual portfolio diversification position compared to its portfolio diversification policy; and</p> <p>(c) if there is a material variance between the entity's diversification policy and its actual position, an explanation of why the variance exists and the measures being taken to rectify it.</p>	<p>(a) The Fund's investment mandate allows investment in renewable energy assets in any location. The Fund does not have a portfolio diversification policy, but intends to invest in a number of renewable energy assets that meet the investment criteria of the Fund.</p> <p>(b) Not applicable.</p> <p>(c) Not applicable.</p>	For additional disclosure, see Section 3.1 of the Offer Document.

Note: The fees in the above are inclusive of GST and net of RITC, where applicable. (See Section 8.2 "Additional Explanation of Fees and Costs".)



## Section 3. Fund and structure

# 3. Fund and structure

## 3.1 Investment Objective

The Fund's objective is to help Investors generate positive social impacts and financial returns through investment in Utility-Scale solar assets. These assets are expected to produce stable long-term cash flows while also producing a social and environmental impact as solar energy generation results in lower emissions relative to fossil fuel power.

The Fund's mandate does allow the acquisition of other types of renewable assets, however the Fund does not currently contemplate acquiring any assets other than solar assets.

The Fund's objective is to build a portfolio of assets in different locations, although the actual portfolio will depend on the availability of assets on appropriate terms at the point in time of investing. The target size of assets to be considered and acquired by the Fund is likely to be impacted by the size of the Fund.

There is no guarantee that the Fund will achieve this objective. As the Fund was established in late 2015 and its initial commitments are for US solar farms that are under construction (and are not yet operational), it has no meaningful performance record.

## 3.2 The Fund's Initial Investments

New Energy Solar's initial focus will continue to be on acquiring and maintaining a diversified portfolio of solar energy assets in the US, Australia and select Asian markets, namely investing in Utility-Scale solar farms with contracted cash flows that generate emissions-free power.

The Fund has successfully executed on this strategy during 2016, announcing commitments to make two investments in the US to date:

- on 29 July, the Fund executed binding agreements to acquire a majority interest in the 43.2MW DC (34.2MW AC) Solar Power Project in Bladenboro, North Carolina for US\$41.7 million. Completion of the acquisition and the first sales of contracted energy to the Offtaker are expected to occur in March 2017; and

- on 25 October, the Fund executed binding agreements to acquire a majority interest in the 47.6MW DC (33.8MW AC) Solar Power Project in Maxton, North Carolina for US\$47.3 million. Completion of the acquisition and the first sales of contracted energy to the Offtaker are expected to occur in March 2017.

See Section 6.1 for more information about these initial investments (**North Carolina Projects**).

## 3.3 Investments Secured Under Exclusivity

The Fund currently has exclusive rights to conduct due diligence to purchase substantial majority interests in two further Utility-Scale solar farms located in California, US (**California Projects**). Each project will have a generating capacity of 67.7MW DC (54MW AC).

The Fund has a period of exclusivity in which to complete due diligence and negotiate binding terms to acquire the majority interest in each project, for a combined price in the range of US\$120–125 million. The Board and the Responsible Entity view these Californian solar farms as high-quality assets and the Fund is well-progressed with its due diligence and the negotiation of transaction documents with a view to completing their acquisition prior to the end of 2016. Although the Fund currently has the exclusive right to conduct due diligence and negotiate with the vendor, there is no guarantee the acquisition will proceed.

First sales of contracted energy to the Offtaker are expected to occur in December 2016. If this acquisition by the Fund proceeds, completion of the acquisition process is also expected to occur at that time.

If the acquisition of the California Projects proceeds, it is expected that the transactions will be funded from the net proceeds of the Offer, although they may also be funded from other sources available such as cash on hand, credit facilities and other debt instruments. If the acquisition of the California Projects does not proceed, the net proceeds of the Offer will be used to pursue other solar investments in accordance with the Fund's investment objective and strategy.



### 3.4 Investment Strategy

The Responsible Entity and the Company believe that significant investment opportunities exist to add to the Fund's initial solar asset commitments, with the Fund actively reviewing, investment opportunities in the US, Australia and select Asian markets during 2016.

In addition to Utility-Scale, solar farms with contracted cash flows that produce emissions-free power, the Fund may also invest in other renewable energy assets including wind, geothermal, hydroelectric, hybrid solutions and associated investments such as battery and other storage, smart metering and other potential future technologies. The Fund's initial focus is on the US, Australia and select Asian markets.

The Fund may also invest in pre-operational projects to facilitate securing quality assets at attractive acquisition prices. The Fund has the flexibility to invest through different structures including acquiring cash flows, direct or indirect equity acquisition and direct or indirect debt investment in assets. Currently the Board and the Responsible Entity intend to focus primarily on investments with PPAs and planning approvals in place. Where pre-operational assets are acquired or committed to, the Fund will seek a return commensurate with the risk to the Fund. The Fund may also seek for suppliers, development or construction partners to bear a proportion of the risks inherent with construction of assets. The risks include, but are not limited to, on time and on budget construction and a risk that the actual operational output of the asset is less than the designed output ("Nameplate Capacity").

The Fund 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 Fund owns assets directly;
- **co-investment interests** – where a joint venture entity (such as a trust or special purpose company) established by the Fund and one or more joint venture partners owns assets directly;
- **debt investment** – where the Fund provides debt financing, either directly or indirectly through underlying entities;
- **external interests** – where the Fund 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.

### 3.5 Investment Philosophy

Climate change, pollution, natural resource constraints and positive public sentiment towards the sustainable investment sector are creating opportunities for investors in the solar energy and renewable sector.

The Fund provides a vehicle for Australian retail investors to invest in assets that will potentially 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 perform better financially than traditional energy investments in the long term.

As part of the investment philosophy of the Fund, the Responsible Entity and the Company take into account environmental and social considerations when making investment selection, retention and realisation decisions. Labour standards and ethical considerations are also taken into account when making these decisions. The Fund does not use specific criteria or mechanisms for measuring the success of its approach to these considerations.

The environmental and social considerations that the Responsible Entity and the Company will take into account relate to the benefits of renewable energy, with an initial focus on the benefits of solar energy. These considerations include:

- environmental factors: emissions- free energy potentially 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 developing and emerging markets 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 standards: The Responsible Entity and the Company do not intend to invest in projects where there are material breaches of labour standards or evidence of, or material risk of, unethical behaviour such as corruption.

## 3.6 Investment Approach

The Investment Manager expects that it will continue to undertake asset acquisitions for the Fund from developers or existing solar farm owners. The Investment Manager has established relationships and connections with experienced solar developers and operators which assist it to source investments in its target markets.

The Responsible Entity and the Board believe that the key to achieving superior returns in renewable energy lies in identifying and acquiring assets with strong cash flow profiles backed by PPAs, where available, with creditworthy counterparties at attractive valuations.

### 3.6.1 Role of the Investment Committee

All investment decisions proposed by the Investment Manager must be reviewed by the Fund's Investment Committee before being submitted to the Responsible Entity and the Board for approval. The Investment Committee's role is to make recommendations to the Board and the Responsible Entity in relation to proposed and existing assets and activities of the Fund. The Investment Committee has no formal decision making power and the Responsible Entity and the Company are not bound by recommendations of the Investment Committee.

Further information about the Investment Committee is set out in Section 11.9.

### 3.6.2 Step 1: Market Review

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

The Investment Manager will screen potential asset acquisitions to determine if the target assets meet the Fund's investment objectives and whether to proceed with further evaluation in Step 2.

### 3.6.3 Step 2: Due Diligence

Once an asset has been identified as a potentially attractive acquisition candidate, the Investment Manager will develop a proposal for the proposed transaction, including:

- a) the substantive terms and anticipated due diligence costs (to the extent it is reasonably practicable to include such information); and
- b) a recommendation to proceed with the transaction.

If approved by the Board and Responsible Entity, the Investment Manager must undertake the due diligence

enquiries consistent with the approved budget and seek to negotiate the terms of the proposed transaction.

During due diligence the Investment Manager will give 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 operations and maintenance (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.

### 3.6.4 Step 3: Deliberation and Decision

Once the Investment Manager has compiled its due diligence findings, it will then finalise the asset and legal due diligence as well as the acquisition's structure and funding. The Investment Manager will prepare an investment proposal to the Investment Committee, Responsible Entity and/or the Board, depending on which part of the Fund will acquire the target asset.

The Investment Committee will review the investment proposal and make recommendations to the Board and the Responsible Entity.

The Investment Manager will then seek final approval from the Responsible Entity and/or the Board (as applicable). Subject to their duties at law, the Responsible Entity and the Board can only approve an investment or divestment proposal which has been recommended by the Investment Manager, although the Responsible Entity and/or Company (as applicable) is ultimately responsible for the decision.

Once the acquisition is approved, the Investment Manager will finalise negotiations with the vendor and arrange for completion of the acquisition of the asset.

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 Fund, it may prepare a disposal plan detailing the reasons for the suggested sale, sales pricing parameters, and terms, to then be approved by the Responsible Entity and/or the Board (as applicable).

### 3.7 Investment Term of the Fund

The Fund does not have a fixed term.

It is important that Investors understand that if they invest in Stapled Securities they have no right to redeem or otherwise exit from their investment in the Fund.

The Responsible Entity and the Company may consider liquidity options from time to time, which might include asset sales, listing, Fund termination or return of cash reserves. However, there is no current intention to implement any of these options and there can be no guarantee that any form of liquidity will be made available. There may not be a ready market for selling Stapled Securities.

In particular, Investors should not invest in Stapled Securities if a potentially significantly long investment term, the illiquidity of the Stapled Securities, or the absence of exit rights is not suitable for them.

### 3.8 Fund Structure

The Fund consists of:

- New Energy Solar Fund (**Trust**), an Australian

registered managed investment scheme whose Responsible Entity is Walsh & Company;

- New Energy Solar Limited (**Company**), 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 Fund for acquisitions and disposals.

The Trust Constitution and the Company Constitution provide for capital reallocation with approval at a meeting of Unitholders and Shareholders in the Trust and Company respectively.

The capital reallocation provisions will allow the Fund to rebalance the allocation of capital between the Trust and the Company to better reflect the value of assets held in each side of the stapled structure. A capital reallocation is currently envisaged to only be used where the structure of asset acquisitions has made the existing capital mix sub-optimal for the Fund.

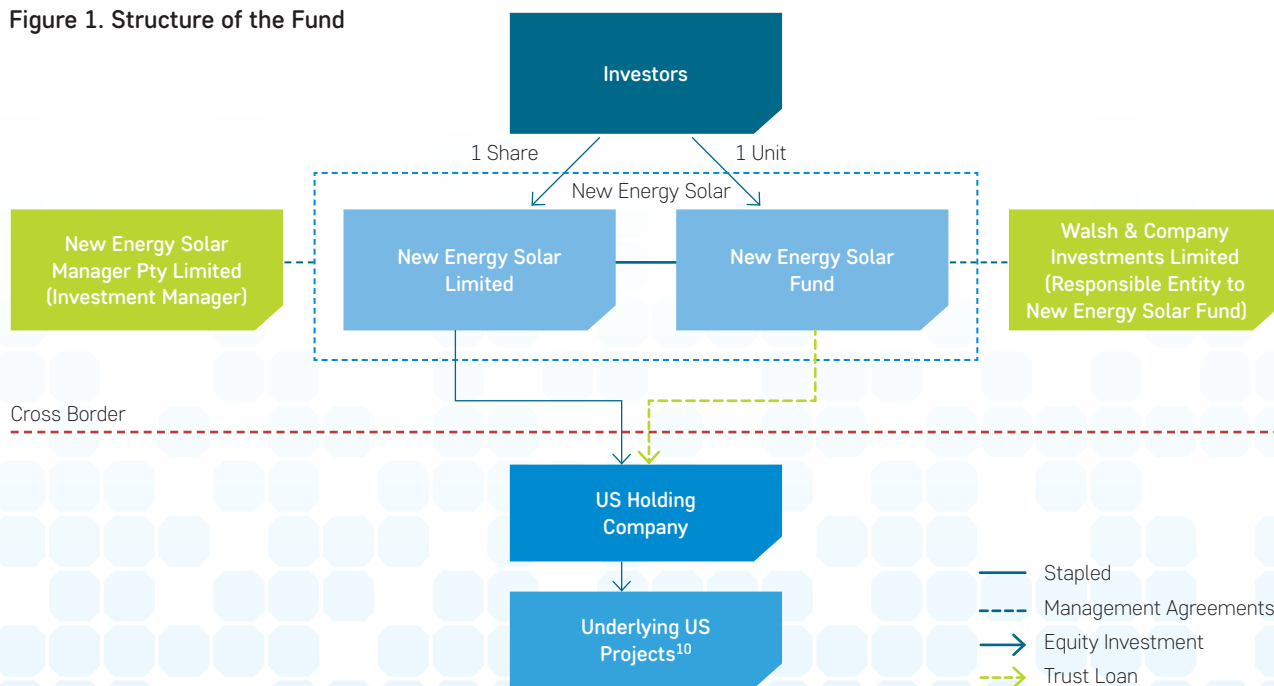
Following approval of Unitholders and Shareholders the capital reallocation will be obligatory for all Securityholders but would not require the payment of additional capital into the Fund.

There have been no capital reallocations to date.

#### 3.8.1 Overview of the Fund's Structure

Figure 1 below sets out an overview of the structure and management agreements of the Fund.

Figure 1. Structure of the Fund



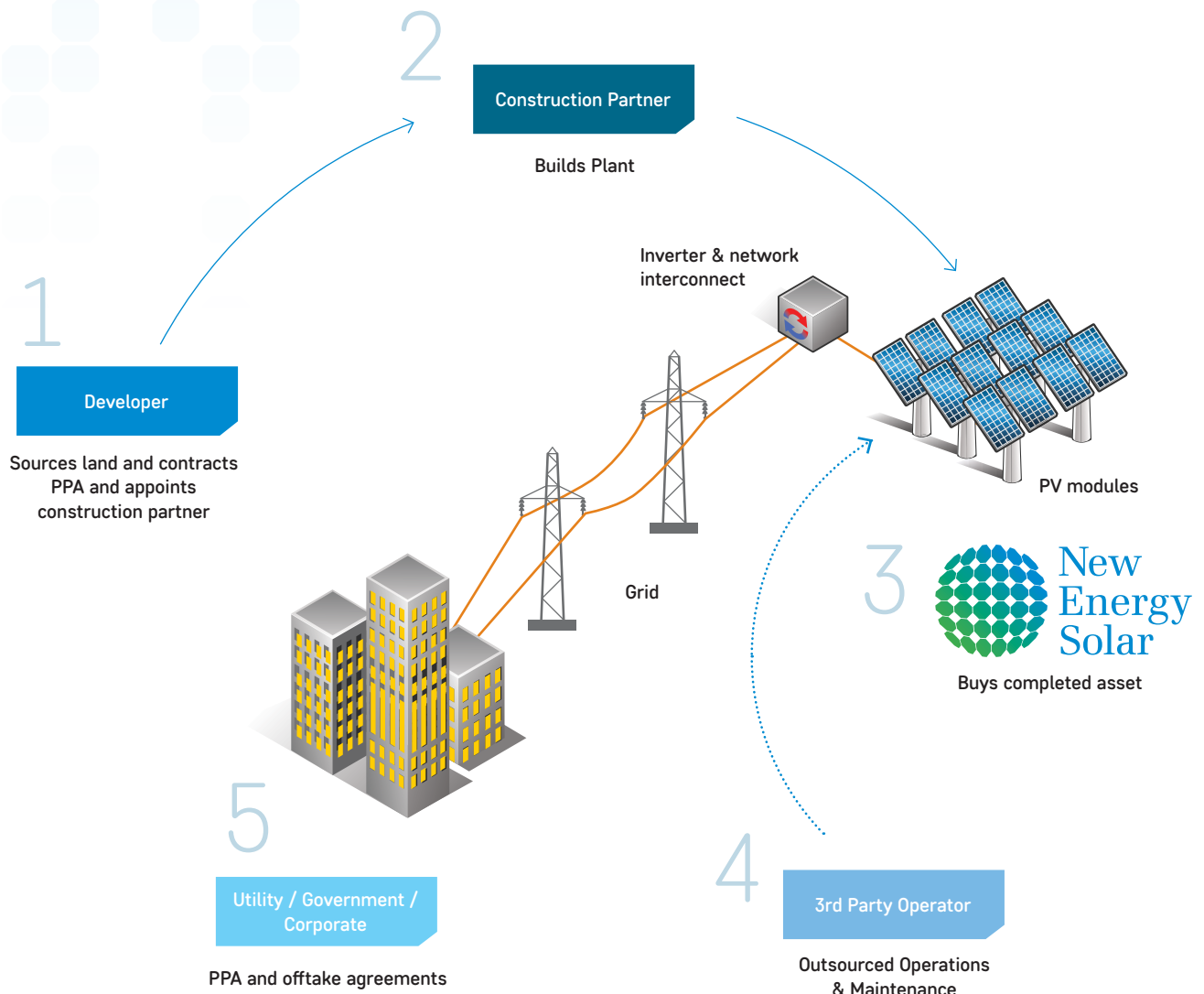
10. Underlying investments may be owned directly or indirectly.

### 3.9 Example Solar Asset

Developing, financing, constructing and operating a typical Utility-Scale solar asset will generally include a number of key parties and roles. The relationships between these parties are set out below and shown in the illustrative Utility-Scale solar farm diagram (see Figure 2):

- **Developer** – Utility-Scale solar energy assets are often developed by a separate entity to the final owner of the operating asset. Developers typically identify opportunities to build solar capacity based on factors such as land availability, resource quality, proximity to load and transmission connection and market opportunity. Developers typically negotiate leases with land owners, complete commercial, technical and environmental feasibility studies and often commence transmission/connection and PPA negotiations. At this stage, “early stage” developers may on-sell the project to other developers. Otherwise, developers then seek construction partners or contractors to finalise feasibility studies and designs and build the project. These construction partners or contractors may also assist in the organisation of ongoing maintenance contracts and seek investors for the asset post completion.
- **Construction Partner** – The construction partners or contractors finalise feasibility studies and designs, build the asset and may assist in debt and equity financing. These construction partners or contractors may also assist in the organisation of ongoing maintenance contracts and seek investors for the asset post completion.
- **Investors** – Depending on risk appetite, investors may take a position in the project 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 Figure 3 for additional information.
- **Operations and Maintenance (O&M) Providers** – O&M providers are generally required to maintain the land, clean equipment and perform scheduled and unscheduled maintenance. Some developers and construction contractors also provide O&M services once an asset has become operational.
- **Power Purchaser** – Offtakers can be electricity retailers, governments, municipalities or commercial or industrial customers. Typically, PPAs are in place prior to completion of construction. Depending on the market and risk appetite of the parties involved, some assets may also be built without a PPA in place, in which case the power is sold into the wholesale energy market (these are known as “merchant” projects). Generally, PPAs will 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 with the process of securing 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 spot market.

Figure 2: Illustrative Utility-Scale Solar Energy Asset

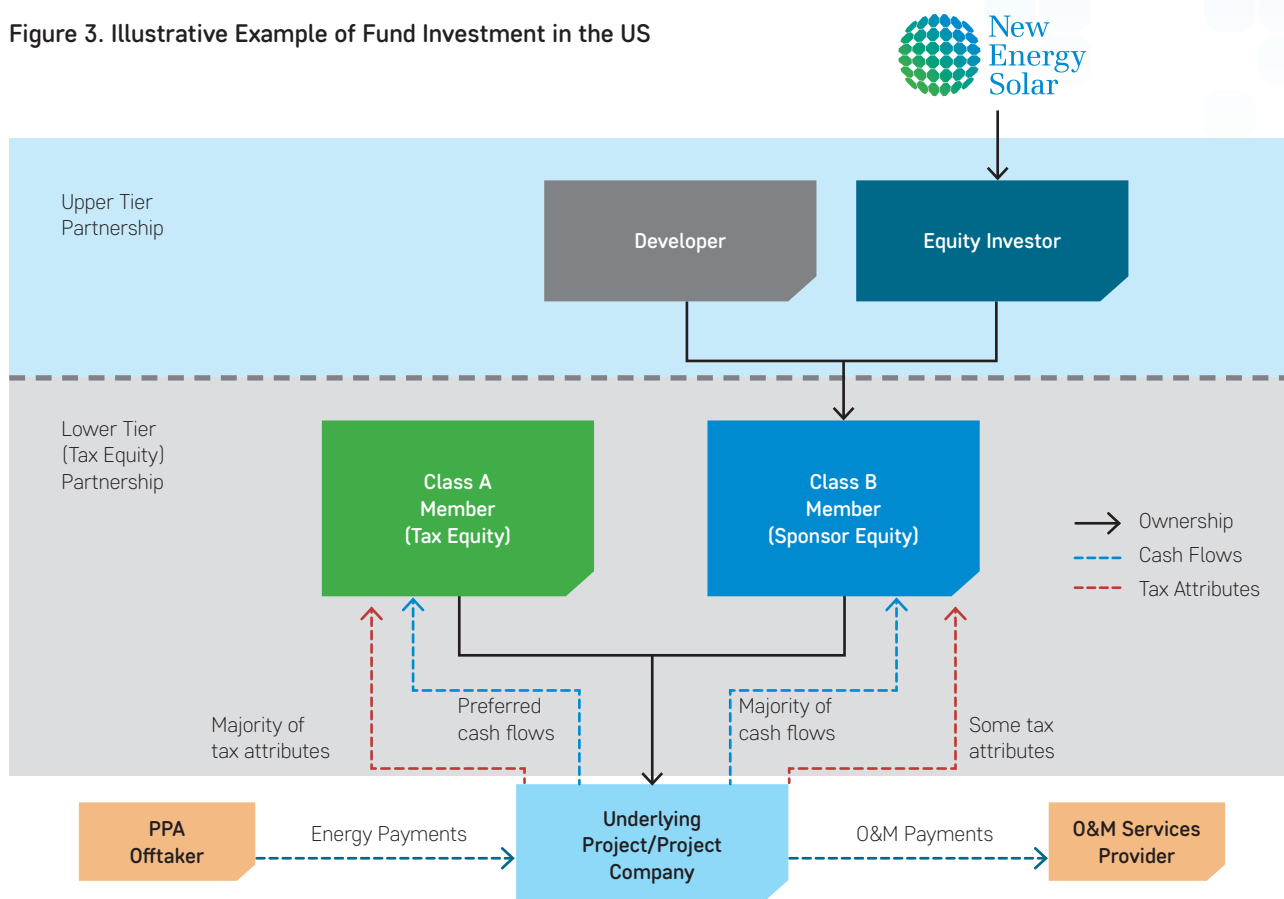




### 3.10 Example US Investment Structure

The Fund may invest directly or indirectly in entities that hold project assets. Figure 3 provides an overview of how the Fund currently invests in assets in the US.

Figure 3. Illustrative Example of Fund Investment in the US



Note: Terms and abbreviations used in the above diagram are explained in Section 3.9 above and below. The above diagram is illustrative only and reflects a certain point in time 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 solar energy investment example 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 in order to contribute their capital (Sponsor Equity) into the project via the Lower Tier Partnership. In order 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 usually takes an interest in the Upper Tier Partnership, with the equity investor owning the remaining majority. To date, the Fund has focussed on investing in projects where it can acquire 80% to 100% of this Upper Tier Partnership.

This partnership then invests in the Lower Tier Partnership, which is also referred to as the Lower Tier (**Tax Equity**) Partnership (and therefore has an indirect ownership of the Underlying Project) and receives distributions and cash flows from its ownership of the Lower Tier Class B Member interest (**Sponsor Equity Interest**).

- **The Lower Tier Partnership** – at this level, the Class A Member (**Tax Equity Investor**) (described in further detail below) makes its capital contribution alongside the Class B Member (**Sponsor Equity Investor**).
- **Tax Equity Investors** – The US federal Investment Tax Credit (ITC) for solar projects provides an immediate 30% (of eligible project capital cost) tax credit for qualifying solar projects. Many developers and equity investors do not have sufficient taxable income to use this tax credit, so it is carried forward and used over a longer period.

Tax Equity Investors, who have the capacity to utilise the ITC more efficiently, enter into structures like the one described above that allow for tax items (for example tax credits or tax losses) of a project and available cash to be allocated among the investors pursuant to different schedules. One example is the “Partnership Flip” structure at the Lower Tier Partnership level, under which 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 a certain point in time (**Flip Date**) when return or time thresholds are met. Following the flip, the Sponsor Equity Investor receives the majority of the returns.

Typical 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 after the Flip Date.

#### Tax Attributes (Income and Loss) vs Cash Flows:

The key to structures such as the Partnership Flip is the differential allocations of income and distributions to Tax Equity Investors and Sponsor Equity Investors, depending on the point in time on the investment time horizon (i.e. pre-or post-Flip Date). The ability of a Tax Equity Investor to generate monetary value from tax attributes 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 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.

The typical cash flow and exit mechanism features of a Partnership Flip are summarised below in Table 1.

**Table 1: Features of a Partnership Flip**

	Pre-Flip		Post-Flip	
	Tax Equity	Sponsor Equity	Tax Equity	Sponsor Equity
Taxable Income including ITC and depreciation	Majority, typically 90 – 99%	Minority, typically 1 – 10%	Minority, typically 1 – 10%	Majority, typically 90 – 99%
Preferred Cash Return	Yes, typically 2% per annum of capital invested by the Tax Equity Investor	No	No	No
Remaining Cash Distributions	NA	Balance after Preferred Return	Minority, typically 1 – 10%	Majority, typically 90 – 99%
Exit Mechanism options	NA	NA	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

### 3.11 Contracted North Carolina Projects

Section 6 contains details of two solar generation projects located in North Carolina that the Fund is committed to acquire substantial majority interests in upon their completion and satisfaction of certain conditions precedent. These conditions include completion of construction and commencement of commercial operations of that project.

