NC-47 aerial view - June 2017

SECTION 5

Risks

NC-31 site inspection - October 2017

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

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

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

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

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

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

5.1 RISKS SPECIFIC TO THE BUSINESS

5.1.1 BROAD INVESTMENT STRATEGY

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

5.1.2 PRICE OF STAPLED SECURITIES AND OPTIONS

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

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

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

5.1.3 INTEREST RATE RISK

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

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

5.1.4 GEARING RISK

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

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

5.1.5 GENERATION RISK

While the Business has offtake price and volume certainty under PPAs, the Business is still exposed to the volume of generation produced by the plants. Fluctuations in the level of solar resource occur on a short-term basis (hourly, daily, monthly and seasonal variations) and on a longer-term basis or the plant may not perform as expected. Resource fluctuations affect, plant performance, and the amount of energy produced by a solar power plant and, therefore, the revenue generated by it. The revenue profile over any given year may be different in following years and may not match the expense profile of a solar plant. Increasing the geographic diversity of the Business' portfolio is an important mitigating strategy for overall portfolio generation and revenue.

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

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

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

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

5.1.7 OPERATIONAL RISKS

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

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

5.1.8 PRE-OPERATIONAL ASSET RISK

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

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

5.1.9 REGULATORY RISK

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

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

5.1.10 COUNTERPARTY AND WARRANTY RISK

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

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

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

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

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

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

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

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


TID SGS panel rows closeup - September 2017


TID SGS array - September 2017

5.1.11 CURRENCY RISK

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

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

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

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

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

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

5.1.12 US INVESTMENT TAX CREDIT RISK

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

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

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

5.1.13 TAX EQUITY INVESTOR RISK

The ability to source funding from Tax Equity Investors depends on a number of factors, including applicable regulations and ITCs, the tax appetite of individual investors, the structure proposed, the particular features of the project, and the ability of the Business to agree acceptable terms with any particular investor. If a project has already been acquired and the Business is subsequently unable to source funding from Tax Equity Investors, financial outcomes from the acquisition may be impacted. A longer-term inability to source funding from Tax Equity Investors may impact the ability of the Business to continue to acquire assets.

5.1.14 EXPERIENCE OF THE RESPONSIBLE ENTITY AND INVESTMENT MANAGER RISK

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

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

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

5.1.15 POTENTIAL DECLINE IN ASSET VALUE

The value of power generation assets is closely linked to electricity demand, electricity pricing, PPA terms, regulations, location, asset supply and demand factors and environmental risks. Changes to any of these elements may impact the value of the Business' underlying assets and consequently an Investor's investment in the Business.

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

5.1.16 TECHNOLOGICAL CHANGES

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

5.1.17 ILLIQUIDITY RISK OF UNDERLYING ASSETS

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

5.1.18 CONSTRUCTION RISK

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

5.1.19 CO-INVESTOR RISK

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

5.1.20 ACQUISITION RISK

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

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

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

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

5.1.21 SUBSTANTIALLY UNCOMMITTED FUNDS

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

5.1.22 SIZE OF PORTFOLIO

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

5.1.23 RELATED PARTY TRANSACTION RISK

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

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

5.1.24 DIVIDEND AND DISTRIBUTION RISK AND RESIDUAL VALUE OF INVESTMENTS

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

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

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

5.1.25 INABILITY TO PAY DISTRIBUTIONS

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

5.1.26 CATASTROPHIC RISKS

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

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

5.2 RISKS SPECIFIC TO THE SECTOR

5.2.1 REFINANCING RISK

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

5.2.2 FORCE MAJEURE

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

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

5.2.3 SECTOR CONCENTRATION RISK

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

5.2.4 INSURANCE RISK

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

5.2.5 TAX RISK

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

A reduction in the applicable income tax rate or availability or timing of depreciation benefits may impact a Tax Equity Investor's projected after-tax benefits after taking into account any tax saving from such change. If this impact is negative, allocations of net income and net loss may be adjusted to preserve the Tax Equity Investor's after-tax benefits. If these adjustments are insufficient, any remaining capital contributions will be adjusted which could result in additional contributions from the Business, or the Business' net cash flow distributions from the lessee may be reduced until the Tax Equity Investor's after-tax benefits are restored, which would impact the Business' pre-tax return on investment. Overall, however, a reduction in income tax rate is expected to have a positive impact on the Business' post-tax return. The Business has various options to manage this risk and to reduce the impact on near-term cash yields such as establishing a reserve account which can be released as the potential liability reduces over the life of the tax equity partnership. It is important to note that the Business is not exposed to this risk in respect of the Existing Portfolio and the detailed mechanism of allocation in respect of the CCR Portfolio is subject to negotiation and execution of tax equity financing documentation, the first project reaching NTP, and the Tax Equity Investor paying a nominal amount for its interest in the lessee company.

5.3 GENERAL INVESTMENT RISKS

5.3.1 MACROECONOMIC RISKS

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

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

5.3.2 BUSINESS RISK

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

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

5.3.3 TAXATION RISK

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

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

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

5.3.4 KEY PERSONNEL RISK

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

5.3.5 PERFORMANCE OF OTHER ASSET CLASSES

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

5.3.6 TRADING OF STAPLED SECURITIES AND OPTIONS

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

5.3.7 DILUTION RISK

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

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

5.3.8 INVESTOR CONSIDERATIONS

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

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

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