

# Appendix G: Important Information (continued)



9. Property Assessed Clean Energy or "PACE" is an emerging structure in the marketplace for financing retrofit and clean energy projects. This structure involves a "PACE loan," (a "super-senior" financing) made by a lender to a building, the proceeds of which are used to finance the cost of the building's project. A PACE loan generally has a term of 15-20 years, is repaid over time through an annual tax assessment on the building, and is transferable upon any sale of the building. A PACE project is typically developed such that energy savings resulting from the project are, in effect, used to cover annual payments under the PACE loan. The length of the PACE loan facilitates the development of projects, including renewable energy projects, that require a longer payback period. The use of a PACE structure requires the existence of enabling legislation in the jurisdiction in which the building is located. To date, only a limited number of jurisdictions have passed enabling PACE legislation and the legislation that has been passed to date has had various scope and structure variations across jurisdictions. Although the Partnership may face some level of competition from PACE providers in connection with retrofit projects (particularly in the context of smaller retrofit projects), the Team believes that, given the limited current adoption of PACE in the United States to date and the potentially significant amount of overall retrofit building opportunities in the marketplace, the existence of PACE structures will not significantly impact the ability of the Partnership to source and complete a sufficient number of attractive project opportunities. The Team also believes that the level of marketplace acceptance to PACE financing may be somewhat limited because real estate lenders have generally not had a favorable view of PACE structures, since these structures are senior to a lender's typical first lien position on a building's assets. The Partnership may consider pursuing projects with building owners using PACE financing in connection with certain projects that have integrated retrofit and building envelope or renewable energy components, in order to facilitate the longer payback components of the project.
10. DB Eco PMO projects primarily targeted less than two-year payback projects given capital constraints during the 2007-2012 time period. In a subset of cases, mainly when replacing end of life equipment, larger/longer payback projects were done. Extensive savings opportunities exist in the 2-8 year payback range that can be blended to achieve both attractive paybacks and significantly deeper savings. Additionally, because projects were done on a one-off basis without utilizing the benefits of integrated design and comprehensive building modeling, the full potential of savings and ECMs were not achieved. Percentage savings do not reflect ESA-level adjustments such as weather/occupancy/usage changes that would enable like to like comparisons of achieved project performance. This likely understates the depth of achieved savings in the case studies. Lack of ongoing AEM to control drift over time may also result in energy savings less than potential.
11. The strategy and projects being pursued by the Partnership involve a high degree of risk. The possibility of partial or total loss of capital exists and participants must be prepared to bear capital losses that could result from Partnership's projects. Persons receiving this presentation should carefully consider the risks associated with the Partnership's strategy, including, but not limited to, those described elsewhere in this presentation as well as the following: (i) the Partnership is a pooled, multi-participant, long-term vehicle advised by the Advisor and, as such, will have all of the risks typically associated with such a vehicle including, without limitation, (a) liquidity, liability, third party litigation, indemnification/exculpation, contingent obligation, mandatory withdrawal, default, forfeiture and dilution risks, (b) the risk that certain amounts otherwise distributable to participants may be reused or may be required to be returned, and (c) the risks associated with the Partnership entering into agreements containing preferential terms with certain participants; (ii) the Partnership's projects and strategy present a number of unique risks including, without limitation, (a) the projects will be U.S. dollar-denominated, which may present certain exchange rate risks for non-U.S. persons and in connection with non-U.S. projects, (b) the strategy is dependent on the Team and certain third party service providers, (c) the involvement and benefits of the DB Platform may be limited, (c) marketplace acceptance of ESA transactions and documentation may be limited, (d) the Partnership's license of ESA documentation from SClenergy involves certain potentially significant costs and presents certain business risks, (e) the Team has no prior experience with the strategy to be employed by the Partnership, (f) the Partnership is dependent on origination partners for project origination, (g) the overall marketplace opportunity for retrofit projects (generally, and of the type being pursued pursuant to the strategy) is difficult to assess, (h) there may be significant competition for project opportunities, (i) energy savings will be the primary source of payment under the ESAs and, therefore, the Partnership may not be able to fully recoup the cost of a project or receive any return at all, (j) there may be risks associated with an early termination of an ESA and the sale of a project, (k) there may be risks associated with the Partnership acting as a paying agent under an ESA, (l) the Partnership's project activities present building owner, construction, operational and technical, catastrophic and force majeure risks, (m) the Partnership's overall performance may be adversely affected if projects are concentrated by location or building owner, (n) the Partnership's contemplated use of leverage presents certain risks, (o) there are risks associated with non-U.S. projects and non-ESA or other non-core activities, (p) the Partnership's strategy presents certain important and complicated tax, accounting and regulatory risks and (q) the Partnership faces potential challenges in sourcing commercial building projects. Recipients of this presentation are urged to carefully review the more detailed risk factor discussion in the Memorandum.
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