Whilst the underlying investment structures are complex, in general terms, to make these investments the Fund invests in a US corporation which is wholly owned by the Company. The Trust has provided debt funding to the US corporation. Once the conditions precedent have been satisfied, the balance of the purchase price for the interest to be acquired will be released and the Fund will then own, through the US corporation and a series of interposed US entities, a substantial majority interest in the relevant project.

The total purchase price for the Fund's intended interest in each project is set out in Section 6. Most of the purchase price for the Fund's interest in each project, apart from a small deposit that has already been paid, is held in separate escrow accounts pending satisfaction of the relevant conditions precedent.

Should the conditions precedent for a project not be satisfied by an agreed point in time, the escrowed amounts will be released back to the Fund and the Fund will not have any interest in the relevant solar generation assets but will retain an interest in some part of the underlying corporate structures in the US.

### 3.12 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 Fund.

If the Company (or its relevant controlled entities) has insufficient capital to undertake an acquisition and the Trust has surplus capital, the Trust will 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 Fund.

The Fund will determine before the point of acquisition the appropriate acquirer or acquirers within the Fund structure to acquire an asset or a part of an asset. The Board and the Responsible Entity will consider the relative benefits to the Fund 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 12.2.4, 12.2.5 and 12.4.2 and 12.4.3 for further information.

### 3.13 Borrowings Policy

The Board and the Responsible Entity may undertake borrowing at the Trust or Company level or at other levels in the overall Fund 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 Fund of around 50% of total assets. Individual projects may be geared to higher levels. In assessing investments, the Fund will have regard to the underlying gearing at the project level.

The Fund may implement an interest rate hedging policy, by fixing a portion of the Fund's exposure to any floating rate interest rates to an appropriate fixed rate.

### 3.14 Distributions Policy

The Board and the Responsible Entity will seek to make investments with a view to generating sufficient income to provide a consistent 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 dividends.

To the extent that tax is paid outside of Australia, the Company does not anticipate being able to pay franked dividends. However, where the Company pays income tax in Australia or receives franked distributions itself, the Company may allocate franking credits to dividends paid by it to Investors. Where the Trust receives franking credits on dividends 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 intend to pay dividends and distributions to Investors on a six monthly basis in respect of distribution periods ending on 31 December and 30 June, commencing 30 June 2017.

Volatility in the prevailing Australian dollar foreign exchange cross-rates relevant to the markets in which the Fund invests may cause volatility in Fund distributions.

The Company and the Trust may lend, invest or utilise 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 Fund as a whole.

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 Fund or that dividends or distributions will be paid. The Responsible Entity and the Board have yet to form a view on whether they will use scheme borrowings to pay dividends or distributions.

### 3.15 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.

### 3.16 Related Party Transaction Policy

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; and
- (c) 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 the transaction is on arm's length terms or on terms that are more favourable to the Fund 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 Fund's established reporting procedures. The reporting procedures may involve reporting the breach directly to the board of the Responsible Entity, the Board, or to ASIC, depending on the seriousness of the breach.

### 3.17 Cash Policy

The Fund's policy is to hold funds in cash, cash equivalents and interests in cash management trusts pending investment or capital expenditure by the Fund. There is no limitation on the amount of cash that may be retained by the Fund.

The Board and the Responsible Entity will endeavour to maximise the cash returns of the Fund.

### 3.18 Hedging Policy

The Board and the Responsible Entity expect the Fund 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 Responsible Entity and the Board 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 to prepare the Fund to invest in assets located in the US.

As future assets of the Fund 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

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in other currencies to act as a natural hedge against a degree of this foreign currency exposure.

### 3.19 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 may be contemplated if there is significant demand to invest in the Fund, 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.

### 3.20 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 Fund 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, valuations will be performed annually and otherwise as determined by the Board and the Responsible Entity. The Fund may engage suitably qualified independent valuers to assist in its assessment of fair market value.



# Section 4. The Offer

# 4. The Offer

The Offer under this Offer Document is for Stapled Securities in the Fund. Each Stapled Security consists of:

- one Unit issued by Walsh & Company as the responsible entity of the New Energy Solar Fund (ARSN 609 154 298);
- one Share issued by New Energy Solar Limited (ACN 609 396 983); and
- each Unit is stapled to a Share forming one Stapled Security.

Under the Offer, the Responsible Entity and the Company will offer for subscription:

- a minimum of 37.037 million Stapled Securities; and
- a maximum number of 74.074 million Stapled Securities.

The Responsible Entity and the Company may, at their discretion, accept oversubscriptions up to an additional 49.382 million Stapled Securities.

The Offer comprises an offer of Stapled Securities at a price per Stapled Security of \$1.62.

To participate in the Offer, your Application Form must be received by 5:00pm (AEDT) on the Offer Closing Date. The Offer Closing Date may be brought forward by the Company and the Responsible Entity.

The Offer is only available to investors who have a registered address in Australia.

## 4.1 Purpose of the Offer

The purpose of the Offer is to raise additional capital to further diversify the assets of the Fund. The Fund currently has exclusive rights to conduct due diligence to purchase two further Utility-Scale solar farms located in California, US.

Both farms have long term committed PPAs from highly creditworthy counterparties. One farm has a 25 year agreement with Stanford University while the other has a 20 year agreement with TID. The Board and

the Responsible Entity view these Californian solar farms as high-quality assets and the Fund is well-progressed with its due diligence and the negotiation of transaction documents with a view to completing their acquisition prior to the end of 2016.

If those transactions proceed, it is expected that they will be funded from the net proceeds of the Offer, although they may also be funded from other sources available such as cash on hand, credit facilities and other debt instruments. If they do not proceed, the net proceeds of the Offer will be used to pursue other solar investments in accordance with the Fund's investment objective and strategy.

The acquisition of assets may also be funded with other sources available such as cash on hand, credit facilities and other debt instruments.

If only the Minimum Subscription is raised under the Offer, the Fund has alternative options for funding the California assets such as term debt, letters of credit or bridge financing facilities. If short-term funding was put in place the Fund would subsequently explore longer term debt facilities or additional equity raisings to replace this funding.

## 4.2 Minimum Subscription

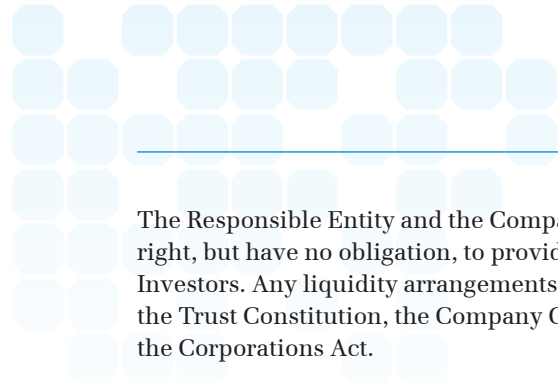
The Minimum Subscription for the Offer is the receipt of valid Applications for not less than 37.037 million Stapled Securities. If this Minimum Subscription is not achieved by the Offer Closing Date, the Responsible Entity will repay all money received from Applicants (without interest) within seven days after that date.

## 4.3 Cooling-off Period

No cooling-off rights apply to any Application for Stapled Securities.

## 4.4 Liquidity, Redemptions and Transfers

Neither the Fund nor the Trust will have an ongoing or periodic redemption facility.



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The Responsible Entity and the Company retain the right, but have no obligation, to provide liquidity to Investors. Any liquidity arrangements will be subject to the Trust Constitution, the Company Constitution and the Corporations Act.

Investors may be able to exit the Fund by transferring their Stapled Securities to a third party. Please note there is no ready market for transfers of Stapled Securities and there is no guarantee that Investors may find a purchaser for their Stapled Security holding. The Trust Constitution and the Company Constitution provide that all transfers of Stapled Securities must be executed by a proper instrument of transfer and in a manner acceptable to the Responsible Entity and the Company, as applicable. Further, the Responsible Entity and the Company may decline to register a transfer of Stapled Securities unless the instrument of transfer:

- is duly stamped (if applicable);
- is accompanied by such evidence as the Responsible Entity or the Company requires to prove the title of the transferor; and
- complies with any requirements prescribed by the Responsible Entity or the Company from time to time.



# Section 5. Sector overview



# 5. Sector overview

## 5.1 Introduction

The world's demand for energy and electricity continues to grow. Although electricity generation has become more efficient, population growth, a shift to more electrically-powered devices, and the increasing energy intensity of the developing world means consumers and industry continue to use more electricity overall.

Since the industrial revolution in the 18th century, fossil fuels have been used to power the global economy. Despite the years and technological advancements, fossil fuels are estimated to currently comprise more than 80% of global energy consumption.

The burning of fossil fuels emits substances into the atmosphere including carbon dioxide, mercury and sulfuric, carbonic and nitric acids; which can be harmful in high concentrations. Two-thirds of global carbon emissions now come from the energy sector. These emissions can alter the natural balance of the atmosphere and can be harmful to human health.

The rapid growth in energy generated using fossil fuels has come at a significant cost in terms of environmental and health impacts. Rather, it is increasingly a means to reduce dangerous pollution today. Berkeley Earth, a not for profit scientific research house, estimates that air pollution in China is contributing to 4,000 deaths per day, or 1.6 million people per year<sup>11</sup>. Globally there is a greater sense of urgency around investing in renewable energy.

Despite the consequences of the continued global reliance on fossil fuels, renewable energy currently represents a relatively small proportion of total energy production. In 2015, renewable energy, excluding nuclear, produced approximately 23.5% of global electricity and 14.6% of electricity in Australia. Hurdles to the adoption of renewable energy sources for electricity generation have traditionally been cost efficiency and limited policy and public support; factors that are rapidly changing.

Globally, over 160 countries have renewable energy targets in place, and public support for renewable energy production is growing. In Australia, 86% of respondents to a Climate Nation 2016 survey included solar in their top three preferred energy options<sup>12</sup>.

Advancements in solar technology and manufacturing processes have dramatically reduced the cost of producing energy from the sun. Between 2009 and 2014, solar panel costs fell by 75%, with current estimates of a further 59% fall by 2025. In many global markets, including parts of Australia and the US, the combination of technological change and policy support means that solar energy from new plants is now cost competitive with new plants using conventional fossil fuels (**Grid Parity**) (based on capital and operating costs over the expected life of the plant).

## 5.2 Renewable Energy

Renewable energy is an energy that is naturally replenished in a human timescale and includes sunlight, wind, river flows, waves, tide and geothermal heat. A heightening awareness of depleting fossil fuel resources, health concerns, climate change concerns and advancing technologies are driving a growing interest in renewable energy.

The current market represents an opportunity to build and invest in environmentally sustainable assets that provide attractive economic returns. Increasing demand for renewable energy production globally is being driven by factors such as:

- Grid Parity; the competitiveness of renewable energy driven by improving efficiency of renewable energy systems and reductions in capital costs throughout the supply chain, particularly in solar;
- the delivery and flexibility advantages of some renewable technologies, particularly solar, over traditional fossil fuel generation;

11. Source: Berkeley Earth (2015), Air Pollution in China: Mapping of Concentrations and Sources. Berkeley Earth has not consented to the inclusion of this statement in the Offer Document.

12. Source: The Climate Institute, Climate of the Nation 2016 Australian attitudes on climate change. The Climate Institute has not consented to the inclusion of this statement in the Offer Document.

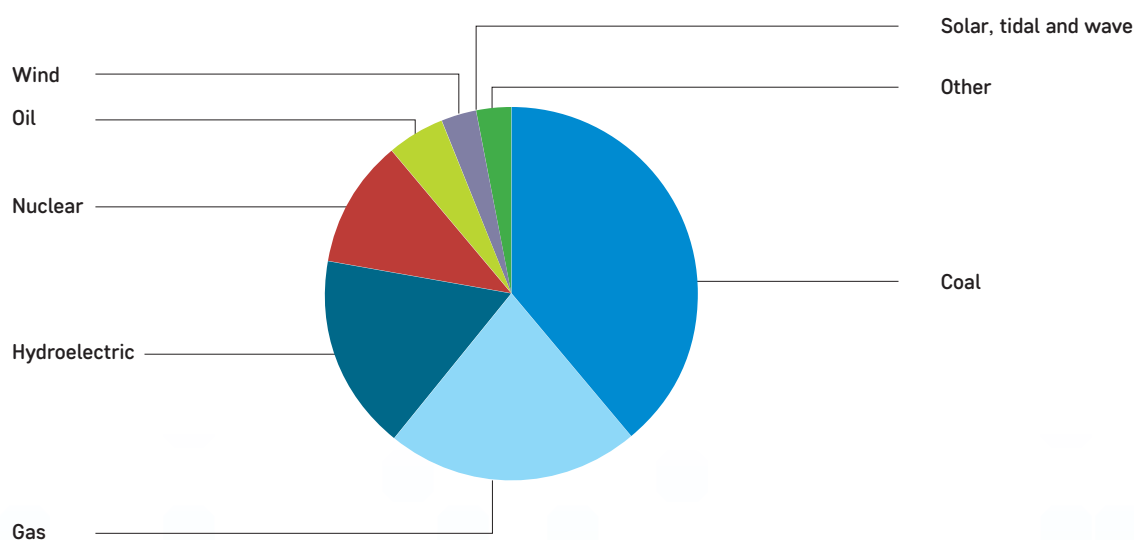
- growing awareness of the consequences of the continued use of fossil fuels, such as air pollution;
- government support in the form of policies requiring electricity suppliers to obtain an increasing proportion of electricity from renewable sources;
- ageing and retirement of traditional fossil fuel generation facilities; and
- increasing demand for energy that is outstripping the rate at which fossil fuel reserves are increased through exploration.

### 5.2.1 Renewable Energy Globally

Although the current penetration of renewable energy in the power generation market is approximately 23.5%, this is driven mainly by large hydroelectric, some of which has been operational for many years. With other renewables such as solar and wind reaching Grid Parity, renewable energy is expected to represent 44% of total generation by 2030 and, for the sixth consecutive year, renewable energy has accounted for more than half of net capacity additions globally in the power generation sector. Coupled with ongoing retirements of fossil fuel generation capacity, particularly coal-fired power stations, the mix of fossil fuel versus renewable energy is expected to continue to shift in favour of renewable energy.

Renewable energy (including solar) capacity additions accounted for 65% of new US electricity generation capacity in the year ending December 2015. Figure 4 below provides a summary of global electricity generation by source in 2014.

Figure 4. Global Electricity Generation by Source<sup>13</sup>



Source: The Shift Project Data Portal: Breakdown of Electricity Generation by Energy Source (2014):  
The Shift Project has not consented to the inclusion of this statement in the Offer Document.

#### 5.2.1.1 Global Investment in Renewables

Globally, countries are focusing on the requirement for renewable energy for the long term. Over 160 countries have renewable energy targets in place, with many small island countries having renewable energy targets of 50% or more of total energy consumed.

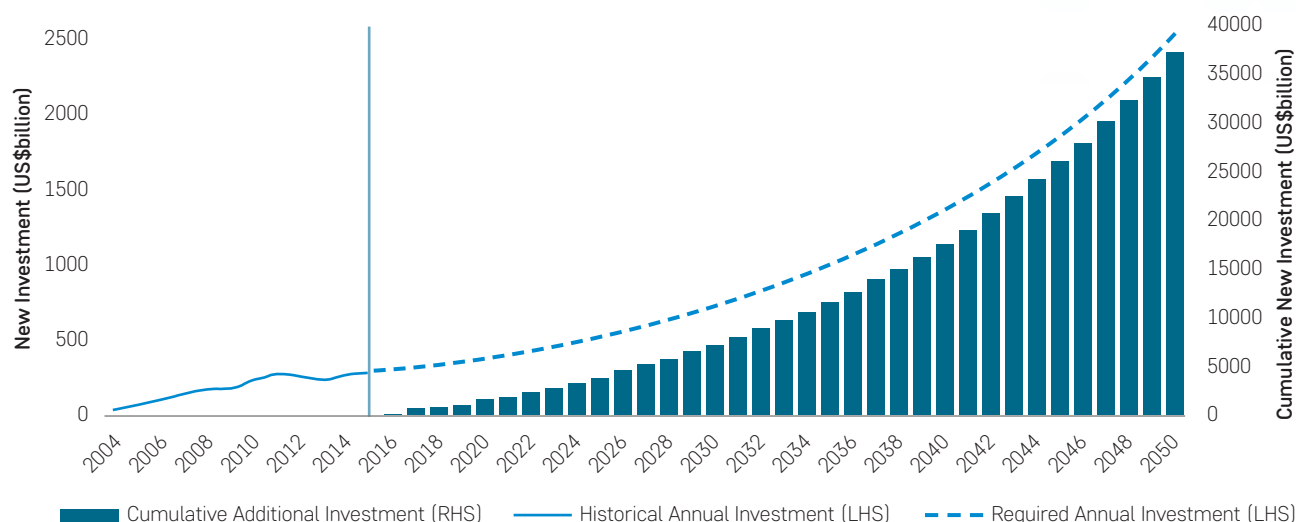
In Paris in December 2015, 197 nations reached an agreement to keep global temperature rises this century (i.e. 2000 to 2100) to below two degrees Celsius and to drive efforts to limit the temperature increase even further to

13. Figures based upon latest available (2014) data. Data for 2015 not yet available.

1.5 degrees Celsius above pre-industrial levels (**Paris Agreement**). The Paris Agreement has subsequently been ratified by 100 of these parties and came into force on 4 November 2016.

Substantial investment will be required to meet the objectives of the Paris Agreement, with the International Energy Agency (IEA) estimating that a total of US\$37 trillion<sup>14</sup> will need to be invested in global electricity generation (and associated infrastructure investment) between 2016 and 2050. This projected investment required is included in Figure 5 below.

**Figure 5. Projected Annual Global Investment Required to Meet the Paris Agreement**

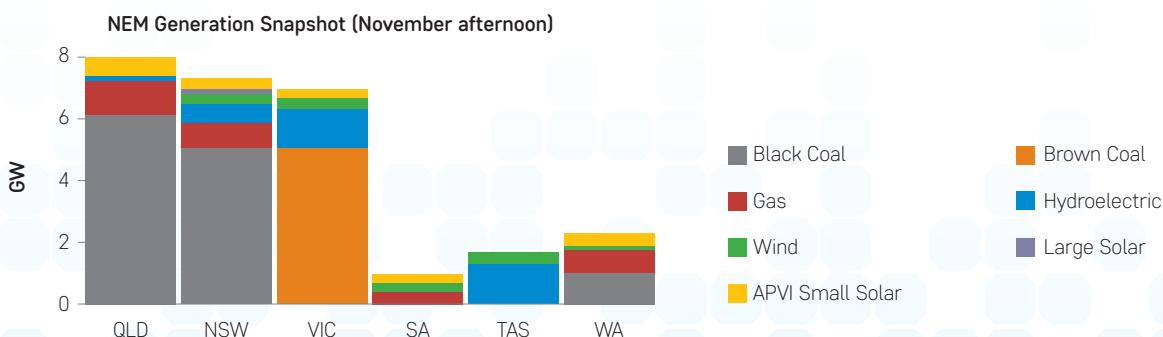


This figure is partially based on the above-mentioned US\$37 trillion estimate of global electricity generation and associated infrastructure investment required between 2016 and 2050 to meet the objectives of the Paris Agreement, developed by the International Energy Agency, © OECD/IEA 2016 but the resulting figure has been prepared by the Investment Manager and does not necessarily reflect the views of the International Energy Agency. The IEA has not consented to the inclusion of this statement in the Offer Document.

### 5.2.2 Renewable Energy in Australia

Australia remains heavily reliant upon fossil fuels, in particular black and brown coal, for electricity generation. The generation capacity of the individual states and territories that comprise the National Electricity Market<sup>15</sup> (NEM) are illustrated in Figure 6 below.

**Figure 6. Illustrative NEM Generation Capacity – November 2016<sup>15</sup>**



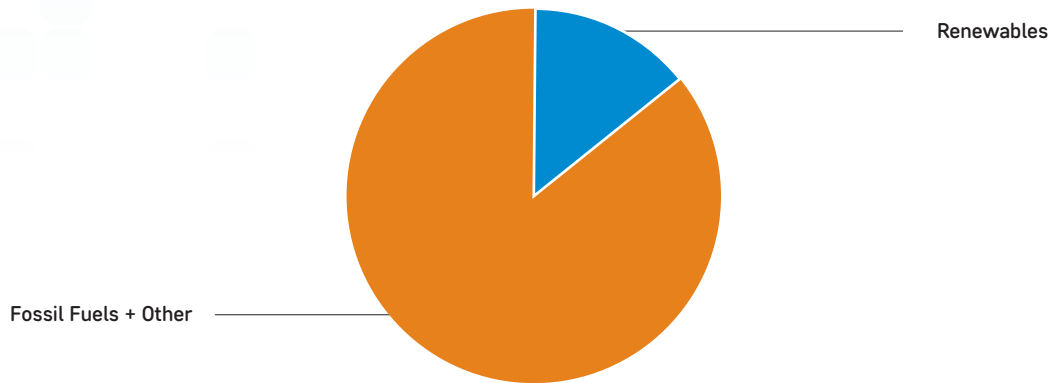
Source: RenewEconomy. <http://www.reneweconomy.com.au>. RenewEconomy has not consented to the inclusion of this statement in the Offer Document.

14. © OECD/IEA 2016, Energy Technology Perspectives, IEA Publishing. Licence: [www.iea.org/t&c](http://www.iea.org/t&c) and New Energy Solar. The OECD / IEA has not consented to the inclusion of this statement in the Offer Document.

15. 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 and the Northern Territory operate independently of the NEM.

Renewable energy represents a relatively small but growing proportion of total Australian electricity generation. In calendar year 2015, a total of 35 million Megawatt hours (MWh) was generated from renewable sources, or approximately 15% of total generation (up from 13.5% in calendar year 2014); enough to provide power for the equivalent of 6.7 million average homes. Hydroelectric and wind power contributed almost three-quarters of all renewable power generation during calendar year 2015. See Figure 7 below for further information.

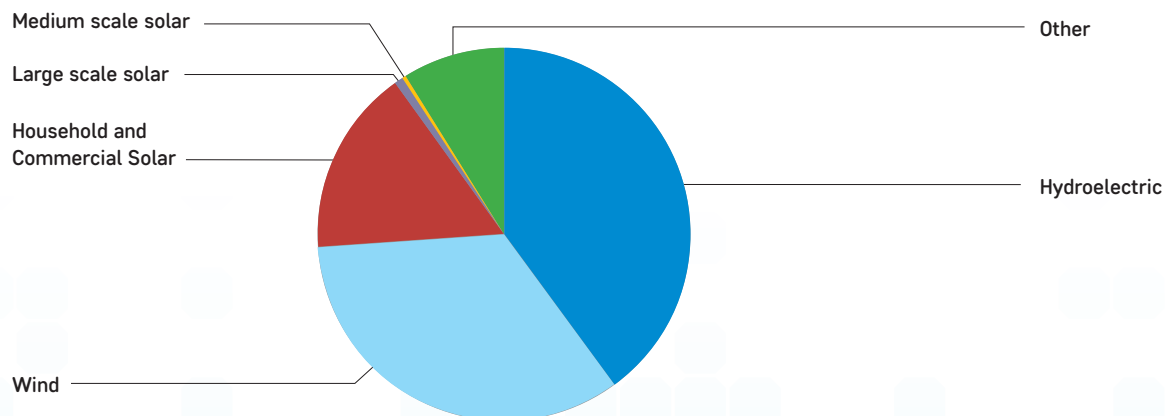
Figure 7. Australian Electricity Generation by Source – 2015



Source: Clean Energy Council of Australia: Clean Energy Australia Report 2015: The Clean Energy Council of Australia has not consented to the inclusion of this statement in the Offer Document.

Despite favourable climate conditions, solar in Australia represents a very small percentage of total generation, with large-scale solar generation representing less than 1% of total renewable energy generation during calendar year 2015. The contributions of different renewable technologies (e.g. hydroelectric, solar and wind) to total Australian renewal energy generation are set out in Figure 8 below.

Figure 8. Australian Electricity Generation from Renewable Energy Sources – 2015

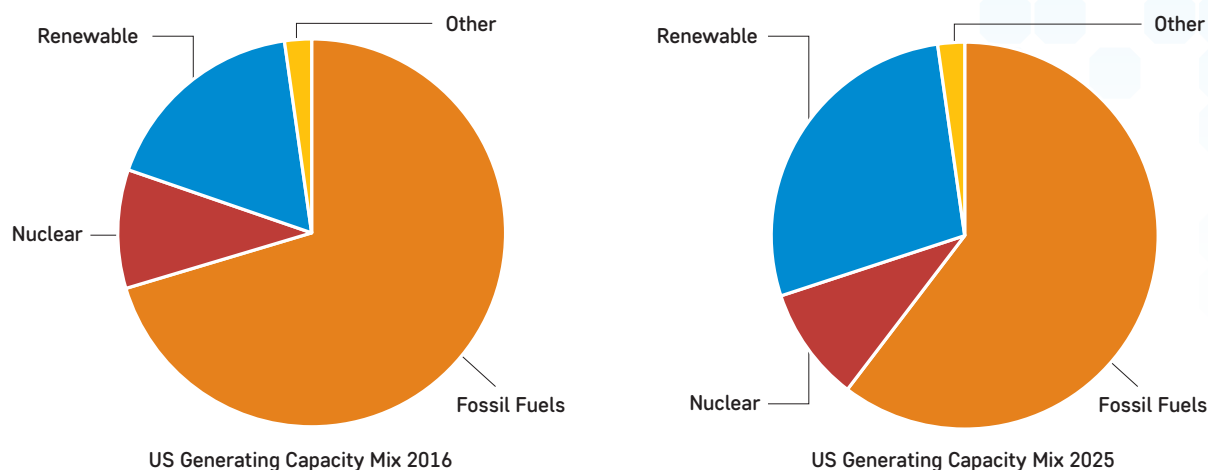


Source: Clean Energy Council of Australia: Clean Energy Australia Report 2015: <https://www.cleanenergycouncil.org.au/policy-advocacy/reports/clean-energy-australia-report.html>. The Clean Energy Council of Australia has not consented to the inclusion of this statement in the Offer Document.

### 5.2.3 Renewable Energy in the US

During calendar year 2015, renewable energy sources represented 11% of the total electricity generated in the US, and solar generation represented about 5% of total electricity production from renewable energy sources, or less than 1% of total electricity generation. Solar's share of renewables is expected to increase to around 18% in 2025 (as shown in Figure 9 below). This is principally due to the impact of the state and federal incentive schemes and the improving cost competitiveness of solar compared with traditional fossil fuel generation technologies.

Figure 9. US Renewable Power Mix 2016 to 2025



Source: U.S. Energy Information Administration, Annual Energy Outlook 2016. The U.S. Energy Information Administration has not consented to the inclusion of this statement in the Offer Document.

### 5.3 Renewable Energy Certificates (RECs)

Interest in renewable energy production has grown substantially in recent years as a means to prevent the negative impacts of climate change, however such technologies have generally not been economically competitive with fossil fuel based energy generation. To address this issue, a number of governments around the world introduced various subsidisation programs to improve the economics of renewable energy generation and promote the construction and utilisation of cleaner forms of electricity production.

One common method of renewable energy subsidisation is the issuance of renewable energy certificates (RECs) to renewable energy generators for each unit of energy produced. RECs are often mandated by legislation which penalises suppliers of electricity to end consumers 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 to enter 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.

#### 5.3.1 Renewable Energy Certificates in Australia

A REC scheme was introduced in Australia in 2000 that established a Renewable Energy Target (RET). The RET currently includes the requirement for 33,000 GWh of electricity to be sourced annually from large scale renewable generation (LRET) by 2020. This

equates to around 23.5% of Australia's total electricity generation by calendar year 2020.

Separately, a Small Scale Renewable Energy Scheme (SRES) was established to create a financial incentive for households, small businesses and community groups to install eligible small-scale renewable energy systems such as solar water heaters, heat pumps and small-scale wind and hydroelectric systems.

The RET operates by allowing both large-scale power stations and the owners of small-scale systems to create certificates for every MWh of power they generate. Accredited renewable energy power stations are entitled to create large-scale generation certificates (LGCs) for all eligible electricity generated above a regulated level, called the baseline. The RET classifies certain companies (typically energy retailers) as liable entities, because they have an obligation, under the scheme, to purchase and surrender an amount of LGCs based on the volume of electricity they sell each year. This percentage is set by regulation each year.

Once created, LGCs can be sold in the market to offset the cost of investment, or for liable entities such as electricity retailers, surrendered to the Clean Energy Regulator to meet liability obligations. This creates a market which provides financial incentives to both large-scale renewable energy power stations and the owners of small-scale renewable energy systems.

#### 5.3.2 Renewable Energy Certificates in the US

Similar to Australia, the US has implemented a number of subsidisation programs to incentivise renewable energy generation. However, a major difference



between the countries is that REC schemes in the US are designed and administered at a state rather than at a federal level. As a result, REC schemes and market pricing can vary significantly between US states.

Information on the current REC schemes in the US states of North Carolina and California can be found in Sections 6.2.4 and 6.4.4 of this Offer Document.

### 5.3.3 Renewable Energy Certificates in Asia

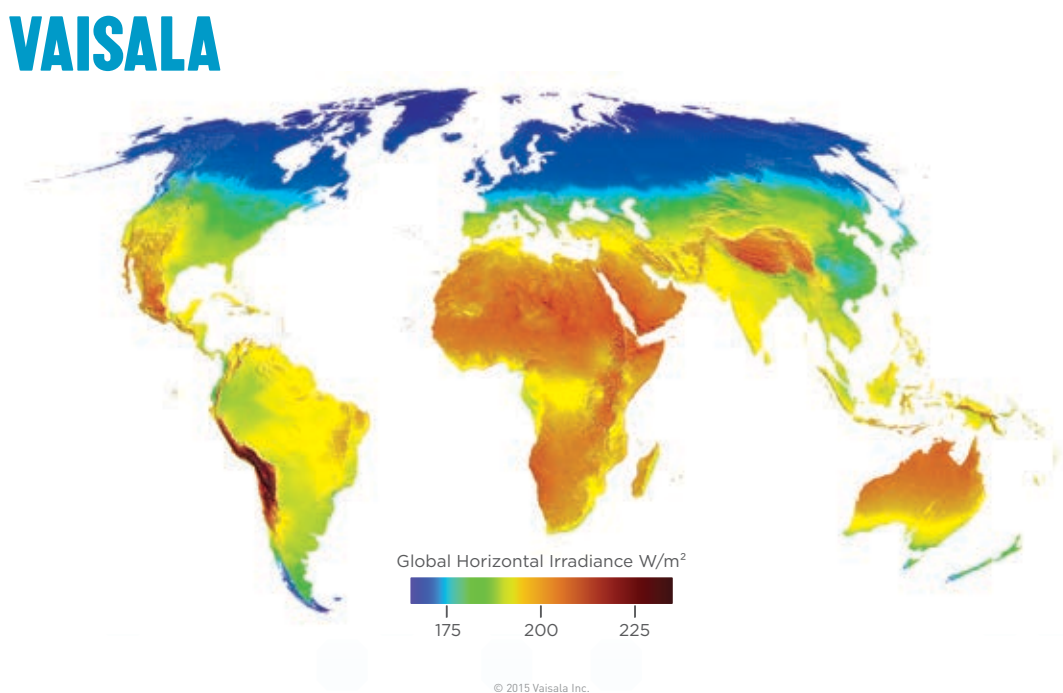
There are many Asian countries which have also implemented REC schemes. Japan was an early adopter of a REC scheme, having implemented a REC scheme from 2003. India, South Korea and the Philippines currently have REC schemes in place and China has also recently announced an intention to implement a REC scheme. However, there remains a number of Asian economies such as Singapore and Malaysia that do not presently have legislated REC schemes.

## 5.4 Solar Energy Overview

Solar energy is generated directly from the sun's light, with the amount of solar resource available (amongst other factors including shading, site climate and topography) having a positive impact on the potential electricity yield able to be generated by a project. Figure 10 below sets out the world's global irradiance (i.e. solar resource). Areas shown in the diagram with a red or yellow colour have comparatively more solar resource compared with those indicated by a blue or green colour.

Solar energy can be captured to produce electricity directly through photovoltaic (PV) solar devices that convert light directly into electricity or through solar thermal technologies that concentrate sunlight to heat fluid to produce steam that drives a turbine. The Board and the Responsible Entity currently intend for the Fund to continue to focus on PV solar.

Figure 10: World Map of Global Horizontal Irradiation



Source: Vaisala, Global Solar Irradiance Map, [http://www.vaisala.com/Vaisala%20Documents/Scientific%20papers/Vaisala\\_global\\_solar\\_map.pdf](http://www.vaisala.com/Vaisala%20Documents/Scientific%20papers/Vaisala_global_solar_map.pdf). Vaisala has not consented to the inclusion of this statement in the Offer Document.

While the share of electricity generated with solar is relatively small at approximately 2%, the potential value of the solar energy market is rapidly increasing as technological advancements have transformed and continue to transform the economics of solar energy. Further, the public debate around sustainable energy sources continues to evolve and financial innovation is increasing the attractiveness of the sector to investors, resulting in increased flows of capital.

Three market segments may be used to describe the solar market:

- **Rooftop solar** – solar PV panels installed directly on rooftops to generate electricity for an on-site residential or small commercial user. This can be on or off-grid and typically 1 – 100kw in size;
- **Commercial and industrial solar** – larger scale solar generation, either ground, structure or roof-mounted for commercial and industrial users who may be on or off-site. This can be on or off-grid and typically 100kw – 1MW in size. The solar asset may be owned by the business operator, property owner or a third party; and
- **Utility-Scale solar** – large-scale solar plants larger than 1MW generating electricity for sale to large scale end-users such as utilities and industrials. These are typically on-grid but can be off-grid for very large, isolated end-users such as mine sites or remote communities.

The current focus of the Fund is on investment in Utility-Scale solar farms with contracted cash flows that generate emissions-free power.

A typical solar plant consists of a series of PV module arrays, each PV module containing a number of

PV cells. PV modules output direct current (DC) of between 50 and 315 watts and sit on mounting structures designed for optimising generation across various conditions. The DC output from each array of PV modules is passed through an inverter that converts the electricity generated to alternating current (AC), which is then stepped to the relevant grid voltage.

The power produced from solar energy assets is intermittent on an inter-day and intra-day basis. It is dependent on weather patterns and does not produce outside of sunlight hours. In connecting to the grid, the variable generation profile of solar energy systems is considered. Rapid changes in generation can cause some instability in the grid, so control systems are used to meet network stability requirements.

#### 5.4.1 Storage

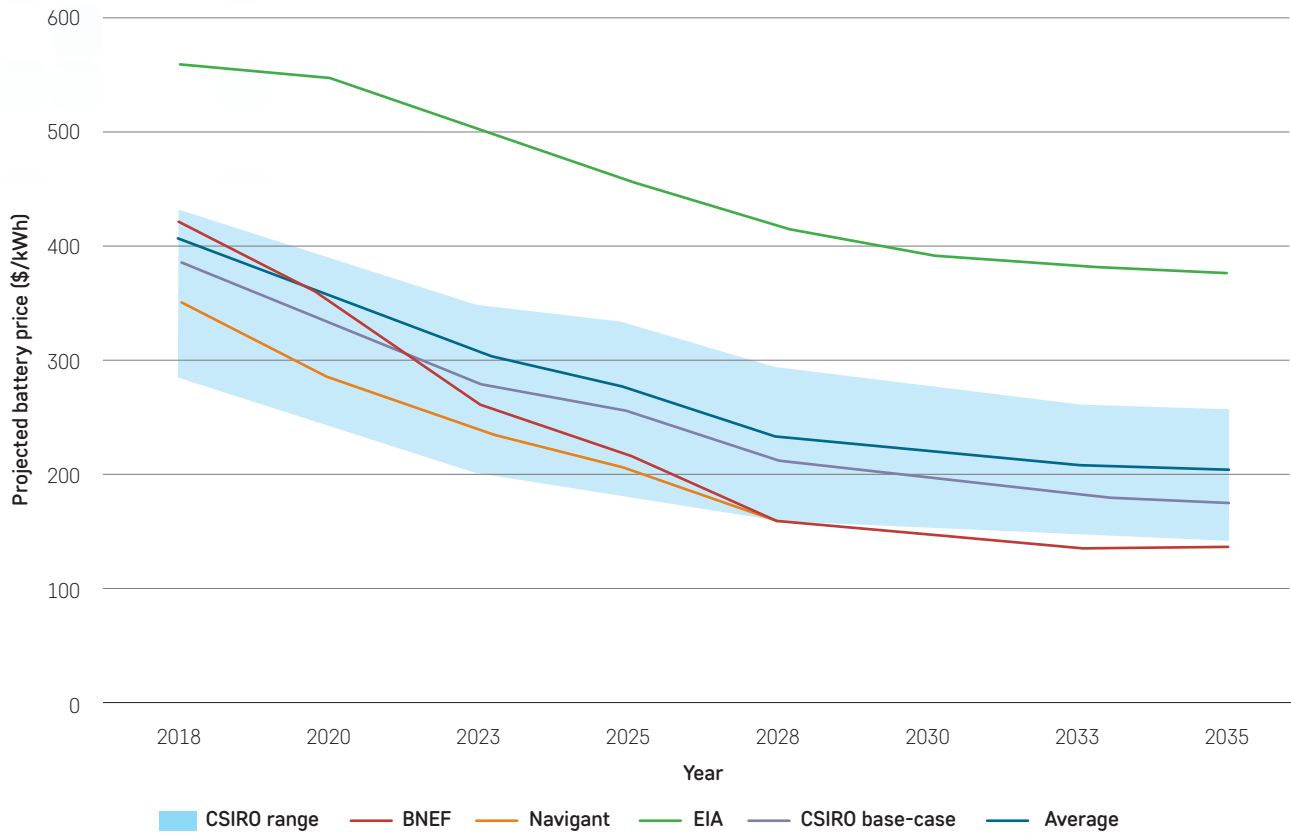
Electricity cannot be stored as is and must be stored in other forms of energy such as batteries, superconducting magnets and thermal storage. Historically, there has been little need to store electricity in large quantities as fossil fuel generation typically produces a base-load, or continuous, generation profile. In the context of intermittent generation, storage is important as it will be essential if renewables are to provide comparable, reliable base-load generation.

A significant limitation on the use of solar plus storage has been the cost of storage. However, similar to advancements made in the cost reduction of solar modules, the cost of storage systems has been rapidly decreasing. This represents a significant potential opportunity in the solar energy market.

Figure 11 below provides a summary of battery price projections by the Australian Energy Market Commission. As battery prices are forecast to decrease materially over the short to medium term, they are

expected to add to forecast demand for solar energy generation over the same timeframe, as batteries are added to new solar installations or are retrofitted to existing solar plants.

**Figure 11: Comparison of Battery Price Projections**



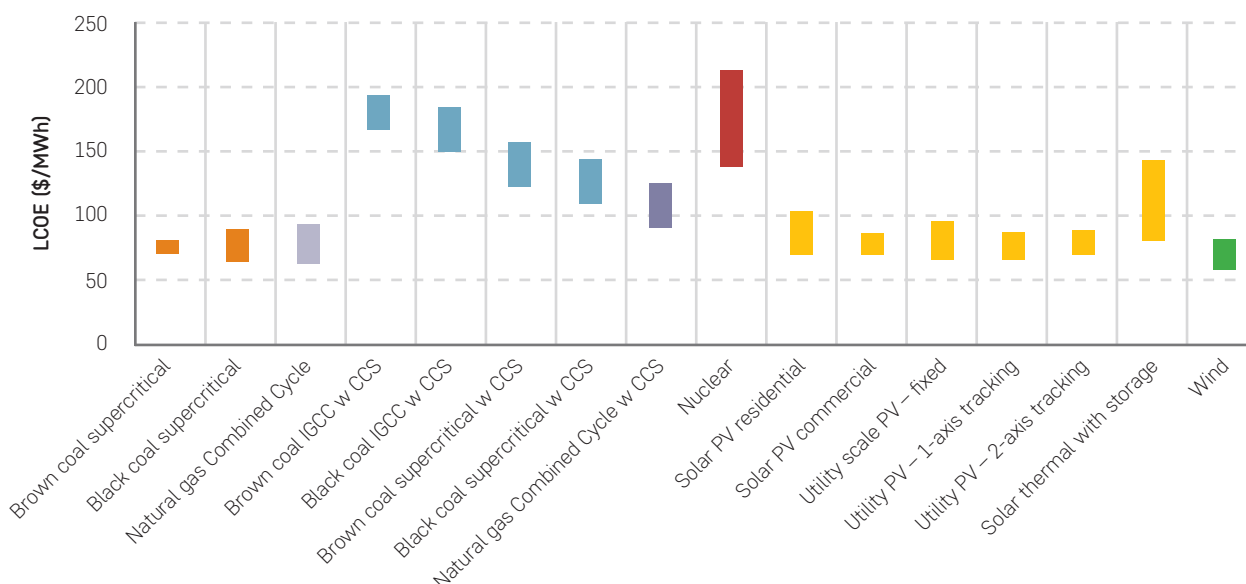
Source: Australian Energy Market Commission (AEMC). AEMC has not consented to the inclusion of this statement in the Offer Document.

### 5.4.2 Solar Energy Globally

Adoption of solar energy has historically lagged behind hydroelectric and wind, with less than 1% of renewable generation in Australia and the US coming from large scale solar in 2015. However, this is expected to change as the cost of Utility-Scale PV systems have fallen sharply in recent years. The International Renewable Energy Agency (IRENA) has estimated that between calendar year 2010 and calendar year 2014 total installed costs for Utility-Scale PV systems declined by 29% to 65%<sup>16</sup> (depending upon the region), and IEA has forecast that these costs may decline a further 25% by 2021<sup>17</sup>.

Costs of generation are typically compared based on the levelised cost of energy (LCOE) which takes into account capital expenditure and operating costs of generation over the expected life and total generation of the plant. Solar in some markets is now competitive with many other renewable and non-renewable technologies on an LCOE basis, and this trend is expected to continue. Refer to Figure 12 below for a comparison of estimated LCOE in 2030.

Figure 12: Levelised Cost of Energy (LCOE) Estimates for Renewable Power Generation Technology (2030)



Source: Electric Power Research Institute, Inc (EPRI), Australian Power Generation Technology Report. EPRI has not consented to the inclusion of this statement in the Offer Document.

Note: CCS – Carbon capture and storage; IGCC – Integrated Gasification Combined Cycle

16. © IRENA (2016) Letting in the Light report. IRENA has not consented to the inclusion of this statement in the Offer Document.

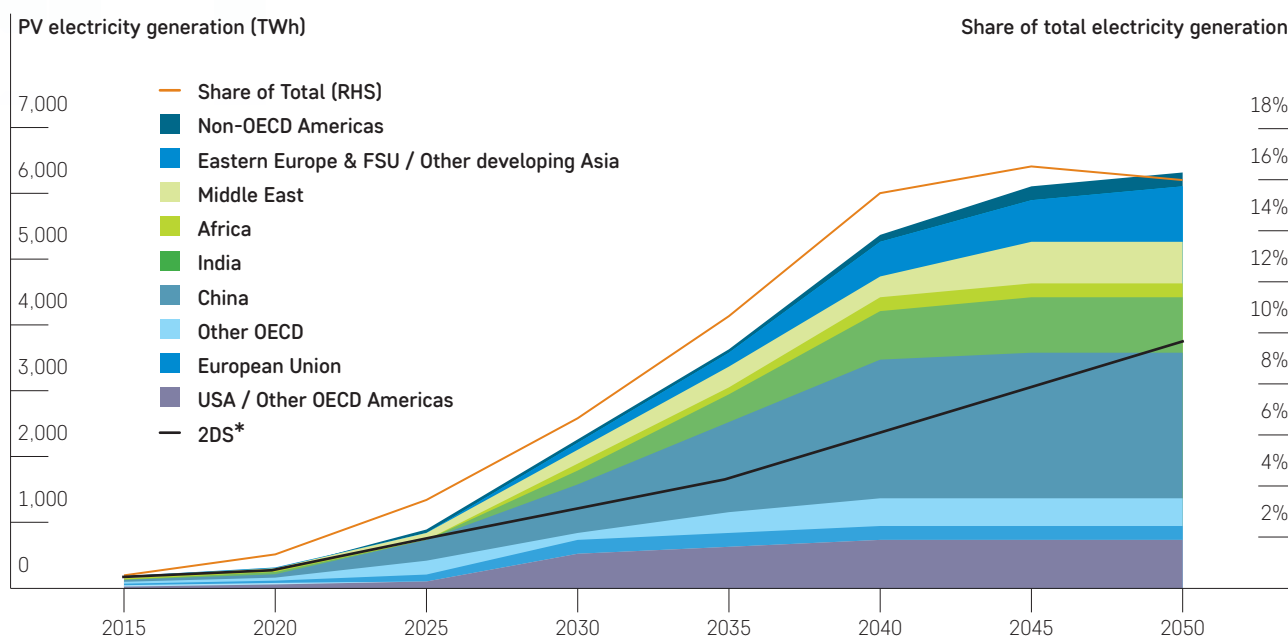
17. © OECD/IEA 2016, Medium-Term Renewable Market Report, IEA Publishing Licence: [www.iea.org/t&c](http://www.iea.org/t&c).

Reflecting this, in 2015, solar energy achieved another year of record growth. Solar comprised approximately 30% of additions to US generation capacity, and total global solar capacity increased to approximately 227 Gigawatts (GW). China, Japan and the US accounted for the majority of new capacity and are

expected to continue to be leaders in the future growth of solar energy production. IEA expects solar energy generation to increase to about 16% of total energy generation by 2050<sup>18</sup>, from today's levels of about 2%.

Figure 13 below sets out IEA's forecast of annual global solar generation from 2015 to 2050.

**Figure 13: Expected Growth in PV Electricity Generation (2015 to 2050)**



Source: © OECD/IEA 2014, Technology Roadmap Solar Photovoltaic Energy, IEA Publishing, Licence: [www.iea.org/t&c](http://www.iea.org/t&c). The IEA has not consented to the inclusion of this statement in the Offer Document.

\*The two-degree Celsius scenario under the Paris Climate Change Agreement.

18. Source: © OECD/IEA 2014, Technology Roadmap Solar Photovoltaic Energy, IEA Publishing, Licence: [www.iea.org/t&c](http://www.iea.org/t&c). The IEA has not consented to the inclusion of this statement in the Offer Document.



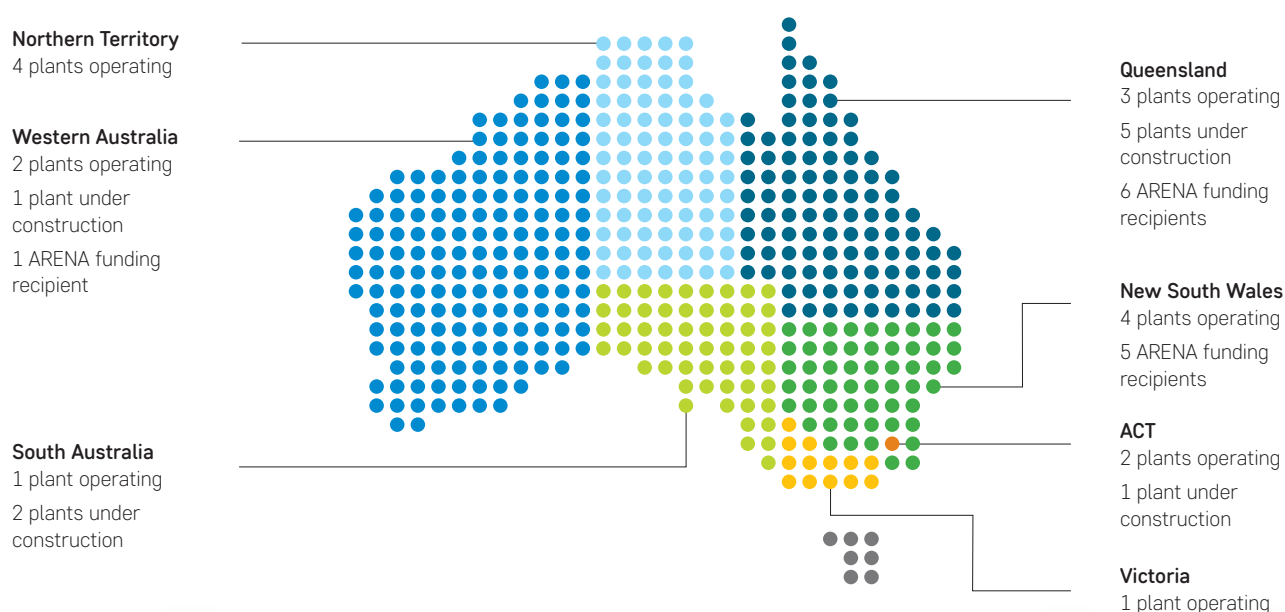
### 5.4.3 Solar in Australia

Australia's climate provides a strong environment for the operation of solar electricity generation. Currently an estimated 17% of Australian homes have invested in solar installations with residential and small scale commercial solar installation representing approximately 4GW of capacity designed for consumption on site. Although this 4GW is a substantial amount of solar, it represents a large number of generally very small, individual installations either owned by the property owner or an energy retailer. Although rooftop solar can be attractive from an economic perspective, investing in the space is complex due to the small asset size, retail credit risk, and complexity of operations and maintenance.

Utility-Scale solar presents a more compelling opportunity for the Fund from a risk, market size and complexity perspective.

The opportunity for Utility-Scale solar in Australia is relatively untapped, with only 280MW of capacity operational as at November 2016 and over 90MW under construction. In addition to those solar farms under construction, Commonwealth Government support in the form of funding from the Australian Renewable Energy Agency (ARENA) has been extended to an additional 12 solar projects with a combined capacity of 482MW and a total cost of \$1.06 billion<sup>19</sup>. The total number of solar farms operating, under construction and having received ARENA funding are set out below in Figure 14.

Figure 14. Australian Large Scale Solar Generation Units (Larger than 1MW AC) – 2016



Source: Investment Manager (2016)

19. © Commonwealth of Australia. ARENA has not consented to the inclusion of this statement in the Offer Document.

#### 5.4.4 Solar in the US

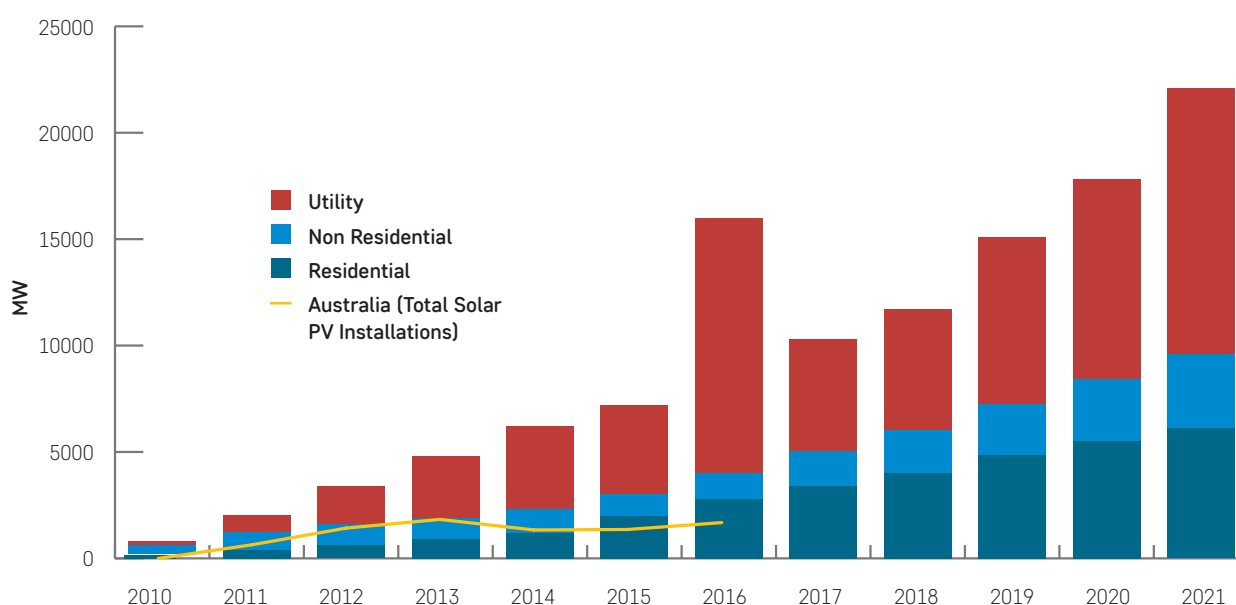
The second quarter of 2016 saw the US reach a new milestone in solar PV capacity with aggregate installations surpassing 31GW of capacity, enough to power approximately 6.2 million homes.

The growth in the US solar market is expected to continue in coming years due to continued cost reductions, technological improvements, the ITC scheme extension and state-based incentive schemes. The Solar Energy Industries Association (SEIA) and GTM Research (GTM) estimate that a total of 13.9GW

of additional solar capacity will be added to the US generation fleet in 2016<sup>20</sup>.

This momentum is expected to continue for the medium term, with a total contracted pipeline of over 20GW of capacity, including over 10GW of Utility-Scale PV currently under construction. Figure 15 below depicts the forecast annual increases in PV capacity through to 2021.

Figure 15. US Solar PV Installations (2010 to 2021)



Source: GTM Research / SEIA U.S. Solar Market Insight Report Q3 2016. GTM Research and SEIA have not consented to the inclusion of this statement in the Offer Document.

20. GTM Research / SEIA U.S. Solar Market Insight Report Q3 2016. GTM Research and SEIA have not consented to the inclusion of this statement in the Offer Document.

#### 5.4.5 Solar in Asia

Growing populations and increasing pollution concerns are likely to drive demand for renewable energy power generation in Asia.

South East Asia's energy demand increased by more than 50% between 2000 and 2013, and with the implementation of more secure and sustainable energy policies, renewable energy generating capacity is expected to grow substantially. The IEA expects solar PV capacity in South East Asia to grow from 1GW in 2013 to 33GW by 2040<sup>21</sup>.

Typical solar energy production profiles complement Asian energy consumption characteristics, with energy demand at its peak generally between 3pm and 7pm.

### 5.5 Solar Outlook – A Growing Global Market Opportunity

The Investment Manager believes that the potential for solar energy investment is vast, as renewable energy becomes a greater proportion of the total energy production pool.

#### 5.5.1 Reduced Capital Costs

Technology has transformed the economics of solar energy. Between 2009 and 2014, solar panel costs fell by some 75%, with a further reduction of 59% expected by 2025 as technology and manufacturing processes continue to progress and evolve.

The combination of technological change and policy support means that electricity produced from solar is now in line with fossil fuels in many global markets including parts of Australia and the

US. The rapid growth in battery storage is expected to further increase the competitiveness of solar relative to other conventional and renewable energy generation technologies.

#### 5.5.2 Short Development Lead Time and Low Operating Costs

Unlike traditional fossil fuel power generation facilities and alternative renewable energy assets, solar energy assets have a relatively short lead time to construction. Typically the time it takes from commencement of installation to operation is relatively short with the ability to bring modules on line in stages and for assets to be operational before completion of construction of the entire facility. Once constructed, solar energy power assets are relatively easy and low cost to manage, providing an effective solution to electricity demand requirements.

#### 5.5.3 Retirement of Traditional Sources of Electricity Generation

The dominance of coal-fired power stations is gradually coming to an end with approximately half of the coal-fired power stations in the US being over 30 years old. Australia faces a similar situation. Within a decade about half of Australia's coal-fired power stations will be over 40 years of age, with some stations approaching 60 years of age.

The aging of traditional sources of power generation as well as air pollution regulations, such as Mercury and Air Toxic Standards in the US, are contributing to the retirement of facilities, with 55.4GW of coal-fired power stations expected to be retired in the US by 2040.

21. © OECD/IEA 2015, South East Asia Energy Outlook, IEA Publishing. Licence: [www.iea.org/t&c](http://www.iea.org/t&c) and New Energy Solar. IEA has not consented to the inclusion of this statement in the Offer Document.

# Section 6. New Energy Solar's investments

# 6. New Energy Solar's investments

## 6.1 North Carolina

The Fund has entered into binding commitments to acquire two solar generation assets located in North Carolina from wholly-owned subsidiaries of VivoPower USA LLC, itself a wholly owned subsidiary of VivoPower International PLC (**VivoPower**) on 29 July and 25 October 2016. VivoPower is a global solar power company with offices and personnel in the United Kingdom, the US, Australia and Asia.

Each of the Fund's North Carolina assets are described in further detail below.

### 6.1.1 North Carolina 43MW Project (NC-31)



NC-31: Installation of racking and mounting of solar panels is in progress (photo taken November 2016)





NC-31: Mounting of first solar panels (photo taken October 2016)

<b>Asset Location</b>	Bladenboro, North Carolina US
<b>Developer</b>	VivoPower USA LLC
<b>Project Nameplate Capacity</b>	43.2MW DC (34.2MW AC)
<b>Nature of Investment</b>	Contracted significant majority interest of sponsor investor investment (see Section 3.10 for additional description of the structure)
<b>Fund Purchase Price For Interests Acquired</b>	US\$41.7 million The majority of the purchase price is held in an escrow account pending satisfaction of certain conditions precedent including commencement of commercial operations
<b>Target Yield on Investment</b>	5-year average annual asset cash yield at acquisition (before the impact of borrowing and tax) is expected to be 6.4% per annum
<b>Project Status</b>	Under construction. The Fund has acquired an interest in the ownership vehicle. Full payment of the purchase price will be made only on completion of construction and commencement of commercial operations

<b>Target Commercial Operations Date</b>	March 2017  If the conditions precedent to the acquisition have not been satisfied by a 'sunset date' of 30 April 2017, the transaction documents may be rescinded without penalty by either party, following which the Fund would have its contribution returned and the remainder of the investment purchase price funds, currently held in escrow, will be released
<b>PPA Offtaker</b>	Duke Energy Progress, Inc ( <b>Duke</b> ) a subsidiary of Duke Energy Corporation
<b>PPA Term</b>	10 years from commencement of commercial operations
<b>Electricity Volume Contracted During PPA Term</b>	100% of production
<b>Engineering, Procurement &amp; Construction (EPC) Contractor &amp; O&amp;M Services Provider</b>	Grupo GranSolar, LLC ( <b>GranSolar</b> )
<b>Electricity Generated<sup>22</sup></b>	<p>Generates energy to power</p>  <p>10,000 homes</p>
<b>CO<sub>2</sub> Abatement<sup>23,24</sup></b>	<div> <p>Tonnes of CO<sub>2</sub> emissions displaced p.a.</p>  <p>52,000</p> </div> <div> <p>Equivalent number of cars removed from the road</p>  <p>12,000</p> </div>

22. Based upon an average house utilising approximately 8,375KWh per annum.

23. Solar energy plant CO<sub>2</sub> emission reduction calculated using the US Environmental Protection Agency's AVOIDED Emissions and generation Tool (AVERT).

24. Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum.

### 6.1.2 North Carolina 47 MW Project (NC-47)



The diagram above shows NC-47's proposed layout

<b>Asset Location</b>	Maxton, North Carolina US
<b>Developer</b>	VivoPower USA LLC
<b>Project Nameplate Capacity</b>	47.6MW DC (33.8MW AC)
<b>Nature of Investment</b>	Contracted significant majority interest of sponsor investor investment (see Section 3.10 for additional description of the structure)
<b>Fund Purchase Price For Interests Acquired</b>	US\$47.3 million The majority of the purchase price is held in an escrow account pending satisfaction of certain conditions precedent including commencement of commercial operation
<b>Target Yield on Investment</b>	5-year average annual asset cash yield at acquisition (before the impact of borrowing and tax) is expected to be 6.4% per annum
<b>Project Status</b>	Under construction. The Fund has acquired an interest in the ownership vehicle. Full payment of the purchase price will be made only on completion of construction and commencement of commercial operations

<b>Target Commercial Operations Date</b>	March 2017  If the conditions precedent to the acquisition have not been satisfied by a 'sunset date' of 29 July 2017, the transaction documents may be rescinded without penalty by either party, following which the Fund would have its contribution returned and the remainder of the investment purchase price funds currently held in escrow, will be released
<b>PPA Offtaker</b>	Duke
<b>PPA Term</b>	10 years from commencement of commercial operations
<b>Electricity Volume Contracted During PPA Term</b>	100% of production
<b>EPC Contractor &amp; O&amp;M Services Provider</b>	DEPCOM Power, Inc. ( <b>DEPCOM</b> )

#### Electricity Generated<sup>25</sup>

Generates energy to power



#### CO<sub>2</sub> Abatement<sup>26,27</sup>

Tonnes of CO<sub>2</sub> emissions displaced p.a.



Equivalent number of cars removed from the road



25. Based upon an average house utilising approximately 8,375KWh per annum.

26. Solar energy plant CO<sub>2</sub> emission reduction calculated using the US Environmental Protection Agency's Avoided Emissions and generation Tool (AVERT).

27. Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum.



## 6.2 North Carolina Market Overview

### 6.2.1 Introduction

The Investment Manager, the Responsible Entity and the Company believe that the North Carolina market has a number of characteristics that make present and potential future energy investments attractive, including:

- a growing energy demand driven by population and gross domestic product (GDP) growth;
- the regulatory framework for renewable energy investment;
- the state’s favourable climatic conditions for solar generation; and
- a well-established solar development, construction and asset management market.

An overview of the structure of the North Carolina electricity market and each of these characteristics is discussed in detail in the section below.

### 6.2.2 Structure of the North Carolina Electricity Market

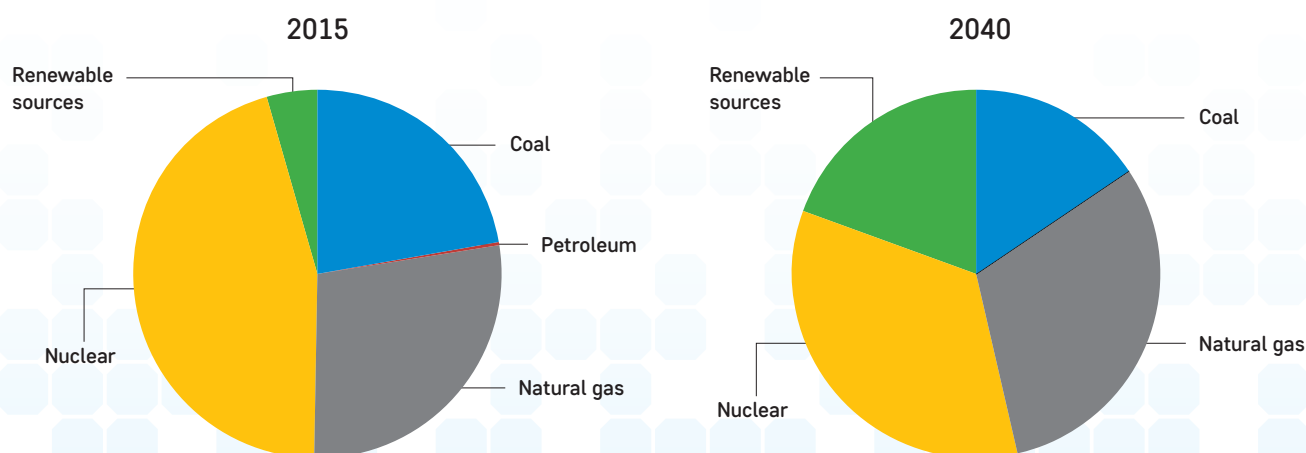
North Carolina is part of the Southeastern wholesale electricity market, which is made up of eight states with a population of 57 million and peak demand of 170GW. The Southeast wholesale electricity market is a regulated market, with the utilities being vertically integrated (meaning that they sell retail electricity directly to consumers, whilst owning and operating the transmission and distribution networks, in addition to owning generation plants and contracting with independently owned generators). They are also the sole providers of electricity supply services to consumers in their service area.

The Southeast wholesale electricity market operates as a bilateral market without an independent system operator or an exchange. Utilities in the region forecast and plan for meeting electricity demand and reserve margin requirements in their service territories over a 15-year planning horizon. The South East Reliability Council’s (SERC) is responsible for ensuring the reliability of the system, and North Carolina is part of SERC’s Virginia Carolinas (SERC-VC) market module for forecasting purposes.

The SERC-VC area has a diverse fuel mix, including coal, nuclear and natural gas and has a total generating capacity of approximately 77GW. Approximately 10.3GW of generating capacity in North Carolina is currently over 40 years of age and is expected to be retired as a result of factors including potential environmental regulations and capital expenditure requirements. Coal capacity retired during the period from 2010 to 2015 was principally replaced with gas and solar capacity.

Continued electricity demand growth is forecast in the region, in addition to the retirement of older coal and oil generation units. This is expected to result in a substantial increase in renewable energy’s share of the end use, as shown in Figure 16 below.

Figure 16: SERC-VC Generation by Fuel Type



Source: U.S. Energy Information Administration (2016). The U.S. Energy Information Administration has not consented to the inclusion of this statement in the Offer Document.

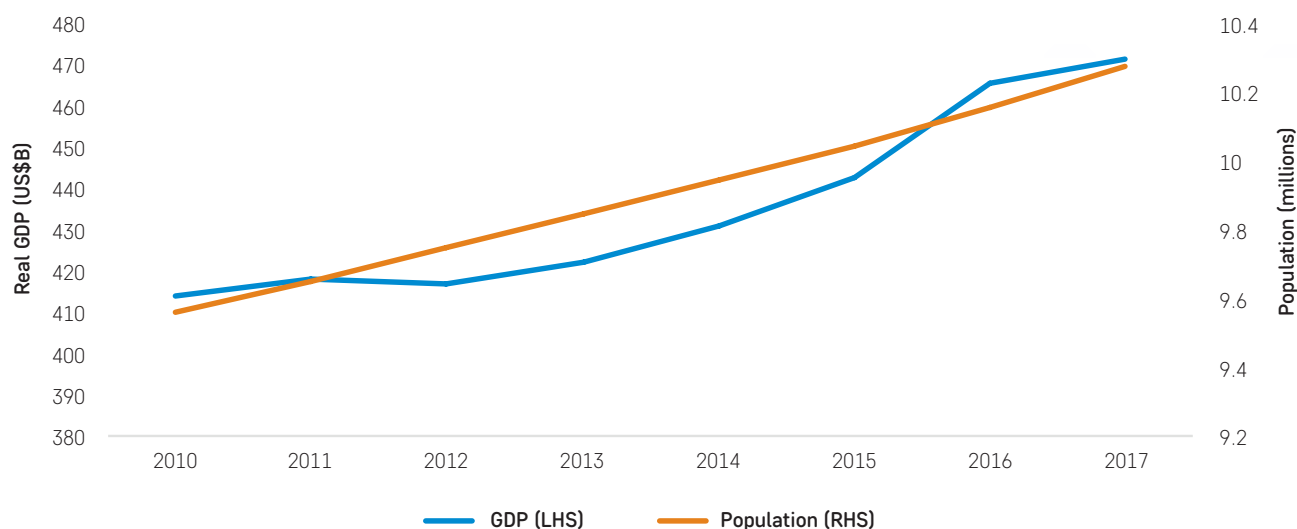
### 6.2.3 Strong Economic Fundamentals

Historical electricity demand growth has been underpinned by North Carolina population and GDP growth. North Carolina's population is currently about 10 million and grew at an average rate of approximately 1.5% per annum over the period from calendar year 2000 to calendar year 2015.

Nominal GDP growth in the state of North Carolina was 5.3% in 2015, outpacing US economic growth of 3.7% in 2015.

Refer Figure 17 below for a comparison of North Carolina's real GDP growth and population growth over the period from 2010 to 2017.

Figure 17. North Carolina Real GDP and Population (2010 to 2017)



Source: Wells Fargo, OECD (2016). Neither Wells Fargo or OECD have consented to the inclusion of this statement in the Offer Document.

### 6.2.4 Regulatory Framework

The growth of North Carolina's solar generation fleet has been driven by a combination of factors including federal and state incentive schemes - including the Renewable Energy and Energy Efficiency Portfolio Standard (**REPS**), the positive outlook for the North Carolina economy and long-term power prices.

REPS was implemented in February 2008 and requires utilities to obtain an increasing amount of their electricity retail sales from eligible renewable generation sources. This requirement will increase from its current level of 6% to 12.5% by 2021.

Electricity suppliers may demonstrate compliance with the state's REPS through a number of compliance options, including by obtaining either in-state or out-of-state RECs. Within North Carolina, one REC is awarded to qualifying renewable generators for each MWh of energy they produce. RECs can then be sold on the open market or via bilateral contracts.

Electric service providers (**ESPs**) with more than 150,000 customers may also use RECs procured from other states to meet up to 25% of their obligations under North Carolina's REPS, whilst ESPs with less than 150,000 customers can procure an unrestricted amount of out-of-state RECs to meet their obligations. Additional information on RECs can be found in Section 5.3.

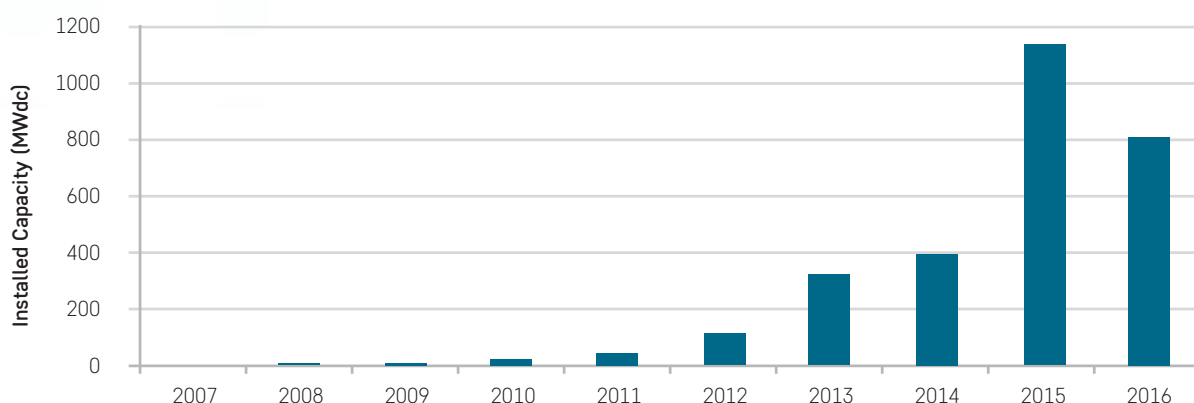


### 6.2.5 One of the US's Largest Solar Markets

North Carolina's climate is suited to solar generation, with around 250 sunny days per year.

Driven largely by Utility-Scale installations, the North Carolina market ranked second amongst US states in solar installations in Q2 2016 (behind only California) with 144MW of solar capacity installed during the period, bringing the state's installed total to 2.4GW. The significant expansion of solar installations in North Carolina is illustrated below in Figure 18.

Figure 18. North Carolina Annual Solar Installations: 2007 to 2016



Source: GTM Research/SEIA U.S. Solar Market Insight Report Q3 2016. Neither GTM Research or SEIA have consented to the inclusion of this statement in the Offer Document.

## 6.3 California

The Fund is currently engaged in exclusive negotiations to acquire two Utility-Scale solar projects, the Stanford Solar Generation Station (**Stanford Solar**) and the TID Solar Generating Station (**TID Solar**) for a combined price in the range of US\$120-125 million.

These two projects are located adjacent to one another on a 1,360 acre site (**Rosamond site**). The Rosamond site has the capacity to accommodate a further 170 MW AC of solar capacity.

The developer is one of the largest global manufacturers of solar modules, with a current market capitalisation of approximately US\$870 million<sup>28</sup>. It has an extensive track record in delivering solar projects, having developed more than 1 GW of solar generation capacity since its establishment.

The ongoing due diligence and negotiation processes may or may not lead to these investments being made by the Fund. Accordingly, there can be no guarantee that the Fund will acquire these projects. If either or both of these projects are not acquired by the Fund, the net proceeds of the Offer will be used to pursue other renewable energy project investments.

Details of the Stanford Solar and the TID Solar and their highly creditworthy Offtakers are set out below.

28. As at 10 November 2016.

### 6.3.1 Stanford Solar



Aerial photo of the Stanford Solar project, which is now mechanically complete (photo taken July 2016)



Close up of the SunPower solar panels installed at the Rosamond site (photo taken November 2016)

<b>Asset Location</b>	Rosamond, California US
<b>Developer and EPC Contractor</b>	A leading global solar module manufacturer, developer and operator
<b>Project Nameplate Capacity</b>	67.7MW DC (54MW AC)
<b>Nature of Investment</b>	<p>The Fund is currently in exclusive negotiations and due diligence until 6 December 2016 (unless extended or reduced if the parties fail to demonstrate the ability to meet the agreed timeline for completion prior to 31 December). If the Fund's due diligence and negotiation processes lead to a satisfactory outcome, binding contracts are expected to be executed prior to the end of the exclusivity period</p> <p>If the transaction is completed the Fund's effective interest will be a significant majority stake in the Upper Tier Partnership (refer to Section 3.10)</p>
<b>Target Yield on Investment</b>	5-year average annual asset cash yield at acquisition (before the impact of borrowing and tax) is expected to be 6.5% per annum
<b>Project Status</b>	Mechanically complete – this is the final phase of construction activities. During this phase, each installed component is fabricated, installed and tested in accordance with the project's specifications
<b>Target Commercial Operations Date</b>	December 2016
<b>PPA Offtaker</b>	Electricity and RECs: The Board of Trustees of the Leland Stanford Junior University ( <b>Stanford University</b> )
<b>PPA Term</b>	25 years from commencement of commercial operations
<b>Electricity Volume Contracted During PPA Term</b>	100% of production
<b>Panel Supplier &amp; O&amp;M Services Provider</b>	SunPower Corporation, Systems
<b>Electricity Generated<sup>29</sup></b>	<div> <div>Generates energy to power</div>  <div>15,500 homes</div> </div>
<b>CO<sub>2</sub> Abatement<sup>30,31</sup></b>	<div> <div>Tonnes of CO<sub>2</sub> emissions displaced p.a.</div>  <div>67,000</div> </div> <div> <div>Equivalent number of cars removed from the road</div>  <div>16,000</div> </div>

29. Based upon an average house utilising approximately 8,375KWh per annum.

30. Solar energy plant CO<sub>2</sub> emission reduction calculated using the US Environmental Protection Agency's AVOIDed Emissions and geneRation Tool (AVERT).

31. Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum.

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### 6.3.2 Stanford Solar Offtaker – Stanford University

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#### 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 across 8,180 acres of contiguous land with 700 major buildings.

The university caters to over 16,000 students each year and employs over 2,000 faculty members, 20 of whom are Nobel Laureates and a 4:1 student to faculty ratio.

The university also has substantial involvement in research activities, with about 5,500 externally sponsored projects underway, with a US\$1.22 billion total budget.

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#### Financial Metrics

Stanford University had annual revenues for the year ended 31 August 2015 of US\$5 billion.

Endowment Funds: US\$22.2 billion<sup>32</sup>

Net Assets: US\$30.4 billion (inclusive of endowments)<sup>32</sup>

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.

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32. As at 31 August 2015.



### 6.3.3 TID Solar



Rosamond projects: Stanford Solar and TID Solar are situated in a large renewable energy hub (photo taken July 2016)



Aerial photo of the TID Solar project, which is now mechanically complete (photo taken July 2016)

<b>Asset Location</b>	Rosamond, California US
<b>Developer and EPC Contractor</b>	A leading global solar module manufacturer, developer and operator.
<b>Project Nameplate Capacity</b>	67.7MW DC (54MW AC)
<b>Nature of Investment</b>	<p>The Fund is currently in exclusive negotiations and due diligence until 6 December 2016 (unless extended or reduced if the parties fail to demonstrate the ability to meet the agreed timeline for completion prior to 31 December). If the Fund's due diligence and negotiation processes lead to a satisfactory outcome, binding contracts are expected to be executed prior to the end of the exclusivity period.</p> <p>If the transaction is completed the Fund's effective interest will be a significant majority stake in the Upper Tier Partnership (see Section 3.10).</p>
<b>Target Yield on Investment</b>	5-year average annual asset cash yield at acquisition (before the impact of borrowing and tax) is expected to be 6.5% per annum.
<b>Project Status</b>	Mechanically complete – this is the final phase of construction activities. During this phase, each installed component is fabricated, installed and tested in accordance with the project's specifications.
<b>Target Commercial Operations Date</b>	December 2016
<b>PPA Offtaker</b>	Electricity and RECs: Turlock Irrigation District ( <b>TID</b> )
<b>PPA Term</b>	20 years from commencement of commercial operations.
<b>Electricity Volume Contracted During PPA Term</b>	100% of production
<b>Panel Supplier &amp; O&amp;M Services Provider</b>	SunPower Corporation, Systems
<b>Energy Generated<sup>33</sup></b>	<p>Generates energy to power</p>  <p>15,500 homes</p>
<b>CO<sub>2</sub> Abatement<sup>34,35</sup></b>	<div> <p>Tonnes of CO<sub>2</sub> emissions displaced p.a.</p>  <p>67,000</p> </div> <div> <p>Equivalent number of cars removed from the road</p>  <p>16,000</p> </div>

33. Based upon an average house utilising approximately 8,375KWh per annum.

34. Solar energy plant CO<sub>2</sub> emission reduction calculated using the US Environmental Protection Agency's Avoided Emissions and generation Tool (AVERT).

35. Based upon an average of 4.2 tonnes of CO<sub>2</sub> emissions per car per annum.



#### 6.3.4 TID Solar Offtaker – Turlock Irrigation District

<b>Description</b>	<p>Established in 1887, Turlock Irrigation District (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 within its 662 square mile service area and has a customer base of 98,000 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. Whilst the non-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\$1.7 billion<sup>36</sup></p> <p>Net Assets: US\$1.25 billion<sup>36</sup></p> <p>TID has experienced steady growth in operating profit (US\$55.3 million in FY15 up from US\$49.7 million in FY14) despite the historic drought in California.</p> <p>As at 31 December 2015, TID owned approximately US\$1.25 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. This diversification enabled TID to provide competitive electricity prices to consumers at 10.7% below California's average electricity rate during calendar year 2014.</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>

## 6.4 California Market Overview

### 6.4.1 Introduction

The Investment Manager, the Responsible Entity and the Company believe California to be an ideal location for current and future solar energy investment due to:

- the large and diversified nature of the economy;
- its status as the largest solar market in the US, underpinned by an excellent solar resource; and
- federal renewable incentive schemes and binding, state-based renewable generation targets;

An overview of the structure of the California electricity market and each of these characteristics is discussed in detail in Section 6.4.2.

### 6.4.2 Structure of the Californian Electricity Market

With more than 74GW of electricity capacity (including natural gas, hydroelectric, solar, wind, nuclear and coal-fired plants) California is the US' second largest electricity market by generation capacity (after Texas)<sup>37</sup>. It forms part of the Western Interconnection, one of four major electrical system networks in North America. The Western Interconnection region comprises all or part of 14 US states, the Canadian provinces of British Columbia and Alberta, and the northern portion of Baja California in Mexico, and serves a population of over 80 million.

The Californian electricity marketplace was deregulated during the 1990s, with utilities having been required to divest their generation and transmission operations and being responsible for distribution, maintenance of the network from interconnections at the grid to the meter billing the ratepayer and acting as the provider of last resort.

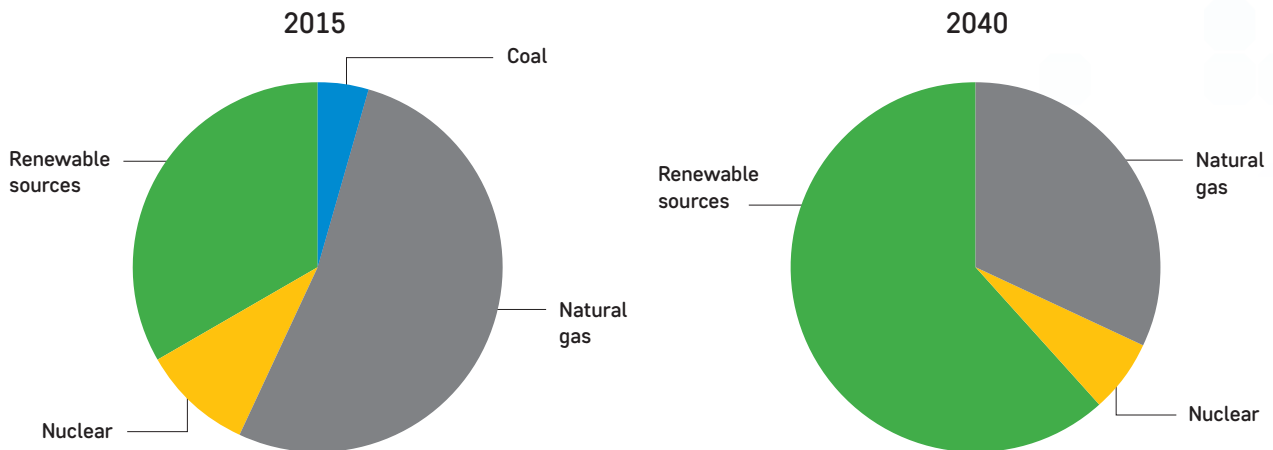
The Californian market also features independent grid operators that administer wholesale markets to ensure reliability on the grid and prevent blackouts. Multiple retail suppliers (or load serving entities, known as LSEs) buy generation and sell electricity to end-users.

36. As at 31 December 2015.

37. Source: U.S. Energy Information Administration (2016), based upon net summer capacity (MW). The US Energy Information Administration has not consented to the inclusion of this statement in the Offer Document.

The diversified nature and the substantial contribution of renewables to California's electricity supply is demonstrated in Figure 19 below. Increasing solar capacity additions resulting from California's RPS (detailed in the next section) are expected to help drive renewable sources to be the major contributor to the state's electricity supply in 2040.

Figure 19: California's Electricity Outlook by Fuel Type



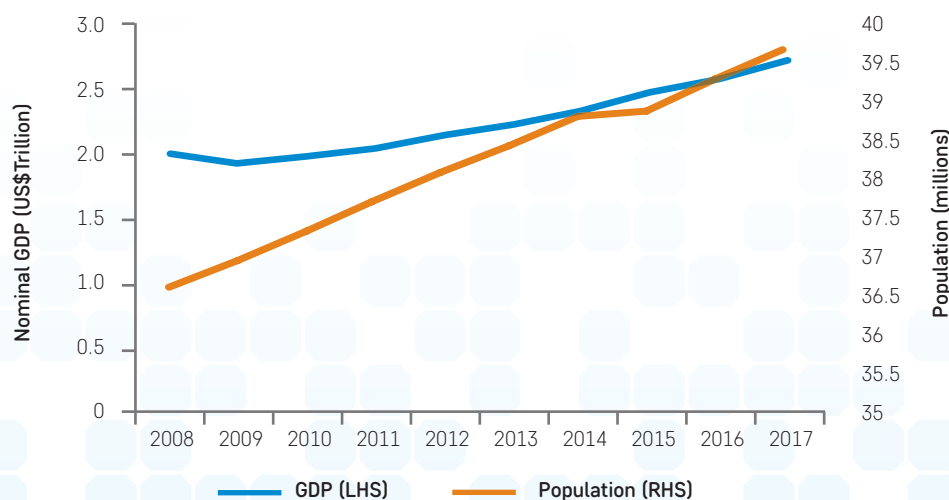
Source: U.S. Energy Information Administration (2016). The US Energy Information Administration has not consented to the inclusion of this statement in the Offer Document.

### 6.4.3 The Californian Economy

With a population of over 39 million people and substantial manufacturing and services sectors, the Californian economy is the largest in the US, with a nominal GDP of US\$2.46 trillion. It is highly diversified and ranks as the world's sixth largest economy, being larger than the economies of countries such as Brazil and France.

The Californian economy experienced strong growth during calendar year 2015, with nominal GDP growth of 5.7%, outpacing that of the wider US economy (3.7%).

Figure 20: California's Nominal GDP and Population (2010 to 2017)



Source: Federal Reserve Economic Data, Federal Reserve Bank of St Louis, usgovernmentsspending.com. Neither the Federal Reserve Bank of St Louis or usgovernmentsspending.com have consented to the inclusion of this statement in the Offer Document.

#### 6.4.4 Regulatory Framework

The State of California has been a leading global proponent in the adoption of legally binding renewable energy targets. The State's Renewable Portfolio Standard (RPS) was initially enacted in 2002 and targeted 20% of electricity consumption being supplied by renewable sources by 2017. It was subsequently revised upwards and the RPS currently targets that 33% of the electricity consumption be supplied from renewable sources by 2020, with 50% of electricity consumption by 2030 to be sourced from renewable sources.

Under the RPS, electricity retailers can use RECs to meet their obligation for compliance periods. The quantity of bundled RECs (purchase of both REC and physical energy associated with the REC) procured from in-state generators that can be utilised to meet RPS obligations is uncapped. However, the proportion of RPS obligations that can be met by submission of unbundled RECs (purchase of REC only) is restricted, with a 15% cap in calendar year 2016 and 10% cap from calendar year 2017 onwards.

Similar to other US states, the RECs generated by solar projects can be sold on the open market or via bilateral contracts to provide an additional revenue stream. For more information on RECs refer to Section 5.3.

The RPS and the US federal ITC scheme has resulted in California currently sourcing around 26% of its electricity needs from renewable sources, with significant further investment being required to meet the RPS 2020 and 2030 targets.

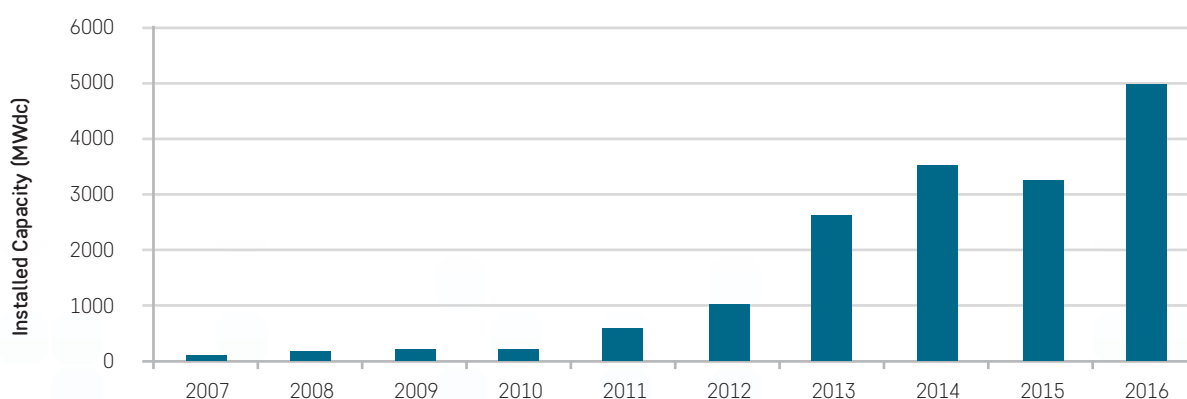
#### 6.4.5 Largest US Solar Market

California has a long history of support for renewable energy and is the US's largest solar market by capacity, with about 15GW of solar capacity, enough to power around 3.8 million homes.

The State ranked first amongst US states in solar installations in Q2 2016, with more than 950 MW being added. The rapid expansion of solar installations in the state of California is illustrated below in Figure 21.

The substantial build-out of the State's solar generating capacity (and expected additional investment to meet the Californian RPS) has been underpinned by the State's excellent solar resource.

Figure 21: Californian Annual Solar Installations: 2007 to 2016



Source: GTM Research / SEIA U.S. Solar Market Insight Report Q3 2016. Neither GTM Research or SEIA have consented to the inclusion of this statement in the Offer Document.



# Section 7. Risks

# 7. Risks

Prior to investing, you should consider the risks involved in investing in the Fund and whether the Fund 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 Fund.

This Offer Document contains forward-looking statements based on certain assumptions that are inherently uncertain. Actual events and results of the Fund's 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 Fund. The value of the Stapled Securities will reflect the performance of the investments made by the Fund and current market conditions. There can be no certainty that the Fund 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 Fund. These risks have been separated into risks specific to the Fund 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 Fund.

## 7.1 Risks Specific to the Fund

### 7.1.1 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 Fund's underlying assets and consequently an Investor's investment in the Fund.

Investors should note that assets intended to be acquired by the Fund have limited useful lives (25+ years) and uncertain values after the expiry of the relevant PPA or other offtake arrangement at this time. These 'residual values' may even be equal to zero. There is also a risk that the PPA extensions or new PPAs will not be at equivalent rates to existing PPAs. The loss of income may result in a reduction in distributions from the Fund and a decline in the value of the assets of the Fund. A decline in asset value may also impact loan covenants applicable to the Fund and the Fund may, as a result, be required to reduce borrowings through the sale of assets, additional capital raisings (including discounted capital raisings) or retaining distributions.

### 7.1.2 Broad Investment Strategy

Although the Fund's initial focus will be on Utility-Scale solar farms with contracted cash flows, the Fund's 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 Fund. Accordingly, it may be difficult for investors to assess the risks associated with any future investments that may be made by the Fund.

### 7.1.3 Experience of the Responsible Entity and Investment Manager Risk

The Responsible Entity acts as the responsible entity for the Trust, the Australian Property Opportunities Fund I, II & III, US Masters Residential Property Fund,



Emerging Markets Masters Fund and US Select Private Opportunities Fund I, II & III.

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 has also engaged a renewable energy professional, Alistair Craib, to provide industry consulting services as required. 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 Fund's yield return objective or that the Investment Manager will be able to locate appropriate investment opportunities.

#### 7.1.4 Illiquidity Risk

The Fund does not have a fixed term.

Investors have no rights to redeem their investment in the Fund, or to receive the proceeds of redemption or a return of capital, at any time. As a result Investors will have limited opportunity to realise their investment in the Fund as there may not be a ready market for selling Stapled Securities. Investors should not invest in Stapled Securities if a potentially significantly long investment term, the illiquidity of the Stapled Securities or no exit rights is not suitable for them.

The Fund is unlisted and the Board and the Responsible Entity intend for the Fund to hold interests primarily in renewable energy assets that are generally illiquid in nature. The Board and the Responsible Entity intend for the Fund to be a medium to long-term investor in assets and as such may hold assets until the end of their useful lives, typically 25+ years.

#### 7.1.5 Pre-Operational Asset Risk

The Fund has committed to invest in pre-operational projects (and may do so in additional projects) with a view to securing perceived quality assets at attractive acquisition prices. The Fund 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 risk of final plant Nameplate Capacity not reaching that expected. Where the Fund invests in pre-operational projects and depending on the nature of the investment, the Fund may be exposed to cost and budget overruns. The Fund may seek suppliers, construction or development partners to carry some of the risks inherent in pre-operational assets.

#### 7.1.6 Co-investor Risk

The Fund 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 Fund. The Fund will generally only seek to co-invest where it would have a majority interest.

#### 7.1.7 Counterparty and Warranty Risk

The electricity to be generated by the Fund's investments is primarily intended to be sold under PPAs to utilities, commercial, industrial or government end-users. The Fund's PPAs are expected to be long-term term in nature and may be over 20 years in duration. Should any counterparty 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 Fund 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 Fund.

The Fund may enter into agreements with third parties for specific project-related activities such as 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 Fund 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 which may impact the value of the investments of the Fund.

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 Fund (for example a counterparty to the PPAs or a supplier of panels to the solar farms) 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 Fund may be materially adversely impacted.

### 7.1.8 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 Fund has not previously operated. While the Fund 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 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 Fund.

### 7.1.9 Interest Rate Risk

The Fund is currently ungeared, however it may become directly or indirectly geared in the future. As such, changes in interest rates may have a positive or negative impact directly on the Fund's income. Changes in interest rates may also affect the market more broadly and positively or negatively impact the value of the Fund's underlying assets.

Further, until invested in suitable assets, funds will be held in cash. The dividend/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 dividend/distribution rate will depend on applicable interest rates and the time it takes for the Investment Manager to identify attractive opportunities to invest the cash raised.

The Company and the Trust may implement an interest rate hedging policy. It may undertake this by fixing a portion of the Fund's 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 will be mitigated.

### 7.1.10 Currency Risk

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.

A significant proportion of the Fund's investments are currently, and may in the future, be in foreign currency denominated assets. The value of Stapled Securities will be impacted by increases and decreases in the value of those foreign currencies to the extent that the Fund's exposure to those assets is unhedged. An increase in the value of other currencies against the Australian dollar will mean the NAV/NTA of the Fund will be worth more when converted into Australian

dollars, but if the value of the other currencies falls, the NAV/NTA will be worth less in Australian dollar terms.

Volatility in the prevailing exchange rates in the markets in which the Fund invests is likely to cause volatility in the distributions of the Fund.

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 Fund may be hedged through use of derivatives such as foreign exchange forward contracts.

### 7.1.11 Size and Portfolio

The size of the portfolio of the Fund will affect the risk profile of the Fund. The Fund 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.

### 7.1.12 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 12.11 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 conflicts of interest and related party transactions policy to assist in managing this risk (see Section 3.16 for further information).

### 7.1.13 Dividend and Distribution Risk and Residual Value of Investments

The Fund 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. Investors should note assets intended to be acquired by the Fund have limited useful lives (25+ years) and uncertain residual values, that may be equal to zero.

## 7.2 Risks Specific to the Sector

### 7.2.1 Change in Long-Term Electricity Prices

The ability of entities in which the Fund invests to negotiate favourable PPAs may be negatively impacted by a drop in electricity prices in the markets in which the Fund's assets may operate. Decreases in the retail prices of electricity supplied by some utilities or other renewable energy sources may harm the ability of operators to offer competitive pricing and consequently the Fund's ability to sign new customers under PPAs on favourable terms, upon expiry of the initial PPA term. For these reasons, reductions in electricity prices may negatively impact on the Fund's financial position and performance.

The price of electricity from utilities 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;
- an overall drop in electricity demand in the markets in which the Fund operates;
- a reduction in the price of alternative fuel sources (e.g. fossil fuels); and
- development of new, more efficient, clean energy technologies.

### 7.2.2 Electricity Supply and Demand for Renewable Energy

Renewable energy continues to provide an increasing portion of the total energy production in local and international markets. However the ability for the market to absorb increasing energy supply will be limited.

The ultimate adoption of renewable electricity will depend on overall demand for electricity, consumer preferences for and willingness to pay for renewable energy, investment by local transmission networks in their assets and the ongoing proportion of electricity generated using fossil fuels.

### 7.2.3 Gearing Risk

There is a risk that the value of the Fund's direct and indirect renewable energy assets will fall. If the value of the assets against which loans are secured decline, there is the risk that the Fund may lose the capital invested if income is insufficient to cover recurring outgoings such as fees, interests and other expenses.

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

Additionally, there is the risk that the Fund may not be able to obtain borrowing on favourable terms.

### 7.2.4 Regulatory Risk

There is no guarantee that existing or future laws, regulations, government subsidies and economic incentives from which renewable energy production 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 Fund, and its ability to source and acquire additional assets for inclusion in its portfolio.

### 7.2.5 Risk of Disaster/Catastrophic Event/Weather Events

Unplanned interruptions and outages outside of the control of the Fund, such as cyclones, earthquakes, fire, explosion, terrorist events, plant breakdowns or the plants failing to achieve their benchmark generation capacity can affect the production of electricity and consequently disrupt the Fund's 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 7.2.8 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 Fund and/or potential decreases in the Fund's dividends/distributions to Investors.

### 7.2.6 Portfolio Diversification 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. There is a risk that the Fund may not be able to source sufficient renewable energy assets which satisfy the Fund's investment criteria, in order to diversify the Fund by geographic location and PPA counterparty.

### 7.2.7 Technological Changes

Technological changes in the power industry generally, and the PV solar industry specifically, may lower electricity prices (see Section 7.2.1). A reduction in long-term electricity prices or the technical obsolescence of the solar generation assets owned by the Fund could negatively impact the Fund's ability to recontract its energy output following the expiry of its existing PPAs.

### 7.2.8 Insurance Risk

Various factors can influence both the cost of maintaining insurance over the direct and indirect assets of the Fund and the extent of cover available. Increased insurance costs, or limits on cover, may have a negative impact on the performance of the Fund, 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 Fund from recovering the amount invested in an asset should an event insured against occur.

### 7.2.9 Tax Risk

Changes in income tax, indirect tax or duty legislation or policy may affect the returns of the Fund. Such changes could result in the distribution policy of the Fund 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.

## 7.3 General Investment Risks

### 7.3.1 Macroeconomic Risks

The renewable energy market and the value of the assets of the Fund 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 and the Investment Committee as well as the Investment Manager's ability to engage its contacts and undertake research in the marketplace.

### 7.3.2 Fund Risk

This risk is relevant to all funds. It includes the risk that the Fund could terminate, the fees and expenses of the Fund 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 Fund 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 Fund.

### 7.3.3 Taxation Risk

There are risks that the tax consequences for an individual Investor or for the Fund with regard to income tax (including capital gains tax), duty and other taxes may differ from the tax consequences described in Section 10 of this Offer Document.

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

### 7.3.4 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 staff or directors of the Company, Responsible Entity, the Investment Manager, Investment Committee or independent advisors.

### 7.3.5 Performance of Other Asset Classes

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

## 7.4 Investor Considerations

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

There may be tax implications arising from an investment in the Fund, the receipt of dividends or distributions from the Fund and the disposal of Stapled Securities. 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 you should seek advice on the matters contained in this Offer Document from a stockbroker, solicitor, accountant or other professional advisor.



## Section 8. Fees and expenses

## 8. Fees and expenses

Government regulation requires the inclusion of the standard consumer advisory warning as set out below. The information in the consumer advisory warning is standardised across all managed investment product issuers and does not provide any specific information on the fees and charges in this Fund.

### 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 Fund 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 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 Fund as a whole. Taxes are set out in Section 10 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.



## 8.1 Fees and Costs

**Table 2. Fees and Costs<sup>1</sup>**

Type of Fee or Cost	Amount	How and when paid
<b>FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE FUND</b>		
ESTABLISHMENT FEE The fee to open your investment	Nil	Not applicable.
CONTRIBUTION FEE The fee on each amount contributed to your investment	Nil	Not applicable.
WITHDRAWAL FEE The fee on each amount you take out of your investment	Nil	Not applicable.
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>		

### Initial Costs

STRUCTURING FEE The fee for structuring and arranging of the Offer.	1.5660% of the gross proceeds raised by the Offer.	The fee is charged by the Responsible Entity out of the Fund on the Issue Date.
HANDLING FEE <sup>2</sup> The fee for handling and arranging Applications for the Offer.	1.5660% of the gross proceeds raised by the Offer.	A fee payable out of the Fund on the Issue Date. This payment is distributed to Licensees.

### Ongoing Fees and Costs of the Fund

RESPONSIBLE ENTITY FEE The fee payable to the Responsible Entity.	0.0836% per annum of the gross asset value of the Trust.	The fee is charged on the gross asset value of the Trust, and is payable monthly out of the Trust.
INVESTMENT MANAGER FEE The fee payable to the Investment Manager by the Fund associated with the investment management of the Fund.	0.7175% per annum of the gross asset value of the Fund.	The fee is charged on the gross asset value of the Fund, and is payable on a monthly basis out of the Fund.
ACQUISITION AND DISPOSAL FEE The fee payable to the Investment Manager by the Fund for acting as advisors on the purchase or sale of the underlying Fund assets.	Acquisition Fee – 1.50% of the purchase price of assets acquired by the Fund.  Disposal Fee – 1.50% of the net proceeds of the sale of any asset of the Fund.	Payable upon the settlement of the acquisition or disposal of any assets of the Fund.

1. The fees in Table 2 above are inclusive of GST and net of RITC, where applicable. (See Section 8.2 "Additional Explanation of Fees and Costs".).

2. This fee is an amount payable to Licensees (see "Structuring and Handling Fees" under the heading "Additional Explanation of Fees and Costs".).

Type of Fee or Cost	Amount	How and when paid
<b>MANAGEMENT COSTS – THE FEES AND COSTS FOR MANAGING YOUR INVESTMENT</b>		
<b>Other Expenses</b>		
<b>OTHER EXPENSES</b> The fees and costs associated with the administration of the Fund, which are to be reimbursed to the Investment Manager by the Fund including registry fees, leasing, tax, custodian, valuation, legal, travel, accounting and audit fees.	Estimated to be 0.30% of the gross asset value of the Fund <sup>3</sup> .	Payable directly out of the assets of the Fund. The Investment Manager has agreed, for a minimum period of 12 months from the Issue Date, to pay any ongoing expenses in excess of 0.55% per annum (inclusive of GST) of the gross asset value of the Fund.
<b>Service Fees</b>		
<b>SWITCHING FEE</b> The fee charged for changing investment options.	Nil	Not applicable.

3. Other expenses estimated based on a capital raising of \$120 million.

**Table 3: Example of Annual Fees and Costs for an Investment in the Fund<sup>1</sup>**

This table gives you 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 – the Fund	Amount	Balance of \$50,000
CONTRIBUTION FEES	Nil	Not applicable.
PLUS Management costs	1.9245% <sup>2</sup>	AND, for every \$50,000 you have in the Fund, you will be charged \$962.25 each year.
EQUALS Cost of Fund	1.9245% <sup>2</sup>	If you had an investment of \$50,000 during a year, you would be charged fees of: \$962.25.

1. The fees in Table 3 above are inclusive of GST and net of RITC, where applicable. (See Section 8.2 "Additional Explanation of Fees and Costs".)

2. Additional fees may apply – a Structuring Fee of 1.5660% (inclusive of GST and net of RITC) and a Handling Fee of 1.5660% (inclusive of GST and net of RITC) of the gross proceeds raised by the Offer will be payable out of the Fund after the close of the Offer. The Handling Fee and Structuring Fee have not been included in the above example because they are upfront fees and are not typical ongoing costs. The example also excludes disposal fees (because no disposals are anticipated by the Fund). See Table 4 for a further breakdown and explanation of the management costs percentage in the above table.

**Table 4: Example of Annual Fees and Costs for an Investment in the Fund<sup>1</sup>**

The following table expands on the information in Table 3 above by setting out the individual amounts payable in respect of each ongoing fee. This excludes certain payments made by the Fund (relating to disposal fees and any other one-off additional fees). Ongoing expenses and acquisition fees have been included, assuming a capital raising of \$120 million, the Fund therefore having \$290 million of assets on the Issue Date and the assumed offshore acquisitions of \$160 million within 12 months of the Issue Date. The following table assumes a \$50,000 investment in the Fund.

Type of Fee or Cost	Amount (% of Fund GAV) <sup>2</sup>	Dollar value
Responsible Entity Fee <sup>3</sup>	0.0794%	\$39.71
Investment Management Fee	0.7175%	\$358.75
Other Expenses <sup>3</sup>	0.30%	\$150.00
<b>Sub total</b>	<b>1.0969%</b>	<b>\$548.46</b>
Acquisition Fee <sup>4</sup>	0.8276%	\$413.79
<b>Estimated Fund Costs<sup>5</sup></b>	<b>1.9245%</b>	<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: \$962.25.</b>

1. The fees in Table 4 are inclusive of GST and net of RITC, where applicable (See Section 8.2 "Additional Explanation of Fees and Costs").
2. Gross asset value.
3. The Responsible Entity Fee is payable on the proportion of the \$50,000 investment that is invested in the Trust.
4. Other expenses are estimated annual fees and costs associated with the administration of the Fund based on the Fund raising \$120 million.
5. Acquisition Fee is indicative only and based on assumed offshore acquisitions of \$160 million in the 12 months following the Issue Date. Acquisition fees will be payable during the acquisition phase of the Fund. 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 Fund is no longer in the acquisition phase, it is expected that ongoing fees will be closer to the sub total of 1.0969% in Table 4 above.
6. It has been assumed that no gearing will apply to the Fund for the purposes of calculating the Estimated Fund Costs.

## 8.2 Additional Explanation of Fees and Costs

### 8.2.1 Structuring and Handling Fees

In respect of this Offer, the Responsible Entity will charge a Structuring Fee of 1.5660% (inclusive of GST and net of RITC) and a Handling Fee of 1.5660% (inclusive of GST and net of RITC) of the gross proceeds of the Offer. The component of the Structuring Fee payable by the Trust will fall under the Trust Constitution. The component of the Structuring Fee payable by the Company will fall under an agreement between the Responsible Entity and the Company. This will be a one-off payment, payable after the Offer Closing Date and due on the Issue Date of Stapled Securities.

The Responsible Entity will distribute the entire Handling Fee to Licensees named in the Application Form and will do this at the direction and with the consent of Applicants pursuant to the Application Form.

An Applicant may, under the declaration in the Application Form, authorise:

- the Responsible Entity to pay their Handling Fee Share from the assets of the Fund to the Applicant's Advisor; and
- the Applicant's Advisor to hold that Handling Fee Share on trust and pay to the Representative out of that Handling Fee Share the amount (if any) disclosed in the Advisor Disclosure Document.

By way of example assume that:

- an Applicant invests \$50,000 into the Fund;
- the Applicant nominates that 1.5660% of the Application amount, being \$783.00, is to be paid the Applicant's Advisor for services provided by the Advisor to the Applicant; and
- as a result of the nomination, the Responsible Entity pays \$783.00 to the Advisor.

Except in relation to the on-payment of the Handling Fee Share, the Responsible Entity does not pay any commission to financial advisors and other intermediaries. You should contact your financial advisor to determine whether any part of the Handling Fee ultimately received by your advisor is rebateable or negotiable in any way.

### 8.2.2 Acquisition and Disposal Fee

The Investment Manager can receive an acquisition fee of 1.50% of the purchase price of assets acquired by the Fund, excluding acquisition costs. Accordingly, if the Fund acquires an offshore asset for \$25,000,000

the Investment Manager will be entitled to a fee of \$375,000 from the Fund on that transaction.

The Board and the Responsible Entity intend for the Fund 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 Fund, 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 Fund 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 Fund 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 Fund on that transaction.

A summary of the agreement relating to this fee and further details regarding this fee are included in Section 12.1.

### 8.2.3 Responsible Entity Fee

The Trust Constitution provides that the Responsible Entity will charge a management fee (referred to as the responsible entity fee) of up to 0.55% per annum (inclusive of GST) of the gross asset value of the Trust and accordingly, the Responsible Entity can increase the management fee it charges the Trust up to that amount without seeking Securityholder approval.

The current fees to be payable by the Trust will be a responsible entity fee of 0.0836% (inclusive of GST and net of RITC) per annum charged on the gross asset value of the Trust payable monthly. RITC has been calculated using a reduced credit acquisition rate of 55%.

There is no comparable fee payable by the Company.

### 8.2.4 Investment Manager Fee

The Investment Manager will charge an investment manager fee of 0.7175% per annum (inclusive of GST and net of RITC) of the gross asset value of the Fund payable monthly.

If the Company and the Trust were to list in the future on a prescribed financial market, and there is no guarantee that they will list or provide any liquidity in Stapled Securities, the investment manager fee would be charged on a different basis, quarterly at 1.0250% per annum (inclusive of GST and net of RITC) on the enterprise value of the Fund.

RITC has been calculated using a reduced credit acquisition rate of 75% for the Company and the Trust.

#### **8.2.5 Expenses Relating to the Management of the Fund**

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 Fund. 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 Fund. All external administration fees and costs are paid out of the assets of the Fund.

Australian Fund Accounting Services Pty Limited (a subsidiary of Dixon Advisory) provides administration and accounting services to the Fund. Time spent by staff is charged to the Fund at agreed rates under a services agreement. Time spent by administrative staff is charged to the Fund at agreed rates under the agreement, capped at \$120,000 per annum. This cost is included in 'other expenses' noted in Tables 2, 3 and 4.

#### **8.2.6 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.

#### **8.2.7 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.

#### **8.2.8 Benefits of the Responsible Entity**

Except for the interest, fees (including but not limited to the Structuring Fee) and remuneration disclosed in this Offer Document, the Responsible Entity and its directors and employees have not received, and are not entitled to, any benefit in relation to the Offer.

Subject to law, directors may receive a salary as employees of the Responsible Entity, consulting fees,

directors fees, dividends and may from time to time hold interests (directly or indirectly) in the Stapled Securities in the Fund or shares in Walsh & Company.

#### **8.2.9 Benefits of the Board**

Except for the interest and remuneration disclosed in this Offer Document, the Board and its directors and employees have not received, and are not entitled to, any benefit in relation to this Offer.

Subject to law, directors may receive directors fees for serving on the Board, consulting fees, directors fees, dividends and may from time to time hold interests (directly or indirectly) in the Stapled Securities in the Fund.

#### **8.2.10 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, whilst 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 Investment Management Fee for 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 Fund 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 10.





# Section 9. Financial information

# 9. Financial information

## 9.1 Unaudited Pro Forma Statements of Financial Position

The unaudited pro forma Statements of Financial Position set out below have been prepared to illustrate the financial position of the stapled group comprising New Energy Solar Limited and its controlled entities and New Energy Solar Fund and its controlled entities (collectively, the Fund) following completion of the Offer and accounting for the expenses associated with the Offer.

These pro forma Statements of Financial Position are intended to be illustrative only and will not reflect the actual position and balances as at the date of this Offer Document or at the completion of the Offer.

This section contains a summary of:

- (a) the auditor reviewed historical Statement of Financial Position of the Fund as at 30 June 2016 (**Half-year Financial Report**);
- (b) the unaudited pro forma Statement of Financial Position of the Fund as at 30 June 2016, adjusted to illustrate the financial position of the Fund following investments in and loans made to controlled entities as at 31 October 2016 principally to fund contractual escrow deposits on the North Carolina Projects (see Section 6 for further information);
- (c) the unaudited pro forma Statements of Financial Position of the Fund as at 30 June 2016 adjusted to illustrate the financial position of the Fund following investments in and loans made to controlled entities as at 31 October 2016 principally to fund contractual escrow deposits on the North Carolina Projects and further adjusted to illustrate the financial position of the Fund following completion of the Offer and accounting for the expenses associated with the Offer at various levels of take up of the Offer;

- (d) material assumptions made in preparation of the unaudited pro forma Statements of Financial Position; and
- (e) the impact of the Offer on the capital structure of the Fund.

The pro forma Statements of Financial Position have been prepared in accordance with the significant accounting policies set out in Section 9.3 and applying the assumptions below. They have not been audited or audit reviewed.

The pro forma Statements of Financial Position are presented in summary form only and do not comply with the presentation and disclosure requirements of Australian Accounting Standards.

The presentation currency of the pro forma Statements of Financial Position is Australian Dollars.

The information in this Section should be read in conjunction with the risk factors set out in Section 7 and other information contained in the Offer Document.

To obtain a copy of the Half-year Financial Report to 30 June 2016, free of charge, please call 1300 454 801 or download a copy from [www.nes.com.au](http://www.nes.com.au). This document contains important financial information about the Fund as at 30 June 2016. It includes the Fund's financial statements, notes to those statements and declarations by the directors of the Responsible Entity and the Company in relation to those statements and notes.

**Table 5: Historical and Unaudited Pro Forma Statements of Financial Position**

A\$'000	Historical as at 30 June 2016	Adjusted 30 June 2016 Pro Forma <sup>1</sup>	Minimum Subscription \$60 million Raised	Maximum Subscription \$120 million Raised	Over Subscription \$200 million Raised
Cash and cash equivalents	172,104	49,187	107,308	165,429	242,923
Investments in controlled entities – at fair value	-	41,092	41,092	41,092	41,092
Other assets	296	296	296	296	296
Loans to controlled entities	-	81,825	81,825	81,825	81,825
Total assets	172,400	172,400	230,521	288,642	366,136
Total liabilities	157	157	157	157	157
Net assets/equity	172,243	172,243	230,364	288,485	365,979
Stapled Securities on issue	113,764	113,764	150,801	187,838	237,221
NAV/NTA per Stapled Security (\$)	1.51	1.51	1.53	1.54	1.54

Note: Figures may not reconcile due to rounding.

1. Pro forma adjustment made to 'Historical as at 30 June 2016' to illustrate the financial position of the Fund following investments in and loans made to controlled entities as at 31 October 2016 which were made principally to fund contractual escrow deposits on the North Carolina Projects (see Section 6 for further information). This does not reflect trading activity and operating results of the Fund since 30 June 2016.

**Table 6: Reconciliation of the Pro Forma Cash Balances**

A\$'000	Historical as at 30 June 2016	Adjusted 30 June 2016 Pro Forma <sup>1</sup>	Minimum Subscription \$60 million Raised	Maximum Subscription \$120 million Raised	Over Subscription \$200 million Raised
Cash	172,104	49,187	49,187	49,187	49,187
Pro Forma adjustment – proceeds of the Offer (refer 9.2(b) to (d))	-	-	60,000	120,000	200,000
Pro Forma adjustment – expenses of the Offer (refer 9.2(e)) <sup>2</sup>	-	-	1,879	3,758	6,264
Pro Forma net cash position	172,104	49,187	107,308	165,429	242,923

Note: Figures may not reconcile due to rounding.

1. Pro forma adjustment made to 'Historical as at 30 June 2016' to illustrate the financial position of the Fund following investments in and loans made to controlled entities as at 31 October 2016 which were made principally to fund contractual escrow deposits on the North Carolina Projects (see Section 6 for further information). This does not reflect trading activity and operating results of the Fund since 30 June 2016.
2. Included in expenses of the Offer are the Structuring Fee of 1.5660% (inclusive of GST and net of RITC) and the Handling Fee of 1.5660% (inclusive of GST and net of RITC) of the gross proceeds of the Offer.

## 9.2 Assumptions

The Pro Forma Statements of Financial Position have been prepared on the basis of the following assumptions:

- a) application of the significant accounting policies set out in Section 9.3;
- b) the column headed “Minimum Subscription \$60 million Raised”, has been prepared on the basis of subscriptions of 37.037 million Stapled Securities by Applicants under this Offer Document at an issue price of \$1.62 per Stapled Security;
- c) the column headed “Maximum Subscription \$120 million Raised”, has been prepared on the basis of subscriptions of 74.074 million Stapled Securities by Applicants under this Offer Document at an issue price of \$1.62 per Stapled Security;
- d) the column headed “Over subscription \$200 million Raised”, has been prepared on the basis of subscriptions of 123.457 million Stapled Securities by Applicants under this Offer Document at an issue price of \$1.62 per Stapled Security;
- e) included in expenses of the Offer are the Structuring Fee of 1.5660% (inclusive of GST and net of RITC) and the Handling Fee of 1.5660% (inclusive of GST and net of RITC) of the gross proceeds of the Offer. (See Section 8.2 “Additional Explanation of Fees and Costs”); and
- f) no interest is earned by the Fund during the Offer period.

## 9.3 Significant Accounting Policies

The accounting policies set out below represent the significant accounting policies adopted by the Fund and in the preparation of the pro forma Statements of Financial Position. The policies described are based on the current structure and activities of the Fund.

### 9.3.1 Basis for Non-Consolidation

The pro forma Statements of Financial Position reflect the combined financial position of the Company and its controlled entities and the Trust and its controlled entities, representing the Fund, and have been prepared to reflect Securityholders’ combined interest in the Company and the Trust by combining 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’ as described in AASB 10 ‘Consolidated Financial Statements’ (refer below). Under AASB 10 an Investment Entity is required to hold its subsidiaries at fair value

through the profit and 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 Statements of Financial Position have been prepared to show the combined 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 and therefore minimal residual value and so while they are expected to be held on a long term basis (25+ years), 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.

### 9.3.2 Functional and Presentation Currency

The pro forma Statements of Financial Position are presented in Australian dollars, which is the Fund's 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 that are outstanding at the reporting date are retranslated at the prevailing exchange rate at the Statement of Financial Position 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.

### 9.3.3 Financial Instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Fund 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

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not measured at fair value through profit and loss, directly attributable transaction costs.

Financial assets are subsequently measured at amortised cost using the effective interest rate method only if the following conditions are met, otherwise they are measured at fair value:

- where a financial asset is held within a business model for the objective to collect contractual cash flows; and
- contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums

or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

Gains and losses on all other financial assets at fair value are recognised in 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.

#### 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 base 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.

#### 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 performance in respect of financial assets where fair value changes are recorded in profit and loss.

#### **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.

#### **Receivables**

Receivables are financial assets with a contractual right to receive fixed or determinable payments. Receivables are recorded at amounts due less any impairment losses. Balances are written off when the probability of recovery is assessed as being remote.

#### **Trade and Other Payables**

Trade and other payables are recognised when the Fund 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.

#### **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.

### **9.3.4 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%.

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 statement of financial position. 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 utilised. 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, whilst 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 for 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 Fund are not in Australia). However, we note that there may be circumstances where the GST recovery could vary from that outlined above.

#### 9.3.5 Revenue Recognition

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 Fund 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 Fund's right to receive the dividend/distribution is established.

#### 9.3.6 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 declared, determined, or publicly recommended by the board of the Company and/or the Responsible Entity.

#### 9.3.7 Critical Accounting Estimates and Judgements

In the application of the Fund's 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.

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. The Company's and

the Trust's investments are therefore measured at fair value for financial reporting purposes. The Board and the Responsible Entity will appoint the Investment Manager to produce investment valuations based upon projected future cash flows. As the assets are expected to be illiquid in nature, these 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.

## 9.4 No Forecasts

The Responsible Entity and the Board make no forecasts or predictions in this Offer Document in relation to the future earnings or financial position of the Fund.

Although the Fund has binding obligations to acquire the North Carolina Projects, there is no certainty when or if the conditions precedent to those acquisitions will be satisfied. Also the Fund has no certainty as to whether or when the California 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 California Projects or other renewable energy assets. Accordingly the Responsible Entity and the Board do not have a reasonable basis on which to make forecasts.

## 9.5 Target Yields

Target yields on investments have been included in Section 6. These yields are estimated cash yields for the specified projects before borrowing, tax and Fund fees. Fund distributions may be less than the actual or target yields on the Fund's assets.



# Section 10. Taxation



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10 November 2016

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

Our ref: MGS/MHH/JLE/ST/557633

Dear Directors

**Australian income taxation, GST and stamp duty consequences of subscribing for Stapled Securities in New Energy Solar**

This letter has been prepared for inclusion in the Offer Document dated on or about 14 November 2016 in relation to the issue of Stapled Securities in the Fund.

This letter provides a general summary of the key Australian income tax, capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty (collectively, **Australian tax**) consequences for Investors who are Australian tax resident individuals, companies and complying superannuation entities that subscribe for Stapled Securities pursuant to the Offer and hold the Stapled Securities on capital account for Australian income tax purposes.

This general summary does not take into account the Australian tax consequences for Investors who are non-residents of Australia for Australian tax purposes, acquire the Stapled Securities otherwise than pursuant to the Offer, acquire the Stapled Securities in the course of trading in securities, or who hold the Stapled Securities on revenue account or as trading stock.

Investors should be aware that the actual Australian tax implications of investing in the Fund may differ from those summarised in this letter, depending on their particular circumstances. Applicants should not rely on this letter, and should seek advice from their own professional taxation adviser regarding the Australian tax consequences of acquiring, holding and selling Stapled Securities in the Fund, having regard to their particular circumstances.

This letter is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this letter. Investors should be aware that any changes (with either prospective or retrospective effect) to the Australian tax laws may affect the taxation treatment of the Fund and the Investors as described in this letter.

This summary is based on the facts as set out in the Offer Document that have not been independently reviewed or verified by Deloitte Tax Services Pty Ltd. The inclusion of this letter in the Offer Document is

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subject to the terms of our consent for its inclusion and to be named in the Offer Document as set out in Section 12.26 of the Offer Document.

The representatives of Deloitte Tax Services Pty Ltd involved in preparing this letter are not licensed to provide financial product advice as defined in the *Corporations Act 2001* (Cth). Investors should consider seeking advice from an Australian financial services licence holder before making any decision in relation to a financial product. Investors should also note that taxation is only one of the matters that needs to be considered when making a decision on a financial product.

Unless otherwise stated, all legislative references contained in this letter are to the provisions of the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) (together, the **Tax Act**), as appropriate. It is noted that any of the tax laws referred to are subject to change periodically, as are their interpretation by the Courts and administrators (e.g., the Australian Taxation Office (**ATO**)). We have no obligation to provide an updated tax letter to reflect such changes.

## 1 Stapled Securities

Each Stapled Security comprises the following:

- One unit (**Unit**) in the New Energy Solar Fund (ARSN 609 154 298), an Australian resident unit trust (**Trust**); and
- One share (**Share**) in New Energy Solar Limited (ACN 609 396 983), an Australian resident company (**Company**).

Whilst each component of the Stapled Security 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.

## 2 Taxation treatment of the Fund

### 2.1 The Trust

Generally speaking, unit trusts such as the Trust are treated as 'flow through' entities for Australian income tax purposes. That is, they are not liable to pay income tax on their net (i.e., taxable) income for an income year, provided that the unit holders are presently entitled to the distributable income of the trust for the income year.

A trust may be taxed as a company if it is a 'public trading trust' as defined in the Tax Act. Provided that the Trust and the entities that the Trust controls (or has the ability to control either directly or indirectly) do not carry on a 'trading business', the Trust should not be treated as a public trading trust. We understand that it is intended that the Responsible Entity (**RE**) of the Trust will not undertake any investment activities that would cause the Trust to be considered as carrying on, controlling or having the ability to control (either directly or indirectly) a 'trading business' for the purposes of the public trading trust rules in Division 6C of Part III of the Tax Act, which would result in the Trust effectively being taxed like a company. On this basis, it is expected that the Trust should qualify as a 'flow through' trust for Australian income tax purposes.

Accordingly, provided that the Investors are made presently entitled to all of the distributable income of the Trust for an income year, the RE should not be subject to Australian income tax in respect of the net income of the Trust.

We have been advised that the Trust satisfied the requirements to be a managed investment trust (**MIT**) in the income year ended 30 June 2016. For the Trust to qualify as a MIT, it must satisfy a number of requirements on an annual basis (e.g., certain licensing requirements, 'widely held' ownership requirements, 'closely held' restrictions and other conditions).

As a MIT, the RE of the Trust can make an irrevocable election (**capital election**) to apply the CGT rules as the primary code for the taxation of gains and losses on the disposal of certain assets (being, primarily, shares, units and real property). We understand that the RE of the Trust made the capital election in the income year ended 30 June 2016. Accordingly, certain assets of the Trust are deemed to be held on capital account. In this regard, capital gains made by the Trust from the realisation of assets covered by the MIT rules that have been held for 12 months or more should qualify for discount capital gains treatment.

## **2.2 The Company**

The taxable income of the Company (i.e., its assessable income (including any net capital gain) less allowable deductions) should be subject to income tax in the hands of the Company at the corporate tax rate (relevantly currently 30%).

## **3 Taxation treatment of Investors**

### **3.1 Acquisition of Stapled Securities**

Each Unit in the Trust, and each Share in the 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.

### **3.2 Distributions from the Trust**

Investors who are presently entitled to a share of the distributable income of the Trust will be required to include in their assessable income their proportionate share of the Trust's net (i.e., taxable) income for each relevant income year.

An Investor's proportionate share of the Trust's net income will be determined by their proportional entitlement to the distributable income of the Trust. There may be circumstances where the calculation of the Trust's net income for income tax purposes and the distributable income are different.

Generally speaking, the Investors will be assessed in the same income year in which the Trust derived the income. This will include Trust distributions that an Investor becomes presently entitled to but may not receive until after the end of that income year.

Each component of the Trust's net income should generally retain its income tax character in the hands of the Investors for income tax purposes.

As the income of the Trust may include interest and other foreign source income, distributions should also be characterised as foreign source income for Australian income tax purposes. In the event that foreign tax is imposed on the income derived by the Trust, Investors may, subject to meeting certain conditions, be entitled to a foreign income tax offset (**FITO**) in respect of these foreign taxes. 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 (ii) the amount of the Australian income tax 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. 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.

The Trust 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 the Trust).

Tax deferred distributions are not assessable to the Investor but, for CGT purposes, will reduce the cost base (and reduced cost base) of the Investor's Units in the Trust (but not below nil). If the cost base of the Units is reduced to nil, the Investor should make a capital gain on any further tax deferred distributions received. Such capital gains may be eligible for discount capital gains treatment, depending on whether the Investor has held the relevant Units in the Trust for at least 12 months and the type of Investor (refer Section 3.4 below). Certain integrity provisions may also apply (refer below).

Distributions of CGT concessions are not assessable to the Investor and should not affect the cost base (or reduced cost base) of the Investor's Units in the Trust for CGT purposes.

The RE will provide an annual tax statement to Investors setting out the details of each Trust distribution.

### **3.3 Distributions from the Company**

Investors who receive dividends paid by the Company should be required to include the dividend and any attached franking credits in their assessable income. Generally, a tax offset should be available for franking credits. However, Investors will not be entitled to obtain a tax offset for franking credits (and will not be required to include this amount in assessable income) unless the Investor satisfies the 'holding period' rule in respect of their Shares.

Generally, the holding period rule requires Investors to hold Shares in the Company 'at risk' for at least 45 days (excluding the dates of acquisition and disposal). However, an Investor should be taken to satisfy the 'holding period' rule if they are an individual, have total franking tax offsets for the relevant income year of \$5,000 or less, and satisfy certain other requirements.

Investors may wish to seek professional tax advice regarding the application of the 'qualified person' provisions to their particular circumstances.

Provided that Investors satisfy the holding period rule and to the extent that the Investor's entitlement to franking credits exceeds their income tax liability for the income year:

- Investors who are Australian resident individuals and complying superannuation funds should be entitled to receive a cash refund of the excess franking credits; and
- Investors that are Australian resident companies may be able to convert excess franking credits into tax losses.

### **3.4 Sale or redemption of Stapled Securities**

A sale or redemption of Stapled Securities will constitute a CGT event, and may result in a capital gain or capital loss for an Investor. As noted above, the CGT rules will apply separately to each component of the Stapled Security (i.e., in respect of each Unit and Share).

A capital gain will arise to the Investor where the capital proceeds received from the sale of Units or Shares are greater than the cost base of the Units or Shares (respectively) for CGT purposes. A capital loss will arise if the capital proceeds from the sale of Units or Shares are less than the reduced cost base of the Units or Shares (respectively) for CGT purposes.

When calculating the capital proceeds in respect of each component of the Stapled Security (i.e., a Unit and a Share), Investors will need to apportion the amount of consideration received on a reasonable basis. We consider that a reasonable method of apportionment would be by reference to the relative net asset values of the Trust and Company.

Any capital gain or capital loss realised in respect of the Units or Shares should be aggregated with any other capital gains or capital losses that the Investor may have in that income year to determine the Investor's net capital gain or net capital loss for that income year. A net capital gain is included in the Investor's assessable income (reduced by the applicable CGT discount, discussed below). Net capital losses



may be carried forward and offset against future taxable capital gains (subject to satisfying any applicable loss recoupment rules), but may not be used to offset revenue gains.

Investors may be able to obtain discount capital gains treatment to reduce net capital gains in respect of Units or Shares if those Units or Shares have been held for at least 12 months and they are a type of taxpayer who is entitled to discount capital gains treatment. The CGT discount is one half in the case of an individual or trust, or one third in the case of a complying superannuation entity. Companies are not entitled to discount capital gains treatment.

Investors who dispose of their Units and Shares within 12 months of acquiring them, or dispose of them under an agreement entered into within 12 months of acquiring the Units and Shares, will not be eligible for discount capital gains treatment.

Integrity rules exist that can prevent the CGT discount being applied to capital gains arising from the disposal of Units or Shares where a majority of the underlying CGT assets of the Trust or the Company (respectively), by value, have not been held for at least 12 months. These integrity rules will not apply if:

- **In relation to the Shares:** An Investor (together with associates) beneficially owns less than 10% by value of the Shares in the Company; or
- **In relation to the Units:** An Investor (together with associates) beneficially owns less than 10% of the voting interests, issued units or other fixed interests in the Trust just prior to the disposal; or
- **In relation to either the Units or the Shares:** The Trust or Company has at least 300 Investors and the ownership of the Trust or Company is not concentrated (ownership will be concentrated if 20 or fewer individuals own, directly or indirectly, at least 75% of the income, capital or voting interests in the Trust or Company respectively).

#### 4 Attribution MIT regime

There is an elective tax regime for trusts that qualify as attribution MITs (**AMITs**). If the RE chooses to apply the regime, that choice is irrevocable.

Broadly, the key features of the AMIT regime include the following:

- An attribution model for determining member tax liabilities, which ensures that amounts derived or 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 ability to reconcile variances between the amounts actually attributed to members for an income year, and the amounts that should have been attributed by using the "unders and overs" regime;
- Deemed fixed trust treatment under the income tax law;
- Annual upward and downward cost base adjustments to address double taxation; and
- Clarification about the taxation treatment of tax deferred and tax free distributions.

The AMIT regime applies to income years starting on or after 1 July 2016 (with the ability to make a choice to apply the AMIT regime for an income year that starts on or after 1 July 2015).

We understand that the RE has not decided whether it will elect to apply the AMIT regime to the Fund (if eligible to do so). If such an election is made, although the manner in which the net income of the Fund is allocated to Investors will be different, there should be no material difference in the outcome for Investors. As the AMIT regime is elective, we would expect that the RE will not elect to apply the AMIT regime if there are any material adverse impacts on Investors.

## 5 Withholding of tax from distributions

The Company and the RE of the Fund are required to deduct Pay-As-You-Go withholding tax from distributions paid to Investors at the highest marginal tax rate plus applicable levies (currently 49%) if the Investor has not quoted either their Tax File Number or Australian Business Number, none of the relevant exemptions apply and, in the case of the Company, to the extent that the dividend is not franked. Investors should generally be entitled to an income tax credit for any such tax withheld.

## 6 GST

The acquisition or disposal of Stapled Securities by Investors should not be subject to GST. Similarly, cash distributions to Investors from the Trust or dividends from the Company should not be subject to GST. Investors that are carrying on an enterprise and that are GST registered are unlikely to be able to recover GST in full on any transaction costs and other costs relating to the acquisition or disposal of the Stapled Securities.

## 7 Stamp duty

### 7.1 Acquisition of Stapled Securities

The initial acquisition of Stapled Securities under the offer document will not be liable to any stamp duty, as the Fund will have no Australian dutiable assets at the time of issue.

### 7.2 Future transactions

For any future acquisition or disposal of the Stapled Securities, a stamp duty liability may arise depending on a number of factors, such as the location of the assets held directly or indirectly by the Fund and whether or not the Trust is regarded as a public unit trust scheme as defined in the various State and Territory stamp duty acts. Investors should seek advice from their own professional taxation adviser regarding stamp duty.

\* \* \*

Yours faithfully



**Matthew Shanahan**

Partner

Deloitte Tax Services Pty Ltd





# Section 11. Overview of the Responsible Entity and corporate governance

# 11. Overview of the Responsible Entity and corporate governance

## 11.1 Role of the Responsible Entity

Walsh & Company is the issuer of Units in New Energy Solar Fund under this Offer Document and is the responsible entity of the Trust. The Responsible Entity is subject to numerous duties under the Corporations Act, including duties to act honestly, exercise care and diligence and act in the best interests of Unitholders.

In accordance with the Corporations Act, Walsh & Company maintains a compliance committee with a majority of external representation. The role of the compliance committee includes monitoring the Responsible Entity's compliance with the compliance plan.

The Responsible Entity is responsible for the overall management of the Trust, including the determination of its strategic direction with the aim of increasing Unitholder wealth through the performance of the Trust.

The role of the Responsible Entity includes:

- a) providing strategic direction and deciding upon the Trust's business strategies and objectives;
- b) monitoring the operations, financial position and performance of the Trust;
- c) identifying the principal risks faced by the Trust and monitoring the effectiveness of systems designed to provide reasonable assurance that these risks are being managed;
- d) taking steps to ensure the Trust's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Unitholders; and
- e) taking steps to ensure Unitholders and consequently Securityholders and the market are fully informed of all material developments.

## 11.2 Background of the Responsible Entity

Walsh & Company holds Australian Financial Services Licence Number 410 433.

Walsh & Company is a wholly owned subsidiary of Dixon Advisory Group, which provides a comprehensive administration service and, where requested, financial advice to over 4,600 clients with a combined asset base of over \$6.0 billion. Dixon Advisory Group also provides financial advisory services, full service investment advisory, corporate finance, estate planning, residential property, mortgage and insurance advisory, and funds management services.

Walsh & Company is also responsible entity for the funds listed below.

- a) The Emerging Markets Masters Fund, an ASX-listed multi-manager fund that invests across the emerging markets universe, targeting global emerging market investment funds. At 31 October 2016, the Emerging Markets Masters Fund had a market capitalisation of approximately \$175 million.
- b) The US Select Private Opportunities Fund, US Select Private Opportunities Fund II and US Select Private Opportunities Fund III, three ASX-listed funds that invest in US small-to-medium sized private investment funds. At 31 October 2016, the US Select Private Opportunities Fund had a market capitalisation of approximately \$83 million and the US Select Private Opportunities Fund II had a market capitalisation of approximately \$119 million and the US Select Private Opportunities Fund III had a market capitalisation of approximately \$77 million.
- c) The US Masters Residential Property Fund, an ASX-listed registered managed investment scheme that is the only Australian-listed trust with a primary strategy of investing in the New York metropolitan area residential property market. As at 31 October 2016, the US Masters Residential Property Fund had a market capitalisation of approximately \$698 million.
- d) Australian Property Opportunities Fund, Australian Property Opportunities Fund II and Australian Property Opportunities Fund III,

a commercial property fund series. Australian Property Opportunities Fund and Australian Property Opportunities Fund II are fully invested following their initial capital raisings in July 2013 and June 2014 (respectively) and together have gross assets of approximately \$450 million. The initial public offer of Australian Property Opportunities Fund III is currently open.

### 11.3 Directors of the Responsible Entity

The three directors of the Responsible Entity have considerable experience in funds management. Details of the directors of the Responsible Entity are set out below.



**ALEX MACLACHLAN** BA (Cornell), MBA (Wharton) | CHAIRMAN

Alex joined Dixon Advisory in 2008 to lead the then newly formed funds management division, Walsh & Company. Alex focused the efforts of the funds management division on providing Dixon Advisory clients 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 the funds management division to over \$2.5 billion of funds under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy.

In addition to his role as CEO of funds management, Alex also leads the strategy and growth of Dixon Advisory USA, a leading provider of urban single-family home rentals in the New York metropolitan area. Alex conceived the idea of establishing a business to acquire and manage homes in urban areas experiencing strong growth and gentrification in 2008. Between 2008 and 2010, Alex researched and developed the investment thesis and business model for what would become Dixon Advisory USA, and in late 2010, Dixon Advisory USA was launched. Today, Dixon Advisory USA manages assets of over \$1 billion and is the largest Australian-listed property trust with a primary strategy of investing in US residential property.

During his career, Alex has developed strong relationships with investment professionals around the globe who provide significant economic and investment insights. This enables Alex to identify and execute unique investment opportunities and take a disciplined approach to investing.



**TRISTAN O'CONNELL** BComm (ANU), CPA | DIRECTOR

Tristan O'Connell joined Dixon Advisory in 2005 as Chief Financial Officer after 10 years' experience in corporate financial and management roles within the wholesale financial markets industry and is currently a director of Walsh & Company Investments Limited, the responsible entity for each of the New Energy Solar Fund, Australian Property Opportunities Fund I, II & III, US Select Private Opportunities Fund I, II & III, Emerging Markets Masters Fund and the US Masters Residential Property Fund.

Tristan's previous roles included Financial Controller of Tullett Prebon in Australia, one of the world's leading inter-dealer broker firms, specialising in over-the-counter interest rate, foreign exchange, energy and credit derivatives. Tristan subsequently held senior finance roles for the Tullett Prebon Group in Singapore and London. Tristan returned to Australia to be responsible for the financial management and growth of Dixon Advisory.

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.



**TOM KLINE** BComm, LLB (HONS) (ANU) | **DIRECTOR**

Tom is the Chief Executive Officer of New Energy Solar. He is a director of Fort Street Real Estate Capital, Chairman of Australian Masters Yield Fund No 4 Limited and Australian Masters Yield Fund No 5 Limited, and a director of Walsh & Company Investments Limited, the responsible entity of New Energy Solar Fund, US Select Private Opportunities I, II & III, Emerging Markets Masters Fund, Australian Property Opportunities Fund I & II and US Masters Residential Property Fund. Tom previously was the Chief Operating Officer of Walsh & Company Investments Limited. Tom continues to work as part of the senior management of Walsh & Company Investments Limited to drive the growth and performance of the business and deliver investment opportunities for investors.

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 mergers and acquisitions 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.

Prior to joining UBS AG, Tom served in the Corporate Finance division of Deloitte. While at Deloitte, he worked in the Transaction Services, Business Modelling and Valuations teams.

Tom has a Bachelor of Commerce and a Bachelor of Laws (with honours) from Australian National University.

## 11.4 Role of the Board

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. Further details of the Company Constitution are specified in Section 12.3.

## 11.5 Directors of the Company

**ALEX MACLACHLAN** BA (Cornell), MBA (Wharton) | **CHAIRMAN**

See Section 11.3 for further information.



**WARWICK KENEALLY** BEc, BComm (ANU), CA | **DIRECTOR**

Warwick is currently 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 Australian National University and is a Member of the Institute of Chartered Accountants in Australia.



**TOM KLINE** BComm, LLB (HONS) (ANU) | DIRECTOR

See Section 11.3 for further information.

No director of the Company or the Responsible Entity has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a director of the Company or the Responsible Entity or which is relevant to an investor's decision as to whether to subscribe for Stapled Securities.

No director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer of within a 12 month period after they ceased to be an officer.

Under the Company Constitution fees and additional remuneration may be paid to the directors. The current directors do not propose to be paid any remuneration.

## 11.6 Directors and Advisors of the Investment Manager

**ALEX MACLACHLAN** BA (Cornell), MBA (Wharton) | CHAIRMAN

See Section 11.3 for further information.

**TOM KLINE** BComm, LLB (HONS) (ANU) | DIRECTOR

See Section 11.3 for further information.



**ALISTAIR CRAIB** BE (Hons) (UWA), BCom (UWA) | INDUSTRY CONSULTANT

Alistair is an electrical engineer with over 15 years' of funds/asset management, principal investment, debt finance, corporate advisory and construction/operations experience in the infrastructure, utilities and renewable energy sectors. In particular, Alistair has over 10 years of renewable energy sector experience.

Alistair previously worked as part of the Macquarie Infrastructure and Specialised Funds division and was involved in the establishment of the listed Macquarie Communications Infrastructure Fund and Macquarie Airports entities. Subsequently, and following several years as a corporate adviser and project financier for UBS Investment Bank, Alistair was part of the core team that established UBS Infrastructure Asset Management, a division of UBS focusing on direct global infrastructure and energy acquisitions, which successfully raised US\$1.55 billion for its flagship fund. During this time, Alistair evaluated a number of renewable and solar PV opportunities and led a number of direct energy and infrastructure asset acquisitions both within Australia and internationally.

Between 2009 and 2014, Alistair was the Chief Executive of the \$800 million UBS controlled Collgar Wind Farm, a 206MW greenfield wind farm located in Western Australia. Alistair was responsible for the initial project and resource assessment, arranging the debt financing (including export credit agency funding), asset acquisition, construction and initial operations. At the time of construction completion in early 2012, Collgar was the largest single stage renewable energy project in the southern hemisphere.

Through these roles Alistair has gained significant experience and contacts within the renewable energy sector as well as hands on construction and management of renewable energy projects.

Alistair is passionate about renewable energy and is very involved in the Australian renewable energy sector. He is also currently Chairman of ALTRAC Light Rail, the entity responsible for the construction of the \$2.1 billion Sydney Light Rail project in Sydney's CBD, after playing a key role in the successful tender for the project.

## 11.7 Role of the Investment Manager

New Energy Solar Manager Pty Limited is the Investment Manager of the Company and the Trust. Under the Investment Management Agreement the Investment Manager, will among other things:

- identify investment opportunities through in-depth analysis;
- undertake due diligence to provide information necessary for the Investment Committee, Responsible Entity and the Board to consider the acquisition. Ultimately the Responsible Entity and/or the Board will make the final investment decision, depending on the current or intended owner of the asset;
- manage the execution of the Fund's investment strategy using its negotiating expertise;
- engage operations and maintenance providers, where not in place at acquisition, and on an ongoing basis, manage and review performance of such providers;
- provide recommendations to the Investment Committee, Responsible Entity and the Board on procuring debt for asset acquisitions and assist in coordinating the capital management strategy of the Fund;
- make recommendations to the Responsible Entity and the Board on asset exit strategies and liquidity options for Investors;
- seek to maximise the value of the Fund's assets;
- negotiate with power purchasers;
- assist in procuring third party advisors to provide support (where required) in the assessment of investment opportunities, procure debt for acquisitions or refinancing and provide other third party services as reasonably required;
- advise, provide recommendations, and execute asset exit strategies; and
- advise, provide recommendations, and execute on liquidity events for Investors.

All substantive decisions regarding both acquisition and disposal of investments will be made by the Board and/or the Responsible Entity, depending on the current or intended owner of the asset.

## 11.8 Key Management Team

**ALEX MACLACHLAN** BA (Cornell), MBA (Wharton) | CHAIRMAN

See Section 11.3 for further information.

**TOM KLINE** BComm, LLB (HONS) (ANU) | MANAGING DIRECTOR AND CEO

See Section 11.3 for further information.



**LIAM THOMAS** BAgribus (CU), MSc (CU), MBA (UOM) | DIRECTOR – INVESTMENTS

Liam has extensive experience with listed companies in the areas of mergers and acquisitions, corporate and business development, projects, contracts and commercial management, across the energy, infrastructure, mining and agribusiness sectors. Before joining New Energy Solar, Liam was a senior member of the International development team at Origin Energy focused on the investments and development strategy for Utility-Scale solar portfolios, along with hydroelectric and geothermal development projects, in Latin America and South-East Asia.

Liam's previous roles include General Manager of Commercial Development at Aurizon, Australia's largest rail operator, focused on the acquisition and development of large-scale rail and port infrastructure projects; Commercial Manager for the North West Infrastructure iron ore port joint venture; and Project Manager at Orica, focused on the expansion of Orica's iron ore business and manufacturing capability in Western Australia.

Liam holds a Bachelor of Agribusiness and Master of Science from Curtin University, and a Masters of Business Administration from The University of Melbourne.

## 11.9 Role of the Investment Committee

The Investment Committee's role is to make recommendations to the Responsible Entity and the Board in relation to the Fund's investments and recommendations and proposals from the Investment Manager.

The Investment Committee currently comprises three members:

- Alan Dixon, a representative of New Energy Solar Limited;
- Alex MacLachlan, a representative of the Responsible Entity; and
- Tom Kline, a representative of the Investment Manager.

The Investment Committee will among other activities:

- a) Review and make recommendations to the Responsible Entity and Board in respect of:
  - asset due diligence proposals and asset acquisition proposals prepared by the Investment Manager;
  - debt financing proposals procured by the Investment Manager; and
  - asset disposal proposals prepared by the Investment Manager.
- b) To review the periodic reviews undertaken by the Investment Manager in relation to the performance of all assets held by the Fund and the performance of the obligations of the Investment Manager under the Investment Management Agreement. Such reviews will be undertaken having regard to the Fund's original and amended (as applicable) acquisition strategies, including (but not limited to):
  - i. operating cash flows of each asset;
  - ii. capital expenditure programs and forecasts; and
  - iii. compliance with debt covenants.

These reviews will be based on (amongst other things) reports prepared by the Investment Manager.

- c) any other matters related to (a) and (b).

If the Investment Committee is not satisfied with the information, reports or proposals being submitted to it, it may request further information from the Investment Manager before making a recommendation to the Responsible Entity and the Board on any particular proposal. The Investment Committee may endorse, decline or request amendments to the recommendations of the Investment Manager when submitting its recommendation to the Responsible Entity and the Board.

The Responsible Entity and the Board are not bound by the recommendations of the Investment Committee.

With limited exceptions, all recommendations of the Investment Committee are required to be agreed upon by a majority of its members. Where a decision may be made by the Investment Committee by majority decision, if there is an equality of votes, the nominee of the Responsible Entity has a casting vote in addition to his deliberative vote.

## 11.10 Members of the Investment Committee

**ALEX MACLACHLAN** BA (Cornell), MBA (Wharton) | CHAIRMAN

See Section 11.3 for further information.

**TOM KLINE** BComm, LLB (HONS) (ANU) | DIRECTOR

See Section 11.3 for further information.



**ALAN DIXON** BComm (ANU), CA | CEO – Dixon Advisory USA

Alan joined Dixon Advisory, in Canberra, in 2001. Dixon Advisory was founded in 1986 by his father, Daryl, as a leading consultant on retirement strategies and advice. By 2001, the firm was one of Australia's leading independent advisors and consultants. Alan joined with the vision of expanding it to be a full-service private wealth management business focused on the then nascent self-managed superannuation (SMSF) sector. Under Daryl's Chairmanship and Alan's role as the Group Managing Director, Dixon Advisory grew from under \$200 million of funds under advice in 2001 to over \$6.0 billion today, a compound annual growth rate of approximately 25% for more than a decade, with the business now employing over 400 staff across offices in Sydney, Melbourne, Canberra and New York.

Dixon Advisory is today the largest privately owned, vertically integrated wealth management business focused on the SMSF sector. Alan relocated to New York full-time in early 2012 to manage the growing operations of Dixon Advisory USA. Applying his experience at Dixon Advisory in building an institutional business in a highly fragmented retail industry, Alan has rapidly built Dixon Advisory USA into a leader in the urban single-family home rental business, building a highly scalable, vertically integrated operation covering all aspects of the single-family property investment cycle. Today, Dixon Advisory USA employs a staff of 130, manages a portfolio of over \$1 billion and is the only real estate investment trust focused on New York metropolitan area single family homes.

Prior to joining Dixon Advisory, Alan was a successful property investment banker at Ord Minnett, a predecessor firm to JP Morgan, and ABN AMRO Corporate Finance, and commenced his career at Price Waterhouse.

Alan has a Bachelor of Commerce from Australian National University and is a Member of the Institute of Chartered Accountants in Australia. He is an SPAA Accredited SMSF Specialist Advisor™.

# Section 12. Additional information



# 12. Additional information

## 12.1 Investment Management Agreement

The Responsible Entity, the Company and the Investment Manager have entered into an agreement dated 3 December 2015 (**Investment Management Agreement**) under which the Investment Manager provides investment management services to the Trust and the Company in return for payment of a management fee, which incorporates a base management fee, an acquisition fee and a disposal fee.

The Investment Management Agreement has an initial term of 10 years, which runs from 12 February 2016, with automatic one year extensions thereafter. Under this agreement, the Investment Manager is generally responsible for sourcing, assessing and recommending asset acquisitions and disposals to the board of the Responsible Entity and the Board. Subject to their duties at law, neither the Responsible Entity nor the Company may acquire or dispose of an asset unless it has received a recommendation from the Investment Manager to proceed.

The Company and the Responsible Entity, acting together, may terminate the agreement after the initial 10 year term on three months' written notice to the Investment Manager, without cause.

The Company and the Responsible Entity, acting together, may terminate the agreement with immediate effect if:

- an insolvency event occurs with respect to the Investment Manager; or
- the Investment Manager commits a material, unrectifiable breach of the agreement, or, if the breach is rectifiable, the Investment Manager fails to do so within 30 days of being notified of the breach.

## 12.2 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 8.2.3).

### 12.2.1 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.

The Trust Constitution contains provision for calculating 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.

### 12.2.2 Stapling

The Responsible Entity may, subject to the Corporations Act, cause the stapling of any security to the Units, that is, by linking the Units and the other security together so that one may not be dealt with without the other or others. The Responsible Entity may cause the stapling of further securities to the Units, whether those securities are a different class from those stapled at the time. In every case, the corresponding number of attached securities of every kind is stapled to each Unit.

For the time the Units are stapled, the Responsible Entity must not issue Units unless satisfied that they will be stapled to the corresponding number of each attached security to form a Stapled Security, and must only deal with Units together with the corresponding attached securities. While the Units are stapled, the consent of each other stapled entity must be obtained for any variation of the stapling provisions in the Trust Constitution. Any determination by the Responsible Entity to unstaple the Units must be approved by special resolution of Unitholders and special resolution of attached securityholders, respectively. Meetings of Unitholders may be held in conjunction with the meetings of the holders of attached securities.

### 12.2.3 Income

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.

A distribution may be paid in cash, assets or by way of Units. The Responsible Entity may deduct from distributions any tax that is required by law to be deducted.

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.

### 12.2.4 Refund of Surplus Capital: 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.

In the event that the Trust remains stapled to another entity and Unitholders and attached securityholders have passed all necessary approvals to reallocate capital from the Trust to the stapled entity, the Responsible Entity may designate that amount as a trust capital reallocation amount.

If stapled entity securityholders have approved a variation of their class rights to increase the liability attached to those securities and all other approvals have been received, the Responsible Entity will pay the trust capital reallocation amount to the stapled entity on behalf of all those who were Unitholders on the proposed payment record date, to extinguish that increased liability in full.

### 12.2.5 Liability of Unitholders: Capital Reallocation from Stapled Entity to Trust

While the Units are fully paid, a Unitholder's liability is limited to its investment in the Trust.

In the event that a stapled entity (such as the Company) declares a return of surplus capital to its securityholders (**Stapled Entity Capital Reallocation Amount**) Unitholders may approve an increase in the liability attached to Units by an amount (**Trust**

**Contribution Amount**) which, in aggregate, is equivalent to the Stapled Entity Reallocation Amount.

On the implementation date for the capital reallocation from Company to Trust, each Unit held by Unitholders on the capital reallocation record date is deemed to be subject to a call for the Trust Contribution Amount, and the Responsible Entity must accept the Stapled Entity Capital Reallocation Amount from the stapled entity in full satisfaction of that call. On the Responsible Entity's receipt of the Stapled Entity Capital Reallocation Amount, each Unitholder will have no further liability under that Trust Contribution Amount to contribute to the capital of the Trust.

Approval of any Trust Contribution Amount is a variation of Unitholder class rights, and must be approved by special resolution of Unitholders.

#### 12.2.6 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.

### 12.3 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 until the expiry of this Offer Document.

### 12.4 Rights Attaching to the Shares

Each Share confers on its holder:

- the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (1 vote per Shareholder) and on a poll (1 vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- the right to receive dividends, according to the amount paid up on the Share;

- the right to receive, in kind, the whole or any part of the Company's assets in a winding up, subject to priority given to holders of Shares that have not been classified as "restricted securities" and the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- subject to the Corporations Act and the stapling provisions, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

#### 12.4.1 Stapling

The Company may, subject to the Corporations Act, cause the stapling of any security to the Shares, that is, by linking the Shares and the other security together so that one may not be dealt with without the other or others. The Company may cause the stapling of further securities to the Shares, whether those securities are a different class from those stapled at the time. In every case, the corresponding number of attached securities of every kind is stapled to each Share.

For the time the Shares are stapled, the Company must not issue Shares unless satisfied that they will be stapled to the corresponding number of each attached security to form a stapled security, and must only deal with Shares together with the corresponding attached securities. While the Shares are stapled, the consent of each other stapled entity must be obtained for any variation of the stapling provisions in the Company Constitution. Any determination by the Company to unstaple the Shares must be approved by special resolution of Shareholders and special resolution of attached security holders, respectively. Meetings of Shareholders may be held in conjunction with the meetings of the holders of attached securities.

#### 12.4.2 Refund of Surplus Capital: Capital Reallocation from Company to Stapled Entity

Subject to the Corporations Act, the Company may decide to pay amounts to Shareholders representing part of the capital of the Company.

In the event that the Company remains stapled to another entity, and Shareholders and attached securityholders have passed all necessary approvals to reallocate capital from the Company to the stapled entity, the Company may designate that amount as a Company Capital Reallocation Amount.

If stapled entity securityholders have approved a variation of their class rights to increase the liability attached to those securities and all other approvals have been received, the Company will pay the

Company Capital Reallocation Amount to the stapled entity on behalf of all those who were Shareholders on the capital reallocation payment record date, to extinguish that increased liability in full.

#### 12.4.3 Liability of Shareholders: Capital Reallocation from Stapled Entity to Company

While the Shares are fully paid, a Shareholder's liability is limited to its investment in the Company.

In the event that a stapled entity (such as the Trust) declares a return of surplus capital to its securityholders (**Stapled Entity Capital Reallocation Amount**) Shareholders may approve an increase in the liability attached to Shares by an amount (**Company Contribution Amount**) which, in aggregate, is equivalent to the Stapled Entity Reallocation Amount.

On the implementation date for the capital reallocation from stapled entity to Company, each Share held by Shareholders on the capital reallocation record date is deemed to be subject to a call for the Company Contribution Amount, and the Company must accept the Stapled Entity Capital Reallocation Amount from the stapled entity in full satisfaction of that call. On the Company's receipt of the Stapled Entity Capital Reallocation Amount, each Shareholder will have no further liability under that Company Contribution Amount to contribute to the capital of the Company.

Approval of any Company Contribution Amount is a variation of Shareholder class rights, and must be approved by special resolution of Shareholders.

## 12.5 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;
- the duties and obligations of the parties, including duties in relation to stapling;
- retirement of the Responsible Entity; and
- the limited liability of the Responsible Entity.

## 12.6 Status of the Fund's Projects

The current status of each of the Fund's intended or proposed investments is provided in Section 6.

## 12.7 PPA Contracts and Offtake Agreements

Once the Fund's assets have reached commercial operation, the Fund will have a high level of contracted cash flows, with long term PPAs in place under which the purchase price for electricity and RECS are fixed for a period of time.

Further details about the Fund's projects can be found in Section 6.

As the Fund's PPAs have fixed prices, they provide the Fund with revenue certainty and protection against low electricity and SREC spot prices. Whilst providing long term price certainty, the fixed price nature of the PPAs also caps the Fund's revenue in high spot price scenarios.

**Table 7: Summary of the Fund's PPAs and Offtake Agreements**

Project	Counterparty	Volume Contracted	Expiry	Pricing
NC-31	Duke	100% of electricity	2027	Fixed
NC-31	Subsidiary of VivoPower	100% of RECs	2027	Fixed
NC-47	Duke	100% of electricity	2027	Fixed
NC-47	Subsidiary of VivoPower	100% of RECs	2027	Fixed

Generally, PPAs include the following features described below:

The project entity is required to deliver all power output to the Offtaker. The PPA typically sets out a target production amount. PPAs may also include 'green attributes' such as RECs (although it should be noted that not all PPAs cover RECs, as these may be covered by separate Offtaker agreements).

The Offtaker agrees to pay specified fixed rates for the delivered power.

The Offtaker may terminate the PPA prior to the end of the term, and claim damages, 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.

## 12.8 O&M Contracts

The largest cost of operating a solar farm is the ongoing operating and maintenance (**O&M**) cost of the panels and associated equipment. The Fund will seek to have comprehensive arrangements in place with reputable O&M providers for all of its assets, with limited exposure to unscheduled maintenance costs.

These contracts cover matters required to maintain the solar farm’s production, availability and connection into the wider electricity transmission network.

**Table 8: Summary of the Fund’s O&M arrangements**

Project	Provider	Pricing	Expiration of Contract	Extensions
NC-31	GranSolar	Fixed + Escalator	2018	1 year extensions by mutual agreement
NC-47	DEPCOM	Fixed + Escalator	2019	1 year extensions by mutual agreement

Generally under O&M contracts, 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.

## 12.9 Investments in Controlled Entities

The Fund has a US corporation (**US Holdco**) to hold its US investments either directly or indirectly. The Company owns all of the equity in US Holdco and the US Holdco 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, US Holdco will set up a wholly owned US entity for each project and that entity will invest into partnerships as described in Section 3.10.

## 12.10 Key Corporate Governance

### 12.10.1 Corporate Governance

The Board and the Responsible Entity, where appropriate, benchmark the Fund against the 3rd Edition of the Corporate Governance Principles & Recommendation 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 Statement and Charter and are made available to Securityholders on the Fund’s 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.

### 12.10.2 Continuous Review of Corporate Governance

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.

The Corporate Governance Charter of the Trust and the Company documents the Continuous Disclosure Policy adopted by the Responsible Entity and the Board.

The Board and the Responsible Entity will also provide periodic reports to Securityholders to meet their financial reporting obligations and place announcements on the Fund’s website as appropriate.

### 12.10.3 Continuous Disclosure Policy

The Trust and the Company are a 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.

The Fund will also provide periodic reports to Securityholders to meet its financial reporting obligations and place announcements on its website as appropriate.

## 12.11 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 Fund, 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 8 for further information.

The Responsible Entity and the Company may also seek professional services for the Fund, 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 Fund, the Trust and the Company are:

- a) accounting, taxation, legal and compliance;
- b) debt arrangement;
- c) financial structuring and underwriting;
- d) product distribution; and
- e) corporate advice.

Please refer to this Section 12 for a summary of material contracts the Responsible Entity and the Company have entered into with related parties. The risks associated with related party transactions are set out in Section 7.1.12.

## 12.12 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 by writing to us at the address shown in the directory at the back of this Offer Document. The Trust Constitution provides that complaints in writing will be acknowledged immediately or as soon as practicable and responded to not more than 45 days after receipt by the Responsible Entity.

If you are unsatisfied with the outcome, you can contact the Credit and Investments Ombudsman – which is independent from us, on 1800 138 422.

## 12.13 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 Fund, you authorise us to accept instructions provided by these methods.

## 12.14 What Documents are Disclosed?

The Trust and the Company are disclosing entities for the purposes of Section 111AC(2) of the Corporations Act and as such, are subject to regular reporting and disclosure obligations. Broadly, these continuous disclosure obligations require the Trust and the Company to:

- a) prepare and lodge with ASIC half yearly financial statements accompanied by a director's statement and report, and an audit or review report in addition to the annual audited financial statements and reports required under the Corporations Act; and
- b) immediately notify ASIC of any information concerning the Fund of which it is, or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Units or Shares (as applicable), subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to the Trust and the Company may be obtained from or inspected at an office of ASIC. The Responsible Entity and the Company will also provide a copy of any of the above free of charge on request. To obtain a copy please call 1300 454 801 or download a copy from [www.nes.com.au](http://www.nes.com.au).

The Board and the Responsible Entity intend to update the Regulatory Guide 231 disclosure (see Section 2) annually and at other times following material changes. These updates will be available from [www.nes.com.au](http://www.nes.com.au).

## 12.15 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;
- b) deal with itself (as Responsible Entity of the Trust or in another capacity, as applicable), an associate or with any Securityholder;
- c) be interested in any contract or transaction with itself (as Responsible Entity of the Trust or in another capacity, as applicable), an associate or with any Securityholder or retain for its own benefit any profits or benefits derived from any such contract or transaction; and
- d) act in the same or a similar capacity in relation to any other managed investment scheme.

## 12.16 Privacy

When you apply to invest in the Fund, 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 Fund 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 Fund.

Under the Privacy Act 1988 (as amended), Applicants may request access to their personal information held by (or on behalf of) the Fund. Applicants may request access to personal information by telephoning or writing to Walsh & Company.

We collect personal information from you in order 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.

A copy of the privacy policy of the Fund is available to Applicants on request.

## 12.17 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.

## 12.18 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 and accounts.

Australia has signed an intergovernmental agreement (IGA) with the US to implement FATCA in Australia. The FATCA provisions were introduced through Division 396 in Schedule 1 of the Taxation Administration Act 1953 (Cth), to be administered by the Australian Tax Office (ATO). Under the IGA and FATCA provisions, Reporting Australian Financial Institutions have due diligence and reporting obligations.

The Responsible Entity and the Company are Reporting Australian Financial Institutions under the IGA. The Responsible Entity and the Company intend to fully comply with their FATCA obligations as determined by the FATCA regulation, the IGA 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 US Persons, 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 to comply with their FATCA obligations, the Responsible Entity on behalf of the Trust and the Company are obligated to request certain information from its investors. Certain information collected will be reported to the ATO which will in turn report this information to the US Internal Revenue Service.

The Fund, the Responsible Entity and the Company are not liable for any loss an investor may suffer as a result of their compliance with FATCA.

The Fund, the Responsible Entity and the Company will also provide information about their FATCA status when required so that FATCA withholding is not applied to payments received on its investments (for example dividends paid on US securities). If the Responsible Entity (on behalf of the Trust) or the Company 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 Fund.

This information is of a general nature only. Please consult your tax advisor should you wish to understand the implications of FATCA on your particular circumstances.

## 12.19 W-8 Forms

The Board and the Responsible Entity initially intend to focus on solar energy assets in the US, Australia and select Asian markets. Where the Fund invests in US entities, the Fund may be subject to withholding tax.

Completion of a W-8 form may have the benefit of exempting Securityholders from withholding tax in the US. Prior to the payment of the first distribution the Board and the Responsible Entity currently intends to request W-8 forms (W-8BEN, W-8BEN-E, W-8IMY, W-8EXP) from its Securityholders. 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 will not be eligible for relief from any US withholding tax.

## 12.20 Interests of Directors of the Company

Other than as set out below or elsewhere in this Offer Document, no Director of the Company or proposed director:

- has or had at any time during the two years preceding the date of this Offer Document an interest in the formation or promotion of the Company, or in any asset acquired or proposed to be acquired by the Company or in the Offer; and
- has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director of the Company or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

## 12.21 Remuneration of Directors of the Company

The directors of the Company will be entitled to receive remuneration as set out in Section 8.2.9.

## 12.22 Interests of Directors

Under the Constitution, each director of the Company (other than a managing director or an executive director) may be paid remuneration for ordinary services performed as a director of the Company.

Directors of the Company may also be reimbursed for reasonable travel and other expenses incurred in attending to the Company's affairs.

## 12.23 Directors' Interests in Stapled Securities

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 Fund; or
- Licensee named in this Disclosure Document as a 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 Fund;
- 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 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 Fund 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.

## 12.24 Indemnification of Directors and Officers

The Company has entered into director protection deeds with each director of the Company. 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.

## 12.25 Interests of Advisors

Other than as set out below, no person named in this Offer Document as providing professional or advisory services in connection with the preparation of this

Offer Document or any firm in which any such person is a partner:

- has or had at any time during the two years preceding the date of the Offer Document, any interest in the formation or promotion of the Company, or in any asset acquired or proposed to be acquired by the Company or the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Deloitte Tax Services Pty Limited has acted as taxation adviser to the Company and the Trust in connection with the Offer. The Responsible Entity and the Company has paid, or agreed to pay, approximately \$20,000 (excluding disbursements and GST) to Deloitte Tax Services Pty Limited for these services at the date of this Offer Document Date. Further amounts may be paid to Deloitte Tax Services Pty Limited in accordance with its timed-based charge-out rates.

## 12.26 Consents to be Named and Disclaimers of Responsibility

Each of the parties referred to below (each a **Consenting Party**) has given, and has not, before the lodgement of this Offer Document with ASIC, withdrawn its written consent to being named in the Offer Document in the form and context in which it is named:

- (a) Deloitte Tax Services Pty Limited;
- (b) Deloitte Touche Tohmatsu;
- (c) Link Market Services Limited; and
- (d) New Energy Solar Manager Pty Limited.

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.

The issue of this Offer Document has been authorised by each director of the Company and the Responsible Entity. Each director of the Company and the Responsible Entity has consented to the lodgement and issue of this Offer Document and has not withdrawn that consent.

# Section 13. Glossary



# 13. Glossary

<b>\$</b>	Australian dollars
<b>AC</b>	Alternating current is an electric charge, which is the primary form of electricity used in domestic and commercial applications
<b>Advisor</b>	For an applicant, the Licensee identified as the 'Advisor' in the Application Form
<b>Advisor Disclosure Document</b>	The statement of advice or the financial services guide provided to the Applicant by the Representative or the Advisor
<b>AEDT</b>	Australian Eastern Daylight Time
<b>AFSL</b>	Australian Financial Services Licence
<b>Applicant</b>	An applicant for Stapled Securities under this Offer Document
<b>Application</b>	An application for Stapled Securities 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 Application Price multiplied by the number of Stapled Securities applied for
<b>Application Price</b>	Application price per Stapled Security of \$1.62
<b>ASIC</b>	Australian Securities & Investments Commission
<b>ASX</b>	Australian Securities Exchange Limited
<b>Board</b>	The board of directors of the Company
<b>Company</b>	New Energy Solar Limited (ACN 609 396 983)
<b>Company Constitution</b>	The constitution of the Company
<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 Group or Dixon Advisory</b>	Dixon Advisory Group Pty Limited (ACN 080 207 076) and its subsidiaries
<b>FERC</b>	The Federal Regulatory Commission

<b>Fund or New Energy Solar</b>	The Trust and the Company and their controlled entities
<b>GDP</b>	Gross domestic product
<b>Gigawatt (GW)</b>	Gigawatt – a unit of electric power 1GW = 1,000 MW
<b>Grid Parity</b>	Has the meaning given to it in Section 5.1
<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>Handling Fee</b>	A one-off payment payable out of the Fund to the Responsible Entity, which will be on-paid to Licensees in accordance with the Application Form
<b>Handling Fee Share</b>	For an Applicant, the fee specified as the 'handling fee' in respect of their Application, in their Application Form
<b>IEA</b>	The International Energy Agency
<b>Investment Committee</b>	The Investment Committee of the Fund
<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 12.1
<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 whose Application Form is accepted by the Responsible Entity and the Company
<b>Issue Date</b>	The issue of Stapled Securities to Investors following the Offer Closing Date
<b>ITC</b>	Investment tax credits
<b>Kilowatt (kW)</b>	Kilowatt – a unit of electric power 1kW = 1,000W
<b>KWh</b>	Kilowatt hours
<b>Licensee</b>	A holder of an AFSL which may include a related party of the Responsible Entity such as Dixon Advisory Superannuation Services Limited
<b>Megawatt (MW)</b>	Megawatt – a unit of electric power 1MW = 1000kW
<b>Minimum Subscription</b>	A minimum subscription of 46,875,000 Stapled Securities
<b>MWh</b>	Megawatt hours
<b>Nameplate Capacity</b>	The number registered as the power output of a power station

<b>NAV</b>	Net asset value of the Fund
<b>North Carolina Projects</b>	The projects described in Section 6.1
<b>NTA</b>	Net tangible assets of the Fund
<b>O&amp;M</b>	Operations and maintenance
<b>Offer</b>	The offer of Stapled Securities under this Offer Document to raise gross proceeds of up to \$120 million with the ability to accept oversubscriptions for a further \$80 million
<b>Offer Closing Date</b>	The date by which valid acceptances must be received by the Responsible Entity and the Company being 5 December 2016 or such other date as may be determined in accordance with this Offer Document
<b>Offer Document</b>	This offer document dated 14 November 2016 and lodged with ASIC on that date
<b>Offer Opening Date</b>	Expected to be 14 November 2016
<b>Offtaker</b>	A purchase of power and/or RECs under a PPA
<b>PPA</b>	Power purchase agreement as described in Section 3.9 and Section 12.7
<b>PV</b>	Photovoltaic being a method of converting solar energy into direct current (DC) electricity
<b>REC</b>	Renewable Energy Certificate
<b>Registry</b>	Link Market Services Limited (ACN 083 214 537)
<b>Representative</b>	For an Applicant, the person identified as the 'Representative' in the Application Form
<b>Responsible Entity</b>	Walsh & Company Investments Limited (ACN 152 367 649) (AFSL 410 433)
<b>RITC</b>	Reduced input tax credit arising under the GST Act
<b>S&amp;P 100</b>	The Standard & Poors 100 index
<b>Securities Act</b>	US Securities Act of 1933
<b>Securityholder</b>	A holder of a Stapled Security
<b>Share</b>	An ordinary share in the Company
<b>Shareholder</b>	A holder of a Share
<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 3.8
<b>Structuring Fee</b>	A one-off structuring fee equal to 1.5660 % (inclusive of GST and net of RITC) of the gross proceeds of the Offer under this Offer Document

<b>Tax Equity Investor</b>	Investors that seek to benefit from the US tax benefits of a transaction that could otherwise not be used in the near term by the Fund
<b>Trust</b>	New Energy Solar Fund (ARSN 609 154 298)
<b>Trust Constitution</b>	The constitution of the Trust
<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>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>Utility-Scale</b>	Large scale generation plants used to provide electricity to the grid or to large scale end-users
<b>Walsh &amp; Company</b>	Walsh & Company Investments Limited (ACN 152 367 649) (AFSL 410 433)





# Section 14. Directory

# 14. Directory

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## Fund

**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](mailto: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

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## Auditor and Tax Advisor

Auditor

**Deloitte Touche Tohmatsu**

Tax Advisor

**Deloitte Tax Services Pty Limited**

Grosvenor Place, 225 George Street  
Sydney NSW 2000  
Telephone: +61 2 9322 7000  
Fax: +61 2 9322 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

## Registry

**Link Market Services Limited**

Level 12, 680 George Street  
Sydney NSW 2000

# Section 15. How to invest

# 15. How to invest

## 15.1 Application for Stapled Securities

You 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) and complete the Application Form in accordance with the instructions contained within the Application Form.

Applications and Application Monies for Stapled Securities under the Offer received after 5:00pm (AEDT) on the Offer Closing Date will not be accepted and will be returned to Investors.

The minimum investment is 1,250 Units equating to \$2,025.

Applications must be accompanied by payment in Australian currency. Applications made using the online Application Form must submit payment via BPAY.

Cheques should be made payable to “**NES Trust Account**” and crossed “**Not Negotiable**”. Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. The amount payable on Application will not vary during the period of the Offer and no further amount is payable on the issue of Stapled Securities. No brokerage or stamp duty is payable by Applicants.

## 15.2 Application Form

Completed hard copy Application Forms attached to this Offer Document and accompanying cheques may be lodged with:

### 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

### MELBOURNE

New Energy Solar Offer  
c/- Walsh & Company Investments Limited  
Level 2, 250 Victoria Parade  
EAST MELBOURNE VIC 3002

Application Forms will be accepted at any time after the Offer Opening Date and prior to 5:00pm (AEDT) on the Offer Closing Date.

The Responsible Entity and the Company may close the Offer at any time without prior notice or extend the period of the Offer in accordance with the Corporations Act.

## 15.3 Offer Not Underwritten

The Offer is not underwritten.

## 15.4 Issue of Stapled Securities

No issue of Stapled Securities will be made until the Minimum Subscription has been received. It is expected that issue of the Stapled Securities under the Offer will take place around 9 December 2016. Application Monies will be held in a separate account until the Issue Date. This account will be established and kept by the Responsible Entity and the Company on behalf of the Applicants. The Responsible Entity and the Company may retain any interest earned on the Application Monies held on behalf of the Trust and the Company pending the issue of Stapled Securities to Investors.

The Application constitutes an offer by the Applicant to subscribe for Stapled Securities on the terms and subject to the conditions set out in this Offer Document. Where the number of Stapled Securities issued is less than the number applied for, or where no issue of Stapled Securities is made, the surplus Application Monies will be returned by cheque within seven days of the Offer Closing Date. Interest will not be paid on refunded Application Monies to Applicants.

## 15.5 Overseas Securityholders

Only members of the general public who have a registered address in Australia can participate in the Offer. The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer. It is the Board's and the Responsible Entity's intention, and, to the extent within their control, the Board and the Responsible Entity shall use their commercially reasonable efforts to ensure that the Stapled Securities will not be offered, sold or resold to any persons, including US Persons (as defined above), other than members of the general public who have a registered address in Australia.

This document is not an offer or an invitation to acquire securities or financial products in any country other than Australia. In particular, this document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States.





# Application form



**3** Are you an Entity, such as a company or trust, that is controlled by a US Citizen, Resident of the US for Tax Purposes, or a US Person? (See definitions of these terms in the following guide to the application form)

☐ **YES** (Continue to Section H)

☐ **NO** (Continue to Section H)

If you answered **YES** to questions 2 or 3 we will contact you requesting further information.

**H** Please enter details of the cheque/s that accompany this Application Form:

Drawer	Cheque No.	BSB No.	Acc No.
Drawer	Cheque No.	BSB No.	Acc No.
			<b>TOTAL</b>

**I** Contact telephone number (daytime/work/mobile)

**J** Email Address

**K** Securityholder Communications

All correspondence will be sent electronically unless legally required otherwise or unless the box below is ticked:

Printed copy of Securityholder communications required ☐

**L** Annual Reports

Annual Reports will be published on the Fund's website. If you still wish to receive a copy free of charge, all correspondence will be sent electronically unless legally required or the box below is ticked:

Electronic copy (emailed) ☐

Printed copy (posted) ☐

**M** Information from the Responsible Entity

☐ Please check this box if you wish to receive information about investment opportunities or products from the Responsible Entity, the Company or entities related to the Responsible Entity or the Company

By submitting this Application Form, I/we declare that this Application Form is completed and lodged according to the Offer Document and the instructions on the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of the Trust, the constitution of the Company and the Offer Document. I/We received the Offer Document together with the Application Form or a print out of them. I/We represent, warrant and undertake to the Responsible Entity and Company that our subscription for the above Stapled Securities will not cause the Trust or the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Stapled Securities in the Fund.

## DECLARATION

By submitting this Application Form with your Application Monies, I/we declare that I/we:

- apply for the number of Stapled Securities that I/we specified in section A above (or a lower number allocated in a manner allowed under the Offer Document);
- am/are over 18 years of age;
- acknowledge that neither Responsible Entity, the Company nor any person or entity guarantees any particular rate of return on the Stapled Securities, nor do they guarantee the repayment of capital;
- acknowledge, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person;
- represent, warrant and agree that I/we have not received the Offer Document outside Australia and am/are not acting on behalf of a person resident outside Australia unless the Stapled Securities may be offered in my/our jurisdiction without contravention of the security laws of the jurisdiction or any need to register any of the Offer Document, the Stapled Securities or the Offer; and
- have read and understood the Offer Document including the risks. I/We understand and agree that the Fund does not have a fixed investment term and is illiquid and that I/we have no right to exit the Fund at any time.

## LODGEMENT

Deliver your completed Application Form with cheque/s (made payable to 'NES Trust Account') attached to the following address:  
New Energy Solar Offer  
c/- Walsh & Company

### POSTAL

GPO Box 575  
Canberra ACT 2601

### HAND DELIVERED

**Canberra** Level 1, 73 Northbourne Avenue, Canberra ACT 2601  
**Sydney** Level 15, 100 Pacific Highway, North Sydney NSW 2060  
**Melbourne** Level 2, 250 Victoria Parade, East Melbourne VIC 3002

It is not necessary to sign or otherwise execute the Application Form. If you have any questions as to how to complete the Application Form, please contact the Fund on **1300 454 801**.

Personal Information Collection Notification Statement: Personal information about you is held on the public register for Stapled Securities in accordance with Chapter 2C of the Corporations Act 2001. For details about Link Group's personal information handling practises including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit Link Group's website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) for a copy of the Link Group condensed privacy statement, or contact Link Group by phone on +61 1800 502 355 (free call within Australia) 9am-5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of Link Group's complete privacy policy.

# GUIDE TO THE APPLICATION FORM

## YOU SHOULD READ THE OFFER DOCUMENT CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using **BLOCK LETTERS**. These instructions are cross-referenced to each section of the Application Form. Please note that capitalised terms have the same meanings given to the names in the Glossary.

<b>A &amp; B</b>	If applying for Stapled Securities insert the number of Stapled Securities for which you wish to subscribe at <b>Section A</b> . Multiply by the Application Price of \$1.62 per Stapled Security to calculate the total for Units and enter the amount (not less than \$2,025.00) at <b>Section B</b> .	<b>G</b>	<b>US Person</b> includes; a partnership or corporation organized in the United States or under the laws of the United States or a trust where a court within the United States would have authority under applicable law to render orders or judgments concerning substantially all issues regarding administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or an estate of a decedent that is a citizen or resident of the United States.
<b>C</b>	Write your <b>full name</b> . Initials are not acceptable for first names.	<b>cont</b>	<b>Financial Institution for the purposes of FATCA</b> means a Financial Institution such as Custodial Institution, Depository Institution, Investment Entity or Specified Insurance Company under FATCA rules and regulations that is required to have a Global Intermediary Identification Number ( <b>GIIN</b> ) issued by the US Internal Revenue Service.
<b>D</b>	Enter your <b>postal address</b> for all correspondence. All communications to you from the Fund will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.	<b>H</b>	Complete cheque details as requested. Make your cheque payable to <b>"NES Trust Account"</b> and crossed <b>"Not Negotiable"</b> . Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
<b>E</b>	Enter your <b>Australian tax file number</b> ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.	<b>I</b>	Enter your <b>telephone number</b> so we may contact you regarding your Application Form or Application.
<b>F</b>	Enter the name and address of the Licencee who is assisting you in this Application, and if applicable their representative. Check the box to authorise the payment of the Handling Fee Share.	<b>J</b>	Enter your <b>email address</b> so we may contact you regarding your Application Form or Application or other correspondence.
<b>G</b>	<b>FATCA definitions</b> <b>US Citizen</b> means a citizen of the United States of America <b>Resident of the US for Tax Purposes</b> includes (but is not limited to) someone who has a lawful permanent resident status in the United States (e.g. a "green card" holder) or someone who is considered a US taxpayer under the applicable US tax laws.	<b>K &amp; L</b>	The Fund encourages you to receive Securityholder correspondence and the Annual Report electronically. The benefit to Securityholders are in the potential cost savings and the faster delivery of information. The benefits to the environment are also substantial.

## CORRECT FORMS OF REGISTRABLE TITLE

Note that **ONLY** legal entities can hold the Stapled Securities. The Application must be in the name of a natural person/s, companies or other legal entities acceptable to the Fund. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

TYPE OF INVESTOR	CORRECT FORM OF REGISTRABLE TITLE	INCORRECT FORM OF REGISTRABLE TITLE
INDIVIDUAL	Mr John David Smith	J D Smith
COMPANY	ABC Pty Ltd	ABC P/L or ABC Co
JOINT HOLDERS	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
TRUSTS	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
DECEASED ESTATES	Mr Michael Peter Smith <Est Ltd John Smith A/C>	John Smith (deceased)
PARTNERSHIPS	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
CLUBS/UNINCORPORATED BODIES	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
SUPERANNUATION FUNDS	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund



