Confidential

PandaPowerFunds

PANDA POWER FUND II
AMENDED AND RESTATED
PRIVATE PLACEMENT MEMORANDUM

BEACON HILL FINANCIAL

Copy No. [PF2-1002]

PANDA POWER FUND II

$800,000,000

Limited Partnership Interests

This confidential Amended and Restated Private Placement Memorandum (this "Memorandum") is being furnished on a confidential basis to a limited number of sophisticated investors for the purpose of evaluating an investment in limited partnership interests (the "Interests") in Panda Power Fund II, L.P., a Delaware limited partnership (together with its Parallel Funds and Alternative Investment Vehicles, the "Partnership" or the "Fund"). This Memorandum and any other information or agreement furnished in connection with the offering of Interests (collectively, "Fund Information") has been furnished on a confidential basis solely for the information of the person to whom it has been delivered on behalf of the Partnership and may not be reproduced or distributed, in whole or in part, nor its contents disclosed or used for any purpose without the prior written consent of the Partnership. Each prospective investor accepting this Memorandum hereby agrees to return it and all Fund Information promptly upon request.

In making an investment decision, investors must rely on their own examination of the Fund and the terms of the offering, including the merits and risks involved. The Interests have not been recommended, approved or disapproved by any U.S. or non-U.S. federal, state, local or other securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Memorandum. Any representation to the contrary is a criminal offense.

The Interests have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), the securities laws of any U.S. state, or the securities laws of any other jurisdiction, nor is such registration contemplated. The Interests will be offered and sold in the United States under the exemption provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder and other exemptions of similar import in the laws of the states where the offering will be made. The Interests may not be sold or transferred except as permitted under the Amended and Restated Limited Partnership Agreement of the Partnership (as amended, restated or otherwise modified from time to time, the "Partnership Agreement") and unless they are registered under the Securities Act or exempted from registration thereunder and under any state or other applicable securities law registration requirements. The Partnership has not been, nor will it be, registered as an investment company under the United States Investment Company Act of 1940, as amended (the "Investment Company Act") and investors will not be entitled to the benefits of such registration. There is no public market for the Interests and no such market is expected to develop in the future.

Investment in the Interests will involve significant risks due to, among other things, the nature of the Partnership's investments. Potential investors should pay particular attention to the information in Section 9—"*Risk Factors and Potential Conflicts of Interest*" of this Memorandum. Investment in the Partnership is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risks and lack of liquidity inherent in an investment in the Partnership. Investors in the Partnership must be prepared to bear such risks for an indefinite period of time. No assurance can be given that the Partnership's investment objective will be achieved or that investors will receive a return of their capital.

In making an investment decision, investors must rely on their own examination of the Partnership and the terms of this offering, including the merits and risks involved. Prospective investors should not construe the contents of this Memorandum as legal, tax, investment or accounting advice. Prospective investors are urged to consult with their own advisors with respect to the legal, tax, regulatory, financial and accounting consequences of their investment in the Partnership.

This Memorandum contains a summary of the Partnership Agreement and certain other documents referred to herein. However, the summaries set forth in this Memorandum do not purport to be complete and are subject to and qualified in their entirety by reference to the Partnership Agreement and such other documents, copies of which will be provided to any prospective investor upon request and which should be reviewed for complete information concerning the rights, privileges and obligations of investors in the Partnership. In the event that the description in or terms of this Memorandum are inconsistent with or contrary to the Partnership Agreement or such other documents, the Partnership Agreement and such other documents shall control. The Partnership and its affiliates reserve the right to modify any of the terms of the offering and the Interests described herein at any time without notice to any recipient of this Memorandum and the right to revise and reissue this Memorandum, and the Interests are offered subject to the right of the General Partner (as defined herein) to reject any subscriptions in whole or in part.

Certain information (including certain forward looking statements and economic and market information) contained herein has been obtained from published sources and/or prepared by other parties and in certain cases has not been updated through the date hereof. While such sources are believed to be reliable for the purpose used herein, none of the Partnership, the General Partner, any placement agent, or any of their respective directors, officers, employees, partners, members, shareholders or affiliates, or any other person assumes any responsibility for the accuracy or completeness of such information.

The investment performance of (i) Panda Energy International, Inc., a Texas corporation ("PEII"), and (ii) Panda Power Generation Infrastructure Fund A, L.P. and Panda Power Generation Infrastructure Fund B (AIV), L.P., each Delaware limited partnerships (collectively and together with their respective parallel funds and alternative investment vehicles, "Panda Fund I"), was generated through an investment strategy and approach that may differ from the investment strategy of the Partnership. There can be no assurance that the Partnership will be able to achieve similar results, that diversification or asset allocations will be met or that the Partnership will be able to implement its investment strategy and investment approach or achieve its investment objective. The internal rates of return referenced herein reflect the right of PEII and Panda Fund I to receive profits distributions in certain projects that are disproportionate to invested capital, which the Partnership may not receive and, except as otherwise noted herein, are presented on a gross basis (they do not reflect the management fees, carried interest, taxes and other expenses to be borne by investors in the Partnership, which in the aggregate are expected to be substantial). For a description of such fees, carried interest and expenses, see Section 8—"*Summary of Principal Terms*" and Section 9—"*Risk Factors and Potential Conflicts of Interests.*" Actual realized returns on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the valuations used in the prior performance data contained herein are based. Accordingly, the actual realized returns on unrealized investments may differ materially from the returns indicated herein.

In considering the performance information contained herein, prospective investors should bear in mind that past or projected performance is not necessarily indicative of future results, and there can be no assurance that the Partnership will achieve comparable results or that targeted returns will be met. Historical performance information with respect to organizations outside the Partnership and its predecessor represents a range of investment disciplines and should not be taken to represent the investment program to be pursued by the Partnership. The analyses and forecasts contained in this Memorandum are based on assumptions believed to be reasonable in light of the information presently available. Such assumptions (and the resulting analyses and forecasts) may require modification as additional information becomes available and as economic and market developments warrant. Any modification could be either favorable or adverse.

Certain information contained in this Memorandum constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "can," "will," "would," "seek," "should," "expect," "anticipate," "project," "estimate," "approximate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, including, but not limited to, those set forth in Section 9—"*Risk Factors and Potential Conflicts of Interest*" and Section 10—"*Securities Laws and Certain Regulatory, Tax and ERISA Considerations*," actual events or results or the actual performance of the Partnership may differ materially from those reflected or contemplated in such forward-looking statements. Any such forward-looking statements speak only as of their dates, and no obligation is undertaken to update any such statements, whether as a result of new information, further events or otherwise. In addition, prospective investors should bear in mind the effects of carried interest, fees, taxes, transaction costs and other expenses to be borne by investors in the Partnership, which in the aggregate are expected to be substantial.

This Memorandum is to be used by the prospective investor to which it is furnished solely in connection with the consideration of the purchase of the Interests described herein. The information contained herein must be treated in a confidential manner and may not be reproduced or used in whole or in part for any other purpose, nor may it be disclosed without the prior written consent of the Partnership. Each prospective investor accepting this Memorandum hereby agrees to return it to the Partnership promptly upon request. Each prospective investor is invited to meet with representatives of the General Partner to discuss with, ask questions of, and receive answers from such representatives concerning the terms and conditions of the offering of Interests, and to obtain any additional information, to the extent that such representatives possess such information or can acquire it without unreasonable effort or expense, necessary to verify the information contained in this Memorandum. Notwithstanding the foregoing, no person has been authorized in connection with this offering to give any information or to make any representations other than as contained in this Memorandum and any representation or information not contained herein must not be relied upon as having been authorized by the Partnership, the General Partner or its affiliates. Statements in this Memorandum are made as of the date hereof unless stated otherwise herein, and neither the delivery of the Memorandum at any time, nor any sale hereunder, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to such date.

This Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, any Interests in any state or other jurisdiction in which such an offer or solicitation is unlawful. The distribution of this Memorandum and the offer and sale of the Interests in certain jurisdictions may be restricted by law. PROSPECTIVE INVESTORS SHOULD REVIEW ANNEX A—"*SECURITIES LAW LEGENDS*" FOR CERTAIN INFORMATION RELATING TO OFFERS AND SALES OF INTERESTS IN THE PARTNERSHIP TO INVESTORS IN VARIOUS STATES OF THE UNITED STATES AS WELL AS CERTAIN NON-U.S. JURISDICTIONS.

Notwithstanding anything in this Memorandum to the contrary, to comply with U.S. Treasury Regulation section 1.6011-4(b)(3)(i), each recipient of this Memorandum (and any employee, representative or other agent thereof) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Partnership or any transactions undertaken by the Partnership, it being understood and agreed that, for this purpose, (1) the name of, or any other identifying information regarding (a) the Partnership or any existing or future investor (or any affiliate thereof) in the Partnership, or (b) any investment or transaction entered into by the Partnership; (2) any performance information relating to the Partnership or its investments; and (3) any performance or other information relating to previous funds or investments sponsored by the Principals (as defined below), the General Partner or any of its affiliates, does not constitute such tax treatment or tax structure information.

References to "$" or "dollars" are to United States Dollars unless the context indicates otherwise.

For additional information, please contact:

Panda Power Fund II GP, L.P.

4100 Spring Valley Road, Suite 1001
Dallas, TX 75244
Phone: (972) 361-2005
bnordlund@pandafunds.com
Attention: William C. Nordlund

Beacon Hill Financial Corporation

One International Place, Suite 1400
Boston, MA 02110
Phone: (617) 973-6900
rjohnston@beaconhillfinancial.com
Attention: Robert F. Johnston

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1. EXECUTIVE SUMMARY

Overview

Panda Power Fund II, L.P., a Delaware limited partnership (together with its Parallel Funds and Alternative Investment Vehicles, the "Partnership" or the "Fund") was formed by Panda Power Generation Infrastructure Fund, LLC (the "Advisor") and Panda Power Fund II GP, L.P., a Delaware limited partnership (the "General Partner" and, together with the Advisor and each of their respective affiliates, "Panda") to make primarily privately negotiated equity and equity-related investments in the electric power and gas industries. The Fund is seeking to generate attractive long-term capital appreciation for its investors through the development, acquisition and active management of energy-related assets including infrastructure, gas-to-liquids and renewable assets with a primary focus on the development or acquisition of natural gas-fueled power projects in the United States. It may also opportunistically focus on opportunities in the Americas (primarily Western Canada) or the United Kingdom. The Fund is targeting total capital commitments of $800 million from investors. The General Partner will commit an amount equal to 3% of the total capital raised from third parties to the Fund.

Panda Power Funds was established in 2010 by the former senior management and other employees of Panda Energy International, Inc. ("PEII"). In April 2010, most of the senior management and key employees of PEII joined Panda as full time employees. Panda Power Generation Infrastructure Fund A, L.P. and Panda Power Generation Infrastructure Fund B (AIV), L.P., each Delaware limited partnerships (collectively and together with their respective parallel funds and alternative investment vehicles, "Panda Fund I"), held its final closing in October 2011 with $420 million of capital commitments. Panda Fund I has closed investments in five power generation projects representing approximately 3,123 MW of generation capacity (approximately $3.14 billion in total cost) since its formation. In August 2013, the Partnership (together with Panda Fund I) closed on one 829 MW power generation project with equity contributions of $230 million from the Partnership and $61 million from Panda Fund I for a total project cost of $968 million. PEII is a privately held energy company that has successfully developed, financed, owned and operated power generation and renewable energy facilities since 1982. PEII has exited the power development business but still operates one generation facility. Over that period, PEII raised approximately $5.9 billion in total capital to complete its eleven energy projects, which required approximately $2.2 billion in equity capital. PEII developed and/or constructed ten power plants representing approximately 9,000 MW of generating capacity in the United States and Asia, including the two largest combined-cycle, gas-fueled power plants ever built in the United States.[1]

The Advisor is managed by Robert W. Carter, Todd Carter, Ralph Killian, William Nordlund and Robert Simmons (collectively, the "Investment Team") who have over 125 years, collectively, of extensive experience in developing, financing, acquiring, constructing and operating large-scale energy projects. The Advisor's full management team of professionals

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[1] Please see Section 2—""*Investment Performance*" for important information that should be read in conjunction with this performance information.

(approximately 42 individuals) has average experience of 21 years in the energy sector and 6 years at Panda and PEII. The Advisor believes the Investment Team's experience includes all disciplines required for the successful acquisition, development, financing, ownership, operation, and monetization of global, large-scale energy and renewable assets.

The members of the Investment Team have compiled a gross investment track record of 3.3x gross multiple of invested capital and 177% gross internal rate of return ("IRR") across 11 investments at PEII since 1989,[2] and a net unrealized multiple of invested capital of 1.3x and net unrealized IRR of 22% at Panda Fund I (both figures are as of September 30, 2013).

In addition to its strong investment track record, the Advisor believes that the Fund is distinguished from other energy-focused private equity funds by the Investment Team's ability to both build or buy energy assets and actively manage and operate them across the entire energy chain. The Advisor believes the Investment Team has the capability to extract and enhance value along the entire asset life-cycle and energy chain. The Advisor also believes that the Investment Team's ability to create value through development and construction positions the Fund to outperform other competitors relying on acquisition price or financial engineering alone.

The construction of new reliable power generation capacity in the United States has been limited since 2002. The extraction of natural gas from shale in numerous basins located in the United States, the Americas (primarily Western Canada), and the United Kingdom has also created a long term low cost supply of natural gas. This, along with tougher environmental regulations, is expected to lead to the retirement of many old coal generation plants in favor of natural gas-fueled generation. Plans to retire approximately 30,000 MW of coal generation in the United States by 2016 have been announced, with approximately 68,000 MW expected to retire by 2018.[3] The Advisor believes that the expected substantial need for new natural gas-fueled power generation with limited competition puts the Fund in an advantageous position to take advantage of these opportunities. It also expects a strong increase in demand for such generation (based upon the prior history of the U.S. power market for post-recession periods). Panda has created almost all of its prior investment opportunities internally and expects that many future opportunities for the Fund will be created in a similar, less competitive, manner. The Advisor has also identified a number of opportunities to acquire power generation development projects from third parties such as municipalities or small developers and intends to take advantage of such opportunities where warranted. In addition, an aging and often environmentally challenged fleet of power generation assets in the United States creates the potential opportunity for the Fund to acquire, operate and repower or expand older existing assets with new development power generation.

Renewable generation (particularly wind) is generally considered to be an intermittent resource which requires reliable generation capacity (primarily natural gas generation because it can respond quickly when wind drops off) as a backup (particularly during peak periods). The

[2] Please see Section 2–""*Investment Performance*" for important information that should be read in conjunction with this performance information.

[3] *Potential Coal Plant Retirements, 2012 Update*, Brattle Group Report, (October 2012).

Advisor believes that natural gas-fueled generation is the only short-term, viable option to meet most new reliable generation requirements in the United States.

The Investment Team has a history of mitigating many of the risks associated with power generation assets and seeks to be a low-cost producer to create attractive options for power buyers. Panda's and PEII's power generation projects have generally been brought in on time and at competitive prices. The Advisor intends to enter into fixed-price, turn-key construction contracts for its projects with experienced and creditworthy contractors that provide liquidated damages for delay or non-performance.

Investment Highlights

Panda believes that attractive investment opportunities in the electric power energy sector should include asset development in addition to asset acquisition. The electric power energy sector is capital intensive and regularly goes through cycles where the economics of asset development are more attractive than asset acquisition. The Advisor expects to either develop or acquire assets for the Fund depending on the relative attractiveness of each option. At the present time, the Advisor believes that there is substantial need for new natural gas-fueled generation projects in the United States. It will also opportunistically evaluate investments in natural gas-fueled generation in the Americas (primarily Western Canada) or the United Kingdom. These regions are actively developing shale or similar resources that the Advisor believes will lead to a need for new natural gas-fueled generation. The Advisor expects to invest most of the Fund's capital commitments in such assets. The Advisor may also opportunistically invest in renewable power generation and other energy projects including gas-to-liquids.

Panda believes that the electric power industry will provide a number of attractive investment opportunities for the Fund due to the following combination of factors: (i) the United States has underinvested in new power generation assets during the last ten years and is expected to have strong demand for the development of new power generation assets and infrastructure; (ii) the anticipated ongoing deregulation, privatization, and realignment of the energy sector; (iii) long term low cost supply of natural gas as a feedstock and government environmental regulations causing the deferral, retirement or cancelation of many coal power projects in favor of natural gas generation projects; (iv) the need for reliable natural gas generation to support intermittent renewable generation (particularly wind) in the United States; (v) the potential for delay or shutdown of some nuclear plants; and (vi) limited competition due to the pullback of many strategic power sector companies from developing non-renewable generation and the exit of many power generation development teams from the industry following the collapse of the merchant (non-contracted) power market in 2002. See Section 4—"*Market Opportunity*" for additional information.

Investment Focus and Criteria

The Advisor intends to focus primarily on the development, acquisition or repowering/expansion of natural gas-fueled generation projects in the United States. The Advisor may also seek to invest opportunistically in natural gas generation projects located in the Americas (primarily Western Canada) or the United Kingdom or other energy projects including gas-to-liquids. The Advisor intends to create many of its investment opportunities internally through its industry knowledge, experience and relationships. The Advisor intends to take advantage of the normal build/buy cycles in the electric power industry by having the knowledge and skills to be able to either develop or acquire assets. The Advisor plans to regularly evaluate market conditions and adjust investment strategies to take advantage of such changes.

The Advisor intends to make investments in electric power generation or similar energy opportunities that generally meet the following criteria: (i) attractive risk-adjusted returns; (ii) large or highly scalable in size; (iii) ability to create liquidity/monetize within a reasonable time period of one to five years; (iv) control, joint control, or ability to have significant influence; (v) limited competition or sole source; and (vi) opportunity to create value and enhancements and not just compete on price and financial engineering.

Panda Fund I Investments

Panda Fund I has closed on five investments – the 20 MW DC/18 MW AC Pilesgrove, New Jersey solar project, the 758 MW Temple I and the 758 MW Temple II, Texas combined cycle natural gas project, and the 758 MW Sherman, Texas combined cycle natural gas project, and the 829 MW Bradford County, Pennsylvania combined cycle natural gas project (known as the Liberty project). The Liberty project closed construction financing in August 2013 and is located north of Pittsburgh and Philadelphia within PJM West. The Temple, Texas project is a 1516 MW gas-fueled power generation project that is being built in two phases of 758 MW each. Phase I closed construction financing in July 2012 and is expected to achieve commercial operation in 2014. Phase II closed construction financing in April 2013 and is expected to achieve commercial operation in 2015. The Temple, Texas project is located between Austin and Dallas. The Sherman, Texas project is a 758 MW gas-fueled power generation project located north of Dallas, Texas that closed construction financing in September 2012 and is expected to achieve commercial operation in 2014. In addition, Panda Fund I developed and closed financing on a 20 MW DC/18 MW AC solar project in Pilesgrove, New Jersey. The project became operational in August 2011. An affiliate of Consolidated Edison, the utility that serves New York City, is a 50-50 joint venture partner with Panda Fund I in the Pilesgrove project.

Panda Fund I has also transferred certain power development opportunities to the Partnership. The transferred projects and the terms of such transfer from Panda Fund I to the Partnership required the approval of the limited partnership advisory committee of Panda Fund I and the approval of the Advisory Committee or the Limited Partners of the Partnership. Transfer terms have been approved for the Existing Investments as described in Section 11—"*Existing Investments*." There can be no assurances that these opportunities will ultimately be developed, financed or constructed. See Section 7—"*Prior Investments*" and Section 8—"*Summary of Principal Terms*" for more information.

Differentiated Investment Strategy

The Advisor believes that its differentiated approach to creating value will result in attractive risk-adjusted returns to investors. The Advisor intends to take advantage of the normal build/buy cycles in the electric power energy sector by using its knowledge and skills to both develop and acquire assets. It specifically intends to take advantage of the need for new natural gas-fueled generation in the United States.

During the past ten years, many of Panda's competitors in the energy sector, including private equity funds, have focused on acquiring operating power generation and other energy assets or on providing renewable generation, which generally does not meet market requirements for reliable generation or power needs during peak demand periods. While the recent recession, in many cases, has caused short-term power prices to fall, the Advisor believes that acquisition prices for long-term, contracted operating power assets in the United States are generally fully valued and offer much lower returns compared to greenfield or brownfield development projects. The Advisor regularly evaluates investments in operating power asset sales. While some power projects in the United States are being offered for sale at deep discounts to their original cost, the Advisor believes that such discounts are often justified based upon a variety of factors specific to each project such as merchant (commodity or non-contracted power) risk, disadvantaged locations, age, environmental issues, performance problems or poor contract structures. Under present market conditions, the Advisor expects strategic firms to have an advantage over financial firms in acquiring those assets that do come on the market generally due to the need to use less leverage and lower return requirements. The Advisor believes that strong development/marketing skills are needed to take advantage of current opportunities for new power generation or to acquire and repower or expand older generation assets. Many energy companies have substantially reduced or totally eliminated their development teams. Conversely, Panda, in addition to possessing strong energy marketing, operations, finance, acquisition and other capabilities, has maintained and expanded its energy development team. The Advisor believes that the development of new natural gas-fueled power generation facilities is the most viable option during the next 10 years to meet the need for new reliable generation in the United States. It therefore plans to invest primarily in the development of such facilities and believes that the Fund will have a first-mover advantage due to the limited competition that presently exists and a pipeline of existing projects and investment opportunities. The Advisor believes that the need for new sources of reliable power cannot generally be met by renewable generation, which is intermittent, new coal fueled generation due to environmental and high-cost issues, or nuclear generation due to many issues that still need to be addressed such as high-cost and potential for large cost overruns, waste disposal, common design, water usage and safety regulations. The Advisor will seek to take advantage of changing market and investment conditions in the electric power industry and opportunistically invest in related energy sectors (such as gas-to-liquids) where it believes its development skills provide a competitive advantage and the potential exists to earn high returns while also mitigating commodity risks.

Track Record

While at PEII, the Investment Team created and invested in 11 companies or energy assets requiring a total capital investment of approximately $5.9 billion (approximately $2.2 billion of total equity and approximately $3.4 billion of total debt capital).[4] PEII's equity investment in these projects was approximately $245 million. PEII's portfolio generated a gross IRR of 177%

[4] The investment performance of PEII referenced above has not been certified since August 31, 2010, when the Investment Team left PEII.

and a gross multiple of invested capital of 3.3x since inception.[5] As of September 30, 2013, Panda Fund I has made investments of approximately $356.7 million in the Temple I, Sherman, Temple II, Liberty combined cycle gas generation projects and the Pilesgrove solar project. As of September 30, 2013, those investments were valued at $523.5 million (not including $4.0 million in recycled distributions). Panda Fund I had a net unrealized multiple of invested capital of 1.3x and net unrealized IRR of 22.0% as of September 30, 2013. Panda Fund II had a net unrealized multiple of invested capital of 1.2x as of September 30, 2013.[6]

Experienced Investment Team

The Investment Team collectively has developed, acquired, financed, constructed and/or operated power generation and other energy projects and assets in both the United States and international markets. The Investment Team possesses experience in many segments of the energy sector including renewable/alternative energy (such as wind, geothermal, solar and biomass), conventional power generation, natural gas transportation, electric transmission and distribution, energy trading and risk management, and oil and gas exploration and production. The Advisor's investment professionals have average experience of 21 years in the energy sector and 6 years at Panda and PEII.

Strong Deal Sourcing

The Advisor expects to be aware of most major publicly announced investment opportunities in the electric power industry in the United States. However, its primary focus will be on sole source greenfield power generation development or brownfield expansion/repowering opportunities in the United States. It intends to engage only in auctions where there is limited competition and it has the ability to create additional value. The Investment Team has also been regularly presented with development and acquisition opportunities through industry contacts.

The Investment Team will seek to proactively identify areas of opportunity and leverage its specific professional contacts to expand the Fund's sourcing capabilities. The Investment Team has a broad network of relationships that has served as a substantial source of targeted deal flow.

Rigorous Due Diligence

After identifying a potential investment, the Advisor will conduct a detailed due diligence process, including some or all of the following analyses: economic analysis, finance requirements and structure, tax structure, analysis and mitigation of local, state, country and political risks, market analysis including ability to secure attractive long-term contracts, financial hedges with creditworthy parties, fuel supply and transportation, transmission, water supply, site location, community support, tax abatements, permits and regulatory environment, construction

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[5] Please see Section 2—"*Investment Performance*" for important information that should be read in conjunction with this performance information.

[6] Figures for Temple I, Sherman, Temple II and Liberty are based on the September 30, 2013 valuation issued by Marshall & Stevens, and figures for Pilesgrove and other early stage development projects are based on the December 31, 2012 valuation issued by Marshall & Stevens and later adjusted on September 30, 2013 in accordance with Panda's Valuation Policy.

and equipment (including availability and cost) and environmental, labor and other potential liabilities. The Advisor intends to conduct a fatal flaw analysis to focus on major risks and issues before spending substantial time and resources on an investment opportunity.

Value Creation

The Advisor believes that the Investment Team's long-standing tenure in various segments of the electric power industry provides it with an understanding on how these segments perform under changing regulatory, economic and capital market conditions. The Advisor believes that this gives it the ability to accurately assess favorable timing of exit. In addition, the Advisor also believes that the Investment Team has the capability and experience to add value at each stage of the process. Panda and the Investment Team have added value, as described below, in their prior investment activities:

- Development: Panda and the Investment Team's history of identifying energy needs, focusing on low cost/high quality solutions, risk mitigation and fatal flaw analysis, optimal site selection, strategic and community relationships and effective contract negotiation has resulted in low-cost valuable assets.

- Financing: Panda and the Investment Team's relationships with banks and other major lenders have allowed it to finance approximately $9.04 billion in assets. Most of these relationships continue today. In addition, the Advisor will look at financial hedges or other financial products that reduce commodity risk, where appropriate, to assist in the financing of these projects

- Construction: Panda and the Investment Team's experience in managing the completion of large-scale projects on time and on budget and its ability to provide engineering and construction services has resulted in reduced capital costs.

- Operations: Panda and the Investment Team's operation maintenance expertise, and safety and availability record have reduced operating costs and increased revenues.

- Acquisition: Panda and the Investment Team have experience in assessing value, conducting due diligence, and structuring the financing of energy assets.

- Exits: Panda and the Investment Team have a history of profitable exits, financings, syndications, and monetizations.

2. INVESTMENT PERFORMANCE

Since 1989, PEII and Panda (since its inception in 2010) collectively have invested in the development of fourteen power generation and renewable energy projects, totaling approximately $9.04 billion of capital from Panda/PEII and third-parties, including approximately $4.32 billion of equity and $6.15 billion of debt. Please see Section 7—"*Prior Investments*" for additional information regarding these investments.

The investment performance of PEII and Panda Fund I was generated through an investment strategy and approach that may differ from the investment strategy of the Partnership. There can be no assurance that the Partnership will be able to achieve similar results, that diversification or asset allocations will be met or that the Partnership will be able to implement its investment strategy and investment approach or achieve its investment objective. The past performance of PEII and Panda Fund I is not indicative of future results in the Partnership. The performance information set forth herein is unaudited and is only as current as the date indicated. In addition, the performance information set forth herein is subject to change and may be superseded by subsequent market events or for other reasons.

With respect to certain projects described below, the unrealized values and internal rates of return referenced herein reflect a right of PEII or Panda Fund I, as applicable, to receive profits distributions that were disproportionate to invested capital, which PEII or Panda Fund I, as the case may be, may not ultimately receive. Except as otherwise specified herein, the internal rates of return and multiples of invested capital referenced herein are presented on a "gross" basis and thus, do not reflect any management fees, carried interest, taxes and other expenses that will be borne by investors in the Partnership, which in the aggregate are expected to be substantial and will reduce the returns. For a description of managements fees, carried interest and expenses that apply to the Partnership, see Section 8—"*Summary of Principal Terms*." See also Section 9—"*Risk Factors and Potential Conflicts of Interests*."

Prospective investors should note that the size and type of portfolio investments to be made by the Partnership may in some cases differ from the investments described herein, and that, due to the changing composition of the investment professionals and the investment personnel of Panda and PEII, the investment decisions of the Partnership and the execution of transactions on its behalf may be made by persons different from those involved in the investments identified herein. Prospective investors should bear these factors in mind when considering the investment performance of the PEII and Panda Fund I. Prospective investors are encouraged to contact Panda representatives to discuss the procedures and methodologies used to calculate the investment performance information provided herein.

Investment Performance of Panda Fund I

($ in Millions)[1]

Project Name	Sector	Size	Invest. Date	Realization Date	Total Equity Invested[2]	Panda Capital Invested[3]	Panda Capital Realized[4]	Panda Unrealized Value[5]	Total Value[6]	Gross Unrealized Multiple[7]	Gross Unrealized IRR[8]
As of September 30, 2013											
Liberty	Power	829MW	2013	N/A		61	N/A	80.6	80.6	1.3	1002%
Temple II	Power	758MW	2013	N/A		82	N/A	136.0	136.0	1.7	105%
Sherman	Power	758MW	2012[9]	N/A	360	95.0[10]	--	153.0	153.0	1.6	42%
Temple I	Power	758MW	2012[9]	N/A	375	95.0[10]	--	141.0	141.0	1.5	33%
Pilesgrove	Power / Renewable	20MW	2011	N/A	50.7	23.7	4.0[11]	12.9	16.9	0.7	-12%
Sherman II[20]	Power	N/A	N/A	N/A	.1	.1	N/A	0	0	0	-
Moses Lake[20]	Power	N/A	N/A	N/A	.8	.8	N/A	0	0	0	-
Evergreen[20]	Power	N/A	N/A	N/A	1.2	1.2	N/A	0	0	0	-
Quinton[20]	Power	N/A	N/A	N/A	.9	.9	N/A	0	0	0	-
Alloway[20]	Power	N/A	N/A	N/A	.4	.4	N/A	0	0	0	-
Empire[20]	Power	N/A	N/A	N/A	.02	.02	N/A	0	0	0	-
Island[20]	Power	N/A	N/A	N/A	3.1	3.1	N/A	0	0	0	-
PPGI Fund A/B Development[20]	Power	N/A	N/A	N/A	5.5	5.5	N/A	0	0	0	-
			Total		**790.8**	**368.7**	**4.0**	**523.5**	**527.5**	**1.5**	**41%**

Panda Fund I net unrealized multiple of invested capital is 1.3x and net unrealized IRR is 22%[12] (both as of September 30, 2013).

Investment Performance of PEII[13]

($ in Millions)[1]

Project Name	Sector	Size	Invest. Date	Realization Date[14]	Total Equity Invested[2]	Panda Capital Invested[3]	Panda Capital Realized[4]	Panda Unrealized Value	Total Value[6]	Gross Multiple[15]	Gross IRR[16]
As of August 31, 2010[13]											
Hereford[18]	Renewable	115M Gal/Yr.	2005	N/A	119.3	28.5	5.5	1.2[19]	6.7	0.2x	N/A
El Dorado	Power	2,250 MW	2000	2003	528.1	25.5	77.2	--	77.2	3.0x	104.6%
Gila River	Power	2,250 MW	2000	2003	587.8	10.0	23.1	--	23.1	2.3x	120.3%
Oneta	Power	1,000 MW	1999	2000	204.0	2.8	83.9	1.6	85.5	30.5x	2,358.7%
Odessa	Power	1,000 MW	1999	2000	195.7	2.9	5.8	--	5.8	2.0x	3,900.4%
Guadalupe	Power	1,000 MW	1998	2000	184.5	28.4	69.1	--	69.1	2.4x	88.6%
Lamar, TX	Power	1,000 MW	1998	1999	173.5	16.6	115.6	--	115.6	7.0x	574.6%
Bhote Koshi Power (Nepal)	Power / Renewable	40 MW	1996	2003	29.5	12.0	18.9	--	18.9	1.6x	51.4%

As of August 31, 2010[13]											
Project Name	**Sector**	**Size**	**Invest. Date**	**Realization Date[14]**	**Total Equity Invested[2]**	**Panda Capital Invested[3]**	**Panda Capital Realized[4]**	**Panda Unrealized Value**	**Total Value[6]**	**Gross Multiple[15]**	**Gross IRR[16]**
Luannan (China)	Power	110 MW	1995	2000	86.4	66.0	12.3	--	12.3	0.2x	N/A
Brandywine	Power	230 MW	1994	1997	13.9	13.9	236.3	26.6[17]	262.9	18.9x	71.6%
Rosemary	Power	180 MW	1989	1997	38.2	38.2	130.2	--	130.2	3.4x	185.8%
Culloden	Power	N/A	1999	N/A	4.9	4.9	0	0	0	0	-
Montgomery	Power	N/A	1999	N/A	4.1	4.1	0	0	0	0	-
Shiloh Power	Power	N/A	1999	N/A	1.4	1.4	0	0	0	0	-
Perkiomen	Power	N/A	1999	N/A	5.7	5.7	0	0	0	0	-
Tallmadge	Power	N/A	1999	N/A	3.3	3.3	0	0	0	0	-
Black Prairie	Power	N/A	1999	N/A	1.5	1.5	0	0	0	0	-
Midway	Power	N/A	1999	N/A	3.0	3.0	0	0	0	0	-
Leesburg	Power	N/A	1999	N/A	1	1	0	0	0	0	-
			Total		**2185.8**	**269.7**	**777.9**	**29.4**	**807.3**	**3.0x**	**177%**

ENDNOTES:

(1) Dollar amounts are United States Dollars in millions.

(2) "Total Equity Invested" includes the total equity invested in the project by Panda Fund I or PEII, as applicable, in each case, together with any co-investors and any other third party investors.

(3) "Panda Capital Invested" includes only the equity invested in the project by Panda Fund I or PEII, as applicable, and does not include any investments by any co-investors or other third party investors.

(4) "Panda Capital Realized" includes all cash proceeds received from the investment including cash dividends, profits distributions, interest income, distributions upon recapitalizations and proceeds received from sale.

(5) "Panda Unrealized Value" for the Temple I, Sherman, Temple II and Liberty projects is based on an independent valuation report from Marshall & Stevens issued on September 30, 2013 and for the Pilesgrove and other early development projects is based on the December 31, 2012 valuation issued by Marshall & Stevens and later adjusted on September 30, 2013 in accordance with Panda's Valuation Policy. There can be no assurance that the value of these investments will not decline. Actual realized returns on unrealized investments will depend on various factors, including future operating results, market conditions at the time of disposition (if any), legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of disposition (if any), all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based. Accordingly, the actual realized returns (if any) on unrealized investments may differ materially from the returns indicated herein.

(6) "Total Value" includes both Panda Capital Realized and Panda Unrealized Value.

(7) "Gross Unrealized Multiple" is calculated on a project-by-project basis and is based on the "Total Value" divided by the "Panda Capital Invested." Gross Unrealized Multiple does not reflect any management fees,

carried interest, taxes and other expenses that are borne by investors in Panda Fund I, which in the aggregate are expected to be substantial and will reduce the returns.

(8) "Gross Unrealized IRR" is calculated on a project-by-project basis. Gross Unrealized IRR does not reflect any management fees, carried interest, taxes and other expenses that are borne by investors in Panda Fund I, which in the aggregate are expected to be substantial and will reduce the returns.

(9) Temple I closed its financing on July 17, 2012 and Sherman closed its financing on September 14, 2012.

(10) With respect to Temple I and Sherman, the "Panda Capital Invested" is net of the $5 million development fee per project.

(11) $4.0 million of Panda Capital Realized was recycled.

(12) Net unrealized multiple is based on the "Total Value" divided by the "Panda Capital Invested" and net unrealized IRR is based on actual cash inflows, cash outflows and end-of-period unrealized values for all projects owned by Panda Fund I excluding Liberty, with the return annualized, in each case, net of management fees, carried interest, taxes and other expenses that are borne by investors in Panda Fund I. The investment performance of PEII referenced above has not been certified since August 31, 2010, when the Investment Team left PEII. The historic returns referenced in the Investment Performance of PEII cannot be construed as those achievable for a private equity fund (such as Panda Fund I or the Fund).

(13) The PEII prior track record shown above is the track record of proprietary investments made by Panda Energy. Panda Energy is an operating company and the investments made were not made in a traditional private equity fund structure. Therefore, such investments did not bear a management fee, carried interest or partnership expenses. Had the investments been made in a traditional private equity fund structure the returns would have been reduced by such fees and expenses. No individual investor received the investment returns noted above. The chart above reflects all energy related investments made by Panda Energy from 1989 to the present day. Some investments made prior to 1999 that did not reach financial closing are not included because there are not sufficient records to show such investment performance. Furthermore, the historical returns achieved by any prior funds or individual investments are not a prediction of future performance or a guaranty of future results. There can be no assurance that comparable returns will be achieved by investments made individually or in the aggregate by the Fund.

(14) "Realization Date" is the date of the start of positive cash flows to the project or the date of the liquidation or sale of the project.

(15) "Gross Multiple" is calculated on a project-by-project basis and is based on the "Total Value" divided by the "Panda Capital Invested." Gross Multiple does not reflect the effect of management fees, carried interest and partnership expenses, because no such fees or expenses were charged in respect of PEII.

(16) "Gross IRR" is calculated on a project-by-project basis and is based on actual cash inflows in and cash outflows for each project with the return annualized. Gross IRR does not reflect the effect of management fees, carried interest and partnership expenses, because no such fees or expenses were charged in respect of PEII.

(17) Projected present value at 12.5% discount rate of the remaining cash flow (largely dividends) to PEII's 81% interest through the remaining life of the power purchase agreement (year 2021).

(18) Hereford is a renewable ethanol project.

(19) The unrealized value is based on estimated recoveries on preferred stock and unsecured claims.

(20) These project investments reflect projects in the development phase. These investments may not ultimately be pursued or obtain permanent financing for construction and operation.

3. EXECUTIVE SUMMARY OF KEY TERMS

The following information is presented as a summary of certain of the Partnership's key terms only and is qualified in its entirety by reference to the more detailed "Summary of Principal Terms" in Section 8 hereof and each Amended and Restated Limited Partnership Agreement of the Partnership, as amended from time to time (the "<u>Partnership Agreement</u>"). All capitalized terms used herein are defined in Section 8 hereof.

The Partnership:	Panda Power Fund II, L.P., a Delaware limited partnership
Target Size:	$800 million. Aggregate Commitments shall not exceed $1 billion without the consent of the Advisory Committee or a majority in interest of the Limited Partners.
Minimum Commitment:	$10 million, although the General Partner reserves the right to accept Commitments of lesser amounts.
General Partner's Commitment:	3% of Aggregate Commitments.
Commitment Period:	Five years from the Initial Closing date.
Term:	Ten years from the Final Closing Date, subject to two one-year extensions at the discretion of the General Partner, with the consent of the Advisory Committee or a majority in interest of the Limited Partners.
Distributions:	• First, 100% to Limited Partners until they receive a return of their Realized Capital and Costs plus an 8% annual rate of return on their Realized Capital and Costs; • Then, 50% to the General Partner and 50% to the Limited Partners until the General Partner "catches up" to an overall 20% Carried Interest; • Followed by 80% to Limited Partners and 20% to the General Partner.
General Partner Clawback:	At the end of the sixth fiscal year, the eighth fiscal year, then tenth anniversary of the Final Closing Date and upon liquidation, if either (a) distributions to any Limited Partner do not meet an 8% per annum cumulative compounded internal rate of return on the aggregate amount of Capital Contributions made by such Limited Partner or (b) the General Partner has received as Carried Interest more than 20% of the sum of such distributions plus net profits distributed to such Limited Partner.

Management Fee:	2.00% per annum of the aggregate Commitments of the Limited Partners during the Commitment Period and prior to the first date upon which fees begin to accrue with respect to a Successor Fund and thereafter, 1.75% per annum of Capital Contributions with respect to Portfolio Investments that have not been disposed of or written off.
Other Fees:	The Management Fee will be reduced by an amount equal to (a) 100% of certain net fees received by the General Partner and its affiliates in connection with the Partnership's Portfolio Investments or unconsummated transactions up to the amount of Broken Deal Expenses borne by the Partnership and (b) 80% of such fees thereafter.

4. MARKET OPPORTUNITY

The power energy industry is one of the largest industries in the world and a fundamental component of the global economy. The power energy industry includes a wide range of products and services, including conventional and renewable/alternative electric energy production, transmission and distribution. Industry participants range from large, diversified multinational companies or regulated utilities to small sole proprietorships serving one market with a single product.

Energy Supply and Demand

U.S. Energy Supply and Demand

According to the United States Energy Information Administration's ("EIA") Annual Energy Outlook 2012 (the "EIA report"),[7] total U.S. electricity sales are forecast to increase by 22% from 2010 to 2035[8] from 3,877 billion kilowatt-hours to 4,716 billion kilowatt-hours. Residential demand grows by 18% over the same period, to 1,718 billion kilowatt-hours in 2035, spurred by population growth, rising disposable income, and continued population shifts to warmer regions with greater cooling requirements. The EIA report forecasts commercial sector electricity demand to increase by 28% to 1,699 billion kilowatt-hours in 2035, led by demand in the service industries. Based on the current capacity factor of 55% , meeting the EIA's forecast will require approximately 240,184 MW of new capacity or $480 billion based on an average capital cost of $2,000/KW.

Current trends in the electric power market put many coal-fired generators in the United States at risk for retirement. In the EIA report Reference case, 49 gigawatts ("GW") of coal-fired capacity are retired through 2020, representing roughly one-sixth of the existing coal capacity in the United States. Almost all the projected coal retirements occur before 2020. In the 2011 Form EIA-860 Annual Electric Generator Report, plant owners and operators reported that they expect to retire almost 27 GW of capacity from 175 coal-fired generators between 2012 and 2016 which amounts to 8.5% of total 2011 coal-fired capacity.

After 2020, all environmental requirements are assumed to be met and both electricity demand and natural gas prices are projected to increase. With growing electricity demand and the retirement of 88 GW of existing capacity (all fuel sources), 235 GW of new generating capacity are projected to be added between 2011 and 2035. Natural gas-fueled plants account for 60% of capacity additions between 2011 and 2035 in the Reference case. Current federal and state environmental regulations also affect fossil fuel use, particularly coal, as does uncertainty about future limits on greenhouse gas emissions and other possible environmental programs.

In the EIA report Reference case, 58 GW of natural gas combined cycle capacity is added from 2020 to 2035, causing an increase in generation from natural gas during the period. In the EIA

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[7] EIA, *Annual Energy Outlook*, 86 (2012).

[8] Industrial Maintenance & Plant (IMPO) Magazine, *The Case for Energy Conservation: Look to Lighting*, Sept. 23, 2007.

report greenhouse gas cases, electricity generation from natural gas exceeds generation from coal in 2020. Natural gas generation is seen as an attractive alternative to coal.

For older coal capacity, the cost of compliance with anticipated and existing Federal environmental regulations such as the Mercury and Air Toxics Standards (MATS) is a factor. Particularly in the case of older, smaller units that are not used heavily, owners may conclude it is more cost efficient to retire plants rather than make additional investments.

Currently the United States is producing approximately 94-95% of the natural gas that it uses, with the balance generally coming from Canada. Moreover, there has been a significant increase in U.S. and Canadian proven natural gas reserves since 2008 and 2009 due in particular to new shale gas formations that are proving to be prolific such as the Barnett (Texas), Haynesville (Louisiana), Marcellus (Pennsylvania), and the Horn River shale areas (British Columbia). Some recent reports have indicated that the United States now has over 100 years of natural gas reserves as a result of these new shale gas reserves.[9] The Advisor believes that the environmental difficulties of permitting coal and nuclear projects and their high costs and construction periods create opportunities to develop new natural gas-fueled projects in the United States. From an investment perspective, the Advisor also prefers gas-fueled generation as it generally has shorter development and construction periods, lower costs and is cleaner burning than coal-fired generation.

Western Canadian Energy Supply and Demand

Canada's load profile is increasing and changing. New mining and oil and gas development in the northwest is creating new load centers, potentially driving the need for additional energy and capacity in areas of the province where they did not exist before.

British Columbia

In British Columbia, BC Hydro's energy supply and demand outlook indicates that customers will need 4,900 gigawatt-hours of additional energy by fiscal 2021 and an additional 12,500 by fiscal 2031, assuming the first two Liquefied Natural Gas ("LNG") plants proceed as planned. BC Hydro will also need an additional 2,400 megawatts ("MW") of capacity by fiscal 2031 to meet peak demand.[10]

Looking to the future, BC Hydro sees that new sources of capacity such as pumped storage and natural gas will need to be explored for meeting peak periods of demand. While run-of-river and wind offer much energy, they cannot be relied upon when the wind isn't blowing or water flows are inadequate.[11]

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[9] U.S. Energy Information Administration, *Annual Energy Outlook 2012*.

[10] *BC Hydro Integrated Resource Plan*, Executive Summary (2012).

[11] *Id.*

Alberta

Alberta's economic growth is poised to continue into the foreseeable future. Demand for electricity will continue to grow due to the oil sands and natural gas development. With the provincial economy projected to expand an average of 2.5% each year between now and 2032, electricity demand is expected to grow at a similar pace.[12] Alberta's population is expected to swell from 3.8 million today to 5.1 million in 2032.

Alberta's total capacity for power generation is about 14,000 MW. To meet future needs, this is expected to increase to 19,000 MW by 2022 and 24,000 MW by 2032.[13] Most of the new generation is expected to come from natural gas-fueled generation to meet the new demand. This increase in power generation capacity will meet the demands of a larger population and industrial growth as well as replace coal retirements from legislative actions for greenhouse gases. The Alberta electricity market is similar to the ERCOT (Texas) market structure, where the Investment Team has developed generation both at PEII and Panda Fund I. Both markets are energy-only structures with limited interconnection capabilities to outside electric grids. The Advisor believes the Alberta market is a liquid market that currently allows for the forward transaction of financial hedges for a period of up to six years.

Global Energy Supply and Demand

According to the Annual International Energy Outlook 2012 report, worldwide electricity generation is forecast to increase by 84% between 2007 and 2035[14]. Non-Organisation for Economic Co-operation and Development ("OECD") countries account for 61% of the world's electricity use in 2035. Although the recent economic downturn slowed the rate of growth in electricity in 2008 and resulted in no change in electricity use in 2009, growth is expected to return to pre-recession trend rates by 2015. Worldwide, an additional 1,640,000 MW of generating capacity is forecasted to be required between 2007 and 2035 to meet these forecasts[15] (or approximately $3.3 trillion based on an average capital cost of $2,000/KW).

Energy Industry Structure

The Fund's investment activities will be focused primarily on the development of power generation assets in the United States. The Fund may also opportunistically develop and invest in natural gas generation located in the United States and Canada (primarily Western Canada) and in renewable generation or gas-to-liquids projects. The Investment Team believes there will be numerous opportunities for the Fund to combine experienced management and capital meeting market needs to generate attractive proprietary investments within this industry segment.

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[12] *Alberta Electric System Operator Powering Albertans* Volume 6, Issue 2.

[13] *Alberta Electric System Operator Powering Albertans* Volume 6, Issue 2.

[14] U.S. Energy Information Administration, *International Energy Outlook*, Table 117 (2012).

[15] Assuming current reserve margins of 15.0% and current capacity factor of 55.0%.

Electric Power Segment

In the United States and many other countries, regulatory changes have ushered in an era of competition for the industry, requiring significant changes in the operating strategies and corporate structures of established industry participants while providing opportunities for new entrants. Specifically, utilities are being forced to open their generation and retail franchises to competition from new entrants.

These changes in economic regulation have been accompanied by changes in environmental regulation. Most notable have been amendments to and new regulations promulgated under the United States Clean Air Act and the proposed Boiler MACT regulations (see Section 1—"*Executive Summary—Overview*"), analogous regulations in the European Union, the Global Climate Change Treaty (the "Kyoto Protocol"), various other recent U.S. EPA regulations placing stricter limits on emissions and proposed water cooling and greenhouse gas legislation in the United States. By setting limits on various emissions involved in the combustion of fossil fuels, these regulations are forcing changes in generation technologies and fuel choices, and creating new markets for renewable/alternative energy and emissions credits, with broad implications for power generation investment, management and strategy. In many parts of the world, concerns about security of energy supplies and the environmental consequences of greenhouse gas emissions have spurred government policies that support a projected increase in renewable energy sources. As a result, renewable energy sources are the fastest growing sources of electricity generation, increasing by an average of 3.1% per year from 2008 to 2035.[16] Natural gas is the second fastest growing generation source, increasing by 2.6% per year.[17]

Generation

The majority of power generation involves the conversion of raw material feedstock- primarily coal, natural gas and crude oil derivatives-into electricity. Electricity is also generated by hydro-electric facilities, nuclear power plants and a small but increasing number of renewable/alternative sources such as wind, biomass, geothermal and solar. Most electric generation assets are capital intensive, requiring significant initial investment and, very often, considerable ongoing expenditures. Electric power producers generate revenues, earnings and returns by selling the electricity they produce into the power grid through the Independent Systems Operation or, in some cases, directly to end-users at values greater than the combined costs of feedstock and processing. Many power generation assets operate under long-term fuel supply and off-take contracts with utilities or government agencies, which substantially reduces price and volume risk. Other power generation assets ("merchant" projects) sell power on a spot or short-term basis and are similar to downstream refining and marketing businesses as they source commodity feedstock from third-party producers or wholesalers, converting the feedstock into a different commodity (electricity) and selling it into liquidly traded wholesale power markets with no off-take contracts. As such, these assets are also subject to commodity price exposure on both the purchase and sale sides of their operations. Like refiners, generators can

[16] U.S. Energy Information Administration, *Annual Energy Outlook 2012*.

[17] U.S. Energy Information Administration, *Annual Energy Outlook 2012*.

mitigate this price risk by hedging their input and output commodity prices for a variety of terms. Also, since electricity cannot be stored, and most often can only be transported economically over relatively short distances, generation is presently dependent on location and proximity to load centers, driving value differentials (locational marginal prices) between otherwise similar generation assets. This lack of storage capability also causes certain electricity generation assets to be discounted for utility planning purposes based upon availability during peak demand periods. Certain renewable energy resources (particularly wind) are often not available during peak demand periods and are considered to be intermittent resources. The capacity of these intermittent resources can be greatly discounted for planning purposes and require back-up support from more reliable generation. Reliable generation consists of electric generation that can be generally called upon during high demand periods by the Independent System Operators.[18] Most natural gas, coal and nuclear fueled electric generation are considered to be reliable generation by grid system planners.

Transmission and Distribution

In the United States and internationally, transmission and distribution remain regulated franchise businesses, earning regulated tariffs based on standard rates of return (adjusted for the risk of each jurisdiction) or on a traditional "cost-plus" regime. Internationally, many of these assets or concessions have been privatized. In the United States, where individual states have substantial geographic scope, it has been difficult for these types of regulated assets to be acquired by private equity investors. However, the Advisor believes recent transactions indicate that there should be additional opportunities for private equity investors to own and operate such regulated assets in the future.

Marketing and Trading

With the deregulation of generation and retail markets, and the increased exchangeability of power across transmission regions, electric power has become a competitively marketed and traded commodity, with rapidly developing prompt, long-term and derivatives markets. Since deregulation, many businesses have been built to capitalize on arbitrage opportunities and general price volatility in markets for wholesale power and related fuel commodities. The General Partner expects the Fund to only engage in limited trading of electric power and other energy resources, generally as part of its risk management strategy with respect to the Fund's portfolio investments.

Energy Service Segment

The power energy industry also includes a substantial group of companies that are involved in providing products and services to all industry participants. The energy service segment includes companies involved in the manufacturing of equipment, such as turbines and boilers, and providers of a diverse range of specialty services including marketing, refining, transportation and storage. Energy service companies also include those that provide engineering, construction and maintenance services. Most energy service companies are dependent on the activity and

[18] The Brattle Group: *ERCOT Investment Incentives and Resource Adequacy*, June 1, 2012.

spending levels of other industry segments, and as such, they tend to prosper most when other segments are performing well.

Alternative Energy Segments – Nontraditional Electricity Generation

Solar Power

The most prominent solar energy technology is currently the photovoltaic cell, which converts sunlight into electric current. Certain thermal solar technologies have also been developed. With technological improvements, solar installation costs are declining. However, solar generated power must still generally rely on government support to be economical and has low availability factors. Unlike wind power in the United States, solar power is generally available during peak demand periods and, therefore, generally matches a utility load profile better than wind generation.

Hydro Power

Hydro power generates electricity by controlling the release of river water through turbines housed in dams. This technology is by far the most mature and most widely adopted renewable energy source globally. Unlike wind and solar power, assuming an ample water supply, hydro power can generate a constant stream of electricity. Its output can be increased to support peak electrical demand requirements. Although dam construction involves very high capital costs and very long construction periods (compared to natural gas-fueled projects), once built, their operating costs are relatively low. The lengthy construction periods generally make these projects unattractive to develop for a financial investor.

Wind Power

Wind power generally refers to the generation of electricity from wind. Its major drawback is its inability, in many locations, to generate a constant supply of electricity due to intermittent winds (particularly during peak demand periods in the United States) making it an “unreliable” resource. As a result, the economics of wind power are affected by both the reliability and the strength of the available airflow. Wind power remains expensive compared to natural gas generation and must generally receive government support, through the production tax credits, to be economically viable.

Biomass

Biomass refers to the conversion of organic material such as animal waste or garbage into energy. At its simplest, biomass energy is the release of heat through burning. This combustion process can generate the steam used to drive electrical turbines. The Advisor believes the economics of the biomass segment are adversely affected by the cost of the feedstock. It is also generally difficult to develop large scale biomass projects.

Geothermal Power

Geothermal power captures heat from below the earth’s surface. It is used in a low temperature application to heat domestic buildings and water supplies. In a high temperature application, it is used to generate electricity. The production of geothermal power is geographically constrained to only those regions where hot water and steam have been trapped relatively close to the surface of the earth.

Gas-to-liquids ("GTL")

Gas-to-liquids is a technology which changes the composition of natural gas molecules to yield a clean non-sulfur liquid fuel. The Advisor believes the economics of using low cost shale gas provide a spread between petroleum-based and natural gas-based liquid fuel prices. The Advisor believes GTL projects are scalable, allowing design optimization and application to various gas production areas in the United States. The key influences on GTL project competitiveness are the cost of capital, operating costs of the plant, feedstock costs, scale, and ability to achieve high utilization rates in production. A GTL project can use gas that would otherwise be vented or flared as a feedstock.

GTL yields products that can be blended with crude oil refinery diesel stock, which produces a lower sulfur content diesel fuel with fewer pollutants, for which the Advisor believes there is an increasing demand in the United States and globally. Use of GTL for cleaner chemicals and energy production is forecast to advance rapidly with increasing pressure on the energy industry from governments, environmental organizations, and the public to reduce pollution associated with conventionally-fuelled vehicles.[19]

Technological advances in drilling have led to a rapid increase in recoverable reserves of natural gas. This increase has led to low gas prices.[20] As natural gas prices have decreased, crude oil prices have seen an increase[21] and refined product prices have also risen. Through the combined process of steam reformation, catalytic conversion and traditional hydrocracking, natural gas can be converted into the transportation fuels of no-sulfur diesel, no-sulfur jet fuel and a naphtha blending stock.

[19] Chemlink Consultants, "*Gas to Liquids*," http://www.chemlink.com.au/gtl.htm.

[20] U.S. Energy Information Administration, *Short-Term Energy Outlook*, February 12, 2013.

[21] U.S. Energy Information Administration, *Short-Term Energy Outlook*, period 2009-2014.

5. INVESTMENT STRATEGY

The Fund intends to invest primarily in large or highly scalable development of natural gas-fueled generation projects in the United States. The Advisor will also seek to invest opportunistically in the development of natural gas generation projects located in the United States & Canada (primarily Western Canada), and renewable generation and gas-to-liquids projects in North America. The Advisor intends to generate some of the Fund's investment opportunities internally through its industry knowledge, experience and relationships. It has also seen a number of opportunities to acquire power generation development and brownfield projects from third parties and intends to take advantage of such opportunities where warranted. The Advisor intends to take advantage of the normal build/buy cycles in the energy sector by having the knowledge and skills to be able to either develop or acquire assets where it can add value and limited competition exists. The Advisor plans to regularly evaluate market conditions and adjust investment strategies to take advantage of such changes.

Market and Sector Focus

Conventional Power Generation Sector

The Fund expects to focus primarily on new power generation asset development (including the potential acquisition of development projects from third parties) and brownfield acquisition opportunities with expansion or repowering potential to meet substantial new demand requirements for reliable generation. The Fund is focused primarily on natural gas-fueled power generation projects due to the need for such generation to meet the demand for reliable generation, shorter development and construction periods, lower construction costs and fewer environmental hurdles. Under the Partnership Agreement, the Fund may not invest in any company whose principal business activity (as of the date of the applicable commitment to invest) is not power generation or gas-to-liquids, and no more than 25% of the aggregate Commitments to the Partnership may be invested in companies whose principal business activity (as of the date of the applicable commitment to invest) is in natural gas generation projects located outside of the United States (and then only in the Americas or the United Kingdom) or in renewable generation or gas-to-liquids located in North America (with the remaining amount required to be invested in natural gas-fueled generation in the United States). See Section 8—"*Summary of Principal Terms—Investment Limitations*."

Natural Gas and Electric Power Transportation, Transmission and Distribution

United States

The Fund may selectively focus on the development of natural gas transportation and electric transmission only where it supports its power generation development activities.

Wind/Geothermal/Solar/Biomass

United States/International

The Fund may invest a portion of its capital commitments in opportunities in renewable generation located in North America as stated above.

Gas-To Liquids

The Fund may invest a portion of its capital commitments as stated above in the development of gas-to-liquids projects in North America. The Fund intends to focus on small scale projects where both full EPC construction wrap guarantees are available from credit worthy contractors and where most commodity risk can be hedged for long periods of time.

Value Creation Post-Investment

The Investment Team has a history of creating value by identifying, developing, financing, constructing, operating and monetizing power generation assets in attractive locations where strong first mover advantages exist. The Investment Team believes investment opportunities to develop power generation assets (or expand/repower brownfield assets) will generally be available because there are currently only a limited number of experienced power generation development teams in the United States. The Investment Team plans to create and exploit investment opportunities for the Fund by creating its own proprietary deal flow internally (instead of solely relying upon auctions or others for acquisition or development opportunities). The Investment Team believes that it creates additional value, through its experience, by, among other things, managing and mitigating risk in each phase, maintaining an understanding of target markets, controlling costs, negotiating favorable contract arrangements, taking advantage of transmission and other constraints, strong internal management of development, construction and operations, maintaining strong relationships and capitalizing on opportunistic sale opportunities, monetization and recapitalization of projects during any phase. The Investment Team's substantial experience across multiple disciplines in the electric power industry places the Fund in an advantageous position to understand the applicability and viability of relevant value creation strategies. The Advisor believes that it can efficiently execute value creation strategies by relying on the Investment Team's longstanding experience and its extensive network of contacts.

Investment Process

The Advisor intends to employ a systematic and disciplined approach with respect to evaluating prospective investments. Most investments that Panda or PEII have made in the past were internally generated based upon Panda's understanding of market needs and its ability to locate appropriate sites and work with local communities, regulatory authorities, customers and suppliers. The Advisor expects to continue to generate some opportunities for the Fund internally, but will also seek to acquire later stage development or brownfield (with expansion or repowering potential) projects to reduce development periods.

Due Diligence

While the Investment Team reviews many transactions per year, its operating experience and broad base of contacts allows it to efficiently identify those opportunities upon which it wants to expend resources to research, evaluate and pursue. Once the Investment Team agrees to consider an investment opportunity (following a fatal flaw analysis), it will conduct detailed due diligence. The Advisor believes that it is well positioned to identify potential fatal flaws early in the process and to mitigate many risks in a cost effective manner.

Decision Making

The Advisor will take a team approach to the investment process, ensuring that a variety of perspectives are considered and evaluated in each investment decision. The Advisor's investment approach will emphasize purchase price discipline, careful asset analyses, detailed due diligence, a collaborative approach to decision making, the identification and planned reduction of risk, and the preservation of capital. The Investment Team will generally meet at least once a week to discuss and analyze each major potential investment opportunity under consideration. The decision to proceed from one stage to another will be made by an informal consensus of the leaders of the Investment Team after taking into account the input from the other members of the team and, on an as needed basis, independent input from various other industry experts and advisors; provided, however, that Robert W. Carter, the Advisor's Managing Partner, will have the final decision-making authority on all investment matters.

Financing/Leverage

Panda and its Investment Team have long-term relationships with many global investment and commercial banks, strategic investors, numerous hedge and private equity funds, and other private capital providers and financial sponsors. For example, during the last 20 years, Panda and PEII have been the lead sponsor or developer on projects that raised approximately $9.04 billion of project finance debt and equity in the global power sector. Most of these projects were natural gas-fueled power generation projects located in the United States for which Panda managed all project phases including identification, development, financing, construction, operation, monetization and exit. The Advisor will seek to leverage its capabilities, relationships and financial experience to secure third-party debt, mezzanine and other equity financing in appropriate amounts to optimize the financial structure and maximize returns, on a risk-adjusted basis, for the Fund's investments.

The Advisor expects to employ a conservative and disciplined, yet flexible, approach to pricing and structuring transactions. The Investment Team is experienced at employing investment structures ranging from equity-linked securities in public and private companies to more asset-specific transactions to achieve its investment objectives; the Investment Team plans to consider the underlying risk of potential assets, when determining appropriate capital structures and any hedging programs to best support a potential investment's forecasted economics. For higher-risk investments, the Advisor anticipates using more conservative amounts of financial leverage. The Investment Team understands the risks associated with commodity price swings. It intends to use long-term contracts and hedging mechanisms (including revenue puts) to reduce commodity risk.

Control Investing

Because the Advisor has its own operating and asset development team, and relationships with numerous industry and finance executives, the Advisor and its Investment Team anticipate investing in opportunities that will ultimately result in control, joint control or a significant degree of influence over the strategic direction of each portfolio investment of the Fund. As a result, the Advisor expects to bring considerable industry experience and resources to carefully monitor, influence and direct the activities of each Fund portfolio company.

Historically, the Investment Team has had direct operational oversight with respect to all of its assets and the Investment Team's background and operating expertise allows it to be highly involved in the day-to-day physical operations of its assets, and to implement enhancement activities or alter strategic plans as necessary.

Flexibility on Exiting Investments

The Investment Team believes that its track record demonstrates its capability to evaluate and implement various liquidity or exit options to maximize returns for investors. The Investment Team possesses longstanding relationships with strategic acquirers; local and global private equity and hedge fund sponsors; global investment, merchant and commercial banks; in addition to experience in taking energy companies through a public offering. The Investment Team's experience and relationships with other industry and financial institutions are expected to allow it to identify logical strategic or financial acquirers for its assets and investments as well as to implement and manage auction, restructuring or monetization processes.

6. MANAGEMENT OF THE PARTNERSHIP

Historical Background

PEII was founded in 1982 by Robert W. Carter as a privately-held energy company located in Dallas, Texas. PEII was engaged in the global development, acquisition, ownership and operation of electric power generation facilities and was managed by members of the Investment Team until the initial closing of Panda Fund I in April 2010. PEII developed, structured and financed energy projects representing more than 9,000 MW of operating capacity with total costs of approximately $5.9 billion. The entire Investment Team and other Investment Professionals described below joined the Advisor on a full time basis at the initial closing of Panda Fund I, which occurred on April 30, 2010. Panda Fund I has made five investments in power generation projects representing 3123 MW of generating capacity with total costs of approximately $3.14 billion. On August 21, 2013, the Partnership (together with Panda Fund I) made one investment in a power generation project representing 829 MW of generating capacity with equity contributions of $230 million from the Partnership and $61 million from Panda Fund I for a total project cost of $968 million.

The Investment Team

All members of the Investment Team (as well as other employees who were employees of PEII prior to April 2010) have served in their current positions with the Advisor since April 2010.

Robert W. Carter, Managing Partner and Chief Executive Officer – Mr. Carter served as Chairman and Chief Executive Officer of PEII since founding the company in 1982 until April 2010. He has more than 30 years of business experience in the energy sector in the United States and abroad. Prior to founding PEII, Mr. Carter founded Carter Oil and Gas, Inc. in 1980 where he developed oil and gas prospects in the United States and Colombia. Before founding Carter Oil and Gas, Mr. Carter was Vice President of Oil and Lease Sales for Reserve Energy where he developed oil and chemical projects in the United States and Saudi Arabia. Mr. Carter spent his earlier career in the manufacturing sector where he represented Olin Matheson Chemical and Inland Mead Corporation. Mr. Carter attended the University of Georgia.

Todd Carter, Senior Partner and President – Mr. Carter served as President of PEII from September 2007 until April 2010 and from 2000 to October 2006. From October 2006 to August 2007, Mr. Carter served as President and Chief Executive Officer of Panda Ethanol. He was employed by PEII and its affiliates for 19 years prior to joining the Advisor. Mr. Carter maintains his seat on the Board of Directors for PEII. From 1999 to 2000, Mr. Carter served as Senior Vice President of Corporate Finance. From 1997 to 1999, Mr. Carter served as Senior Vice President of International Business Development. Mr. Carter received a Bachelor of Arts degree in Economics from The University of Texas at Austin.

Ralph Killian, Managing Director, Development – Mr. Killian rejoined PEII in December 2004 and served as Senior Vice President of Development of Panda Ethanol and PEII until April 2010. From 2002 to 2004, Mr. Killian provided consulting, advisory and management services to various companies in the energy industry including the organization and management of a wind energy company. Mr. Killian previously served PEII in many roles from 1989 through 2001, with senior management responsibility over business development, fuels, power sales, operations and asset management. Prior to joining PEII, he was Senior Vice President for Texas Eastern Gas Transmission Corporation and served in various management and engineering positions with Amoco Production Company. Mr. Killian received a Bachelor of Science degree in Chemical Engineering from the University of Florida.

Robert K. Simmons, Managing Director, Project Finance – Mr. Simmons served as Managing Director, Chief Financial Officer, Treasurer and CCO of Panda from April 2010 through November 2013 and Chief Financial Officer with PEII and Senior Vice President with Panda Ethanol from March 1, 2001 through April 2010. After joining PEII, Mr. Simmons was involved in investment capital raising relating to Panda Fund I, strategic development, project financings, joint ventures, an initial public offering, corporate capital and equity offerings as well as management of accounting, cash management and other back office support functions. Before joining PEII in 2001, Mr. Simmons was a Managing Director for Structured Finance at Deutsche Bank, AG. Mr. Simmons also held senior positions at Swiss Bank Corp. and Citibank. Since 1978, he has participated in financings, joint venture organizations, restructurings, mergers and acquisitions in the power, alternative energy and construction industries. Mr. Simmons received a BSBA from Georgetown University and a Masters of Management degree from the JL Kellogg School at Northwestern University.

William Nordlund, Managing Director – Mr. Nordlund rejoined PEII in November 2006 and served as a Senior Vice President responsible for investment capital raising and structuring until April 2010. Previously, he served as Executive Vice President of Finance from 1997 to 1998 and Senior Vice President and General Counsel from 1993 to 1997 at PEII. Prior to rejoining PEII, Mr. Nordlund served as an energy consultant to a large hedge fund where he advised the fund on a number of emerging market energy portfolio acquisition and investment opportunities. From June 2002 to September 2002, Mr. Nordlund served as Head of Power Generation at ABB Equity Ventures until the company was put up for sale. From June 2000 to June 2002, Mr. Nordlund served as President and acting Chief Executive Officer of Dolphin Networks Ltd., a portfolio company of Dolphin Equity Partners engaged in the development of fiber optic cable networks. Mr. Nordlund has also served as Vice President and General Counsel at The Oxford Energy Company (a CMS Energy affiliate), an attorney at Constellation Holdings (a Baltimore Gas & Electric Company affiliate) and as a Partner at Winston & Strawn. Mr. Nordlund received a Master of Management degree from the JL Kellogg School at Northwestern University, a Juris Doctor degree from Duke University and a Bachelor of Arts degree from Vanderbilt University.

Other Investment Professionals

James L. Adams, Jr., Senior Vice President, Fuels – Mr. Adams has served as Vice President of Fuels for PEII and Panda Ethanol since 1997. He served as manager of fuels for PEII from 1994 to 1997. From 1991 to 1994, Mr. Adams was a partner with Energy International Consulting Corporation of Houston, Texas where he specialized in gas marketing and transportation issues. From 1989 to 1991, Mr. Adams was vice president of gas supply for Nortech Energy, a subsidiary of Montana Power Company and Northridge Petroleum of Calgary. Mr. Adams helped create Nortech Energy to provide gas marketing and futures trading presence in the Gulf region for the two parent companies. From 1981 to 1989, Mr. Adams was vice president of

Louisiana Energy and Development Corporation and its subsidiaries. Mr. Adams received a Bachelor of Science degree from Louisiana Tech.

Edmund Daniels, Managing Director, General Counsel and Chief Compliance Officer – Mr. Daniels joined Panda in April 2013 as General Counsel responsible for legal matters. Mr. Daniels was also appointed as Chief Compliance Officer in October 2013. Previously, he served as Managing Director & Assistant General Counsel at JP Morgan Chase & Co. where he was the general counsel of the Global Commodities Group's Houston office advising the North American Power & Gas Groups and the Commodities Principal Investments Group since 2009. Prior to joining JP Morgan, Mr. Daniels was an Assistant General Counsel for Mergers & Acquisitions and Power Plant Development at NRG Energy, with lead responsibility for negotiating EPC and developments agreements for NRG's development of new combined cycle generating facilities in Texas and California. He also advised on the planned expansion of the South Texas Nuclear Project joint venture agreements with Toshiba Corp., leading to co-investment by Toshiba and significant vendor financing by Toshiba in the nuclear development joint venture. Mr. Daniels served as Deputy General Counsel of Texas Genco LLC (owner and operator of over 11,000 MW of generation assets) from 2005 until its acquisition by NRG Energy in 2006, and remained on with the acquired company as General Counsel of NRG's Texas Region. Mr. Daniels received a Juris Doctor degree from the University of Texas Law School in 1993, where he served as Articles Editor of the Texas Law Review, and received a Bachelor of Science in Foreign Service degree cum laude from Georgetown University's School of Foreign Service in 1990. After law school, Mr. Daniels clerked for the Hon. Melinda Harmon on the United States District Court for the Southern District of Texas, and the Hon. Edith Jones on the United States Court of Appeals, Fifth Circuit.

Alison Zimlich, Chief Financial Officer and Treasurer – Ms. Zimlich joined Panda in November 2013 as Chief Financial Officer and Treasurer, following a seventeen-year career in the industry with The AES Corporation and its affiliates. While at AES, she served in a variety of accounting, finance, tax and business development roles throughout the organization. Most recently, Ms. Zimlich was the Chief Financial Officer for AES' North America Generation portfolio, where she oversaw the accounting, financial planning, tax and treasury functions for the division's twenty-five thermal and wind generation businesses with revenues of approximately $1.5 billion in the United States, Puerto Rico and Mexico. She started her career with Ernst & Young, LLP as a tax consultant, following her graduation from Texas State University at San Marcos with a Bachelor of Business Administration degree in Accounting. She also received a Master of Science degree in Taxation from The American University in Washington, D.C. Ms. Zimlich is a licensed Certified Public Accountant and Chartered Global Management Accountant.

Richard Evans, Sr. Vice President, Engineering & Construction – Mr. Evans joined PEII in 2007 and is responsible for project development. He initially served as Construction and Engineering Project Director for Panda Ethanol, before transitioning to PEII in February 2008 to fulfill the same role. In October 2008, Mr. Evans moved into project development, responsible for bringing projects from early stage development to financial close. Between 2003 and 2007, Mr. Evans worked for Alcoa World Alumina, managing their Global Calciner Lead Team. From 1985 to 2003, Mr. Evans worked for the Kier Group, a United Kingdom-based construction organization. Mr. Evans transferred to Kier International in 1995. From 2000 to 2007, Mr. Evans led a joint venture between Kier and CCC Group to develop a business to construct U.S. power plants. Mr. Evans received a Bachelor of Science Degree (with honors) in Civil Engineering from the University of Bristol, UK.

Paul E. Ksiazek, Sr. Vice President, Power Origination & Fuels – Paul Ksiazek joined PEII in September 2008 and is responsible for Panda's business development and wholesale power origination efforts as well as commodity transactions. Prior to joining Panda, Mr. Ksiazek held various positions from 2001 to 2008 within the wholesale, origination and risk group at TXU Energy Trading (and its successor corporation, Luminant Energy, a subsidiary of Energy Future Holdings). His responsibilities included, Director, ERCOT Business Development/Origination and Senior Director, Risk Control. Mr. Ksiazek also served as a Director-Business Development for Duke Energy (1996-2000) and as a Project Manager and Supervisor for ABB (1987-1996). Mr. Ksiazek received a B.S. in Mechanical Engineering from Bradley University, a M.B.A. in Finance and International Business from the University of Illinois, and a M.S. in Financial Markets and Trading from the Illinois Institute of Technology. He also served as a Lieutenant, Naval Nuclear Power Officer in the United States Navy.

Darol Lindloff, Executive Director, Development – Mr. Lindloff is responsible for power generation development activities for Panda. Mr. Lindloff joined PEII in 1989 and since then he has held various executive management positions for business and project development, engineering, construction and asset management. Mr. Lindloff also served as Chief Operating Officer and Chief Executive Officer of Panda Ethanol from 2006 until 2009. He rejoined PEII in April 2009 and served as head of operations until April 2010. From 2000 until 2006, Mr. Lindloff served in various senior management positions for PEII including as Chief Operating Officer. From 1997 to 2000, Mr. Lindloff served as President of PEII. Prior to joining PEII in 1989, Mr. Lindloff had more than 25 years of experience in the chemical process, electric power and pollution control industries at organizations such as Hawker Siddeley Power Engineering, Central and Southwest Corporation, and Airco Industrial Gases. Mr. Lindloff is a graduate of Southwestern University with a Bachelor of Science degree.

Bill Pentak, Vice President, Investor Relations and Public Affairs – Mr. Pentak was the Director of Corporate Communications and Investor Relations of PEII from August 2007 until April 2010. He served in the same position at Panda Ethanol from 2006 until 2007. Prior to joining Panda Ethanol, Mr. Pentak served in the corporate communications and investor relations department of Reliant Energy. He has more than 20 years of public affairs experience. Mr. Pentak received a Bachelor of Arts in Communications Studies from Baylor University and a Master of Business Administration from the University of Texas at Austin.

Anuradha Sen, Sr. Vice President, Finance – Ms. Sen joined PEII in 2005 and served in various positions within the finance departments of both PEII and Panda Ethanol including most recently as Senior Vice President, Finance at PEII until April 2010. Prior to joining PEII, Ms. Sen spent several years in the Financial Analysis and Structuring area with Intergen - a Shell/Bechtel Venture, in Boston. She received a Bachelor of Commerce Degree and a Master of Management Studies degree from the University of Bombay, India.

Steven E. Tessem, Senior Vice President, Development – Mr. Tessem joined Panda in June 2010, and is responsible for power generation project development activities for Panda in the Eastern United States. Prior to joining Panda, Mr. Tessem was Vice President of Regulatory Affairs for North American Energy Alliance (a generation asset ownership subsidiary of an Australian private equity fund). Mr. Tessem served as Con Edison Development's Director of Project Development from 1999 until the asset sale to North American Energy Alliance. Prior to his employment at Con Edison, Mr. Tessem managed the development of energy projects globally. His experience includes positions in operations, design, construction and project management, project finance, development, and independent system operator market participation. Mr. Tessem holds a Bachelor of Science degree in Mechanical Engineering from Texas A&M University and received his Master of Business Administration degree in Finance from the Jones School at Rice University.

John Zamlen, Senior Vice President, O&M and Asset Management – Mr. Zamlen joined PEII in 1996. He has held various senior management positions for business and project development, engineering, construction and asset management at PEII. Mr. Zamlen also served as Vice President for Construction, Development and Asset Management of Panda Ethanol from 2006 until 2009. He rejoined PEII in April 2009 and served as Vice President, Construction until April 2010. From 2001 to 2006, Mr. Zamlen served in various Senior Director and Vice President positions for PEII focused on asset management, mergers and acquisitions and development. From 1996 until 2001, Mr. Zamlen was based in China and served as General Manager for one of PEII's foreign joint ventures. Prior to joining PEII in 1996, Mr. Zamlen had more than 20 years of experience in the electric power, chemical process and mining industries at organizations such as Constellation Energy, Kerr-McGee Chemical Corporation and United States Steel Corporation. Mr. Zamlen is a graduate of the University of Minnesota, Institute of Technology with a Bachelor of Electrical Engineering degree in Power Systems with distinction.

7. INVESTMENTS

The following sections contain summaries of all completed energy investments of PEII, Panda Fund I and the Partnership.

A. Current Investments

LIBERTY

Financial Close Date:	August 2013	**Partnership Equity Invested:**	$230 million with $50 million in additional co-investment
Planned Commercial Operation Date:	2016	**Panda Fund I Equity Invested:**	$61 million
Date of Final Exit:	TBD	**Panda Fund I Equity Unrealized Gain:**	$19.6 million[22]
Asset Type:	Natural Gas	**Panda Fund II Equity Unrealized Gain:**	$56.6 million[22]
Location:	Bradford County, PA	**Source:**	Acquisition
		Status:	In Construction

Business Description:

The Liberty Power Project, located 45 miles northwest of Scranton, PA, is a gas-fueled combined-cycle power production facility with a capacity of 829 MW. $585 MM of senior debt was supported by a 4 year heat rate call option and capacity revenues described below. $341 MM of equity ($61 MM from Panda Fund I and $230 MM from the Partnership) was also contributed to the project. The Liberty project is being constructed by Gemma-Lane and Siemens under a fixed-price, turnkey construction contract (containing liquidated damages for both non-performance and delay). Construction commenced in August 2013, and the facility is scheduled to begin commercial operations in early 2016. The Liberty project cleared the May 2013 PJM Base Residual Auction for the 2016/2017 planning year at $119.37/MW-day. Liberty is in the constrained MAAC Locational Delivery Area, whose capacity cleared at a premium price compared to generation in the western portion of PJM.

Transaction Rationale:

PJM is considered one of the most attractive and liquid markets for power generators in the United States. Revenue streams are typically supported by a forward capacity market held three years prior to the delivery year. The market is expecting heavy coal retirements due to economics and the rising cost of environmental compliance. 20,000 MW of coal-fired capacity retirements have already been announced

[22] Figures are based on the September 30, 2013 valuation issued by Marshall & Stevens.

that are expected to take place by 2016. PJM has an aging generating fleet with 70,000 MW of generation possessing an average age of 56 years. The project is sited within the Marcellus dry shale natural gas producing area, which Panda believes will allow for low delivered gas pricing compared to competing gas plants in elsewhere in PJM (estimated $0.70/MMBtu cost advantage). This low fuel price, coupled with the project's efficient heat rate (6,500 Btu/kWh, expected to be the lowest in PJM), Panda believes will allow Liberty to be dispatched ahead of most coal-fired generation, making the project essentially a base-load plant.

SHERMAN

Financial Close Date:	September 2012	**Panda Equity Invested:**	$95 million[23] with $260 million in additional co-investment
Planned Commercial Operation Date:	2014		
Date of Final Exit:	TBD		
Asset Type:	Natural Gas	**Panda Equity Unrealized Gain:**	$58.0 million[24]
Location:	Sherman, TX	**Source:**	Proprietary
		Status:	In Construction

Business Description:

The Sherman Power Project, located 70 miles north of Dallas, is a gas-fueled combined-cycle power production facility with a capacity of 758 MW. $372 MM of senior debt supported by a 4 year revenue put issued by 3M ERIP was raised in the institutional markets. The revenue put guarantees certain minimum revenues to mitigate default risk while also preserving equity upside. $360 MM of equity was also contributed to the project. The Sherman project is being constructed by a Siemens-Bechtel consortium under a fixed-price, turnkey construction contract (containing liquidated damages for both non-performance and delay) and is scheduled to begin commercial operations in 2014.

Transaction Rationale:

ERCOT has projected power shortages with low reserve margins, beginning in 2014, when the Sherman project is expected to be in commercial operation. The plant location is positioned to take advantage of the expanding North Texas market. The Advisor believes the Sherman project has a “first-mover” advantage as there is currently limited new build competition in ERCOT. In addition, the Advisor believes the quick-start technology and low heat rate of Sherman provide competitive advantages over older gas-fueled generation. The Sherman project has community and political support. The Advisor believes Sherman is well sited for natural gas, water and electrical interconnections.

[23] “Panda Equity Invested” is net of the $5 million development fee per project.

[24] Figures are based on the September 30, 2013 valuation issued by Marshall & Stevens.

TEMPLE

Financial Close Date:	July 2012 (Phase I – 758 MW; April 2013 (Phase II - 758 MW)	**Panda Equity Invested:**	**$**95 million (Phase I)[25] with $275 million in additional co-investment; $82 million (Phase II) with $225 million co-investment
	May 2014 (Phase I) May 2015 (Phase II)		
Planned Commercial Operation Date:	2014 (Phase I) 2015 (Phase II)	**Panda Temple I Unrealized Gain:**	$46.0 million[26]
Date of Final Exit:	TBD	**Panda Temple II Unrealized Gain:**	$54.0 million[26]
Asset Type:	Natural Gas		
Location:	Temple, TX	**Source:**	Proprietary
		Status:	In Construction

Business Description:

The Temple Power Project, located in Temple, Texas (between Dallas and Austin) is a gas-fueled combined-cycle power production facility being built in two phases of 758 MW each. The first phase of Temple closed financing in July 2012 and is expected to be in commercial operation during 2014. $330 MM of A and B senior debt supported by a 4 year revenue put issued by 3M ERIP was raised in the institutional markets. The revenue put guarantees certain minimum revenues to mitigate default risk while also preserving equity upside. $411.5 MM of equity and mezzanine debt were also contributed to the project. Phase I of the Temple project is being constructed by a Siemens-Bechtel consortium under a fixed-price, turnkey construction contract (containing liquidated damages for both non-performance and delay). Phase II closed financing in April 2013 and is being constructed by the same consortium under similar terms with a schedule to begin commercial operations in 2015. $372 MM of term loan B senior debt supported by a 4 year revenue put issued by 3M ERIP was raised in the institutional markets.

Transaction Rationale:

ERCOT has projected power shortages with low reserve margins, beginning in 2014, when the Temple I project is expected to be in commercial operation. The Temple II project is expected to be in commercial operation in 2015. The Temple projects have been located to provide power to the expanding Dallas, Austin and San Antonio markets. The Advisor believes these projects have a "first-mover" advantage as there is currently limited new build competition in ERCOT. The Advisor believes the quick-start technology and low heat rate of Temple provide competitive advantages over older gas-fueled generation. The Temple projects have community and political support. The Advisor believes they are well sited for natural gas, water and electrical interconnections.

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[25] "Panda Equity Invested" is net of the $5 million development fee per project.

[26] Figures are based on the September 30, 2013 valuation issued by Marshall & Stevens.

PILESGROVE

Financial Close Date:	October 2010	**Panda Equity Invested:**	$23.7 million
Commercial Operation Date:	August 2011	**Panda Equity Returned:**	$4.0 million[27]
		Panda Unrealized Loss:	$6.8 million
Date of Final Exit:	TBD	**Current Ownership Position:**	50%
Asset Type:	PV Solar	**Source:**	Proprietary
Location:	Pilesgrove Township, NJ	**Status:**	In Operation

Business Description:

The 20 MW Pilesgrove solar project is located in Pilesgrove Township, New Jersey, approximately 30 miles southwest of Philadelphia. The Pilesgrove project is part of a joint venture between Panda Fund I and an affiliate of Consolidated Edison, the primary public utility serving New York City. The facility delivers power into the Atlantic City Electric (ACE) system and sells Solar Renewable Energy Credits (SRECs) into a market administered by the New Jersey Board of Public Utilities. Capacity is being sold into forward markets in the PJM (Pennsylvania, New Jersey and Maryland) system. The facility was constructed under a fixed-price, turnkey construction contract by RMT Inc., an affiliate of Alliant Energy. The cost of the project was approximately $77.6 million (net of a U.S. treasury grant). Prudential Capital provided approximately $28 million of non-recourse debt financing to the project. Panda Fund I had primary responsibility for managing the development and construction of the Pilesgrove project. Consolidated Edison Development (CED) has primary responsibility for selling the SRECs and energy from the project. CED also operates the project. Each partner contributed 50% of the equity for the project exclusive of income tax benefits.

Transaction Rationale:

New Jersey's renewable portfolio standard (RPS) is one of the most aggressive in the United States, mandating that 22.5% of electricity sold in the state come from renewable sources by 2021. Unlike many other states, the New Jersey RPS has a separate carve out for solar generation. The solar carve out requires 5,316 gigawatt-hours of solar generation by 2026. Electricity providers not meeting yearly targets must pay a deficiency rate of approximately $641/megawatt-hour. This created a profitable market for SRECs. Panda also intends to create opportunities to develop large-scale, gas generation projects in this region through relationships established as part of its solar program.

[27] Recycled.

B. Prior Investments

HEREFORD

Date of Initial Investment:	January 2005	**PEII Equity Invested:**	$28.5 million
Date of Final Exit:	April 2009	**PEII Equity Returned:**	$5.5 million
Asset Type:	Ethanol/Biomass	**Current Ownership Position:**	Sold
Location:	Hereford, TX	**Source:**	Proprietary

Business Description:

Panda Ethanol was formed by PEII in May 2006 to develop, own and operate a portfolio of manure and gas-fueled ethanol plants. Panda Ethanol sought to be a low-cost producer by locating its projects near cattle feed yards where it could use low-cost manure as fuel and sell a premium wet distillers' grain product back to the feed yards avoiding drying and transportation costs normally required for distillers' grain products. These efficient projects had access to rail transportation with double loop tracks. In 2006, Panda Ethanol raised $188 million of project debt, including senior debt of $158 million led by Société Générale and $30 million of subordinated debt to finance its 115 million gallon-per-year manure-fueled Hereford, Texas ethanol project. In addition, Panda Ethanol raised approximately $95 million in cash equity from institutional investors to cover the equity portion of the cost of the project. The Hereford project was being constructed by Lurgi, Inc. under a fixed-price, turnkey contract. Panda Ethanol completed a reverse merger with a public shell corporation and was publicly traded under the symbol PDAE (OTC). PEII owned 14,217,341 shares, approximately a 45.8% ownership interest, of Panda Ethanol.

Transaction Rationale:

The drivers that motivated an investment in Panda Ethanol were a continued rising global demand for motor fuels, geopolitical risks for petroleum supply, and environmental advantages of a renewable fuel versus fossil fuels. Through its expertise in developing power plants, Panda Ethanol sought to be a low-cost producer, siting these plants in strategic locations outside the traditional corn-belt. Panda Ethanol sought to reduce costs and eliminate fossil fuel usage by gasifying cattle manure to generate steam for use in these ethanol plants. Panda Ethanol sought to realize energy savings by selling wet distiller grains versus Midwest plants which must dry their distillers' grains to ship to market. The Hereford facility and other projects being developed by Panda Ethanol had a 115 million gallon-per-year footprint which allowed Panda Ethanol to justify double-loop rail tracks, which in turn, provided significant rail discounts as they allow for the loading and unloading of full unit trains.

Subsequent Activities:

As a result of the severe downturn in the ethanol market, among other factors, the Hereford project filed for Chapter 11 Bankruptcy Protection in January 2009. The Hereford project was sold to a group of lenders in April 2009 under a Section 363 auction. Panda Ethanol was liquidated.

PANDA GILA RIVER and EL DORADO

Date of Initial Investment:	January 2000	**PEII Equity Invested:**	$35.5 million
Date of Final Exit:	June 2003	**PEII Equity Returned:**	$100.3 million
Asset Type:	Natural Gas	**Current Ownership Position:**	Sold
Location:	Gila River, AZ & El Dorado, AR	**Source:**	Proprietary

Business Description:

PEII formed a joint venture with TECO Power Services Corporation, an affiliate of Tampa Electric, to finance, construct, own and operate the two largest combined cycle gas power plants in the United States. The facilities are located near Gila River, Arizona and El Dorado, Arkansas. Each of the Panda Gila River and El Dorado power facilities is a natural gas combined-cycle merchant generating facility with a capacity of 2,250 MW. The Panda Gila River power facility transmits its energy to the Arizona Public Service Company's Palo Verde substation near Phoenix through a transmission contract with economic access to both the Arizona and California markets.

PEII developed and permitted two 19 mile 500 kV transmission lines to connect the Panda Gila River power facility with the Palo Verde substation. The El Dorado power facility interconnected with the power grid though an agreement with Entergy at an adjacent substation, and 500 MW of its capacity was sold to Dynegy. PEII developed and constructed a 42 mile, 30-inch interstate gas pipeline to connect El Dorado with gas producers in Oklahoma, Louisiana and Texas. As part of this project, PEII constructed a 40-mile water line from the Ouathila River which not only served the power plant but also provided much needed water to the city of El Dorado. The Panda Gila River and El Dorado projects (4,500 MW total) were financed together in June 2001 with $1.7 billion of senior non-recourse project debt provided by a consortium of 18 lenders lead by Citigroup and Société Générale ("SocGen") and with more than $1 billion of equity financing provided by TECO. An affiliate of Enron, NEPCO, was selected to construct both projects under a fixed-price, turnkey construction contract. However, just prior to the Enron bankruptcy, Enron seized funds deposited by the projects with NEPCO. PEII stepped in and took control of the construction of, and accounting for, both projects, which included managing 4,600 workers. PEII was able to achieve commercial operations of both facilities ahead of schedule and under budget. The Panda-TECO joint venture operated and maintained both power facilities.

Transaction Rationale:

Both the Panda Gila River and El Dorado facilities contain efficient GE 7F turbines with heat rates of approximately 7,000 Btu/Kwhr resulting in lower operating costs than the regions existing and older power facilities. The Panda Gila River power facility was located so that it could provide power into the growing California and Phoenix, AZ markets. The Panda Gila River power facility was located to connect to the Palo Verde substation, had nearby access to natural gas from an El Paso gas pipeline, and had a supply of water for cooling. The El Dorado power facility was located on Entergy's power grid at a major 500 kV substation that permitted non-congested transmission throughout Entergy’s electric system and service territory.

Subsequent Activities:

In June 2003, PEII sold its interest in the Panda Gila River and El Dorado power facilities to TECO for approximately $35.5 million in cash and repayment and forgiveness of certain debt resulting in a net gain to PEII of $74.1 million.

ONETA

Date of Initial Investment:	December 1999	**PEII Equity Invested:**	$2.8 million
Date of Final Exit:	July 2000	**PEII Equity Returned:**	$83.9 million
Asset Type:	Natural Gas	**Current Ownership Position:**	Sold
Location:	Coweta, OK	**Source:**	Proprietary

Business Description:

The Oneta Power Project-located between Broken Arrow and Coweta, Oklahoma, is a merchant gas-fueled combined cycle power production facility that has a capacity of 1,000 MW. The Oneta project sells electric energy on a merchant basis into the Southwest Power Pool. The cost of the Oneta project was approximately $500 million. In July 2000, PEII sold the Oneta project (prior to construction) to Calpine Corporation for $20 million in cash, a loan and a 49% net profits interest in the Oneta project. Following the sale, Calpine took control of the Oneta project and completed its construction.

Transaction Rationale:

The Oneta project was sited near a major sub-station just south of Tulsa, Oklahoma. At the time of PEII's investment, the area was rapidly growing, and the project offered potential strong economic returns. The site had sufficient water supplies and access to nearby natural gas.

Subsequent Activities:

In September 2008, as part of a litigation claim settlement, PEII transferred its 49% net profits interest in Oneta to Calpine and Calpine waived all rights to seek repayment of the loan and issued Calpine stock to PEII as additional consideration.

TIE-GUADALUPE and TIE-ODESSA

Date of Initial Investment:	March 1998	**PEII Equity Invested:**	$31.3 million
Date of Final Exit:	September 2003	**PEII Equity Returned:**	$74.9 million
Asset Type:	Natural Gas	**Current Ownership Position:**	Sold
Location:	Guadalupe & Odessa, TX	**Source:**	Proprietary

Business Description:

Texas Independent Energy ("TIE") was a joint venture formed by PEII and PSEG Global, an affiliate of Public Service Enterprise Group (a New Jersey based utility) to construct, finance and manage two merchant power projects, Guadalupe and Odessa, that were originated and developed by PEII. Each of the Guadalupe and Odessa power facilities is a 1,000 MW natural gas-fueled, combined cycle merchant generating facility. The Odessa power facility serves the west Texas region of the ERCOT system anchoring its western end. The Guadalupe power facility serves the central Texas region of ERCOT. Both facilities have competitive advantages over older and less efficient utility generation facilities. The Odessa facility is the only major non-utility generation facility in its region, and it has the ability to provide power both to north and west Texas. PEII managed the construction and financing of both facilities, and jointly managed its operations with PSEG. In October 1999, TIE closed the financing of the Guadalupe power facility, and in February 2000, TIE closed the financing on the Odessa power facility, which collectively raised $640.6 million in senior debt financing provided by a consortium of lenders led by ING Barings. TIE contributed $380.2 million of equity to the projects. After receiving a return on its initial investment of $31.3 million, PEII borrowed its 50% share of the equity contribution from TECO Power Services Corporation, an affiliate of Tampa Electric. The Guadalupe and Odessa power facilities achieved commercial operations in January 2001 and August 2001 respectively, and both facilities were built by Duke/Fluor Daniel under fixed-price, turnkey construction contracts.

Transaction Rationale:

The Odessa plant was sited near a major TXU substation in West Texas, which had ample capacity to absorb 1,000 MW of electric power. The area had deficient generation, and the nearby existing TXU generation was outdated and had a 14,000 Btu/kilowatt-hour average heat rate. The Odessa plant has efficient GE 7F turbines with an average heat rate of approximately 7,000 Btu/kilowatt-hour. The Odessa facility is sited near major natural gas pipelines which provide multiple gas supplies at competitively attractive prices. The Odessa facility uses city effluent water drawn from a PEII built 40 mile, 20-inch water line which eliminated the need to draw down the local water supply.

The Guadalupe facility was sited at a major substation in south central Texas that supplied multiple electric utilities. The facility has efficient GE 7F turbines with an average heat rate of approximately 7,000 Btu/ kilowatt-hour. The Guadalupe plant was located near two major gas pipelines providing natural gas at attractive pricing. PEII was also able to obtain a long-term supply of water from the Guadalupe Blanco River Authority. The Guadalupe project had political and community support.

Subsequent Activities:

In January 2003, the loan from TECO was converted into a 37.5% interest in TIE, which included the Odessa and Guadalupe power facilities, leaving PEII with a 12.5% interest in TIE. In September 2003, PEII sold its remaining interest in TIE, which included the Odessa and Guadalupe power facilities, to TECO for forgiveness of $24 million of debt resulting in a gain of $16.8 million to PEII.

LAMAR POWER

Date of Initial Investment:	January 1998	**PEII Equity Invested:**	$16.6 million
Date of Final Exit:	April 2004	**PEII Equity Returned:**	$115.6 million
Asset Type:	Natural Gas	**Current Ownership Position:**	Sold
Location:	Paris, Texas	**Source:**	Proprietary

Business Description:

The Lamar Power Project, located in Paris, Texas, northeast of Dallas, is a merchant gas-fueled combined cycle power production facility that has a capacity of 1,000 MW. The Lamar Power Project sells electric energy on a merchant basis into the capacity constrained northeast portion of the ERCOT system which supplies energy to meet the needs of the Dallas-Ft. Worth region. The cost of the Lamar Power Project was $458 million. PEII negotiated and entered into power purchase arrangements for 700 MW ranging from 1.5 to 5 year terms to support the financing with TXU Electric, Constellation Energy and Texas New Mexico Power. The Lamar Power Project reached commercial operation in June 2000. PEII commenced and completed development of the project during 1998 and received offers to supply all required debt and equity for the project. Because of the ideal site location of the Lamar Power Project, PEII also received a number of offers to buy the project from PEII prior to construction. In early 1999, PEII conducted a sale process and sold a 99% interest in the Lamar Power Project to FPL Energy, an affiliate of Florida Power & Light, for approximately $160.5 million. The purchase price included approximately $96.8 million in cash profit to PEII, approximately $16.6 million to reimburse all development costs incurred and investments by PEII and the repayment of approximately $47.1 million of vendor debt incurred by PEII.

Transaction Rationale:

The North Texas portion of the ERCOT system had an energy generation shortage. Much of the power supplying the Dallas-Ft. Worth area was imported from other parts of the state through transmission lines which were often constrained. The Lamar Power Project was sited to provide low-cost electric energy to a nearby major Texas Utility (TXU) substation at a location close to the Dallas market that had no transmission constraints. The site met all the requirements necessary to develop a low-cost energy project. The project had economic access to natural gas through nearby pipelines and was supplied by low-cost mid-continent and East Texas natural gas. Water was also plentiful, coming from nearby lakes. The facility heat rate is approximately 7,000 Btu/Kwhr which is lower than the average ERCOT generation plant heat rate, resulting in less fuel usage and lower costs. The project had local political and community support.

Subsequent Activities:

On April 15, 2004, PEII sold its remaining 1% interest in the Lamar Power Project to FPL Energy for $2.2 million.

BHOTE KOSHI POWER

Date of Initial Investment:	March 1996	**PEII Equity Invested:**	$12.0 million
Date of Final Exit:	March 2006	**PEII Equity Returned:**	$18.9 million
Asset Type:	Hydro-Renewable	**Current Ownership Position:**	Sold
Location:	Kathmandu, Nepal	**Source:**	World Bank/IFC

Business Description:

The Bhote Koshi Power facility is a 40 MW run-of-the-river hydroelectric project located about 65 miles from Kathmandu, Nepal on the Bhote Koshi River. This facility sells all energy and capacity produced to the Nepal Electricity Authority ("NEA") under a 30-year U.S. dollar denominated contract. The Government of Nepal guarantees the obligations of the NEA as well as currency exchange and repatriation and political risks including changes in law. The project operates under a 15-year tax holiday. PEII was brought into the Bhote Koshi project by the International Finance Corporation ("IFC"). PEII was the lead developer and managing partner for the project which involved 75% joint ownership of the project through a joint venture with MCN Investment Corporation, an affiliate of Michigan Consolidated Natural Gas Company. Other equity partners included the IFC, Harza Engineering Company International LP (a major hydroelectric engineering firm), Himal International Power Corporation, an affiliate of the Soaltee Group (local partner) and MCN Investment Corporation. These parties contributed $29.5 million in equity to the project. PEII negotiated and arranged all senior project debt financing lead by the IFC in the amount of $68.8 million, which closed in December 1997. Other participants in the senior debt included bi-lateral agencies from the Netherlands (FMO) and Germany (DEG), as well as Dresdner Bank and Bayerische Vereinsbank. To reduce costs, PEII retained and managed a Chinese construction firm to build the project under a fixed-price turnkey construction contract. The facility achieved commercial operations in January 2001. The project increased Nepal's dependable supply of electricity by approximately 10%.

Transaction Rationale:

PEII was able to acquire this project on a sole source basis due to its relationships. The IFC, which is part of The World Bank Group, brought PEII into the project. The economics were very favorable and the power/energy contract had strong central government guarantees plus the full support of the IFC/World Bank. The Bhote Koshi project possessed a strong local partner with connections to all major political parties and also enjoyed cross party political support. There was significant demand for the new energy. PEII was able to lead the development and secure all the debt/equity financing in addition to managing the construction of the project to its commercial operations. This project helped to enhance PEII's relationships with the IFC/World Bank and other major international, bi-lateral, and multi-lateral agencies.

Subsequent Activities:

In March 2006, PEII sold its interest in the Bhote Koshi Power facility to its local partner (Himal) for $3.6 million.

LUANNAN

Date of Initial Investment:	September 1995	**PEII Equity Invested:**	$66.0 million
Date of Final Exit:	August 2001	**PEII Equity Returned:**	$12.3 million
Asset Type:	Coal	**Current Ownership Position:**	Sold
Location:	Luannan, China	**Source:**	Proprietary

Business Description:

The Luannan Thermal Power Plant, located in Luannan, Hebei Province, People's Republic of China, near the City of Tangshan, is a coal-fired power production facility that has a capacity of 110 MW. The plant sells electric energy to the PRC-owned North China Power Group Company (now China Datang Corporation) under a 20-year term contract. The entire cost of the project, $155.2 million, was financed through a publicly registered bond offering underwritten by Donaldson, Lufkin & Jenrette. The plant was constructed pursuant to a fixed-price, turnkey contract by Harbin Power Engineering Company, a local Chinese contractor. Coal was supplied by various local and central government mines under long-term contracts. PEII owned 83% of the project with the remaining 17% owned by local and central government partners. The plant commenced commercial operation in the second quarter of 2000. Following commercial operation and the Asian market crash of the late 1990s which reduced power demand, the Chinese authorities refused to honor their tariff arrangements on the Luannan project and other similar private power projects. The Chinese authorities unilaterally reduced the tariff to a rate that was insufficient to repay the outstanding bonds. In November 2000, PEII entered into a restructuring arrangement regarding the outstanding bonds where it paid $58.6 million in cash to redeem a portion of the bonds at par and issued new notes replacing the old bonds (not redeemed) at a discount. After working with the U.S. government to negotiate a higher tariff for the project, PEII sold its interest in the Luannan project for $49.1 million which represented the value of the remaining outstanding indebtedness.

Transaction Rationale:

With annual growth in excess of 7% and limited power reserves, the Chinese market appeared to offer huge potential opportunities. As one of the first foreign developers to complete and finance a private power project in China, PEII hoped to use this project as a stepping stone to much larger opportunities. The Luannan project was located near major coal reserves, avoiding the need for rail transportation and anchored the Eastern end of the North China Power grid. PEII had both a strong local partner in Luannan County and central government partner in China National Machinery & Equipment Import & Export Corporation-the foreign trade arm of the Chinese government. The project provided much needed power to Luannan County, which had been subject to rolling blackouts.

PANDA-BRANDYWINE

Date of Initial Investment:	January 1994	**PEII Equity Invested:**	$13.9 million
Date of Final Exit:	NA	**PEII Equity Returned:**	$236.3 million
Asset Type:	Natural Gas	**Current Ownership Position:**	81.0%
Location:	Brandywine, MD	**Source:**	Proprietary

Business Description:

The Panda-Brandywine facility is a 230 MW natural gas-fueled combined-cycle power generation facility located 17 miles from Washington, DC in Brandywine, Maryland. The facility initially sold all capacity and electric energy produced to Potomac Electric Power Company ("PEPCO") under a 25-year contract. This facility supplies approximately 10% of Washington's base-load power supply. PEII developed, financed and operates this facility. The facility achieved commercial operations in October 1996 after a 17 month construction period. The facility was completed ahead of schedule and under budget and included the construction of a 17 mile waste waterline to supply water from the Mattawoman Waste Water Facility. Panda-Brandywine has a safety record that stands at more than 10 years without a lost-time accident and a lifetime average of 95.93% availability. Raytheon constructed the facility under a fixed-price, turnkey contract. Union labor was employed. GE Capital provided $215 million of leveraged lease financing for the Panda-Brandywine facility with Credit Suisse First Boston as agent providing $187 million of this amount as senior project lease debt. All financing was non-recourse to PEII. PEII initially owned 100% of the lessee interest in the facility and currently owns 81% of the lessee interest.

Transaction Rationale:

The Panda-Brandywine project offered strong economic returns supported by a long-term sales contract with an investment grade rated utility PEPCO. The project had community and political support.

Subsequent Activities:

In July 1996, PEII issued $105.5 million Panda Funding Corporation 11 5/8% Pooled Project Bonds due 2012 in a mezzanine finance structure that allowed Panda to monetize a portion of its equity investment in the Panda-Brandywine facility. The proceeds were used to refinance and acquire the remaining interest in the Rosemary project, to pay back a corporate loan and for other general corporate purposes. The financing was non-recourse to PEII and was supported by the cash flows of the Panda-Brandywine facility and Rosemary project. In December 2003, Northland Power Income Fund acquired a 19% ownership interest in the Panda-Brandywine facility and the Rosemary project in return for a $6 million cash payment and a $93 million loan with a term of 18 years and an interest rate of 10.5% that was used to refinance the Panda Funding Corporation bonds on more favorable terms. In a transaction with RBS Sempra and various other parties in September 2008, PEII received $57.6 million to restructure Brandywine's power and gas agreements. PEII retained its 81% ownership and operating management of

Brandywine. RBS Sempra acquired the power contract from PEPCO and leveraged lease from GE, which were both restructured. RBS Sempra later sold these contracts to JPMorgan.

ROSEMARY

Date of Initial Investment:	September 1989	**PEII Equity Invested:**	$38.2 million
Date of Final Exit:	February 2005	**PEII Equity Returned:**	$130.2 million
Asset Type:	Natural Gas	**Current Ownership Position:**	Sold
Location:	Roanoke Rapids, NC	**Source:**	Proprietary

Business Description:

The Rosemary Power Project, located in Roanoke Rapids, North Carolina is a fully contracted gas-fueled combined-cycle power production facility that has a capacity of 180 MW. The Rosemary Power Project sold all of its electric energy and capacity to Virginia Electric and Power Company (VEPCO) under a contract with a 25 year term. Steam and chilled water produced by the Rosemary Power Project was sold to a nearby textile mill. The Rosemary project was constructed during a 14 month period by Hawker Siddeley under a fixed price turnkey construction contract and began commercial operations in December 1990. PEII also constructed a 10 mile gas pipeline to interconnect the Rosemary project with interstate gas pipelines. PEII took over technical operations of the Rosemary project in January 1997. $116 million of Taxable Revenue Bonds supported by a letter of credit from The Fuji Bank, Limited was raised to finance the senior debt portion of the facility cost. Heller Financial Inc. provided $23 million of interim financing to cover the remaining cost of the Rosemary project. In January 1992, PEII replaced the Heller financing with $31 million of equity from Ford Motor Credit Company giving Ford a 90% limited partner ownership interest in Rosemary and PEII a 10% general and limited partner interest. In July 1996, PEII refinanced the Rosemary project by issuing $111.4 million of 8 5/8% First Mortgage Bonds due 2016 at a project level (replacing the taxable revenue bonds) and $105.5 million of 11 5/8% Pooled Project Bonds due 2012 secured by the residual cash flows of the Rosemary and Panda-Brandywine projects (Panda Funding Corporation). Jefferies & Company, Inc. underwrote the bonds; $34.7 million of the proceeds from the Panda Funding Corporation bonds were used to buy out the Ford interest giving PEII 100% ownership interest in the Rosemary project.

Transaction Rationale:

The Rosemary project offered strong economic returns supported by a long-term sales contract with an investment grade rated utility (VEPCO). Growth in the VEPCO service territory was greater than the national average. The project had strong community and political support.

Subsequent Activities:

In December 2003, Northland Power Income Fund acquired a 19% ownership interest in the Panda-Brandywine and Rosemary projects in return for a $6 million cash payment and a $93 million loan with a term of 18 years and an interest rate of 10.5% that was used to refinance the Panda Funding Corporation bonds on more favorable terms. In February 2005, VEPCO bought the Rosemary project from PEII for a total purchase price of $55 million. PEII realized $26.9 million from the transaction.

8. SUMMARY OF PRINCIPAL TERMS

The following information is presented as a summary of principal terms and is qualified in its entirety by reference to the Amended and Restated Agreement of Limited Partnership of the Fund (as amended, restated or otherwise modified from time to time, the "Partnership Agreement") and the subscription agreement relating thereto (together with the Partnership Agreement, the "Agreements"), copies of which will be provided to each prospective investor upon request. The forms of such Agreements should be reviewed carefully prior to execution and delivery. In the event of a conflict between the terms of this summary and the Agreements, the Agreements shall control.

The Partnership

Panda Power Fund II A, L.P., a Delaware limited partnership ("Fund A"), and Panda Power Fund II B, L.P., a Delaware limited partnership ("Fund B" and, together with Fund A and each of their Parallel Funds (as defined below) and Alternative Investment Vehicles (as defined below), the "Partnership" or the "Fund"), is being established to make primarily privately negotiated equity and equity-related investments in the electric power and gas industries and to generate long-term capital appreciation through the development, acquisition and active management of energy-related assets including infrastructure, gas-to-liquids and renewable assets, with a primary focus on the development or acquisition of natural gas-fueled power projects in the United States. The Partnership may also opportunistically invest in natural gas generation projects located in Canada and in renewable generation or gas-to-liquids projects located in the United States or Canada, in each case subject to the limitations set forth under "*Investment Limitations*" below.

The Partnership may also invest in Temporary Investments (as defined below) and debt securities, so long as any such investment in debt securities (i) is made with a view to a restructuring in which the Partnership would receive an equity interest, (ii) is intended to facilitate consummation of an equity investment, (iii) is an equity-related investment, or (iv) is in convertible instruments, equity-related instruments or debt investments having an expected return comparable to those of equity or equity-related securities ("Permitted Debt Investments").

The Partnership may, in connection with its equity and equity-related investments, make investments that are intended to be of a temporary nature in equity or debt securities (any such temporary equity or debt investment that the General Partner expects at the time of making such investment will be repaid, refinanced or otherwise disposed of within eighteen (18) months is referred to herein as a "Bridge Financing").

Investments acquired by the Partnership are collectively referred to herein as "Portfolio Investments" and the entities in which such investments are made are referred to as "Portfolio Companies." Portfolio Investments will be effected using a broad variety of investment types and transaction structures. See also "*Hedging*" below.

Partnership Capital	The Partnership is seeking $800 million of capital commitments ("Commitments") from qualified limited partners (each a "Limited Partner" and collectively, the "Limited Partners"), although the Partnership may accept less than or more than that amount; *provided* that aggregate Commitments shall not exceed $1 billion (excluding the General Partner's Commitment) without the consent of either (i) a majority in interest of the Limited Partners or (ii) the Advisory Committee (as defined below).
Minimum Commitment	The minimum Commitment by a Limited Partner will be $10 million, although the General Partner (as defined below) reserves the right to accept Commitments of lesser amounts.
General Partner; Investment Advisor	The general partner of the Partnership will be Panda Power Fund II GP, L.P., a Delaware limited partnership (the "General Partner" and, together with the Limited Partners, the "Partners"). An affiliate of the General Partner, Panda Power Generation Infrastructure Fund, LLC, a Delaware limited liability company, will serve as investment advisor to the Partnership (the "Advisor", and together with its affiliates, "Panda") and receive the Management Fee (as defined below) in respect of such services.
General Partner's Commitment	The General Partner and its affiliates will maintain a commitment (the "Panda Commitment") over the life of the investment program of the Fund of at least 3% of aggregate Commitments from Limited Partners, either as a Commitment to the Fund or on a side-by-side basis with the Fund (including the Advisor's or its affiliates' participation in the Notional Capital Program

described below).

In addition, with respect to any co-investment opportunity that is offered to the Limited Partners, the General Partner and its affiliates may co-invest with the Partnership in the relevant Portfolio Investment in an amount not to exceed the portion of such co-investment opportunity not subscribed to by the Limited Partners.

Investment Limitations

Diversification. Unless otherwise approved by the Advisory Committee, the total Capital Contributions (including the principal amount of any borrowing or other guarantee issued by the Partnership) for Portfolio Investments issued by any one Portfolio Company and its affiliates may not exceed 25% of the aggregate Commitments; *provided*, that if aggregate Commitments as of the Final Closing Date are greater than $800,000,000, such amount of total Capital Contributions may not exceed $200,000,000. Prior to the Final Closing Date, the foregoing threshold will be applied based on the targeted Commitments of the Partnership of $800,000,000. In connection with the Liberty investment described in Section 11—"*Existing Investments*," the Advisory Committee has approved the waiver of the 25% limit described above and has approved an investment of up to $230,000,000 of Capital Contributions in the Liberty investment.

Asset Type. The Partnership may not invest (i) in any Portfolio Company whose principal business activity (as of the date of the applicable commitment to invest) is not power generation or gas-to-liquids, (ii) (A) at any time that aggregate Commitments are less than or equal to $800,000,000, more than 15% of the aggregate Commitments and (B) at any time that aggregate Commitments are greater than $800,000,000, more than $125,000,000 in Portfolio Companies whose principal business activity (as of the date of the applicable commitment to invest) is (x) renewable power generation, (y) gas-to-liquids, or (z) natural gas generation located outside of the United States (and then only in Canada with a limit of 10% of aggregate Commitments in all investments located outside of the United States), (iii) in any Portfolio Company whose principal business activity (as of the date of the applicable commitment to invest) is power generation from coal or nuclear energy, or (iv) in any Portfolio

Company whose principal business activity (as of the date of the applicable commitment to invest) is infrastructure services; *provided*, *however*, that the Partnership may invest in entities that engage in business activities that are ancillary to its power generation or gas-to-liquids investments, including, without limitation, energy marketing of electricity generated by such power generation investments, fuel procurement, management and delivery, power transmission, gas transportation, construction services, water lines and plant operation and maintenance services. The foregoing restrictions may be waived or modified by the General Partner with the consent of the Advisory Committee. Prior to the Final Closing Date, the foregoing threshold will be applied based on the targeted Commitments of the Partnership set forth under —"*Partnership Capital*" above.

Non U.S. Investments. The Partnership will not (i) make any Portfolio Investment in a Portfolio Company operating principally outside of the United States or Canada or (ii) invest more than 10% of the aggregate Commitments in Portfolio Companies operating principally in Canada.

Open Market Purchases. The Partnership will not make open market purchases of investments unless such open market purchases (i) are made in connection with or with a view to a contemplated privately negotiated transaction (including purchases of securities subsequent to a privately negotiated transaction in the same Portfolio Company) or (ii) are intended to result in obtaining influence over or control of the restructuring of financially distressed companies.

Blind Pool Funds. The Partnership will not make investments in or otherwise purchase interests in any "blind pool" investment fund that provides for a carried interest or management fee to be paid to any person; *provided* that (x) stock option, "cheap stock" and similar incentive arrangements for management of Portfolio Companies and (y) joint venture vehicles in which the General Partner or its affiliates are actively involved shall not be deemed subject to this clause.

Hostile Transactions. The Partnership may not invest in any transaction to acquire control of an issuer whose voting securities are publicly traded in any circumstance in which the General Partner believes the board of directors of such issuer will publicly oppose such transaction; *provided* that the acquisition of a business in connection with a bankruptcy or similar restructuring shall not be prohibited, notwithstanding any opposition of the equity owners or any other constituency of any such business or their representatives.

Debt Investments. The Partnership will not invest in any debt securities other than Temporary Investments, Bridge Financings and Permitted Debt Investments.

Existing Investments

The Partnership may from time to time purchase Portfolio Investments from or through the General Partner or its affiliates or co-invest with the General Partner or its affiliates. The Partnership also may invest in entities in which the General Partner or its affiliates directly or indirectly hold an interest. Following any closing of the Partnership, the Partnership may purchase from the General Partner or its affiliates investments in companies that have been previously made by the General Partner or its affiliates and that are within the Partnership's investment objectives, including certain projects or investments currently being developed by Panda Power Generation Infrastructure Fund A, L.P. and Panda Power Generation Infrastructure Fund B (AIV), L.P., each Delaware limited partnerships (collectively and together with their respective parallel funds and alternative investment vehicles, "<u>Panda Fund I</u>") (such investments, "<u>Existing Investments</u>"), including the investments described in Section 11—"*Existing Investments*," which were transferred to the Partnership by Panda Fund I following the Initial Closing. The terms and conditions of the transfer of Existing Investments that were developed by Panda Fund I were approved by both the limited partner advisory committee of Panda Fund I and the Limited Partners of the Partnership as described below.

Following the Initial Closing, Panda Fund I transferred the investments described in Section 11— "*Existing Investments*," including Liberty, Patriot, Mattawoman and Stonewall; the Advisor transferred a gas-to-liquids project described in Section 11—"*Existing Investments*." Panda Fund I transferred each of the Liberty, Patriot, Mattawoman and Stonewall projects for the price noted in Section 11— "*Existing Investments*"; Panda Fund I transferred other longer term projects to the Partnership at no cost; *provided*, *however*, upon the closing of permanent equity and/or debt financing of the construction phase of any such project (each, a "Financial Closing"), the Partnership will reimburse Panda I for its cost for such project plus an additional amount equal to a 8% compound annual rate of return. As additional consideration for the transfers by Panda Fund I to the Partnership, Panda Fund I received a certain percentage of the Existing Investment Class A Shares in each of the Liberty, Patriot, Mattawoman and Stonewall Projects, as described in Section 11—"*Existing Investments*." The Advisor transferred a 2,000 BBL gas-to-liquids project to the Partnership for the price noted in Section 11—"*Existing Investments*".

The Partnership also may make Portfolio Investments where the General Partner, its affiliates or the Partnership have entered into an agreement or an agreement in principle with a potential portfolio company, in each case prior to a closing of the Partnership. Any such transaction will be made only on terms, including the consideration to be paid, that are determined by the General Partner in good faith to be fair and reasonable to the Partnership. By executing and delivering a subscription agreement in respect of a Commitment, each Limited Partner will consent to the transfer of Existing Investments disclosed prior to the acceptance of such subscriptions and it is contemplated that any purchase of a Portfolio Investment, other than an Existing Investment so consented to, from the General Partner or an affiliate thereof as principal or through the General Partner or an affiliate thereof as agent, will be subject to the consent of the Advisory Committee. See Section 9—"*Risk Factors and Potential Conflicts of Interest—Potential Conflicts of Interest—Other Affiliate Transactions*." Potential investors are invited to ask questions of and obtain further information from the General Partner regarding any Existing Investment.

Closing

The initial closing occurred on June 28, 2013 (the "Initial Closing"), and any subsequent closings (each, a "Subsequent Closing" and, together with the Initial Closing, the "Closings") may be held at the discretion of the General Partner. The final closing will occur no later than twelve months after the Initial Closing (or such later date approved by the Advisory Committee, which date may not be later than eighteen months after the Initial Closing) (the "Final Closing Date").

Commitment Period

Capital calls may be required from time to time for a period of five years from the date of the Initial Closing (the "Commitment Period"); *provided* that the General Partner may extend the Commitment Period by one additional year with the consent of 66-2/3% in interest of the Limited Partners. Thereafter, the Limited Partners will be released from any further obligation with respect to their undrawn Commitments (the "Unfunded Commitments"), except to the extent necessary to: (i) cover the expenses of the Partnership, including Management Fees; (ii) complete investments by the Partnership in respect of transactions in process prior to the end of the Commitment Period; (iii) until the three-year anniversary of the expiration or termination of the Commitment Period (subject to extension by the General Partner with the consent of either the Advisory Committee or a majority in interest of the Limited Partners), make follow-on investments in Portfolio Companies; *provided* that Capital Contributions (as defined below) for such follow-on investments after the Commitment Period will not exceed an amount equal to 20% of aggregate Commitments (excluding those amounts committed to or reserved for Portfolio Investments prior to the end of the Commitment Period); and (iv) satisfy any permitted guarantees or indebtedness of the Fund that were incurred prior to the end of the Commitment Period. The General Partner will have the right to terminate the Commitment Period if in the General Partner's good faith judgment (i) it is impracticable for the General Partner to continue the business of seeking out and making Portfolio Investments on behalf of the Partnership, subject to the approval of the Advisory Committee of such determination, or (ii) changes in laws or regulations make termination of the Commitment Period necessary or advisable, subject to the approval of the Advisory Committee of such determination. The General Partner will also have the right to terminate the Commitment Period at any time on or after the date upon which the aggregate Capital Contributions and amounts called, contractually committed or reserved for Portfolio Investments, Partnership Expenses (as defined below), Organizational Expenses (as defined below), Special Contribution Amounts (as defined below) and Management Fees equal at least 75% of the aggregate Commitments ("Full Investment"). See also "*Key Man*," "*'No-Fault' Termination of Commitment Period or Removal of General Partner or by Limited Partners*" and "*Termination of Commitment Period, Removal of General Partner or Dissolution of the Partnership for 'Cause'*" below.

Term

The Partnership will terminate ten years from the Final Closing Date but may be extended at the discretion of the General Partner for up to two consecutive one-year periods, with the consent of the Advisory Committee or a majority in interest of the Limited Partners, and may be subject to earlier termination in certain circumstances. The Partnership may also be terminated following a Cause Event (as defined below) upon the affirmative vote of a majority in interest of Limited Partners. "Cause Event" means a finding by any court or other similar governmental body of competent jurisdiction that (A) the General Partner, the Advisor or any Principal (as defined below) (for so long as such person continues to be actively involved in the day-to-day affairs of the Partnership) has committed a felony involving moral turpitude, (B) the General Partner, the Advisor or any Principal (for so long as such person continues to be actively involved in the day-to-day affairs of the Partnership) has committed a felony or a material violation of applicable securities laws which has a material adverse effect on the business of the Partnership or the ability of the General Partner or the Advisor to perform their respective duties under the terms of the Partnership Agreement or the advisory agreement, as the case may be, or (C) fraud, willful misconduct or an intentional and material breach of the Partnership Agreement or the advisory agreement by the General Partner, the Advisor or any Principal (for so long as such person continues to be actively involved in the day-to-day affairs of the Partnership) in connection with the performance of their respective duties under the terms of the Partnership Agreement or the advisory agreement, as the case may be, that has a material adverse effect on the business of the Partnership; *provided* that no Cause Event will be deemed to have occurred if the Cause Event occurs solely with respect to any Principal (and not with respect to the General Partner or the Advisor) and (x) such Principal has been or is removed from General Partner and the Advisor after discovery of the Cause

Event, and (y) the General Partner pays to the Partnership an amount equal to the actual direct financial loss to the Partnership (for the avoidance of doubt, excluding any consequential losses) caused by such Principal's conduct which gave rise to the Cause Event, if any.

Capital Contributions

Commitments generally will be drawn down proportionately to Limited Partners' Unfunded Commitments on an as-needed basis to fund Portfolio Investments, the Management Fee, Special Contribution Amounts, Organizational Expenses and Partnership Expenses, with a minimum of ten business days' (or, in the case of the initial investment date of the Partnership, such shorter period as specified in a notice from the General Partner, but which shall not be less than seven calendar days) prior notice to the Limited Partners (each such drawing, a "Capital Contribution").

Any amount drawn down from Unfunded Commitments to pay the Management Fee, Special Contribution Amounts, Organizational Expenses or other Partnership Expenses may, to the extent Limited Partners receive subsequent distributions, either be retained or added to Unfunded Commitments. During the Commitment Period the Partnership may retain or add to Unfunded Commitments (i) the cost basis of all or any portion of any Portfolio Investment realized and returned to the Partners within eighteen (18) months from the date such amounts were invested in such Portfolio Investment, (ii) the cost basis of any portion of any Portfolio Investment transferred to a co-investor or strategic investor within eighteen (18) months from the date such amounts were invested in such Portfolio Investment, and (iii) the amount of any return of capital used to fund a Bridge Financing that was repaid, refinanced or sold within eighteen (18) months. Any amounts added to Unfunded Commitments as described above will be subject to recall for future drawdown.

Pending investment or distribution by the Partnership, monies held by the Partnership may be placed on deposit with major banks or in certain other high-quality, short-term investments specified in the Partnership Agreement ("Temporary Investments").

ERISA Partners (as defined in the Partnership Agreement) may not be required to fund their Capital

Contributions to the Partnership until the closing date of the Partnership's first Portfolio Investment, although such investors may be required to make direct payments to the General Partner for Organizational Expenses, Partnership Expenses and the Management Fee prior to such date and may be required to fund their Capital Contributions for the Partnership's first Portfolio Investment into an escrow account pending application to such first investment (as more fully described in the Partnership Agreement). All other Limited Partners also may be required to pay Organizational Expenses, Partnership Expenses and the Management Fee directly to the General Partner until the Partnership makes its first Portfolio Investments. See "*ERISA Considerations*" below.

Limited Partners Participating in Subsequent Closings

Limited Partners admitted at any Subsequent Closing will be required to fund their proportionate share of any Portfolio Investment made and then held, Partnership Expenses, Special Contribution Amounts and Organizational Expenses paid prior thereto. Such amount will be paid, together with additional amounts thereon equal to the prime rate plus 2%, to the Partnership and then refunded by the Partnership to the pre-existing Limited Partners in proportion to their funded Commitments, and the Unfunded Commitments of the pre-existing Limited Partners will be increased by the amount representing a return of capital. See also "*Management Fees*" below. The amounts funded by Limited Partners admitted at Subsequent Closings (other than the additional amounts referred to above) will reduce such Limited Partners' Unfunded Commitments. If the General Partner reasonably determines that a *pro rata* payment from Limited Partners on the foregoing basis at a Subsequent Closing would not appropriately reflect a material change in the value of a Portfolio Investment then held by the Partnership, the General Partner may (i) adjust the payment required to be made by Limited Partners at such Subsequent Closing to appropriately reflect such change in value or (ii) exclude Limited Partners at such Subsequent Closing from participation in such Portfolio Investment; *provided* that no Limited Partner will be allowed to acquire an interest in an existing Portfolio Investment at any Subsequent Closing at a discount to the original acquisition cost of such Portfolio Investment unless such action is consented to by either the Advisory Committee (excluding any member nominated by Limited Partners increasing its commitment at such Subsequent Closing) or a majority in interest of the other Limited Partners that have a Percentage Interest in such Portfolio Investment. Limited Partners admitted at Subsequent Closings after the closing of the financing of an Existing Investment described in Section 11 – *"Existing Investments"* will be allocated less of the Existing Investment Class A Shares owned by the Partnership in such project as more fully described in the Partnership Agreement.

Co-Investment Policy

The General Partner may, in its sole and absolute discretion, give certain persons (other than the General Partner and its affiliates and their employees), including Limited Partners or third parties, an opportunity to co-invest in particular Portfolio Investments alongside the Partnership (on such terms and conditions that the General Partner and the potential co-investor agree), which opportunities may take the form of senior debt, subordinated debt, equity or equity-related securities; *provided* that, with respect to any co-investors that are Limited Partners: (i) such prospective co-investor will indicate whether it elects to participate in any such prospective co-investment opportunity within thirty (30) days after being notified thereof by the General Partner, but in any event no later than forty-five (45) days prior to the expected closing date of the co-investment opportunity (or, in each case, such shorter period as determined by the General Partner in its sole discretion taking into account the timing of the prospective transaction); (ii) any investment in the same securities as those in which the Partnership invests will be made on substantially the same economic terms and conditions, subject to legal, tax and regulatory considerations; (iii) to the extent that the General Partner controls the co-investment vehicle and, subject to legal, tax and regulatory considerations or unless otherwise consented to by the Advisory Committee, (A) any co-investment made at substantially the same time as the Partnership's investment in such Portfolio Investment will be in the same securities as those in which the Partnership invests and (B) any such co-investment will be disposed of at substantially the same time and on the same terms and conditions as the Partnership's disposition of such Portfolio Investment; (iv) each co-investor will bear no less than its pro rata share of all expenses related to the investment that are incurred by the Partnership, the

General Partner or the Advisor; and (v) the General Partner may make a nominal investment in any vehicle formed for a co-investment opportunity.

Distributions

Net cash proceeds from the sale of Portfolio Investments or any portion of a Portfolio Investment or marketable securities available for distribution and to be distributed ("Disposition Proceeds") will be distributed within 45 days after receipt thereof by the Partnership consistent with any contractual or legal restrictions applicable to the Partnership (except as otherwise provided herein). Current cash receipts from dividends, interest and other similar distributions from Portfolio Investments net of current expenses ("Current Income", and together with Disposition Proceeds, "Investment Proceeds") will be distributed no later than 90 days following the end of the fiscal quarter in which such Current Income is received by the Partnership. The General Partner will be entitled to withhold from any distribution amounts necessary to create, in its discretion, appropriate reserves for expenses and liabilities of the Partnership as well as for any required tax withholdings. Amounts paid or withheld by the Partnership in respect to taxes of a Limited Partner will be treated as distributions for purposes of the calculations described below. The General Partner will not be required to distribute Disposition Proceeds until the aggregate Disposition Proceeds exceed $10 million.

Distributions of Investment Proceeds in respect of each Portfolio Investment will be made in the first instance to the Limited Partners (including the Special Contribution Entity, as defined herein) and the General Partner *pro rata* in proportion to each of their percentage interests with respect to such Portfolio Investment. Each Limited Partner's share of Investment Proceeds otherwise distributable to such Limited Partner will be distributed to such Limited Partner and the General Partner in the following amounts and order of priority:

Return of Capital and Costs: First, 100% to such Limited Partner until such Limited Partner has received distributions of Investment Proceeds from such Portfolio Investment and all Portfolio Investments that have been disposed of ("Realized Investments") equal to (i) such Limited Partner's Capital Contributions for all Realized Investments; (ii) such Limited Partner's direct payments or Capital Contributions for Organizational Expenses, Management Fees, Special Contribution Amounts and Partnership Expenses allocable to the Realized Investments; and (iii) such Limited Partner's pro rata share of any unrealized losses on writedowns of the Partnership's other Portfolio Investments (together, "Realized Capital and Costs"); and

8% Preferred Return: Second, 100% to such Limited Partner until the cumulative distributions of Investment Proceeds to such Limited Partner represent an 8% compound annual rate of return on the cumulative distributions made pursuant to clause 1 above; and

General Partner Catch-up: Third, 50% to the General Partner and 50% to such Limited Partner until the General Partner has received (as Carried Interest), net of any amounts contributed to the Partnership by the General Partner with respect to such Limited Partner as described below under "*Clawback*," 20% of the sum of (A) the aggregate amount of Investment Proceeds distributed to such Limited Partner from such Portfolio Investment and all Realized Investments, net of such Limited Partner's Realized Capital and Costs, and (B) the amount of Carried Interest distributed to the General Partner with respect to such Limited Partner, net of any amounts contributed to the Partnership by the General Partner with respect to such Limited Partner as described below under "*Clawback*"; and

80/20 Split: Thereafter, 80% to such Limited Partner and 20% to the General Partner (the distributions to the General Partner described in clause 3, and this clause 4, are referred to collectively as "Carried Interest").

Distributions of income from Temporary Investments will be made among all Partners in proportion to their respective proportionate interests in the Partnership property or funds that produced such income, as reasonably determined by the General Partner.

Distributions relating to the partial disposition of Portfolio Investments will be subject to the above formula, with the Carried Interest being based on the original cost of, and the cumulative distributions being made with respect to, the disposed portion of such Portfolio Investment.

The Partnership may make distributions to the General Partner in an amount sufficient to permit the payment of the tax obligations (including estimated tax obligations) of the General Partner and its direct and indirect owners in respect of allocations of income related to the Carried Interest to the extent not previously taken into account for such purpose or distributed to the General Partner. Any such distributions will be taken into account in making subsequent distributions to the Partners.

The Advisor or its affiliate (in such capacity, a "Special Contribution Entity") will also receive a percentage of distributions under certain circumstances with respect to the Notional Capital Program as provided under "*Management Fees*" below.

Distributions In Kind

Distributions prior to the dissolution of the Partnership may generally only take the form of cash or marketable securities. Upon dissolution of the Partnership, distributions may also include non-marketable securities and other assets of the Partnership.

The General Partner may in its sole discretion offer the option to all Partners to take securities in connection with any disposition when such securities would otherwise have been sold by the Partnership.

Allocation of Profits and Losses

The Partnership will establish and maintain a capital account for each Partner. All items of income, gain, loss and deduction will be allocated to the Partners' capital accounts in a manner generally consistent with the distribution procedures outlined under "*Distributions*" above.

Clawback

If, within 120 days after (i) the sixth full fiscal year of the Partnership, (ii) the eighth full fiscal year of the Partnership, (iii) the expiration of the primary term of the Partnership on the tenth anniversary of the Final Closing Date and (iv) the dissolution and winding up of the Partnership and the distribution of all of substantially all of its assets (each of the end of such sixth fiscal year, the end of such eighth fiscal year, the date of expiration of the primary term of the Partnership and the date of such final distribution, a "Clawback Determination Date"), the General Partner has received distributions of Carried Interest with respect to any Limited Partner (other than a defaulting Limited Partner) and either: (A) the cumulative distributions of Investment Proceeds with respect to such Limited Partner do not equal or exceed an 8% per annum cumulative annually compounded internal rate of return, in the case of a Clawback Determination Date other than the final Clawback Determination Date, on the Realized Capital and Costs as of such date, and in the case of the final Clawback Determination Date, on the aggregate amount of Capital Contributions and direct payments made by such Limited Partner from the date the applicable capital contributions and direct payments were due until the date such amounts were repaid to such Limited Partner; or (B) the General Partner has received distributions of Carried Interest with respect to such Limited Partner exceeding 20% of the sum of (I) the excess of (x) cumulative distributions of Investment Proceeds to such Limited Partner over (y) the aggregate amount of Capital Contributions and direct payments made by such Limited Partner and (II) the aggregate Carried Interest distributed to the General Partner with respect to such Limited Partner as of the applicable Clawback Determination Date (such excess amount being the "Excess 20% Amount"), determined after giving effect to all transactions through the Clawback Determination Date, then the General Partner will be required to contribute to the Partnership for distribution to such Limited Partner an amount in cash equal to the lesser of (x) the Clawback Amount (as defined below) with respect to such Limited Partner and (y) the After-Tax Amount (as defined in the Partnership Agreement) of the aggregate Carried Interest distributed to the General Partner with respect to such Limited Partner. The "Clawback Amount" with respect to each Limited Partner shall equal the greater of (A) an amount such that if such amount were distributed to such Limited Partner, the cumulative distributions of Investment Proceeds with respect to such Limited Partner (after increase for such amount) equals an 8% per annum cumulative annually compounded internal rate of return, in the case of a Clawback Determination Date other than the final Clawback Determination Date, on the Realized Capital and Costs as of such date, and in the case of the final Clawback Determination Date, on the aggregate amount of Capital Contributions and direct payments made by such Limited Partner and (B) the Excess 20% Amount.

The Investment Team will severally guarantee the payment of the Clawback Amount solely in respect of the

After-Tax Amount (as defined in the Partnership Agreement) of Carried Interest to the extent and on the terms set forth in the guarantee in the form set forth in an annex to the Partnership Agreement (the "Clawback Guarantee"). The sum of each member of the Investment Team's pro rata share of the Clawback Amount will equal 100%.

Management Fees

The Partnership will pay a management fee ("Management Fee") to the Advisor quarterly in advance from drawdowns of the Limited Partners' unfunded Commitments or out of Investment Proceeds that would otherwise be distributable to such Limited Partners. The Management Fee with respect to a Limited Partner will equal (i) 2.00% per annum of such Limited Partner's Commitment during the Commitment Period and prior to earlier of (A) the first date upon which fees begin to accrue with respect to a Successor Fund (as defined below) or (B) the date of the first investment made by a Successor Fund and (ii) thereafter, 1.75% per annum of such Limited Partner's Capital Contributions with respect to Portfolio Investments that have not been disposed of.

The Management Fee will be reduced by certain fees received by the Advisor or its affiliates as more fully described below.

Limited Partners joining the Partnership at Subsequent Closings will contribute (from their Unfunded Commitments) their allocable share of the Management Fee that otherwise would have been payable had all Limited Partners been admitted at the Initial Closing, plus additional amounts thereon at the prime rate plus 2% from the date such Management Fees would have been paid. Such amounts (other than such additional amounts) will reduce the Limited Partners' Unfunded Commitments.

The Management Fee may be paid from drawdowns, which will reduce Unfunded Commitments, or out of Investment Proceeds.

With respect to each fiscal quarter (or less frequently as determined by the General Partner), the Management Fees will be reduced by an amount designated by the Advisor at least thirty (30) days prior to the beginning of such period not to exceed the Management Fee otherwise payable for such period ("Special Contribution Amount"). Capital Contributions by the Limited Partners with respect to such Special Contribution Amount will be invested in Portfolio Investments (the foregoing is referred herein to as the "Notional Capital Program"). The Special Contribution Amount will reduce (i) the amount the General Partner and/or its affiliates are otherwise required to fund with respect to their Unfunded Commitments, and (ii) the Management Fee on a dollar for dollar basis. The Advisor (or an affiliate thereof, and in such capacity, the "Special Contribution Entity") will be entitled to the amount of distributions otherwise distributable to the Limited Partners related to the Special Contribution Amount, but solely out of profits from Portfolio Investments.

Advisor Expenses

The Advisor will be responsible for all of its day-to-day overhead expenses, including office and travel expenses and employee compensation, relating to the management and operation of the Partnership. Affiliates of the Advisor, however, may provide development, operation, maintenance and asset management services to the Partnership and its Portfolio Investments under separate agreements ("Approved Service Agreements" and "Approved O&M Agreements"). "Approved O&M Agreement" means any agreement pursuant to which the Advisor or one of its affiliates provides operation and maintenance services to the Partnership (including any Parallel Funds or Alternative Investment Vehicles) or one or more of Portfolio Investments, the form of which has been approved by the Advisory Committee; *provided* that any Approved O&M Agreement that has been modified from such form in a manner that is materially adverse to the Limited Partners, as determined in good faith by the General Partner, shall require consent of the Advisory Committee prior to its execution. A form of each Approved Service Agreement will be provided to each Limited Partner prior to its admission to the Partnership and each such Limited Partner will be deemed to have consented to the terms of each such Approved Service Agreement; *provided* that any Approved Service Agreement that has been modified from such form in manner that is materially adverse to the Limited Partners, as determined in good faith by the General Partner, will require consent of the Advisory Committee.

Partnership Expenses

The Partnership, except as noted above, will pay all expenses related to its operations ("Partnership Expenses"), including fees, costs and expenses directly related to the purchase, settlement, monitoring and sale of securities, expenses of counsel, accountants, administrators, tax advisors, consultants, the Advisory Committee and other advisors and professionals, any insurance, indemnity or litigation expense or the costs and expenses of any custodians, lenders, investment banks and other financing sources and any taxes, fees or other governmental charges levied against the Partnership, any such costs incurred in connection with transactions which are not consummated ("Broken Deal Expenses") and any expenses or fees payable under any Approved Services Agreement or Approved O&M Agreement to the extent not paid by Portfolio Investments or Portfolio Companies.

Other Fees; Management Fee Offset

Any transaction, development, directors', consulting, investment banking, organization, set-up, monitoring, closing, topping, break-up and other similar fees paid to or received by the General Partner, the Principals, employees of the General Partner or the Advisor or any of their affiliates in connection with Portfolio Investments or from unconsummated transactions (collectively, "Other Fees") shall be paid directly to the General Partner or its affiliates; *provided*, that Other Fees shall not include any compensation derived from Approved Service Agreements or Approved O&M Agreements; *provided*, *further*, that Other Fees shall not include any of the foregoing fees that the General Partner has elected to share with the Partnership. The aggregate Management Fee paid by the Limited Partners in any fiscal year shall be reduced by an amount (the "Reduction Amount") equal to (i) 100% of the Partnership's share of all Other Fees (net of unreimbursed expenses incurred by the General Partner or its affiliates in connection with the transactions out of which such Other Fees arose) up to the amount of Broken Deal Expenses previously borne by the Limited Partners that have not previously been applied pursuant to this clause (i) and (ii) 80% of the Partnership's share of all Other Fees (net of unreimbursed expenses incurred by the General Partner or its affiliates in connection with the transactions out of which such Other Fees arose), excluding any Other Fees applied in accordance with clause (i) above. If Other Fees exceed the Management

Fee payable over the life of the Partnership, such excess will be paid to the Partnership and distributed as described above under —"*Distributions*" to Partners who have not waived the right to receive such distributions.

Offering and Organizational Expenses

Each Partner will bear its *pro rata* share of the Partnership's organizational expenses, including legal, accounting, filing, capital raising and other organizational expenses ("Organizational Expenses"); *provided* that Organizational Expenses in excess of $1.5 million will be treated as Organizational Expenses for purposes hereof, but the Management Fee otherwise payable will be reduced by one hundred percent of the Limited Partners' share thereof. To the extent the Partnership or Limited Partners are required to pay any placement agent fees, they will be treated as Organizational Expenses for purposes hereof, but the Management Fee otherwise payable will be reduced by one hundred percent of the Limited Partners' share thereof.

Advisory Committee

The Partnership will have an advisory committee (the "Advisory Committee") of at least five but not more than nine members (except for temporary vacancies) designated by certain unaffiliated Limited Partners selected by the General Partner; *provided* that no Limited Partner, limited partner of a Parallel Fund or investor in a Feeder Fund, together with its affiliates, will have more than one representative serve as a voting member on the Advisory Committee. The Advisory Committee will provide such advice and counsel as requested by the General Partner in connection with actual or potential conflicts of interest, valuation methodologies and other matters related to the Partnership.

Out-of-pocket expenses of the Advisory Committee will be paid by the Partnership (unless the General Partner elects to pay such expenses), and Advisory Committee members will be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the Partnership Agreement.

Transfer of Interests and Withdrawal

A Limited Partner may not sell, assign or transfer any Interest in the Partnership without the prior written consent of the General Partner, which the General Partner may grant or withhold in its sole and absolute discretion. Further, except in certain limited circumstances set forth in the Partnership Agreement, a Limited Partner generally may not withdraw any amount from the Partnership.

"No-Fault" Termination of Commitment Period or Removal of General Partner by Limited Partners

(i) At any time that aggregate Commitments are less than or equal to $800,000,000, Limited Partners representing 66-2/3% in interest thereof, and (ii) at any time that aggregate Commitments are greater than $800,000,000, Limited Partners representing 75% in interest thereof, may vote at any time to terminate the Commitment Period; *provided* that such termination will not prevent the Partnership from closing on commitments it entered into prior to such vote. (i) At any time that aggregate Commitments are less than or equal to $800,000,000, Limited Partners representing 66-2/3% in interest thereof, and (ii) at any time that aggregate Commitments greater than $800,000,000, Limited Partners representing 75% in interest thereof, may also vote at any time to require the removal of the General Partner upon 90 days' notice to the General Partner. In the event of such removal, the Commitment Period shall be terminated upon the General Partner's receipt of such notice; *provided* that such termination will not prevent the Partnership from closing on commitments it entered into prior to such removal and termination.

Termination of Commitment Period, Removal of General Partner or Dissolution of the Partnership for "Cause"

If at any time prior to the end of the Commitment Period, a Cause Event occurs and is not cured by the General Partner or the Advisor, the Commitment Period will be cancelled; *provided* that such cancellation will not prevent the Partnership from (i) closing on binding definitive commitments it entered into prior to such cancellation or (ii) meeting its obligations under any borrowings or guarantees outstanding prior to such cancellation. Unless, on or before the 180th day following notice of such cancellation, a majority in interest of the Limited Partners elect to continue to make Capital Contributions for Portfolio Investments throughout the remainder of the Commitment Period, the Commitment Period will be terminated; *provided* that such termination will not prevent the Partnership from closing on binding definitive commitments it entered into prior to such notice. Limited Partners representing a majority in interest thereof may also vote at any time following a Cause Event to (i) require the removal of the General Partner upon 90 days' notice to the General Partner or (ii) dissolve the Partnership upon 60 days' notice to the General Partner.

“No-Fault” Dissolution of the Partnership by Limited Partners

(i) At any time that aggregate Commitments are less than or equal to $800,000,000, Limited Partners representing 66-2/3% in interest thereof, and (ii) at any time that aggregate Commitments are greater than $800,000,000, Limited Partners representing 75% in interest thereof, may vote at any time to dissolve the Partnership upon 90 days’ notice to the General Partner.

Following a failure by the Principals (as defined below) to devote such time to the Partnership as is necessary to conduct its business affairs in an appropriate manner, Limited Partners representing a majority in interest thereof may vote at any time to determine to dissolve the Partnership upon 90 days’ notice to the General Partner; *provided* that, solely for the purposes of this provision, any additional member of the General Partner, the Advisor or their affiliates may be substituted for a Principal after consultation with the Advisory Committee; *provided, further,* that any such substitution for Todd Carter shall only be made with the consent of the Advisory Committee.

Key Man

In the event that at any time (i) there are not at least three of Robert W. Carter, Todd Carter, Ralph Killian, William Nordlund and Robert Simmons (each, a “Principal”) devoting the Required Involvement (as defined below) or (ii) Ralph Killian and at least a majority of his senior team members (as described in the Partnership Agreement) are not devoting the Required Involvement, two-thirds in interest of the Limited Partners may, within forty-five (45) days of notice thereof, vote to cause an early termination of the Commitment Period. In the event that at any time (i) Todd Carter is not devoting the Required Involvement or (ii) more than 50% of the voting and economic interests of the General Partner cease to be owned by the Principals or their affiliates, the Commitment Period shall be automatically cancelled and shall only be resumed upon the written election of a majority in interest of the Limited Partners within one hundred eighty (180) days of the notice thereof. Such early termination will not prevent the Partnership from closing on commitments entered into prior to such determination by the Limited Partners.

"Required Involvement" means, as to (a) each of Todd Carter, Ralph Killian, William Nordlund and Robert Simmons, such person is devoting substantially all of his business time to (x) the activities of the General Partner, the Advisor, the Partnership, the Parallel Funds, Panda Fund I, any Successor Fund and their respective portfolio investments and (y) his participation on the board of directors of any entity that is not a Portfolio Company; *provided* that with respect to Todd Carter, such participation will not include any publicly-traded company that is not a Portfolio Company; and (b) Robert W. Carter, his primary business activity is the General Partner, the Advisor, the Partnership, the Parallel Funds, Panda Fund I, any Successor Fund and their respective portfolio investments. Notwithstanding the foregoing, each Principal shall be permitted to devote reasonable time to serving on boards of charitable organizations.

Reports and Meetings

Annually, the Partnership will furnish audited financial statements to all Limited Partners and tax information necessary for the completion of income tax returns. On a quarterly basis, each Limited Partner will be furnished with unaudited financial statements of the Partnership. In addition, the General Partner will conduct an annual informational meeting for the Limited Partners.

Indemnification

The Partnership will indemnify the General Partner, the Advisor, their respective affiliates, and their respective officers, employees, directors, agents, stockholders, members and partners, and any other person who serves at the request of the General Partner on behalf of the Partnership as an officer, director, partner, employee or agent of any other entities, and any member of the Advisory Committee (in each case, an "Indemnitee") for any loss, damage or expense incurred by such Indemnitee or to which such Indemnitee may be subject by reason of its activities on behalf of the Partnership or in furtherance of the interest of the Partnership or otherwise arising out of or in connection with the Partnership and its Portfolio Companies, except that this indemnity will not apply to: (i) losses arising from such Indemnitee's own fraud, bad faith, willful misconduct, gross negligence, material violation of applicable securities laws, material breach of the Partnership Agreement, or conviction of a felony by a court of competent jurisdiction; (ii) economic losses incurred by any Indemnitee as a result of such Indemnitee's ownership of an interest in the Partnership or in Portfolio Companies; or (iii) expenses of the Partnership that an Indemnitee has agreed to bear. Each Partner will be obligated to return amounts distributed to it (not to exceed the lesser of (x) 25% of its Commitment or (y) 25% of the aggregate distributions to such Partner) to fund the Partnership's indemnity obligations, subject to certain limitations set forth in the Partnership Agreement.

Restriction on Raising Successor Funds and on Investment Activities

Without the approval of the Advisory Committee, until the earlier of (i) the time at which at least 75% of the Partnership's Commitments have been invested in, or called for contribution for, or committed or reserved for, Portfolio Investments, Management Fees, Special Contribution Amounts, Partnership Expenses and Organizational Expenses and (ii) the end of the Commitment Period, the General Partner and its affiliates will not, directly or indirectly, close any other limited partnership, pooled investment vehicle or separate managed account, other than Parallel Funds, Alternative Investment Vehicles, co-investment vehicles or any vehicle that has a different primary investment objective from the Partnership (a "Successor Fund").

If a Successor Fund is closed after at least 75% of the Partnership's Commitments have been invested in, or called for contribution for, or committed or reserved for, Portfolio Investments, Management Fees, Special Contribution Amounts, Partnership Expenses and Organizational Expenses, then until the end of the Commitment Period, a Successor Fund may only co-invest alongside the Partnership on the same terms and conditions in all material respects, with amounts for investment allocated between the Partnership and the Successor Fund on a basis that the General Partner believes in good faith to be fair and reasonable, unless the investment by the Partnership (or such Successor Fund) is legally or contractually prohibited or, as a result of the application of law, could have a material adverse effect on the Partnership (or such Successor Fund) or the General Partner and its affiliates; *provided* that, until the end of the Commitment Period, any such allocation to a Successor Fund shall be subject to approval by the Advisory Committee if the Partnership has remaining available capital sufficient to make the relevant investment, including all projected funding obligations with respect thereto, as determined in good faith by the

General Partner, unless the investment by the Partnership is legally or contractually prohibited or, as a result of the application of law, could have a material adverse effect on the Partnership (or such Successor Fund) or General Partner and its affiliates.

Without the consent of the Advisory Committee or a majority in interest of the Limited Partners, the Partnership will not invest in (other than follow-on investments in existing Portfolio Companies or Portfolio Investments shared with any other affiliate of the General Partner upon the initial investment therein as provided in the Partnership Agreement), acquire investments from or sell investments to, any entity in which the Advisor, the General Partner or any of their respective affiliates or any Successor Fund holds in the aggregate an investment of over $500,000 of the outstanding debt securities, common equity securities or preferred securities.

Restrictions on Portfolio Investments Outside of the Partnership

Except as provided for above or below, until the termination of the Commitment Period or Full Investment, without the approval of the Advisory Committee neither the General Partner nor any of its affiliates will invest outside of the Partnership in any investments that are substantially similar to the types of investments to be made by the Partnership. However, the restrictions in the foregoing sentence will not apply to (i) any investment in respect of Panda Fund I or any Successor Fund, (ii) any investment of under $10 million, (iii) investments the Partnership is legally or contractually prohibited from making; *provided* that, with respect to any such contractual prohibition arising after the Initial Closing, notice will be given to the Advisory Committee prior to any such investment, or (iv) passive personal investments if such passive personal investments are not made in Portfolio Companies. See Section 9—"*Risk Factors and Potential Conflicts of Interest—Potential Conflicts of Interest—Allocation of Personnel; Allocation of Investment Opportunities*."

If an investment vehicle for which the General Partner or its affiliates acts as the general partner or investment manager (or other similar capacity) is not a Successor Fund and such other investment vehicle has any investment objectives or guidelines in common with those of the Partnership in any respect, then investment opportunities which are within such common objectives and guidelines will generally be allocated between the Partnership and such other vehicle on a basis that the General Partner believes in good faith to be fair and reasonable.

Borrowings and Guarantees

Subject to certain limitations set forth in the Partnership Agreement, the General Partner will have the right, at its option, to cause the Partnership to borrow money from any person, or to guarantee loans or other extensions of credit (including letters of credit): (i) to support an obligation made to any current or prospective Portfolio Company or affiliate or any vehicle formed to effect the acquisition thereof; (ii) for the purpose of covering Organizational Expenses, Partnership Expenses and Management Fees; or (iii) to provide interim financing to the extent necessary to consummate the purchase of or cover the Partnership's costs or investment obligations during development and construction relating to Portfolio Investments prior to the receipt of permanent financing or Capital Contributions or distributions (as applicable). The General Partner may make a collateral assignment of the obligations of the Partners to make Capital Contributions to a lender or other credit party of the Partnership, which may include giving such lender or credit party the right to issue payment notices and other rights, powers and privileges with respect to the Commitments and Capital Contributions of the Partners.

Hedging

In connection with a Portfolio Investment, the Partnership may, in the General Partner's discretion, engage in hedging transactions designed to reduce the Partnership's exposure to power or fuel prices, interest rate and currency fluctuations and/or other risks relating to a Portfolio Investment; *provided* that the Partnership shall not be permitted to acquire derivative instruments for speculative purposes; and *provided*, *further*, that if the General Partner deems it necessary or advisable, the General Partner may, in lieu of (or in addition to) holding an investment in a Portfolio Company, structure a Portfolio Investment as a total return swap or other derivative contract, instrument or similar arrangement designed to substantially replicate the benefits and risks of holding the otherwise permissible investment in such Portfolio Company.

Tax Considerations

It is intended that, for U.S. federal income tax purposes, the Partnership will be treated as a partnership and will not be treated as a "publicly traded partnership" within the meaning of Section 7704 of the Internal Revenue Code of 1986, as amended (the "Code") and no election to the contrary shall be made.

Each prospective investor should carefully review the tax matters discussed under Section 9—"*Risk Factors and Potential Conflicts of Interest*" and Section 10—"*Securities Laws and Certain Regulatory, Tax and ERISA Considerations—Tax Considerations*" and is advised to consult its own tax advisor as to the tax consequences of an investment in the Partnership.

Non-U.S. Limited Partners

Each prospective non-U.S. Limited Partner should consult its own tax and other advisors in determining the possible tax, exchange control or other consequences to it under the laws of the jurisdictions of which it is a citizen, resident or domiciliary, in which it conducts business or in which it otherwise may be subject to tax, of the purchase and ownership of Interests in the Partnership.

ERISA Considerations

The General Partner will use commercially reasonable efforts to: (i) limit equity participation by "benefit plan investors" (within the meaning of Section 3(42) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) to less than 25% of the total value of each class of equity interests in the Partnership or (ii) structure investments of the Partnership and operate the Partnership in such a manner so as to qualify the Partnership as a "venture capital operating company" so that the underlying assets of the Partnership should not constitute "plan assets" of any "benefit plan investor" which invests in the Partnership. Prospective investors should carefully review the matters discussed under Section 9—"*Risk Factors and Potential Conflicts of Interest*" and Section 10—"*Securities Laws and Certain Regulatory, Tax and ERISA Considerations—Certain ERISA Considerations*" and should consult with their own advisors as to the consequences of making an investment in the Partnership.

UBTI/ECI Matters

The Fund can be expected to make Portfolio Investments that result in the incurrence of unrelated business taxable income ("UBTI") by a U.S. tax-exempt Limited Partner or effectively connected income ("ECI") by a non-U.S. Limited Partner. The General Partner will make available to non-U.S. and tax-exempt investors the opportunity to invest in such Portfolio Investments indirectly through one or more corporations in a manner that would allow investors to mitigate or avoid reporting of UBTI or ECI. Other than such undertaking, the General Partner will not be subject to any covenant to avoid the incurrence of UBTI or ECI by any Limited Partner. Investors should consult with their own tax advisors regarding UBTI, ECI and other tax matters. See Section 10—"*Securities Laws and Certain Regulatory, Tax and ERISA Considerations—Tax Considerations—U.S. Taxation of U.S. Tax-Exempt Limited Partners*" and Section 10—"*Securities Laws and Certain Regulatory, Tax and ERISA Considerations—Tax Considerations—U.S. Taxation of Non-U.S. Limited Partners*."

Excuse, Exclusion and Withdrawal

A Limited Partner may be excused from funding a Portfolio Investment if its participation therein would otherwise violate a law or regulation or any written investment policy or restriction to which it is subject (if it has notified the General Partner of such policy or restriction in writing prior to its admission to the Partnership and such policy or restriction continues in effect as of the date such excuse is sought). The General Partner may exclude a Limited Partner from participating in a Portfolio Investment if the General Partner determines in good faith that a significant delay, extraordinary expense, violation of law or regulation, or material adverse effect on the Partnership or any of its affiliates, any Partners, any Portfolio Investment, any Portfolio Company or future investments is likely to result from such Limited Partner's participation in such Portfolio Investment. The excused or excluded Limited Partner's Unfunded Commitment will not be reduced as a result of any excuse or exclusion and the General Partner may issue new calls for further Capital Contributions to the extent of Unfunded Commitments.

A Limited Partner may be required to completely or partially withdraw from the Partnership if, in the reasonable judgment of the General Partner, by virtue of that Limited Partner's Interest in the Partnership: (a) assets of the Partnership may be characterized as assets of any employee benefit plan or other plan, account or arrangement for purposes of ERISA, Section 4975 of the Code or any applicable similar law, whether or not such plan, account or arrangement is subject to ERISA, Section 4975 of the Code or any similar law; (b) the Partnership or any Partner may be subject to any requirement to register under the U.S. Investment Company Act of 1940, as amended; (c) a significant delay, extraordinary expense or material adverse effect on the Partnership, any Limited Partner, any Portfolio Investment, any Portfolio Company or any prospective investment is likely to result; or (d) in the General Partner's sole discretion, a violation of any law, rule or regulation is likely to result.

Default Provisions

The Partnership Agreement will provide that a Limited Partner that defaults in respect of its Unfunded Commitment may be subject to certain remedies, including forfeiture of a portion of its Interest. Non-defaulting Limited Partners may be required to make additional contributions of capital in the event that a Limited Partner (or investor in a Parallel Fund) defaults, subject to certain limitations set forth in the Partnership Agreement.

Alternative Investment Vehicles

Alternative investment vehicles in which one or more Limited Partners may be required to invest outside the Partnership may be used by the General Partner if the General Partner determines in good faith that for legal, tax, regulatory or other similar reasons it is in the best interests of the Partners or any Partner that all or a part of a Portfolio Investment be made or held through an alternative investment vehicle (each, an "Alternative Investment Vehicle"). In addition, the General Partner may, in its discretion, after a Portfolio Investment has been made by the Partnership or an Alternative Investment Vehicle restructure the ownership of all or any portion of such Portfolio Investment (including, for example, through a transfer of all or a portion of the Partnership's ownership interest in such Portfolio Investment to an Alternative Investment Vehicle and the accompanying distribution of ownership interests in such vehicle to one or more Partners). The same Alternative Investment Vehicle may be used for multiple Portfolio Investments and one or more Partners may invest in the same Alternative Investment Vehicle. References to the Partnership's Portfolio Investments herein will be deemed to include any investment made outside the Partnership through an Alternative Investment Vehicle, and appropriate mechanics will be provided in the Partnership Agreement in order that such investments will function as if made by the Partnership for purposes of the provisions described herein and will generally be made on a substantially equivalent economic basis as if made through the Partnership, subject to legal, tax and regulatory considerations.

The General Partner may structure all or a portion of certain Portfolio Investments through one or more Corporations (as defined in the Partnership Agreement), the stock of which would be held by the Partnership. Limited Partners participating in any such investment indirectly through such Corporation would be specially allocated the proceeds therefrom by the Partnership. The General Partner's Carried Interest and clawback would be calculated on proceeds generated from such Portfolio Investments prior to their receipt by any such Corporation i.e., without deduction for any expenses of such Corporation, which shall be borne by such Corporation and the Limited Partners participating through such Corporation.

Parallel Funds

In order to facilitate investment by certain investors, or to address certain structuring issues related to Portfolio Investments, the General Partner (or an affiliate thereof) may create parallel investment entities (referred to herein as "Parallel Funds"), the structure of which may differ from that of the Partnership; *provided* that the economic terms of each Parallel Fund shall be no more favorable than those of the Partnership, subject to tax, legal or regulatory constraints. Each Parallel Fund will, subject to applicable legal, tax or regulatory constraints, invest proportionally in all Portfolio Investments on effectively the same economic terms and conditions and at the same time as the Partnership and dispose of Portfolio Investments, directly or indirectly, proportionately with the Partnership, on effectively the same terms and at approximately the same time as the Partnership, other than with respect to expenses that are specifically attributable in the good faith judgment of the General Partner to the Partnership or a particular Parallel Fund. The General Partner may require or, in its discretion, allow certain investors to invest in a Parallel Fund rather than in the Partnership. The voting rights of Limited Partners in the Partnership will generally be aggregated with those of limited partners in Parallel Funds. Where appropriate, references to the Partnership herein will be deemed to include any Parallel Funds and references to the Limited Partners will include investors in the Parallel

Funds. Amounts committed to Parallel Funds will be combined with amounts committed to the Partnership for determining minimum and maximum Commitment requirements.

Feeder Funds

In order to facilitate investment by certain investors, the General Partner may create one or more investment entities (each a "Feeder Fund") that will invest, directly or through intermediate entities, substantially all of their investable assets in the Partnership or a Parallel Fund (including their respective Alternative Investment Vehicles). The General Partner may require or, in its discretion allow, any Limited Partner to invest in a Feeder Fund rather than directly in the Partnership including, without limitation, requiring such Limited Partner to contribute its interest in the Partnership to such Feeder Fund in exchange for an interest in such Feeder Fund. The interest in the Partnership or such Parallel Fund held, directly or indirectly, by a Feeder Fund may be treated as interests held by more than one Limited Partner, as provided in the Partnership Agreement. Prospective investors should carefully review the ERISA matters discussed in Section 10—"*Securities Laws and Certain Regulatory, Tax and ERISA Considerations*" and should consult with their own advisors as to the consequences of making an investment indirectly in the Partnership or an Alternative Investment Vehicle through a Feeder Fund.

Amendments; Entire Agreement

The Partnership Agreement sets forth certain procedures for its amendment and may generally be amended from time to time with the consent of the General Partner and a majority in interest of its Limited Partners, except that no amendment may increase any Limited Partner's Commitment, reduce its share of the Partnership's distributions, income, gains or losses in any material respect, increase in any material respect its share of the Management Fee payable by a Limited Partner or change the amendment provisions, without the consent of such Partner. The Partnership Agreement also includes provisions allowing the General Partner to make certain amendments without the consent of the Limited Partners. In addition, Limited Partners failing to respond to notice of certain amendments within 10 days after notice of such amendment will be deemed to have consented thereto.

	The Partnership or the General Partner, without any further act, approval or vote of any Partner, may enter into side letters or other writings with individual Limited Partners which have the effect of establishing rights under, or altering or supplementing, the terms of the Partnership Agreement. Any rights established, or any terms of the Partnership Agreement altered or supplemented, in a side letter with a Limited Partner shall govern solely with respect to such Limited Partner (but not any of such Limited Partner's assignees or transferees unless so specified in such side letter) notwithstanding any other provision of the Partnership Agreement.
Risk Factors and Conflicts of Interest	Prospective investors should carefully review the matters discussed in Section 9—"*Risk Factors and Potential Conflicts of Interest*."
U.S. Counsel for the Partnership	Latham & Watkins LLP
Placement Agent	Beacon Hill Financial Corporation
Independent Auditors	BDO USA, LLP
Fund Administration Services	JP Morgan Chase Bank, National Association

9. RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST

The purchase of Interests in the Partnership involves a number of significant risks that should be considered before making any investment. The possibility of partial or total loss of capital will exist and investors must be prepared to bear capital losses which might result from investments. In addition, there will be occasions when the General Partner or its affiliates may encounter potential conflicts of interest in connection with the activities of the Partnership. Risks include, but are not limited to, the following:

RISKS RELATING TO THE PARTNERSHIP'S INVESTMENTS

No Assurance of Investment Return

The Partnership cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There is no assurance that the Partnership will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions in which the Partnership plans to invest. There may be little or no near-term cash flow available to the Limited Partners from the Partnership and there can be no assurance that the Partnership will make any distribution to the Limited Partners. Partial or complete sales, transfers, or other dispositions of investments which may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. An investment in the Partnership should only be considered by persons who can afford a loss of their entire investment. Past performance of affiliated investment entities is not necessarily indicative of future results. The historical investment performance of Panda was generated through an investment strategy and approach that differs from the investment strategy of the Partnership, and there can be no assurance that the Partnership will be able to achieve similar results. Additionally, there can be no assurance that targeted returns for the Partnership will be achieved.

Industry Concentration and Diversification

Since the Partnership's investments are concentrated within a particular industry or related group of industries (the power generation sector), an investment in the Partnership may be subject to greater market fluctuations than an investment in a portfolio of securities representing a broader range of industries. The aggregate return on a Partner's investment in the Partnership may be substantially adversely affected by the unfavorable performance of even a single investment.

Energy Industry Risks

Investments in the energy industry are subject to certain special risks, including the following:

Volatility of Commodity Prices

The performance of certain of the Partnerships' investments will be dependent upon prevailing prices of electricity, natural gas and other commodities. Commodity prices have been, and are likely to continue to be, volatile and subject to wide fluctuations in response to any of the following factors: (i) relatively minor changes in the supply of and demand for electricity or natural gas; (ii) market uncertainty; (iii) political conditions in the United States and other project locations; (iv) the extent of domestic production and importation of natural gas in certain relevant markets; (v) the level of consumer demand; (vi) the price and availability of alternative electric generation options; (vii) weather conditions; (viii) the competitive position of electricity, ethanol/biodiesel, oil, gas or coal as a source of energy as compared with other energy sources; (ix) the industry-wide or local refining, transportation or processing capacity for natural gas or transmission capacity for electric energy; (x) the effect of United States and foreign federal, state and local regulation on the production, transportation and sale of electric energy and other commodities; (xi) breakthrough technologies (such as improved storage or clean coal technologies) or government subsidies, tax credits or other support that allow alternative fuel generation projects to produce more reliable electric energy or lower the cost of such production compared to natural gas-fueled electric generation projects; (xii) the amount and character of excess electric generating capacity in a market area; and (xiii) overall economic conditions. Although the Partnership intends to partially mitigate commodity risk through hedges, revenue puts and long-term sales contracts with parties that it deems to be creditworthy, there can be no assurances that the Partnership will be able to enter into contracts covering any or all of each project's electrical output and the term of such contracts are likely to vary leaving open commodity risk above certain minimum guaranteed revenues (in the case of a revenue put) or after the end of such contract or financial instruments term. With respect to potential gas-to-liquids projects that the Partnership may invest in, any hedges or contracts designed to mitigate commodity risk will require the delivery of a certain level of output. While the Partnership would insist on construction contracts containing liquidated damages for non-performance. However, in the vent of non-performance, such liquidated damages may not be adequate to protect the Partnership against commodity risk caused by a shortfall in the ability of a project to meet hedge or contract delivery requirements.

Regulatory Risk

The electric power industry is subject to comprehensive United States and foreign federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect the Portfolio Companies and the prospects of the Partnership. Electricity produced by solar methods receives substantial tax credits and incentives and other forms of government support. The loss or modification of such supports could adversely affect the economic viability of such assets. Other power assets (including natural gas-fueled assets) may be taxed or need to purchase offsets under proposed environmental legislation in the United States and existing or proposed environmental legislation in other parts of the world, which could affect economic viability.

Regulatory Approvals

The Partnership may invest in Portfolio Companies believed to have obtained all material United States federal, state, local or non-U.S. approvals required as of the date thereof to acquire and operate their facilities. In addition, the Partnership may be required to obtain the consent or approval of applicable regulatory authorities in order to acquire or hold particular Portfolio Companies. A Portfolio Company could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Moreover, additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in the companies' customers or for other reasons. There can be no assurance that a Portfolio Company will be able to (i) obtain all required regulatory approvals that it does not currently have or that it may be required to have in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility or sales to or from third parties or could result in additional costs to a Portfolio Company.

Renewable Energy Policy Risk

Investments in renewable energy and related infrastructure businesses and/or assets currently enjoy wide support from national, state and local governments and regulatory agencies designed to finance development thereof, such as the federal investment tax credit and federal production tax credit, U.S. Department of the Treasury grants, various renewable and alternative portfolio standard requirements enacted by several states, renewable energy credits and state-level utility programs, such as system benefits charge and customer choice programs. Similar support, initiatives and arrangements exist in non-U.S. jurisdictions as well. The combined effect of these programs is to subsidize in part the development, ownership and operation of renewable energy projects, particularly in an environment where the low cost of fossil fuel may otherwise make the cost of producing energy from renewable sources uneconomic. The operation and financial performance of any renewable energy Portfolio Investments will be significantly dependent on state policies and regulatory frameworks that support renewable energy sources. Some of the U.S. states or other jurisdictions in which renewable energy Portfolio Investments are located may have Renewable Portfolio Standards ("RPS") requirements that support the sale of electricity generated from renewable energy sources. These RPS requirements impose renewable energy purchase obligations or targets on electric utilities and other retail energy suppliers. Electric utility suppliers may satisfy their RPS requirements by purchasing renewable energy or renewable energy credits ("RECs") from producers of electricity generated from renewable sources. There can be no assurance that government support for renewable energy will continue, that favorable legislation will pass, or that the electricity produced by the renewable energy Portfolio Investments will continue to qualify for support through the RPS programs. The elimination of, or reduction in, government policies that support renewable energy could have a material adverse effect on a renewable energy Portfolio Investment's financial condition or results of operation. Any reduction in or elimination of these programs will have an adverse effect on development of renewable energy resources, as was demonstrated by the significant reduction in wind power development projects between the end of 2003 when the federal production tax credit expired and the reinstatement of such credit by the U.S. Congress in October 2004. To the extent any federal, state or local tax credits, other favorable tax treatment or other forms of support for renewable energy are changed, the Fund's renewable energy Portfolio Investments may be negatively impacted. **While natural gas-fueled generation does serve as a back-up source to renewable generation, as described below in —"*Climate Change Risk*," the adoption of carbon or other environmental legislation or regulations, RPS requirements or other programs favoring renewable generation over fossil fuel generation may adversely impact natural gas-fueled power generation investments by the Fund.**

Uncertainty of Estimates

Estimates or projections/forecasts of market demand and conditions and prices, construction costs and supply availability and prices by qualified engineers or consultants are often key factors in establishing power purchase contract prices and valuing certain power companies and assets. These estimates are subject to wide variances based on changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such estimates to be significantly revised from time to time, creating significant changes in the value of power purchase contracts, the company or assets, which could adversely affect the financial returns of the Partnership.

Environmental Matters

Environmental laws, regulations and regulatory initiatives play a significant role in the electric power industry and can have a substantial impact on investments in this industry. For example, global initiatives to minimize pollution have played a major role in the increase in demand for natural gas and alternative energy sources, creating numerous new investment opportunities. Conversely, required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. The electric power industry will continue to face considerable oversight from environmental regulatory authorities, and the Advisor will seek to evaluate carefully the expected impact of environmental compliance on all potential investments. The Partnership may invest in Portfolio Companies that are subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements.

There can be no guarantee that all costs and risks regarding compliance with environmental laws and regulations can be identified. New and more stringent environmental and health and safety laws, regulations and permit requirements or stricter interpretations of current laws or regulations could impose substantial additional costs on Portfolio Companies or potential investments. Compliance with such current or future environmental requirements does not ensure that the operations of the Portfolio Companies will not cause injury to the environment or people under all circumstances or that the Portfolio Companies will not be required to incur additional unforeseen environmental expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on a Portfolio Company, and there can be no assurance that Portfolio Companies will at all times comply with all applicable environmental laws, regulations and permit requirements. Past practices or future operations of Portfolio Companies could also result in material personal injury or property damage claims.

Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the limited partners of a partnership (such as the Partnership) subject to environmental liability. However, a Limited Partner may reduce its risk of such personal liability by avoiding activities with respect to the Partnership's investments other than as specifically contemplated by the Partnership Agreement.

Certain environmental laws and regulations may require that an owner or operator of an asset address prior environmental contamination, which could involve substantial cost. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of environmental contamination. The Partnership may therefore be exposed to substantial risk of loss as a result of environmental claims against Portfolio Companies. Community and environmental groups may protest about the development or operation of power generation assets which may induce government action to the detriment of the Partnership. Some of the most onerous environmental requirements regulate air emissions of pollutants and greenhouse gases; these requirements may particularly affect companies in the power generation sector.

Catastrophe Risk

The operations of power generation companies are subject to many hazards and force majeure events inherent in the production of electricity, including: damage to production or generation facilities, pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, earthquakes, fires and other natural disasters or by acts of terrorism; inadvertent damage from construction and farm equipment; leaks of natural gas or other hydrocarbons; and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. There can be no assurance that all Portfolio Companies will be fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect a Portfolio Company's operations and financial condition.

Terrorist Activities

U.S. activities in Iraq and recent terrorist attacks of unprecedented scope have caused instability in the world financial markets and may generate global economic instability. The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for electricity and could affect the Partnership's financial results. Further, the United States government has issued public warnings indicating that power generation assets might be a specific target of terrorist organizations. Portfolio Companies may involve significant strategic assets having a national or regional profile. The nature of these assets could expose them to a greater risk of being the subject of a terrorist attack than other assets or businesses. Any terrorist attacks that occur at or near such assets would likely cause significant harm to employees, property and, potentially, the surrounding community, and may result in losses far in excess of available insurance coverage. As a result of the terrorist attacks on September 11, 2001, insurers significantly reduced the amount of insurance coverage available for liability to persons other than employees for claims resulting from acts of terrorism, war or similar events. A terrorist attack on a power generation asset that is not owned by a Portfolio Company may also have adverse consequences for all power generation assets of that type or in the same vicinity, including those owned by a Portfolio Company, and may result in a Portfolio Company being forced to increase preventative security measures or expand its insurance coverage, adversely affecting the profitability of the Partnership's Portfolio Investment therein. As a result of such a terrorist attack or terrorist activities in general, the Partnership may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all.

Effects of Ongoing Changes in the Utility Industry

In many regions, including the United States, the electric utility industry is experiencing increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. In response, for example, the Federal Energy Regulatory Commission ("FERC") has proposed regulatory changes to increase access to the nationwide transmission grid by utility and non-utility purchasers and sellers of electricity; similar actions are being taken or contemplated by regulators in other countries. A number of countries, including the United States, are considering or implementing methods to introduce and promote retail competition. To the extent competitive pressures increase and the pricing and sale of electricity assume more characteristics of a commodity business, the economics of independent power generation projects into which the Partnership may invest may come under increasing pressure. Deregulation is fueling a current trend toward consolidation among domestic utilities, but also the disaggregation of many vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent electric power industry. In addition, independent power producers may find it increasingly difficult to negotiate long-term power sales agreements with solvent utilities, which may affect the profitability and financial stability of independent power projects. Certain utilities and other power providers may also elect to meet new demand by building their own power generation facilities (reducing the need to contract with independent power producers or requiring independent power producers to build facilities and price electric energy at a lower cost than the utility to be competitive).

There can be no assurance that (i) existing regulations applicable to electric utility companies will not be revised or reinterpreted; (ii) new laws and regulations will not be adopted or become applicable to electric utility companies; (iii) the technology and equipment selected by such companies to comply with current and future regulatory requirements will meet such requirements; (iv) such companies' business and financial conditions will not be materially and adversely affected by such future changes in, or reinterpretation of, laws and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws and regulations; or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

Federal Power Act; Natural Gas Act; State Regulations

Companies owning or operating electric generation and transmission assets may separately be subject to regulatory requirements under the Federal Power Act, as amended (the "FPA"), and state and, perhaps, local public utility laws. The FPA grants the FERC jurisdiction over the transmission of electricity in interstate commerce, the sale of electricity at wholesale in interstate commerce, and all facilities for such transmission or sale; provided that jurisdiction over retail sales is left to the states. The FPA prohibits "public utilities" (entities that own or operate facilities subject to FERC jurisdiction) from selling, leasing, merging or consolidating jurisdictional facilities, and from buying or acquiring securities of other public utilities, without first obtaining FERC approval. The Energy Policy Act of 2005 also provided the FERC with expanded jurisdiction over the acquisition of generating assets by public utilities and required prior approval by the FERC of certain mergers, consolidations or the acquisition of securities with a value of $10 million or more by any holding company in a holding company system that includes a transmitting utility or an electric utility company. Rates, charges and other terms for transmission services and for wholesale sales by public utilities are subject to the FERC's supervision. Certain wholesale generating companies may obtain market-based rate authority, enabling companies to price based upon market conditions. In determining whether a wholesale generating company will be granted market-based rate authority, the FERC has established market power tests that review the holdings of the generating company and its affiliates; the need to maintain market-based rate authority may, from time to time, constrain the investment opportunities available to the Partnership. The FERC also is responsible for licensing and inspecting private, municipal and state-owned hydroelectric projects. Since the Partnership's Portfolio Companies may own electric facilities, they may be deemed to be public utilities, subject to these regulations, unless otherwise exempted.

Reliance on Power Transmission and Fuel Distribution Facilities

The Partnership depends on facilities and assets that it does not own or control for the transmission to its customers of the power produced by the Portfolio Companies and the distribution of natural gas fuel to the power generation facilities. If these transmission and distribution systems are disrupted or capacity on those systems is inadequate, the Partnership's ability to sell and deliver power products or obtain fuel may be hindered. Independent system operators that oversee transmission systems in regional power markets have imposed price limitations and other mechanisms to address volatility, including curtailments for reliability purposes, in their power markets. Existing congestion, as well as expansion of transmission systems, could affect the Partnership's performance.

Climate Change Risk

Global climate change is attracting considerable attention among heads of state, legislatures and regulatory agencies, as well as among scientists and other researchers and in the general public around the world.

The Kyoto Protocol, which entered into force in February 2005, imposes obligations on a number of nations in Europe to reduce carbon emissions to assigned levels. Although the Kyoto Protocol has not been ratified by and does not bind the United States, a number of states and groups of states in the United States are in the process of developing and implementing mandatory limits of their own on carbon emissions from various sources. There are also pending at various stages in the United States Congress a number of bills that would impose limits on various carbon emission sources. A commonly proposed (and, in the case of some entities such as the European Union and a group of states in the northeastern United States that have committed themselves to the Regional Greenhouse Gas Initiative, authorized) approach involves a "cap-and-trade" system to reduce carbon emissions; the possibility of carbon taxes is also being considered in some governmental authorities. While the impacts of such measures are difficult to estimate until more fully developed and implemented, such proposals could materially affect major carbon emitters: for example, they could have to pay substantial fees to purchase emission credits needed to continue their operations or pay substantially higher costs for key materials due to carbon taxes. Such emitters may include the types of power generation assets in which the Partnership will invest.

Climate change could also affect power generation assets more directly. For example, some scientists believe that human-induced climate change is responsible for increasingly severe hurricanes, floods and other catastrophic weather events, many of which have heightened impacts on coastal areas. The Partnership's power generation assets in areas affected by such events may be at higher risk of delays to any construction schedule and destruction or significant damage to the physical facilities involved with attendant business interruption costs. Where climate change manifests itself in sustained drought conditions, as some believe is occurring in certain inland areas, the Partnership's power generation assets in such areas could also be adversely affected, especially where the project involved requires significant water volumes.

New Technology Risk

Historically, technology changes in the power generation sector have resulted in gradual incremental improvements with no disruptive technology impacts. However, there are currently a number of scientific research institutions (supported by major venture capital firms and corporations) seeking to develop disruptive technologies designed to reduce dependence upon large scale fossil fuel generation. In the event that a disruptive technology in the power generation sector is successfully developed and implemented, the Portfolio Investments might be adversely affected.

Illiquid and Long-Term Investments; Investments Longer than Term

It is anticipated that there will be a significant period of time before the Partnership will have completed its investments in Portfolio Companies. Many of such investments are currently expected by the General Partner to take a number of years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Although Portfolio Investments by the Partnership occasionally may generate some current income, private investment transaction structures typically will not provide for liquidity of the Partnership's investment prior to such realization. In light of the foregoing, it is likely that no significant return from the disposition of the Partnership's investments will occur for a substantial period of time from the date of closing of the Partnership. It is unlikely that there will be a public market for the securities held by the Partnership at the time of their acquisition. In the case of privately negotiated transactions, the Partnership generally will not be able to sell its securities publicly unless the issuer has gone public and such sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases the Partnership may be prohibited by contract from selling certain securities for a period of time, and as a result may not be permitted to sell a Portfolio Investment at a time it might otherwise desire to do so. Further, disposition of such investments may require a lengthy time period or may result in distributions in kind to investors.

The Partnership may invest in investments which may not be advantageously disposed of prior to the date that the Partnership will be dissolved, either by expiration of the Partnership's term or otherwise. Although the General Partner expects that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Partnership may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Financial Market Fluctuations and Disruption; Inflation Risks

General fluctuations in the market prices of securities may affect the value of the investments held by the Partnership. Instability in the securities markets may also increase the risks inherent in the Partnership's investments. Recent developments in the U.S. and global financial markets have illustrated that the current environment is one of extraordinary and unprecedented uncertainty and instability including with respect to the threat of inflation in the United States caused by massive government spending and deficits. A number of very high-profile and significant transactions and events have occurred with respect to participants in the financial services industry, including the failure or forced sale of certain banks, investment banks and other financial services businesses and broad scale market intervention by governments in the United States and abroad, and economic and financial market conditions have significantly deteriorated as compared to prior periods. Global financial markets have experienced significant disruptions, illiquidity and volatility and have experienced considerable declines in the valuations of equity and debt securities and an acute contraction in the availability of credit. Large companies across many sectors of the economy have filed for bankruptcy or entered into insolvency, administration or similar proceedings. As a result, certain government bodies and central banks worldwide, including the U.S. Treasury Department and the U.S. Federal Reserve, have undertaken unprecedented intervention programs, the effects of which remain uncertain. The U.S. economy has experienced and continues to experience significant declines in employment, household wealth and lending, and despite the fact that the U.S. and other OECD countries have recently exited a prolonged and serious recession, the recovery from this recession has been slow. Moreover, the global credit markets continue to experience substantial disruption (especially in the mortgage finance markets), liquidity shortages and financial instability. Further, fears of a sovereign debt crisis have developed concerning some European states, including European Union members Portugal, Ireland, Greece, Spain and Belgium. In May 2010 and December 2010, the Eurozone countries and the International Monetary Fund ("IMF") agreed to a €110 billion loan for Greece and a €67.5 billion loan for Ireland, respectively, with each loan being conditional on the implementation of certain austerity measures with respect to each country. These events have led to a significantly diminished availability of credit and an increase in the cost of financing for businesses, which has materially hindered the initiation of new, large-sized leveraged transactions and, together with declines in valuations of equity and debt securities, has adversely affected the private equity sector. To the extent the Partnership participates in or otherwise relies on such markets, the returns of the Partnership may suffer. In addition, to the extent that such marketplace events continue (or even worsen), this may have an adverse impact on the availability of credit to businesses generally and could lead to further overall weakening of the U.S. and global economies. Further economic downturn could adversely affect the financial resources of the Partnership's Portfolio Companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due. In the event of such defaults, the Partnership could lose both invested capital in and anticipated profits from the affected Portfolio Investment. Such marketplace events have also caused a severe decrease in the availability of financing (and an increase in the interest cost) for leveraged transactions, which impairs the Partnership's ability to consummate certain transactions or enter into such transactions on attractive terms. Also, in light of the distress in the global financial markets, there is a heightened risk that the bankruptcy, insolvency or default by a counterparty to the Partnership or to any Portfolio Company could result in a loss of the Partnership's investments, including, for example, where deterioration in credit causes a counterparty to default on a power purchase or other off take agreement or Partnership assets and securities are re-hypothecated or otherwise held by such counterparties and in a manner that renders them subject to general claims of their creditors.

Depending on the inflation assumptions relating to anticipated cash flows from a particular project and their escalation factors, as well as the manner in which asset revenue is determined with respect to such project, returns from a Portfolio Investment may vary from those projected as a result of changes in the rate of inflation. Power generation assets are often highly leveraged and as a result are potentially exposed to adverse interest rate movements and increasing cost of debt. Unanticipated inflation in the cost of fuel, labor, resources and other inputs can also adversely affect the returns associated with investments. As a result, revenue fluctuates with interest rate movements. Movements in interest rates may also affect the appropriate discount rate to be used to value Portfolio Investments, resulting in fluctuations in valuation. The Partnership intends to enter into long-term power purchase contracts with fixed capacity payments covering most of the power sold by its Portfolio Companies. In the event of substantial inflation, the value of these fixed price long-term power purchase contracts could be significantly reduced.

Market Conditions

The Partnership's strategy is based, in part, upon the premise that power generation assets will be available for development or purchase by the Partnership at costs considered favorable by the General Partner. Further, the Partnership's strategy may rely upon the continuation of existing market conditions (including, for example, supply and demand characteristics) and, in some circumstances, upon more favorable market conditions existing prior to the termination of the term of the Partnership. No assurance can be given that power generation assets can be developed, acquired or disposed of at favorable costs or that the market for such assets will remain stable or, as applicable, recover or improve, since this will depend upon events and factors outside the control of the Partnership.

Uncertainty of Projections and Outside Reports

The General Partner will generally establish the capital structure of Portfolio Companies and the terms and target returns of Portfolio Investments on the basis of financial and other projections for such Portfolio Companies. Projected operating results will normally be based primarily on management judgments or third-party reports. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be achieved, and actual results may vary significantly from the projections. General economic, natural and other conditions, which are not predictable, can have a material adverse impact on the reliability of such projections. Assumptions or projections about asset lives, the stability, growth or predictability of costs, demand or revenues generated by an investment or other factors associated therewith may, due to various risks and uncertainties including those described herein, differ materially from actual results. Certain Portfolio Companies, as well as the Partnership, will from time to time rely on the reports of technical consultants when evaluating construction costs or the condition of infrastructure assets. The actual construction costs may be higher or condition of the assets may be worse than anticipated, requiring additional capital or maintenance expenditures which may not be recoverable, allocable to end users or economic from a stand-alone perspective.

Control Position Risk

Although non-control investments may also be made, the Partnership intends to make investments that allow the Partnership to acquire control or exercise influence over management and the strategic direction of Portfolio Investments as described in this Memorandum. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the general limited liability characteristic of business operations may be ignored. The exercise of control over a Portfolio Investment could expose the assets of the Partnership to claims by such investment, its shareholders and its creditors. While the General Partner intends to manage the Partnership in a manner that will minimize the exposure of these risks, the possibility of successful claims cannot be precluded.

Non-Control Investments and/or Investments with Third Parties in Joint Ventures and Other Entities

The Partnership may hold non-controlling interests in certain Portfolio Companies and, therefore, may have no right to appoint a director and a limited ability to protect its interests in such companies and to influence such companies' management. Similarly, the Partnership may co-invest with third parties through joint ventures or other entities, thereby acquiring non-controlling interests in certain investments. In such cases, the Partnership will be significantly reliant on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Partnership is not affiliated and whose interests may conflict with the interests of the Partnership. Moreover, in the case where the Partnership may co-invest, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party partner or co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Partnership, or may be in a position to take action contrary to the Partnership's investment objectives. In addition, the Partnership may in certain circumstances be liable for the actions of its third party partners or co-venturers. Investments made with third parties in joint ventures or other entities also may involve carried interests and/or other fees payable to such third party partners or co-venturers. However, the Partnership generally expects that appropriate minority shareholder rights will be obtained to protect its interests to the extent possible. There can be no assurance that such minority shareholder rights will be available or that such rights will provide sufficient protection of the Partnership's interests.

Management Team

Each Portfolio Company's day-to-day operations will be the responsibility of such company's management team. Although the General Partner will be responsible for monitoring the performance of each investment and intends to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the Portfolio Company in accordance with the Partnership's plans.

Asset-Level Management

A Portfolio Company may contract the management of its business or certain operations or services to a third-party management company unrelated to the General Partner. Although the Portfolio Company may have the ability to replace any such operator, the failure of such an operator to adequately perform operations, an operator's breach of the applicable agreements, or an operator's failure to act in ways that are in the Portfolio Company's best interest, could have a material adverse effect on the Portfolio Company's financial condition or results of operations. The failure of the third-party operator to make decisions, perform its services, discharge its obligations, deal with regulatory agencies or comply with laws, rules and regulations affecting the particular business, including environmental laws and regulations, in a proper manner could result in material adverse consequences to the Portfolio Company and adversely affect the Portfolio Company's financial condition or results of operations.

Should a third-party manager fail to perform under any applicable agreements between it and the Portfolio Company, the Portfolio Company may need to find a replacement manager, which replacement manager may be subject to approval by a governmental or third party entity. A Portfolio Company may not be able to replace the manager, or do so on a timely basis, or if the Portfolio Company is able to find a replacement manager, the replacement manager may demand terms that are unfavorable to the Portfolio Company. To the extent day-to-day operation of a Portfolio Company is not contracted to third-party managers, each Portfolio Company's day-to-day operations will be the responsibility of such Portfolio Company's management team. There can be no assurance that the existing management team, or any successor, will be able to operate the Portfolio Company in accordance with the Partnership's plans and objectives.

Use of Leverage

The Partnership's Portfolio Investments are expected to include companies whose capital structures may have significant leverage. While investments in leveraged companies offer the opportunity for capital appreciation and the General Partner will seek to use leverage in a manner it believes to be prudent, such investments also involve a higher degree of risk. The Partnership's Portfolio Investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks (as well as particular risks associated with investing in the power generation sector or segments thereof) may have a more pronounced effect on the profitability or survival of such companies. Moreover, rising interest rates may significantly increase Portfolio Companies' interest expense, causing losses and/or the inability to service debt levels. If a Portfolio Company cannot generate adequate cash flow to meet debt obligations, the Partnership may suffer a partial or total loss of capital invested in the Portfolio Company. The General Partner may also obtain leverage at the Partnership level. See Section 8—"*Summary of Principal Terms—Borrowings and Guarantees*." Although borrowings by the Partnership have the potential to enhance overall returns that exceed the Partnership's cost of funds, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Partnership's cost of funds. In addition, borrowings by the Partnership may be secured by the Limited Partners' Capital Commitments as well as by the Partnership's assets. If the Partnership defaults on secured indebtedness, the lender may foreclose and the Partnership could lose its entire Portfolio Investment in the security for such loan. Tax-exempt investors should note that the use of leverage by the Partnership may create UBTI and should refer to the discussion in Section 10—"S*ecurities Laws and Certain Regulatory, Tax and ERISA Considerations—Tax Considerations*."

Risks of Less Established Companies; Risk of Fraud in a Portfolio Company

The Partnership may invest in smaller, less established or startup companies, assets or projects. Investments in such entities may involve greater risks than are generally associated with investments in more established entities. To the extent there is any public market for the securities held by the Partnership, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources, and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. There can be no assurance that any such losses will be offset by gains (if any) realized on the Partnership's other assets.

The Partnership may invest in Portfolio Companies or assets that may (i) have little or no operating history, (ii) have a checkered financial history, (iii) offer services or products that are not yet ready to be marketed or that have no established market, (iv) be operating at a loss or have significant fluctuations in operating results, (v) be engaged in a rapidly changing business, or (vi) need substantial additional capital to set up internal infrastructure, hire management and personnel, support expansion or achieve or maintain a competitive position. Such companies may have a greater variability of returns, and a higher risk of failure, than more established companies. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. In addition, less mature companies could be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any Portfolio Company in which the Partnership invests, the Partnership may suffer a partial or total loss of capital invested in that Portfolio Company.

Construction Risk

In connection with any new development project (i.e., a "greenfield" project), expansion of a facility or acquisition of a facility in late-stage development, a Portfolio Company may also face construction risks including, without limitation, (i) labor disputes, shortages of material and skilled labor or work stoppages, (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment, (iii) adverse weather conditions and unexpected construction conditions, (iv) accidents or the breakdown or failure of construction equipment or processes, and (v) catastrophic events such as explosions, fires and terrorist activities and other similar events beyond the Partnership's control. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of construction activities once undertaken, or operation, any of which could have an adverse effect on the Partnership. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations and unanticipated problems with project startup. Such unexpected increases may result in increased debt service costs and funds being insufficient to complete construction. Delays in project completion can result in an increase in total project construction costs through higher capitalized interest charges and additional labor and material expenses and, consequently, an increase in debt service costs. Delays in the completion of any construction project may result in lost opportunities or revenues or increased expenses, including higher operation and maintenance costs related to a Portfolio Company. Investments under development or investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and construction and may experience operating deficits after the date of completion.

Development Risk

The Partnership may invest in early developmental stage power generation and gas-to-liquids projects, involving risks of failure to obtain or substantial delays in obtaining: (i) regulatory, environmental or other approvals or permits; (ii) financing; and (iii) suitable equipment supply, joint venture, construction, operating, supply, site, and off-take contracts or guarantees (including hedges, revenue puts and long-term sales contracts). Further, there is no assurance that these projects will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein. In addition, market conditions may change during the course of development that makes such development less attractive than at the time it was commenced.

Technical Risk

Investments in the electric power or gas-to-liquids industries may be subject to technical risks, including the risk of mechanical breakdown, spare parts shortages, failure to perform according to design specifications and other unanticipated events which adversely affect operations. While the Partnership will generally seek investments in which creditworthy and appropriately bonded and insured third parties bear much of these risks, there can be no assurances that any or all such risk can be mitigated or that such parties, if present, will perform their obligations.

Adequacy and Availability of Insurance

While the Partnership will seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance (including political risk in emerging markets), this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. In addition, certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the Partnership's profitability. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage in their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums, which can greatly increase the total costs of casualty insurance. As a result, it is very likely that some or all of the Partnership's investments will not be insured against damages attributable to acts of terrorism. If a major uninsured loss were to occur with respect to an investment, the Partnership could lose both its capital investment in and anticipated profits related to such investment.

Broken Deal Expenses

Investments in the electric power or gas-to-liquids often require extensive due diligence, regulatory, finance, legal, engineering, site acquisition and other activities prior to acquisition, completion of development or investment, including feasibility and technical studies, preliminary engineering costs and marketing studies, environmental review and legal costs. In the event that an investment is not consummated, some or all such third party expenses will be borne by the Partnership.

Additional Capital

Certain of the Partnership's Portfolio Companies, especially those in a development or construction phase, may be expected to require additional financing to satisfy their capital requirements. The amount of such additional financing needed will depend upon the maturity and objectives of the particular Portfolio Company. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to the existing investors, including the Partnership. In addition, the Partnership may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve the Partnership's proportionate ownership when a subsequent financing is planned, or to protect the Partnership's investment when such Portfolio Company's performance does not meet expectations. The availability of capital is generally a function of capital market conditions that are beyond the control of the Partnership or any Portfolio Company. There can be no assurance that the Portfolio Companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. The Partnership may be called upon to provide follow-on funding for its Portfolio Investments or have the opportunity to increase its investment in a Portfolio Company. There can be no assurance that the Partnership will want to make follow-on investments or that it will have sufficient funds or the ability to do so. Any decision by the Partnership not to make follow-on investments or its inability to make them may have a substantial negative impact on a Portfolio Company in need of such an investment or may diminish the Partnership's ability to influence the Portfolio Company's future development.

Public Company Holdings

The Partnership's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Partnership to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Partnership to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members and increased costs associated with such risks.

Bridge Financings

From time to time, the Partnership may lend to Portfolio Companies on a short-term, unsecured basis or otherwise invest on an interim basis in Portfolio Companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge financings would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Partnership's control, such long-term securities issuance or other refinancing may not occur and such bridge financings may remain outstanding. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the unsecured position taken by the Partnership.

Investments in Restructurings

The Partnership may make investments in restructurings that involve Portfolio Companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may expose the Partnership to loss or cause such Portfolio Companies to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Partnership to additional potential liabilities that may exceed the value of the Partnership's original investment. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Partnership and distributions by the Partnership to the Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Non-U.S. Investments

The Partnership may make a limited portion of its investments outside of the United States. Non-U.S. investments involve factors not typically associated with investing in U.S. investments, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Partnership's foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of unilateral contract abrogation, non-performance or modifications, expropriation or confiscatory taxation or change in laws; (iv) less creditworthy counterparties; (v) lack of legal transparency or protection and different regulatory and legal systems and proceedings; (vi) the possible imposition of foreign taxes on income and gains recognized with respect to such investments and (vii) less developed corporate laws regarding fiduciary duties and the protection of investors. In addition, Portfolio Companies located in non-U.S. jurisdictions may be involved in restructurings, bankruptcy proceedings and/or reorganizations that are not subject to laws and regulations that are similar to the U.S. Bankruptcy Code and the rights of creditors afforded in U.S. jurisdictions. To the extent such non-U.S. laws and regulations do not provide the Partnership with equivalent rights and privileges necessary to promote and protect its interest in any such proceeding, the Partnership's investments in any such Portfolio Company may be adversely affected.

U.S. Dollar Denomination of Partnership Interests

Partnership Interests are denominated in U.S. dollars. Investors subscribing for the Interests in any country in which U.S. dollars are not the local currency should note that changes in the value of exchange between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. There may be foreign exchange regulations applicable to investments by investors whose assets are held in foreign currencies in certain jurisdictions. Each prospective investor should consult with his or her own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in the Interests.

Hedging Policies/Risks

In connection with the acquisition, holding, financing, refinancing or disposition of certain investments, the Partnership may employ hedging techniques designed to reduce the risks of adverse movements in commodities prices, interest rates, securities prices, currency exchange and other risks. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Partnership may benefit from the use of these hedging mechanisms, unanticipated changes in commodities prices, interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the Partnership than if it had not entered into such hedging transactions.

Documentation and other Legal, Tax and Regulatory Risks

Power generation projects are typically governed by complex legal agreements. As a result, there is a higher risk of dispute over interpretation or enforceability of the agreements. It is not uncommon for power generation assets to be exposed to a variety of other legal risks including, but not limited to, legal action from special interest groups. Interest groups may use legal processes to seek to impede particular projects to which they are opposed. In addition, legal, tax and regulatory changes could occur during the term of the Partnership that may adversely affect the Partnership. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions.

RISKS RELATING TO AN INVESTMENT IN THE PARTNERSHIP

Performance of the Partnership and Newly Formed Entity

The General Partner and the Partnership are newly formed organizations and the members of the investment team have not previously worked together as a group in the context of a newly-formed private equity firm. Neither the Partnership nor the General Partner has commenced operations and therefore has no operating history upon which prospective investors may evaluate its performance. There can be no assurance that each member of the Investment Team will continue to be affiliated with the General Partner or the Advisor throughout the Partnership's anticipated term. There can be no assurance that the Partnership will be able to implement its investment strategy and investment approach or achieve its investment objective or that a Limited Partner will receive a return of its capital. Past performance is not necessarily indicative of future results and there can be no assurance that the Partnership will achieve comparable results or that targeted returns will be met. Accordingly, investors should draw no conclusions from the performance information set forth in Section 2 hereof and should not expect to achieve similar returns.

Reliance on General Partner and the Members of the Investment Team

Decisions with respect to the management of the Partnership will be made by the General Partner. The success of the Partnership will depend on the ability of the General Partner to identify and consummate suitable investments and to dispose of investments of the Partnership at a profit. The General Partner will rely on the skills and expertise of each member of the Investment Team and others providing investment and other advice and services with respect to the Partnership. The loss of the services of one or more of the members of the Investment Team or such other persons could have an adverse impact on the Partnership's ability to realize its investment objectives. There can be no assurance that each member of the Investment Team or such other persons will continue to be affiliated with the Partnership throughout its anticipated term. While members of the Investment Team were involved in all prior investments by Panda described in Section 2—"*Investment Performance*," the investment performance record of Panda described in Section 2—"*Investment Performance*" also involved certain employees and officers no longer at Panda. There can be no assurance that the loss of such individuals will not adversely affect the success of the Partnership.

No Market for Limited Partnership Interests/Transferability Restrictions

Interests in the Partnership have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or applicable securities laws of any state or non-U.S. jurisdiction. Therefore, the Interests cannot be resold unless subsequently registered under the Securities Act and other applicable laws or an exemption from such registration is available. It is not contemplated that registration of the Interests under the Securities Act or other securities laws will ever be completed or in effect. There is no public market for the Interests in the Partnership and none is expected to develop. Accordingly, it may be difficult to obtain reliable information about the value of the Interests. In addition, the Interests are not transferable except with the consent of the General Partner, which it may withhold in its sole discretion. Limited Partners may not withdraw capital from the Partnership, except in very limited circumstances. Consequently, Limited Partners may not be able to liquidate their investments prior to the end of the Partnership's term and should therefore be prepared to bear the economic risk of an investment for an indefinite period.

Risk of Limited Number of Investments

The Partnership may participate in a limited number of investments and, as a consequence, the aggregate return of the Partnership may be substantially adversely affected by the unfavorable performance of any single investment. Other than as set forth in Section 8—"*Summary of Principal Terms*," investors have no assurance as to the degree of diversification of the Partnership's Portfolio Investments, either by geographic region, asset type or sector. To the extent the Partnership concentrates Portfolio Investments in a particular issuer, security or geographic region, its Portfolio Investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. As a consequence, the aggregate return of the Partnership may be adversely affected by the unfavorable performance of one or a small number of Portfolio Investments. Moreover, since all of the Partnership's investments cannot reasonably be expected to perform well or even return capital, for the Partnership to achieve above-average returns one or a few of its investments must perform very well. There are no assurances that this will be the case.

In addition, up to 25% of the aggregate Commitments may be invested in any one Portfolio Company. See Section 8—"*Summary of Principal Terms—Investment Limitations—Diversification*." In circumstances where the General Partner intends to refinance all or a portion of the capital invested, there will be a risk that such refinancing may not be completed, which could lead to increased risk as a result of the Partnership having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification.

Recycling; Reinvestment

During the Commitment Period, the General Partner has the right to generally recall (or retain) (i) the cost basis of any Portfolio Investment that has been realized and returned to the Partners during the Commitment Period and within eighteen months after the date such Investment was made or (ii) the amount of any return of capital used to fund a Bridge Financing that was repaid, refinanced or sold within eighteen months. Accordingly, during the term of the Partnership, a Partner may be required to make Capital Contributions in excess of its Commitment, and to the extent such recalled or retained amounts are reinvested in Investments, a Partner will remain subject to investment and other risks associated with such Investments.

Public Disclosure Obligations

The Partnership may be required to disclose confidential information relating to its Portfolio Investments and its financial results to third parties that may request such information if and to the extent required by federal, state or local law or regulation applicable to the Partnership or any of its Limited Partners, including those Limited Partners that are public agencies or governmental bodies. Such disclosure obligations may adversely affect certain Limited Partners, particularly Limited Partners who are not otherwise subject to public disclosure of information relating to the private holdings of funds in which they invest.

Risks Arising from Provision of Managerial Assistance

The General Partner will use commercially reasonable efforts to avoid having the assets of the Partnership constitute "plan assets" of any plan subject to Title I of ERISA or Section 4975 of the Code and may, in this regard, elect to operate the Partnership as a "venture capital operating company" ("VCOC") within the meaning of regulations promulgated under ERISA. Operating the Partnership as a VCOC would require that the Partnership obtain rights to substantially participate in or influence the conduct of the management of a number of the Partnership's Portfolio Companies. The Partnership may designate a director to serve on the board of directors of one or more Portfolio Companies as to which it obtains such rights. The designation of directors and other management participation rights could expose the assets of the Partnership to claims by a Portfolio Company, its security holders and its creditors. While the General Partner intends to manage the Partnership to minimize exposure to these risks, the possibility of successful claims cannot be precluded. Furthermore, in certain circumstances, the General Partner may allocate certain control or management rights in investments disproportionately among the Partnership and its parallel funds in light of legal, tax, regulatory and other considerations.

ERISA Considerations

In the event the Partnership is operated so as to qualify as a VCOC, as discussed above, the Partnership may be restricted or precluded from making certain investments. In addition, it could be necessary for the General Partner to liquidate Partnership investments at a disadvantageous time in order to avoid holding ERISA "plan assets," resulting in lower proceeds to the Partnership than might have been the case without the need to qualify as a VCOC.

General Tax Considerations

The Partnership is expected to be treated as a partnership for U.S. federal income tax purposes. Each investor, in determining its U.S. federal income tax liability, will take into account annually its allocable share of items of income, gain, loss, deduction and credit of the Partnership, without regard to whether it has received distributions from the Partnership. Accordingly, an investor's tax liability attributable to the Partnership could exceed the cash distributions from the Partnership in any year, and in such case, the investor would have to satisfy its tax liability arising from its investment in the Partnership from the investor's own funds. In addition, it is possible that the Partnership will not be able to furnish the investors' Schedule K-1s for completing their U.S. tax returns prior to April 15th of each year. In such event, the investors will likely have to file requests for extension of time to file their U.S. tax returns. As is generally the case for similar private equity investments, an investment in the Partnership will give rise to a variety of complex U.S. federal income tax and other tax issues for investors. Certain of those issues may relate to special rules applicable to certain types of investors, such as Limited Partners that are exempt for U.S. federal income tax purposes ("U.S. Tax-Exempt Limited Partners"), life insurance companies, banks, individuals, dealers in securities and non-U.S. persons. Prospective investors are urged to consult their own tax advisers regarding their specific tax situations, including any applicable U.S. federal, state, local and non-U.S. taxes and, in the case of prospective investors subject to special rules under U.S. federal tax laws, such as U.S. Tax-Exempt Limited Partners and non-U.S. investors, any special issues that an investment in the Partnership may raise for such investors. See Section 10—"*Securities Laws and Certain Regulatory, Tax and ERISA Considerations*."

Tax-Exempt and Non-U.S. Investors May Be Subject to U.S. Tax

Partnership investments will (i) constitute interests in U.S. real property within the meaning of the Foreign Investment in Real Property Tax Act, the gain and income from which will be treated as ECI, or otherwise generate ECI, which will create a U.S. tax liability for non-U.S. investors and/or (ii) generate income that is taxable to U.S. Tax-Exempt Limited Partners as UBTI. Such investments will give rise to U.S. tax reporting and payment obligations for non-U.S. investors in the Partnership and U.S. Tax-Exempt Limited Partners. The General Partner may make certain decisions, adopt certain investment or disposition structures or forgo certain actions in order to maximize pre-tax returns for investors, the result of which could be that U.S. Tax-Exempt Limited Partners recognize more UBTI or non-U.S. investors recognize more ECI than might be the case with other structures or decisions.

State and Local Taxes

Prospective investors should consider the potential state and local tax consequences of an investment in the Partnership. In addition to being taxed in its own state or locality of residence, an investor may be subject to tax return filing obligations and income, franchise and other taxes in jurisdictions in which the Partnership (or any entity in which the Partnership invests) operates. Prospective investors should consult their tax advisers regarding the state and local tax consequences of an investment in the Partnership.

Taxation in Other Jurisdictions

If the Partnership makes an investment in a jurisdiction outside the U.S., the Partnership or its investors may be subject to income or other tax in that jurisdiction. Additionally, withholding or other taxes may be imposed on income or gains of the Partnership from investments in such jurisdictions (although such taxes may be subject to reduction under applicable tax treaties). It is possible that investors may be unable to claim (i) a credit against tax that may be owed in the U.S. or their respective local tax jurisdictions or (ii) a deduction against income taxable in the U.S. or such local jurisdictions, with respect to any local tax incurred in a non-U.S. jurisdiction by the Partnership (or vehicles through which the Partnership invests). Prospective investors should consult their tax advisers regarding the non-U.S. tax consequences of an investment in the Partnership.

Possible Legislative or Other Actions Affecting Tax Aspects

The present U.S. federal income tax treatment of an investment in the Partnership may be modified by legislative, judicial or administrative action at any time and any such action may affect investments and commitments previously made. The U.S. federal income tax rules are constantly under review by persons involved in the legislative process and by the IRS and the Treasury Department, resulting from time to time in the adoption of new Treasury regulations or changes to the existing regulations, revised interpretations of established concepts, as well as statutory changes. Any changes in the U.S. federal tax laws or interpretations thereof could adversely affect the tax treatment of an investment in the Partnership. Congress constantly scrutinizes the U.S. federal income tax treatment of private investment funds and hedge funds, and there can be no assurance that legislation will not be enacted that has an unfavorable effect on an investor's investment in the Partnership.

Proposed Tax Legislation Adversely Affecting Panda Employees and their Service Providers

Congress has considered proposed legislation that would treat carried interests as ordinary income for U.S. federal income tax purposes. Enactment of any such legislation could adversely affect employees or other individuals performing services for the Partnership who hold direct or indirect interests in the General Partner and benefit from carried interest, which could make it more difficult for Panda to incentivize, attract and retain individuals to perform services for the Partnership. Any such developments could thus adversely affect the Partnership's investment returns allocable to the Limited Partners. It is unclear whether any such proposed legislation, if enacted, would apply to Panda, the General Partner, and any other individuals involved with the Partnership who benefit from carried interest.

Unspecified Investments

The Partnership will begin operations upon closing and a purchaser of any interest in the Partnership must rely upon the ability of the General Partner to identify, structure and implement investments consistent with the Partnership's investment objectives and policies. The Partnership may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. The success of the Partnership will depend on the ability of the General Partner and Advisor to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of Portfolio Investments.

Competition for Investments

The activity of identifying, completing and realizing on attractive private equity investments is highly competitive and involves a high degree of uncertainty. The Partnership expects to encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, business development companies, strategic industry acquirers and developers and other financial investors investing directly or through affiliates. Further, over the past several years, an ever-increasing number of private equity funds have been formed (and many such existing funds have grown in size). Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources and more personnel than the General Partner and the Partnership. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Partnership and adversely affecting the terms upon which investments can be made. There can be no assurance that the Partnership will be able to identify or consummate investments satisfying its investment criteria or that such investments will satisfy the Partnership's rate of return objectives. Likewise, there can be no assurance that the Partnership will be able to realize upon the values of its investments or that it will be able to invest its committed capital. To the extent that the Partnership encounters competition for investments, returns to Limited Partners may decrease.

Dilution from Subsequent Closings

Limited Partners subscribing for Interests in the Partnership at subsequent closings will participate in existing investments of the Partnership, diluting the interest of existing Limited Partners therein. Although such Limited Partners will contribute their pro rata share of previously made Partnership draws (plus an additional amount thereon), there can be no assurance that this payment will reflect the fair value of the Partnership's existing investments at the time such additional Limited Partners subscribe for Interests in the Partnership.

Management of the Partnership

Limited Partners have no rights or powers to take part in the management of the Partnership or make investment decisions, including investment and disposition decisions, and will not receive the level of Portfolio Company financial information that is available to the General Partner. The General Partner will generally have sole and absolute discretion in structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of the Partnership (subject to specified exceptions). Accordingly, no person should purchase an interest in the Partnership unless such person is willing to entrust all aspects of the management of the Partnership to the General Partner and its affiliates.

Passive Investment in Interests

The Partnership Agreement will not permit the Limited Partners to engage in the active management and affairs of the Partnership. Because specific investments of the Partnership have not yet been identified, the Limited Partners must rely on the ability of the General Partner to make appropriate investments for the Partnership and to appropriately manage and dispose of such investments. The Limited Partners and the limited partners of the parallel funds generally vote on all matters on a combined basis as set forth in the Partnership Agreement. Accordingly, action by limited partners in the parallel fund could affect the Partnership.

Absence of Regulatory Oversight

While the Partnership may be considered similar in some ways to an investment company, it is not required and does not intend to register as such under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") and, accordingly, Limited Partners are not afforded the protections of the Investment Company Act.

Enhanced Scrutiny and Regulation of the Private Equity Industry

The Partnership's ability to achieve its investment objectives, as well as the ability of the Partnership to conduct its operations, is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Future legislative, judicial or administrative action could adversely affect each of the Partnership's ability to achieve its investment objectives, as well as the ability of the Partnership to conduct its operations. Increased regulation could have a material adverse impact on the profit potential of the Partnership, as well as require increased transparency as to the identity of the Limited Partners.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). This comprehensive reform of the United States' financial regulatory system, among other things, requires registration with the Securities and Exchange Commission of advisers to private funds (such as the Advisor), with certain limited exceptions, and imposes new reporting and recordkeeping obligations with respect to the private funds they advise. The Dodd Frank Act has imposed additional reporting and compliance obligations on investment advisers and/or private funds. Enactment of any additional legislation or further rulemaking by the Securities Exchange Commission or the Commodities Futures Trading Commission could have an adverse effect on the private equity industry generally and/or the Partnership specifically. Further, various federal, state and local agencies have been recently examining the role of placement agents, finders and other similar private equity service providers in the context of investments by public pension plans and other similar entities, including investigations and requests for information. In addition, elements of organized labor and other representatives of labor unions have embarked on a campaign targeting private equity firms on a variety of matters of interest to organized labor, including with respect to affording favorable treatment or significant deference to organized labor and labor unions in dealings with portfolio companies. There can be no assurance that the foregoing will not have an adverse impact on the Partnership or otherwise impede the Partnership's ability to effectively achieve its investment objectives.

Compliance with the Alternate Investment Fund Managers Directive

The European Union (the "EU") Alternative Investment Fund Managers Directive (the "Directive") came into force in July 2011, and individual EU member states must implement the Directive into domestic law within two years. The Directive applies to, among others, alternative investment fund managers ("AIFM") established outside the EU who market their alternative investment funds ("AIFs") within the EU. The Directive will from to time impose new operating requirements on non-EU AIFMs seeking to market an AIF within the EU. It is currently anticipated that the Directive will be implemented in stages between 2013 and 2018. The full scope of the Directive may also, from October 2015 at the earliest, be extended to non-EU AIFMs who wish to market an AIF within the EU pursuant to a pan-European marketing passport instead of under national private placement regimes. The operating requirements imposed by the Directive include, among other things, rules relating to the remuneration of certain personnel, minimum regulatory capital requirements, restrictions on use of leverage, restrictions on early distributions ("asset stripping" rules), disclosure and reporting requirements to both investors and home state regulators, and independent valuation of an AIF's assets. As a result, the Directive could in the future have an adverse effect on the General Partner and the Partnership by, among other things, increasing the regulatory burden and costs of doing business in EU member states, significantly restricting marketing activities within the EU which may adversely impact the ability of the Partnership to achieve its targeted Commitments, and disadvantaging the Partnership as a bidder for and potential owner of private companies located in EU member states when compared to non-AIF/AIFM competitors which may not be subject to the requirements of the Directive, thereby potentially restricting the Partnership's ability to make investments in such companies. The Directive could also limit the General Partner's operating flexibility and the Partnership's investment opportunities, as well as expose the General Partner and/or the Partnership to conflicting regulatory requirements in the United States (and elsewhere) and the EU. The final scope and requirements of the Directive remain uncertain, and are subject to change.

Failure to Make Capital Contributions

If a Limited Partner fails to pay when due installments of its Commitment to the Partnership, and the Capital Contributions made by non-defaulting Limited Partners and borrowings by the Partnership are inadequate to cover the defaulted Capital Contribution, the Partnership may be unable to pay its obligations when due. As a result, the Partnership may be subjected to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners). If a Limited Partner defaults, it may be subject to various remedies as provided in the Partnership Agreement, including without limitation, reductions in its capital account balance and forfeiture of a portion of its Interest.

Indemnification; Absence of Recourse

The Partnership will be required to indemnify the General Partner, the Advisor, certain service providers and their respective affiliates, and their respective officers, directors, agents, stockholders, members and partners for liabilities incurred in connection with the affairs of the Partnership. Additionally, such parties may be entitled to exculpation by the Partnership. Such liabilities may be material and have an adverse effect on the returns to the Limited Partners. For example, in their capacity as directors of Portfolio Companies, the partners or affiliates of the General Partner may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of the Partnership would be payable from the assets of the Partnership, including the Unfunded Commitments of the Limited Partners. If the assets of the Partnership are insufficient, the General Partner may recall distributions previously made to the Limited Partners (subject to certain limitations). Furthermore, as a result of the provisions contained in the Partnership Agreement, the Limited Partners may have a more limited right of action in certain cases than they would in the absence of such limitations. It should be noted that the General Partner may cause the Partnership to purchase insurance for the Partnership, the General Partner, the Advisor and their employees, agents and representatives.

Contingent Liabilities Upon Disposition

In connection with the disposition of an investment in a Portfolio Company, the Partnership may be required to make representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of any business and may be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which shall be borne by the Partnership. In addition, Limited Partners may be required to return amounts distributed to them to fund Partnership indemnity obligations.

In-Kind Distributions

Investors should be aware that in-kind distributions may be made to the Limited Partners in certain circumstances. When such distributions are made to the Limited Partners, such Limited

Partners would generally be unable to protect their interests as effectively as the Partnership. In certain circumstances provided for in the Partnership Agreement, securities or other assets of the Partnership may be distributed that are not marketable or are otherwise illiquid. The risk of loss and delay in liquidating securities or other assets distributed in-kind will be borne by the Limited Partners, with the result that such Limited Partners may receive less cash than was reflected in the fair value of such securities as determined by the General Partner pursuant to the Partnership Agreement.

POTENTIAL CONFLICTS OF INTEREST

Instances may arise where the interests of the General Partner may potentially or actually conflict with the interests of the Partnership and the Limited Partners. The following discussion enumerates certain potential conflicts of interest which should be carefully evaluated before making an investment in the Partnership.

Performance Allocation

The existence of the General Partner's 20% Carried Interest may create an incentive for the General Partner to make more speculative investments on behalf of the Partnership than it would otherwise make in the absence of such performance-based compensation, although the significant commitment by the General Partner to invest in Portfolio Investments and the General Partner clawback should tend to reduce this incentive. See Section 8—"*Summary of Principal Terms—Clawback*."

Fees for Services

Affiliates of the General Partner are expected to provide development, maintenance, asset management and operations services to the Partnership and its Portfolio Investments under Approved Services Agreements and Approved O&M Agreements. Each Approved O&M Agreement will be in a form approved by the Advisory Committee. Each Approved Service Agreement will be provided to each Limited Partner prior to its admission to the Partnership and each such Limited Partner will be deemed to have consented to the terms of each such Approved Service Agreement. Any modification to any Approved O&M Agreement or any Approved Service Agreement in a manner materially adverse to the Limited Partners (as determined by the General Partner) shall require the consent of the Advisory Committee. While the General Partner intends that any affiliate services be provided at competitive market rates, such compensation will not be determined through arm's-length negotiation and the General Partner will not guarantee the performance by its affiliates of any services provided to the Partnership. Panda may subcontract select services to PEII through a service agreement with the Advisor. The Partnership is expected to engage PEII or its affiliates to provide certain services, including operational, administrative and technology services.

Other Affiliate Transactions

The Partnership may engage in transactions with its affiliates by purchasing Portfolio Investments from or through the General Partner or its affiliates as principal, or co-investing with the General Partner or its affiliates (including Successor Funds) in Portfolio Companies, and may invest in entities in which the General Partner or its affiliates hold material investments. In particular, following any closing of subscriptions for Interests in the Partnership or any Parallel Fund, the Partnership may purchase from or make investments in companies where the General Partner or its affiliates are also investors (and potentially also acquire investments from the General Partner or its affiliates) and that are within the Partnership's investment objectives, including Existing Investments currently held by Panda Fund I. The terms and conditions of any transfer of any Existing Investments currently being developed by Panda Fund I to the Partnership shall be subject to the approval of both the limited partner advisory committee of Panda Fund I and the Advisory Committee of the Partnership. See Section 8—"*Summary of Principal Terms—Existing Investments*." The Partnership also may make Portfolio Investments where the General Partner or its affiliates or the Partnership has entered into an agreement or an agreement in principle with a potential portfolio company, in each case prior to a closing of the Partnership. Any such transaction will be made only on terms, including the consideration to be paid, that are determined by the General Partner in good faith to be fair and reasonable to the Partnership and, where required, the General Partner will obtain consent of the Advisory Committee or a majority in interest of the Limited Partners on behalf of the Partnership.

Conflicts of interest may arise in connection with any co-investment or other affiliate transactions (including with respect to the timing, structuring and terms of such investment and its disposition). For example, conflicts could arise where the Partnership invests in equity instruments while an affiliate invests in debt securities. In addition, conflicts may arise in determining the amount of an investment, if any, to be allocated among potential investors and the respective terms thereof. There can be no assurance that the return on the Partnership's investment will be equivalent to or better than the returns obtained by the other affiliates participating in the transaction.

Allocation of Personnel; Allocation of Investment Opportunities

The General Partner and its affiliates will devote such time as necessary to conduct the business affairs of the Partnership in an appropriate manner and as provided by the Partnership Agreement. Panda personnel may work on other projects and possibly other vehicles as provided herein and in the Partnership Agreement. Such personnel may also serve as members of the boards of directors of various companies other than Portfolio Companies. Conflicts may arise as a result of such other activities. Panda personnel may, from time to time, be presented with investment opportunities that fall within the investment objective of the Partnership and the investment objectives of such other companies, and the Partnership Agreement may allow Panda to make such investments away from the Partnership in certain circumstances. In such circumstances, the Investment Team will allocate such opportunities among the Partnership and such other companies on a basis that they determine is appropriate taking into account their fiduciary and contractual obligations to the Partnership and such other companies, the source of the investment opportunity, the relative amounts of capital available for investment and other considerations deemed relevant by such personnel.

Material, Non-Public Information

By reason of their responsibilities in connection with their permitted other activities, the General Partner and its affiliates may acquire confidential or material non-public information and therefore be restricted from initiating transactions in certain securities. Disclosure of such information to the General Partner's personnel responsible for the affairs of the Partnership will be on a need-to-know basis only, and the Partnership may not be free to act upon any such information. Therefore, the Partnership may not have access to material non-public information in the possession of Panda which might be relevant to an investment decision to be made by the Partnership, and the Partnership may initiate a transaction or sell a Portfolio Investment which, if such information had been known to it, may not have been undertaken. Due to these restrictions, the Partnership may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell a Portfolio Investment that it otherwise might have sold.

Valuation Matters

The fair value of all Portfolio Investments or of property received in exchange for any Portfolio Investments will be determined by the General Partner in accordance with the Partnership Agreement. Accordingly, the carrying value of a Portfolio Investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation of such investments will be determined by the General Partner in accordance with procedures set forth in the Partnership Agreement.

Diverse Limited Partner Group

The Limited Partners may have conflicting investment, tax and other interests with respect to their investments in the Partnership. The conflicting interests of individual Limited Partners may relate or arise from, among other things, the nature of investments made by the Partnership, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by the General Partner, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Partnership, the General Partner will consider the investment and tax objectives of the Partnership and its Partners as a whole, not the investment, tax or other objectives of any Limited Partner individually. As a consequence of the foregoing, the General Partner may elect to exclude certain Limited Partners from particular investments for legal or regulatory reasons applicable to any such investment, in which case non-excluded Limited Partners shall be allocated a greater proportionate interest in such investment.

The Partnership or the General Partner, without any further act, approval or vote of any Partner, may enter into side letters or other writings with individual Limited Partners as described in Section 8—"*Summary of Principal Terms—Amendments; Entire Agreement*," which would have the effect of establishing rights under, or altering or supplementing, the terms of the Partnership Agreement with respect to such Limited Partners in a manner more favorable to such Limited Partners than those applicable to other Limited Partners. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse rights applicable to a particular Portfolio Investment (which may increase the percentage interest of other Limited Partners in, and contribution obligations of other Limited Partners with respect to, such Portfolio Investment), (ii) reporting obligations of the General Partner and the Partnership, (iii) waiver of certain confidentiality obligations, (iv) consent of the General Partner to certain transfers by such

Limited Partner, (v) rights or terms necessary in light of particular legal, regulatory or policy characteristics of a Limited Partner, (vi) economic rights and (vii) additional obligations and restrictions of the General Partner and the Partnership with respect to the structuring of any Portfolio Investment in light of the legal, tax and regulatory considerations of particular Limited Partners.

Limited Partner Advisory Committee

Although the Advisory Committee is intended to act as the representative of the Limited Partners in respect of certain matters, including reviewing valuations of the Partnership's assets and addressing potential conflicts of interest, the Advisory Committee may not have the same interests as all investors. Furthermore, the Advisory Committee cannot be expected to be expert in such matters, and certain of its determinations may, in fact, adversely affect the performance of the Partnership.

Use of Placement Agents

The Partnership, the General Partner or the Advisor has engaged Beacon Hill Financial Corporation, and may determine to engage additional placement agents, in respect of the offer of Interests to certain prospective investors. Beacon Hill Financial Corporation, and any such additional placement agent, would act for the Partnership, the General Partner or the Advisor, and not as an investment adviser to prospective investors in connection with the offering of Interests. Prospective investors must independently evaluate the offering and make their own investment decisions. In making those decisions, prospective investors should be aware that a placement agent would be paid a placement fee based upon the amount of capital commitments to the Partnership by investors that such placement agent introduces to the General Partner or the Partnership. Any placement agent fees and expenses would be borne by the Partnership subject to a 100% offset against the amounts payable to the Advisor in respect of the Management Fee. In the event any placement agent is engaged in respect of the Partnership, prospective investors should also note that at various times such placement agent may act as placement agent for other fund sponsors and funds, including fund sponsors and funds that are not affiliated with the General Partner or its affiliates, which may offer interests that are similar to the Interests. Such unaffiliated fund sponsors may pay placement fees on terms different from the fees placement agents may receive in respect of the Partnership, and such differences in fees may influence a placement agent's decision to introduce prospective investors to the Partnership. Furthermore, a placement agent may seek to do business with and earn fees or commissions from portfolio companies of the Partnership and affiliates of the General Partner (e.g., in connection with financing or investment banking services, or lending or arranging credit). Accordingly, prospective investors should recognize that each placement agent's participation as a placement agent for the Interests may be influenced by its interest in such current or future fees and commissions. Prospective investors should also be aware that affiliates or employees of a placement agent could invest in the Partnership on their own behalf and/or on behalf of their clients. Each prospective investor should consider these issues in making its investment decision.

Partnership Counsel

Latham & Watkins LLP ("L&W") represents the Advisor and the General Partner in connection with the formation of the Partnership and the issuance of interests therein. L&W may also act as counsel to a Portfolio Company, equity sponsors of a Portfolio Company, other creditors of a Portfolio Company or an agent therefor, a party seeking to acquire some or all of the assets or equity of a Portfolio Company, or a person engaged in litigation with a Portfolio Company. Separate counsel has not been engaged to act on behalf of investors in the Partnership. L&W is not representing, and will not be deemed to owe any obligations or duties to, any prospective investor or investors, absent an express agreement to the contrary with such prospective investors or investors, in connection with their investments in the Partnership and the transactions contemplated hereby, whether or not L&W has in the past represented or is currently representing such prospective investor with respect to other matters. Representation by L&W of the General Partner, the Advisor and their respective affiliates is limited to specific matters as to which they have been consulted by such persons. There may exist other matters which could have a bearing on the Partnership, the General Partner, the Advisor and/or their affiliates or Portfolio Companies as to which L&W has not be been consulted. In addition, L&W does not undertake to monitor the compliance of the General Partner, the Advisory Committee and their affiliates with the investment program and other guidelines and terms set forth in this Memorandum and the Partnership Agreement, nor does L&W monitor compliance with applicable laws. Such counsel has not passed upon the adequacy of this Memorandum or the fairness of the disclosure herein, and prospective investors must consult with their own counsel with regard to such matters.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Partnership. Prospective investors should read the entire Memorandum and consult their own counsel and advisors before deciding to invest in the Partnership.

10. SECURITIES LAWS AND CERTAIN REGULATORY, TAX AND ERISA CONSIDERATIONS

SECURITIES LAWS AND CERTAIN REGULATORY MATTERS

Investment Company Act of 1940

The Partnership will not be subject to the provisions of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") in reliance upon Section 3(c)(7) of the Investment Company Act, which excludes from the definition of "investment company" any issuer whose outstanding securities are owned exclusively by "qualified purchasers" (as defined in such Section 3(c)(7)), and who meets the other conditions contained therein. Section 3(c)(7) of the Investment Company Act requires that each prospective purchaser be a "qualified purchaser." A "qualified purchaser" generally includes a natural person who owns not less than $5,000,000 in investments or a company, acting for its own account or the accounts of other qualified purchasers, that owns and invests on a discretionary basis not less than $25,000,000 in investments, and certain trusts. In addition, the General Partner may form a parallel fund that will not be subject to the provisions of the Investment Company Act in reliance upon Section 3(c)(1) thereof, which excludes from the definition of "investment company" any issuer whose outstanding securities are beneficially owned by not more than 100 persons (as defined in said Section 3(c)(1)) and who meets the other conditions contained therein. Limited Partner's subscription agreements and the relevant partnership agreement will contain representations and restrictions on transfer designed to insure that the relevant conditions will be met.

Investment Advisers Act of 1940

The Advisor is presently registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"). See Section 9—"*Risk Factors and Potential Conflicts of Interest—Risks Relating to an Investment in the Partnership—Enhanced Scrutiny and Potential Regulation of Private Equity Industry*."

Securities Act of 1933

The offer and sale of the Interests will not be registered under the Securities Act in reliance upon the exemption from registration provided by Section 4(2) thereof and Regulation D promulgated thereunder. Each purchaser must be an "accredited investor" (as defined in Regulation D promulgated under the Act) and will be required to represent, among other customary private placement representations, that it is acquiring its Interest for its own account and for investment purposes only and not with a view to resale or distribution.

The Interests will not be registered under any other securities laws, including state securities or blue sky laws and non-U.S. securities laws.

The Interests may not be transferred or resold except as permitted under the Securities Act and any applicable state or non-U.S. securities laws, pursuant to registration or exemption therefrom. As described elsewhere in this Memorandum, the transferability of the Interests will be further restricted by the terms of the Partnership Agreement.

U.S. Securities Exchange Act of 1934

In connection with any acquisition or beneficial ownership by the Partnership of more than 5% of any class of the equity securities of a company registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Partnership may be required to make certain filings with the SEC. Generally, these filings require disclosure of the identity and background of the purchaser, the source and amount of funds used to acquire the securities, the purpose of the transaction, the purchaser's interest in the securities, and any contracts, arrangements or undertakings regarding the securities. In certain circumstances, the Partnership may be required to aggregate its investment position in a given portfolio company with the beneficial ownership of that company's securities by or on behalf of the General Partner and its affiliates, which could require the Partnership, together with such other parties, to make certain disclosure filings or otherwise restrict the Partnership's activities with respect to such company's securities. In addition, if the Partnership becomes the beneficial owner of more than 10% of any class of the equity securities of a company registered under the Exchange Act or places a director on the board of directors of such a company, the Partnership may be subject to certain additional reporting requirements and to liability for short-swing profits under Section 16 of the Exchange Act. The Partnership intends to manage its investments so as to avoid the short-swing profit liability provisions of Section 16 of the Exchange Act.

Commodity Exchange Act

As of the date of this Memorandum, neither the General Partner nor the Advisor is registered as a commodity pool operator ("CPO") or a commodity trading advisor ("CTA") under the Commodity Exchange Act, as amended (the "CEA"). The General Partner and the Advisor are currently relying on certain exemptions from the requirements to register as a CPO and/or CTA. If the Advisor or an affiliate registers as CPO or CTA hereafter, the Advisor and the General Partner will operate the Partnership in a manner designed to comply with applicable CEA requirements.

Anti-Money Laundering

The Partnership will comply with applicable U.S. anti-money laundering regulations. In addition, many jurisdictions are in the process of changing or creating anti-money laundering, embargo and trade sanctions, or similar laws, regulations, requirements (whether or not with force of law) or regulatory policies and many financial intermediaries are in the process of changing or creating responsive disclosure and compliance policies (collectively "Requirements") and the Partnership could be requested or required to obtain certain assurances from applicants subscribing for Interests disclose information pertaining to them to governmental, regulatory or other authorities or to financial intermediaries or engage in due diligence or take other related actions in the future. It is the Partnership's policy to comply with Requirements to which it is or may become subject to and to interpret them broadly in favor of disclosure. Each applicant will be required to agree in the Subscription Agreement, and will be deemed to have agreed by reason of owning any Interests, that it will provide additional information or take such other actions as may be necessary or advisable for the Partnership (in the sole judgment of the Partnership and/or General Partner) to comply with any Requirements, related legal process or appropriate requests (whether formal or informal) or otherwise. Each applicant by executing the Subscription Agreement consents, and by owning Interests is deemed to have consented, to disclosure by the Partnership and its agents to relevant third parties of information pertaining to it in respect of Requirements or information requests related thereto. Failure to honor any such request may result in redemption by the Partnership or a forced sale to another investor of such applicant's Interests.

Non-U.S. Securities Law Matters

The Interests in the Partnership have not been registered or qualified for public distribution under the securities laws of any jurisdiction. The Interests will be offered without registration and without the filing of a prospectus in reliance upon exemptions available under applicable law. Each prospective investor resident outside the United States must be, and will be required to represent that it is, entitled to acquire Interests in the Partnership in reliance upon an exemption from the registration or prospectus requirements of applicable securities laws of its jurisdiction of residence. Further, each investor must be prepared to bear the economic risk of the investment for an indefinite period, because Interests in the Partnership can be resold only pursuant to an offering registered under the securities laws of such jurisdiction or an exclusion from such registration requirement. It is extremely unlikely that Interests in the Partnership will ever be registered under the securities laws of any jurisdiction.

Recent and Possible Legislative or Other Actions Affecting Applicable U.S. Securities Laws

The present U.S. securities laws applicable to the Interests, the Partnership, the General Partner or the Advisor (including, without limitation, the Securities Act, the Investment Company Act, the Exchange Act and the Advisers Act) are constantly under review by persons involved in the legislative process and by the U.S. Securities and Exchange Commission (the "SEC"), resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. These laws may be modified by legislative, judicial or administrative action at any time. For example, the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act made several sweeping changes to the aforementioned U.S. securities laws. Also, the SEC recently amended the rules promulgated under the Advisers Act with respect to political contributions and payments by investment advisers to third parties in connection with the solicitation of government clients. These recent revisions to the U.S. securities laws and interpretations thereof and potential future revisions and interpretations could adversely affect the Interests, the Partnership, the General Partner or the Advisor and, in that regard, could require modifications to the Partnership's intended investment program or increase the compliance costs of operating the Partnership. Other jurisdictions are similarly reviewing their respective laws, regulations and policies with respect to private investment funds and their investment advisers and any changes thereto may have an adverse effect on the Interests, the Partnership, the General Partner or the Advisor.

TAX CONSIDERATIONS

Certain U.S. Federal Income Tax Considerations

The following discussion describes certain U.S. federal income tax considerations relating to an investment in the Partnership. This discussion is based on the U.S. Internal Revenue Code of

1986, as amended (the "Code"), the Treasury regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and judicial decisions, all as in effect on the date of this Memorandum. These authorities are subject to change, perhaps with retroactive effect, which may result in U.S. federal income tax consequences different from those described below. This discussion is general and may not apply to all categories of investors, some of which, such as banks, thrifts, insurance companies, dealers and other investors that do not own their Interests as capital assets and non-U.S. persons, may be subject to special rules. Except to the extent set forth below under the headings —"*U.S. Taxation of U.S. Tax-Exempt Limited Partners*" and —"*U.S. Taxation of Non-U.S. Limited Partners*," this summary does not address the U.S. federal income tax considerations that may be relevant to tax-exempt organizations and Non-U.S. Persons (as defined below), including non-U.S. governments and international organizations. This discussion does not address all potential U.S. federal income tax consequences that may apply to a particular investor and does not address any state or local tax considerations or any other U.S. federal tax laws, such as the estate and gift tax laws. The actual tax consequences of the purchase and ownership of Interests may vary depending on an investor's particular circumstances. This discussion does not constitute tax advice and is not intended to substitute for tax planning.

For purposes of this discussion, a "U.S. Person" is a beneficial owner of an Interest in the Partnership that is (i) an individual who is a citizen of the United States or is treated as a resident of the United States for U.S. federal income tax purposes, (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes that is created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that (a) is subject to the supervision of a court within the United States and the control of one or more U.S. Persons or (b) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. Person. A "U.S. Limited Partner" is a Limited Partner that is a U.S. Person. A "Non-U.S. Person" is a beneficial owner of an Interest in the Partnership that is an individual, corporation, estate or trust for U.S. federal income tax purposes and is not a U.S. Person, and a "Non-U.S. Limited Partner" is a Limited Partner that is a Non-U.S. Person.

If a partnership holds Interests, the tax treatment of a partner thereof will generally depend on the status of the partner and the activities of the partnership. Accordingly, if a prospective investor is a partnership, the partnership and its partners should consult their tax advisers regarding the U.S. tax consequences of an investment in the Partnership.

Prospective investors should consult their own tax advisers concerning the U.S. federal, state and local income tax consequences of the purchase, ownership and disposition of an Interest, in light of their particular circumstances, as well as any consequences under the laws of any other taxing jurisdiction.

TO COMPLY WITH IRS CIRCULAR 230, EACH RECIPIENT OF THIS MEMORANDUM IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS MEMORANDUM AND RELATED MATERIALS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY THE RECIPIENT FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON IT UNDER THE CODE;

(B) ANY SUCH DISCUSSION IS INCLUDED HEREIN BY THE GENERAL PARTNER IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE GENERAL PARTNER OF THE TRANSACTION OR MATTERS ADDRESSED HEREIN AND (C) THE RECIPIENT SHOULD SEEK ADVICE BASED ON THE RECIPIENT'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Classification as a Partnership for U.S. Federal Income Tax Purposes

Subject to the discussion of "publicly traded partnerships" set forth below, a domestic entity that has two or more members and that is not organized as a corporation under U.S. federal or state law generally will be classified as a partnership for U.S. federal income tax purposes, unless it elects to be treated as a corporation. The Partnership will not make an election to be treated as a corporation for U.S. federal income tax purposes. An entity such as the Partnership that otherwise would be classified as a partnership for U.S. federal income tax purposes nonetheless will be taxable as a corporation if it is a "publicly traded partnership" and fails to meet an annual qualifying income test. The General Partner intends to obtain and rely on representations and undertakings from each Limited Partner and conduct the activities of the Partnership to ensure that the Partnership is not treated as a publicly traded partnership. If the Partnership were taxable as a corporation, it would be taxed on its earnings at corporate rates and any distributions to the Limited Partners would be taxable as dividends to the Limited Partners to the extent of the earnings and profits of the Partnership.

The General Partner intends to treat the Partnership as a partnership for U.S. federal income tax purposes, and the following discussion assumes the Partnership will be treated as such. An organization that is classified as a partnership for U.S. federal income tax purposes is not subject to U.S. federal income tax itself, although it must file an annual information return. The classification of an entity as a partnership for such purposes may not be respected for certain state, local or non-U.S. tax purposes.

Taxation of U.S. Limited Partners

Each U.S. Limited Partner will be required to take into account, as described below, its distributive share of items of income, gain, loss, deduction and credit of the Partnership for each taxable year of the Partnership ending with or within the U.S. Limited Partner's taxable year. U.S. Limited Partners must report those items without regard to whether any distribution has been or will be received from the Partnership. Each item generally will have the same character and source (either U.S. or foreign) as though the U.S. Limited Partner had realized the item directly.

The Partnership may (i) invest in certain securities, such as original issue discount obligations, preferred stock with redemption or repayment premiums, and stock of certain types of foreign corporations, such as "controlled foreign corporations" or "passive foreign investment companies," as discussed below under —"*Tax Treatment of U.S. Limited Partners with Respect to Foreign Corporations*," or equity in other entities treated as transparent for U.S. tax purposes or (ii) engage in transactions such as hedging transactions that could cause the Partnership, and consequently its investors, to recognize taxable income without receiving any cash. In addition, the Partnership may invest in debt at a market discount or make other investments that could give rise to a substantial amount of ordinary income. Thus, taxable income allocated to a U.S. Limited Partner for a taxable year may exceed cash distributions, if any, made to such U.S. Limited Partner for such year, in which case the U.S. Limited Partner would have to satisfy tax liabilities arising from its investment in the Partnership from the U.S. Limited Partner's own funds.

Partnership Distributions

If cash (including, in certain circumstances, "marketable securities") distributed to a U.S. Limited Partner in any year, including for this purpose any reduction in the U.S. Limited Partner's share of the Partnership's liabilities (directly or through lower tier partnerships), exceeds the U.S. Limited Partner's share of the taxable income of the Partnership for that year, the excess generally will constitute a return of capital and will be applied to reduce the tax basis of the U.S. Limited Partner's Interest. Any distribution in excess of such basis generally will result in taxable gain to the U.S. Limited Partner. In general, distributions (other than liquidating distributions) of property other than cash and, in certain circumstances, "marketable securities," will reduce the basis (but not below zero) of a U.S. Limited Partner's Interest by the amount of the Partnership's basis in such property immediately before its distribution, but will not result in the realization of taxable income to the U.S. Limited Partner.

Basis

A U.S. Limited Partner's tax basis in its Interest is generally equal to the amount of cash the U.S. Limited Partner has contributed to the Partnership, increased by the U.S. Limited Partner's share of income and liabilities of the Partnership, and decreased by the U.S. Limited Partner's share of distributions of cash (including, in certain circumstances, "marketable securities"), losses and reductions in Partnership liabilities.

Allocations of Income, Gain, Loss and Deduction

Pursuant to the Partnership Agreement, items of the Partnership's taxable income, gain, loss, deduction and credit are allocated so as to take into account the varying interests of the Partners over the term of the Partnership. Treasury regulations provide that allocations of items of partnership income, gain, loss and deduction will be respected for tax purposes if such allocations have "substantial economic effect," or are determined to be in accordance with the partner's interest in a partnership. It is possible that the IRS could challenge the Partnership's allocations as not being in compliance with such Treasury regulations. Any resulting reallocation of tax items may have adverse tax and financial consequences to a U.S. Limited Partner.

Limits on Deductions for Losses and Expenses

In general, each U.S. Limited Partner will be entitled to deduct its allocable share of any net losses the Partnership may generate to the extent of its tax basis in its Interest at the end of the tax year in which such losses are recognized. However, Partnership losses and various Partnership expenses allocable to certain U.S. Limited Partners may be subject to limits on deductibility for U.S. federal income tax purposes. For example, limitations that may apply for U.S. Limited Partners who are individuals or certain closely held corporations include limitations relating to "passive losses," amounts "at risk," "investment interest" and "miscellaneous itemized investment expenses."

Because of these and other limitations in the Code, it is possible that, if the Partnership had losses and income from different types of activities, certain U.S. Limited Partners may not be able to use losses from the Partnership to offset other income from the Partnership. In addition, the Partnership expects to hold assets that give rise to, or are of a type that gives rise to, gross income from interest or dividends not derived in the ordinary course of a trade or business ("portfolio assets"). The income from such portfolio assets and gain from the disposition thereof will not be able to be offset by losses of a U.S. Limited Partner from other sources that are subject to the limitations on deductibility of passive losses. **Prospective investors should consult their own tax advisers regarding the application of these rules to an investment in the Partnership.**

Organizational, Operating and Syndication Expenses

Deductions for Partnership expenses and the Management Fee generally will be treated as miscellaneous itemized deductions, which may be subject to limits for individuals, estates and trusts, including the threshold for miscellaneous itemized deductions based on 2% of the taxpayer's adjusted gross income. In general, neither the Partnership nor any Partner thereof may currently deduct organizational or syndication expenses. An election may be made by a partnership (a) to deduct an amount of its organizational expenses equal to $5,000 (reduced by the amount by which such expenses exceed $50,000) and (b) to amortize the remainder of its organizational expenses over a 180-month period. Syndication expenses (including placement fees) must be capitalized and cannot be amortized or otherwise deducted. However, the capitalization of such syndication expenses and unamortized organizational expenses may result in increased capital loss or decreased capital gain on the disposition or liquidation of an Interest.

Sale or Exchange of U.S. Limited Partner Interests

A U.S. Limited Partner that sells or otherwise disposes of an Interest in a taxable transaction generally will recognize gain or loss equal to the difference, if any, between its adjusted basis in the Interest and the amount realized from the sale or disposition. The amount realized will include the U.S. Limited Partner's share of the Partnership's liabilities outstanding at the time of the sale or disposition. Except as otherwise described below with respect to "inventory items" and "unrealized receivables" of the Partnership, if the U.S. Limited Partner holds the Interest as a capital asset, the gain or loss generally will constitute capital gain or loss to the extent a sale of assets by the Partnership would qualify for such treatment. Gain or loss on disposition of an Interest generally will be long-term capital gain or loss if the U.S. Limited Partner has held the Interest for more than one year on the date of such sale or disposition; provided that a capital contribution by the U.S. Limited Partner to the Partnership within the one-year period ending on such date will cause part of such gain or loss to be short term capital gain or loss. The portion of the U.S. Limited Partner's gain allocable to (or amount realized, in excess of basis, attributable to) "inventory items" and "unrealized receivables" of the Partnership, as defined in Section 751 of the Code, will be treated as ordinary income.

Pursuant to the Partnership Agreement, in connection with a Subsequent Closing, new Partners are required to contribute certain amounts to the Partnership, including an interest factor amount, and such amounts are required to be distributed to existing Partners. The receipt of the interest factor amount is likely to result in an existing Partner recognizing income for U.S. federal income tax purposes in an amount up to the interest factor amount received by such existing Partner.

In the event of a sale or other transfer of an Interest at any time other than the end of the Partnership's taxable year, the share of income and losses of the Partnership for the year of transfer attributable to the transferred Interest will be allocated for federal income tax purposes between the transferor and the transferee on either an interim closing-of-the-books basis or a *pro rata* basis reflecting the respective periods during such year that each of the transferor and the transferee owned the Interest.

Mandatory Basis Adjustment

A transfer of partnership interests and the distribution of partnership property are subject to certain basis rules that are designed to limit the use of partnerships to shift or duplicate losses. These rules effectively make an election under Section 754 of the Code mandatory in certain situations, resulting in an adjustment to the tax basis of the Partnership's assets. For example, a partnership (other than a partnership that has elected to be treated as an "electing investment partnership") must make basis adjustments under Section 743 of the Code following a transfer of a partnership interest if the partnership has a built-in loss of $250,000 or more as if such partnership had made an election under Section 754 of the Code, whether or not such an election is actually in effect. This would affect the transferee Limited Partner, but not the other Limited Partners. There are similar provisions governing an in-kind distribution of property that has a built-in loss of $250,000 or more, although it is not currently anticipated that the Partnership will make distributions that would cause those provisions to apply.

Indemnity

Each Limited Partner will be required to indemnify the Partnership for any tax obligations imposed on the Partnership with respect to such Limited Partner's investment. The amount of any taxes paid by or withheld from receipts of the Partnership that are allocable to a Limited Partner will be deemed to have been distributed to the Limited Partner.

Possible IRS Challenges; Tax Audits

The IRS may challenge the Partnership's treatment of items of income, gain, loss, deduction and credit, or its characterization of the Partnership's transactions, and any such challenge, if successful, could result in the imposition of additional taxes, penalties and interest charges. The General Partner decides how to report the partnership items on the Partnership's tax returns. In the event the income tax returns of the Partnership are audited by the IRS, the tax treatment of the Partnership's income and deductions generally will be determined at the partnership level in a single proceeding rather than by individual audits of the partners. The General Partner, designated as the "Tax Matters Partner," has considerable authority to make decisions affecting the tax treatment and procedural rights of all Partners. In addition, the Tax Matters Partner has the authority to bind certain Partners to settlement agreements and the right on behalf of all Partners to extend the statute of limitations relating to the Partners' tax liabilities with respect to Partnership items.

Tax Treatment of U.S. Limited Partners with Respect to Foreign Corporations

If the Partnership invests in stock of foreign corporations, U.S. Limited Partners may be subject to special rules applicable to indirect investments in foreign corporations, including those discussed below.

Controlled Foreign Corporations

If a U.S. Person (treating the Partnership as a U.S. Person for this purpose) actually or constructively owns at least 10% of the voting stock of a foreign corporation, the U.S. Person will be considered a "U.S. Shareholder" with respect to the foreign corporation. If U.S. Shareholders in the aggregate, actually or constructively, own more than 50% of the voting power or value of the stock of a foreign corporation, the foreign corporation will be classified as a "controlled foreign corporation" ("CFC") for U.S. federal income tax purposes. If the Partnership is a U.S. Shareholder in a corporation that is a CFC for an uninterrupted period of 30 days or more during the taxable year, the U.S. Limited Partners generally would be subject to current U.S. tax on certain types of income of the CFC (e.g., dividends, interest, certain rents and royalties, and gain from the sale of stock and securities) and, in certain circumstances, on earnings of the CFC that are invested in U.S. property, regardless of whether cash distributions are made from the CFC. In addition, gain on the disposition of stock of a foreign corporation allocable to a U.S. Limited Partner, and gain on the sale of an Interest by a U.S. Limited Partner that is attributable to stock of a foreign corporation, may be classified in whole or in part as a dividend taxable at ordinary income rates if the Partnership was a U.S. Shareholder at any time the corporation was a CFC during the five-year period ending on the disposition date. It is possible that the Partnership may make investments in one or more CFCs and that U.S. Limited Partners may be subject to the rules described above.

Passive Foreign Investment Companies

A "passive foreign investment company" (a "PFIC") is defined as any foreign corporation with respect to which either (i) 75% or more of the gross income for a taxable year is "passive income" or (ii) 50% or more of its assets in any taxable year (by value) produce "passive income." There are no minimum stock ownership requirements for PFICs. Subject to certain exceptions, once a corporation qualifies as a PFIC for any year it is held by a shareholder, it is always treated as a PFIC with respect to that shareholder, regardless of whether it satisfies either the income or asset test in subsequent years. If the Partnership were to invest in a PFIC, any gain on the disposition of the PFIC's stock (or gain on the sale of an Interest by a U.S. Limited Partner that is attributable to PFIC stock held by the Partnership), as well as income realized on certain "excess distributions" by the PFIC, would be treated as though realized ratably over a U.S. Limited Partner's holding period of its indirect interest in the PFIC. Such gain or income would be taxed as ordinary income, and an interest charge would be imposed on the U.S. Limited Partner on the tax deferred from prior years. If the Partnership were to invest in a PFIC and the Partnership made a valid election to treat its interest in the PFIC as a "qualified electing fund" (a "QEF election") for the first year of the Partnership's holding period in the PFIC, in lieu of the foregoing treatment, such Limited Partner would be required to include in income each year a portion of the ordinary earnings and net capital gains of the PFIC, even if not distributed to the Partnership or the Limited Partners. To make a QEF election, the Partnership would, among other things, be required to supply the IRS with an information statement provided by the PFIC. Alternatively, an election may be made in the case of certain "marketable stock" to "mark-to-market" the stock of a PFIC on an annual basis. Pursuant to such an election, a U.S. Limited Partner would include in each year as ordinary income the excess, if any, of the fair market value of such stock over its adjusted basis at the end of the taxable year. There can be no assurance that one or more portfolio companies will not qualify as PFICs or that a PFIC in which the Partnership does invest will provide the information necessary to enable the Partnership to make a QEF election or be eligible for a "mark-to-market" election.

Certain Reporting Requirements

U.S. Persons that own interests in foreign partnerships or stock in foreign corporations, including CFCs and PFICs, are subject to special reporting requirements under the Code. **Potential investors should consult their own tax advisers regarding such reporting requirements**.

Foreign Tax Credit Limitations

U.S. Limited Partners generally will be entitled to a foreign tax credit with respect to creditable foreign taxes paid on the income and gains of the Partnership. Complex rules may limit the availability or use of foreign tax credits, however, depending on each U.S. Limited Partner's particular circumstances. For example, a U.S. Limited Partner's share of gain from the sale of the Partnership's non-U.S. investments generally are expected to be treated as U.S.-source income. Consequently, a U.S. Limited Partner may not be able to use as a credit any foreign taxes imposed with respect to such gains unless such credit can be applied against the U.S. tax due on foreign source income of such Limited Partner from other sources.

Foreign Currency and Hedging Gain or Loss

The Partnership or its portfolio companies that are flow-through entities for U.S. federal income tax purposes may engage in transactions involving foreign currencies and, as a result, the Partnership and the U.S. Limited Partners may experience foreign currency gain or loss with respect to an investment in the Partnership. In general, foreign currency gain or loss is treated as ordinary income or loss. The Partnership also may engage in hedging transactions, including foreign currency hedging transactions. Any such hedging transactions may be subject to special rules of taxation, including a special "mark-to-market" system of taxing unrealized gains and losses on such contracts. The net gain or loss resulting from the application of such "mark-to-market" rules would have to be taken into account by the Partnership in computing its taxable income for the year. As a result, if such rules applied, each Limited Partner would be required to take into account its allocable portion of such gain or loss in computing its taxable income for such year, regardless of cash distributions. Further, a portion of the gain or loss resulting from the application of such "mark-to-market" rules may be taxed at ordinary income rates. **Potential U.S. Limited Partners should consult with their individual tax advisers with respect to the tax treatment of foreign currency gain or loss.**

U.S. Taxation of U.S. Tax-Exempt Limited Partners

General

Income recognized by a U.S. tax-exempt entity is exempt from U.S. federal income tax except to the extent of the entity's UBTI. The amount of UBTI, if any, that will be realized by U.S. Tax-Exempt Limited Partners will depend on the nature of the Partnership's operations and investments. With exceptions for certain types of entities, UBTI is generally defined as income from a trade or business regularly carried on by a U.S. tax-exempt entity that is unrelated to its exempt purpose, including an unrelated trade or business regularly carried on by a partnership of which the entity is a partner. Subject to the discussion of the "debt-financed property" rules discussed below, UBTI generally does not include dividends, interest or rents from real property, subject to certain exceptions, or gains from the sale of property that is neither inventory nor held for sale to customers in the ordinary course of business, but does include operating income from operating assets that are held in a "flow-through" entity for U.S. federal income tax purposes. UBTI may be adjusted by deductions for certain expenses attributable to the unrelated trade or business. A U.S. tax-exempt entity deriving gross income characterized as UBTI that exceeds $1,000 in any taxable year is obligated to file a federal income tax return, even if it has no tax liability for that year as a result of deductions against such gross income, including an annual $1,000 statutory deduction.

If a U.S. Tax-Exempt Limited Partner's acquisition of an Interest is debt-financed, or the Partnership incurs "acquisition indebtedness" that is allocated to the acquisition of an investment, respectively, then all or a portion of the income attributed to the debt-financed property would be included in UBTI regardless of whether such income would otherwise be excluded as dividends, interests, rents, gain or loss from the sale of eligible property, or other similar income. Such treatment would apply, in the case of ordinary income, only in tax years in which the Partnership had acquisition indebtedness outstanding or, in the case of a sale, if the Partnership had acquisition indebtedness outstanding with respect to the sold asset at any time during the 12-month period prior to the sale. The Partnership may borrow money and accordingly incur acquisition indebtedness and generate UBTI for U.S. Tax-Exempt Limited Partners in connection with a sale of the investment.

If the Partnership invests in a flow-through entity that is directly, or indirectly through one or more flow-through entities, engaged in a business, income derived by the Partnership with respect thereto will generally be treated as UBTI. The Partnership anticipates that a substantial amount of its investments will be in flow-through entities. In addition, fee income actually received or deemed to be received by the Partnership or the Limited Partners (including any fee income that might be deemed to be received because, although paid to the General Partner or its affiliates, such income results in a reduction in the Management Fee) may be treated as UBTI in certain circumstances. While the Partnership intends to take the position that the Limited Partners who waive the right to receive any Other Fees in excess of the Management Fee do not share in fee income by virtue of such a reduction in the Management Fee, the IRS may not agree with this position.

Each U.S. Tax-Exempt Limited Partner will have the option to elect in its Subscription Agreement whether to participate as a "UBTI Partner" in investments that are determined by the

General Partner to be reasonably likely to generate UBTI (each, a "UBTI Investment"). The General Partner anticipates that each UBTI Partner would invest in a UBTI Investment indirectly through one or more corporations organized and controlled by the General Partner or its affiliates (each, a "UBTI Corporation"). Other than making available to U.S. Tax-Exempt Limited Partners the option to participate as a UBTI Partner as described above, the General Partner will not be subject to any covenant regarding the avoidance of UBTI by U.S. Tax-Exempt Limited Partners. In addition, the reduction in the Management Fee as described under Section 8—"*Summary of Principal Terms—Other Fees; Management Fee Offset*" and borrowings as described under Section 8—"*Summary of Principal Terms—Borrowings and Guarantees*" will be permitted, which, as noted above, could result in a UBTI Partner recognizing UBTI.

Although holding an interest in a UBTI Investment through a UBTI Corporation will not reduce the U.S. federal income tax liability associated with such investment, it should reduce the administrative burdens to a UBTI Partner associated with filing U.S. tax returns with respect to such investment. Each UBTI Corporation will be taxed on its income and gain from a UBTI Investment and the amount of income and gain subject to tax (and the rate of tax) may be higher than would have been applicable if a U.S. Tax-Exempt Limited Partner held a direct interest in the Partnership. Therefore, it is likely that the tax indirectly borne by a UBTI Partner will exceed the tax that such investor would have been required to pay had such investor invested in the Partnership without electing to be treated as a UBTI Partner. Thus, as a result of taxes that are likely to be paid by each UBTI Corporation, and other expenses relating to the operation of such structure, the investment returns to a UBTI Partner can be expected to be less than the investment returns received from the Partnership by such investor if it were admitted directly as a Limited Partner. Certain capital calls and recalls of distributions will be determined as though UBTI Partners had received distributions from UBTI Investments held through UBTI Corporations without reduction for taxes and other expenses of the UBTI Corporations. As a result, a UBTI Partner's aggregate net capital contributions to the Partnership may exceed the aggregate net capital contributions made by U.S. Limited Partners that are not UBTI Partners. In addition, distributions and other allocations will be made at the level of the Partnership (or Alternative Investment Vehicle that has an interest in the underlying UBTI Investment) based on a UBTI Partner's underlying interest in such investment, without giving effect to taxes and other expenses of the UBTI Corporation. It is possible that the IRS could assert that a UBTI Corporation should not be respected for U.S. federal income tax purposes or assert other arguments which, if successful, could result in a UBTI Partner recognizing UBTI from UBTI Investments.

The potential for having a substantial amount of income characterized as UBTI may have a significant effect on any investments by a U.S. Tax-Exempt Limited Partner in the Partnership and may make an investment in the Partnership unsuitable for some U.S. tax-exempt entities. **U.S. Tax-Exempt Limited Partners should consult their own tax advisers regarding all aspects of UBTI.**

Excise Tax on Certain U.S. Tax-Exempt Entities Entering into Prohibited Tax Shelter Transactions

Section 4965 of the Code imposes an excise tax on certain U.S. tax-exempt entities (and their managers) that become a "party" to a "prohibited tax shelter transaction." In published guidance, the IRS narrowed the circumstances in which a U.S. tax-exempt entity could be considered a "party" to a prohibited tax shelter transaction, and under currently issued guidance, an investment by a U.S. Tax-Exempt Limited Partner in the Partnership should not result in such Limited Partner being considered a "party" to a prohibited tax shelter transaction for purposes of Section 4965 of the Code. However, there can be no assurance that future guidance would not give rise to circumstances in which an investment in the Partnership could cause a U.S. Tax-Exempt Limited Partner to be considered a "party" to a prohibited tax shelter transaction.

U.S. Taxation of Non-U.S. Limited Partners

In general, the tax treatment of a Non-U.S. Limited Partner will depend on whether the Partnership is deemed to be engaged in a U.S. trade or business and whether the Partnership earns ECI.

The Partnership intends to make a substantial amount of investment in flow-through entities that will result in the Partnership being treated as engaged in a U.S. trade or business and give rise to ECI with the consequences described herein. ECI also may arise from certain other permitted aspects of the Partnership's operations, including the reduction in the Management Fee by the amount of certain fee income paid to the General Partner or its affiliates. While the Partnership intends to take the position that the Limited Partners who waive the right to receive any Other Fees in excess of the Management Fee do not share in fee income by virtue of such a reduction in the Management Fee, the IRS may not agree with this position. Thus, a Non-U.S. Limited Partner will incur ECI as a result of a direct investment in the Partnership.

Because the Partnership will be engaged in a U.S. trade or business and will realize ECI, it generally will be required to withhold and pay over to the U.S. tax authorities a percentage equal to the highest applicable U.S. tax rate of each Non-U.S. Limited Partner's share of the Partnership's net ECI (thus, the Partnership would be liable for taxes attributable to a Non-U.S. Limited Partner's investment), and each Non-U.S. Limited Partner will be required to file U.S. tax returns and pay U.S. tax on its share of the Partnership's net ECI. In addition, all or a portion of the gain realized on the disposition (including by redemption) by a Non-U.S. Limited Partner of its Interest will be treated as ECI to the extent such gain is attributable to assets of the Partnership that generate ECI, including for this purpose gain that is attributable to stock of a U.S. real property holding corporation, and may be subject to U.S. withholding tax under certain circumstances. ECI realized by a Non-U.S. Limited Partner generally will be subject to U.S. income tax on a net basis at graduated rates. A Non-U.S. Limited Partner that is a non-U.S. corporation that is (or is deemed to be) engaged in a trade or business also may be subject to an additional branch profits tax of 30% on its effectively connected earnings and profits (which generally will include any ECI realized with respect to its investment in the Partnership), adjusted as provided by law (subject to reduction by any applicable tax treaty).

In addition, because the Partnership will be regarded as engaged in a U.S. trade or business for U.S. federal income tax purposes, Non-U.S. Limited Partners will be viewed as being engaged in a trade or business in the United States and as maintaining an office or other fixed place of business in the United States. Certain other income of a Non-U.S. Limited Partner could thus be treated as ECI as a result of such Non-U.S. Limited Partner's investment in the Partnership. For example, a Non-U.S. Limited Partner who, pursuant to an applicable tax treaty, is currently not subject to tax with respect to a trade or business in the United States because such Non-U.S. Limited Partner does not have a permanent establishment in the United States could lose the benefits of the tax treaty as a result of its investment in the Partnership.

To the extent such income is not effectively connected to the Partnership's U.S. trade or business, non-U.S. source dividends and interest paid to the Partnership and, except as discussed below, gains from the sale or other disposition of stock or debt securities by the Partnership, that are allocable to a Non-U.S. Limited Partner generally will not be subject to U.S. federal income tax. However, a non-resident individual present in the United States for 183 or more days in the taxable year of a sale generally will be subject to a 30% U.S. federal income tax (or applicable lower treaty rate) on any gain resulting from such sale if either (i) such individual's tax home for U.S. federal income tax purposes is in the United States or (ii) the gain is attributable to an office or other fixed place of business maintained in the United States by such individual.

To the extent such income is not effectively connected to the Partnership's U.S. trade or business, U.S. source dividends paid to the Partnership that are allocable to a Non-U.S. Limited Partner generally will be subject to withholding tax at a 30% rate. U.S. source interest paid to the Partnership that is allocable to a Non-U.S. Limited Partner will also be subject to 30% withholding unless such interest qualifies as portfolio interest. Portfolio interest generally includes (with certain exceptions) interest paid on registered obligations with respect to which the beneficial owner provides a statement that it is not a U.S. Person. The portfolio interest exemption is not available with respect to interest paid to a 10% shareholder of the issuer of the indebtedness and is subject to certain other limitations. A Non-U.S. Limited Partner who is resident for tax purposes in a country with respect to which the United States has an income tax treaty may be eligible for a reduced rate of withholding on such Limited Partner's distributive share of U.S. source interest and dividends.

Notwithstanding the foregoing, if the Partnership were to acquire stock in a "U.S. real property holding corporation" and either (i) such stock was not regularly traded on an established securities market within the meaning of the Code or (ii) the stock was treated as owned by a holder of more than 5% (by value) of such stock, then gain on the sale of such stock would be treated as income effectively connected with the conduct of a U.S. trade or business and would be subject to regular U.S. federal income tax. A "U.S. real property holding corporation" is generally a corporation 50% or more of whose assets consist of U.S. real property interests within the meaning of Section 897(c) of the Code ("USRPIs").

Each Non-U.S. Limited Partner will have the option to elect in its Subscription Agreement whether to participate as an "ECI Partner" in investments that are determined by the General Partner to be reasonably likely to generate ECI (each, an "ECI Investment"). The General Partner anticipates that each ECI Partner would have an investment in each ECI Investment through one or more corporations organized and controlled by the General Partner or its affiliates (each, an "ECI Corporation"). Other than making available to Non-U.S. Limited Partners the option to participate as an ECI Partner as described above, the General Partner will not be subject to any covenant regarding the avoidance of ECI by Non-U.S. Limited Partners. In addition, the reduction in the Management Fee as described under Section 8—"*Summary of Principal Terms—Other Fees; Management Fee Offset*" will be permitted, which, as noted above, could result in an ECI Partner recognizing ECI.

Each ECI Corporation will be taxed on its income and gain from an ECI Investment and dividend withholding may apply with respect to certain distributions from an ECI Corporation that are made with respect to a Non-U.S. Limited Partner. As a result of such taxes, it is possible that the tax indirectly borne by an ECI Partner will exceed the tax that such investor would have been required to pay had such investor invested in the Partnership without electing to be treated as an ECI Partner. Certain capital calls and recalls of distributions will be determined as though ECI Partners had received distributions from ECI Investments held through ECI Corporations without reduction for taxes and other expenses of the ECI Corporations. As a result, an ECI Partner's aggregate net capital contributions may exceed the aggregate net capital contributions made by Non-U.S. Limited Partners that are not ECI Partners. In addition, distributions and other allocations will be made at the level of the Partnership (or Alternative Investment Vehicle that has an interest in the underlying ECI Investment) based on each ECI Partner's underlying interest in such investment, without giving effect to taxes and other expenses of the ECI Corporation. It is possible that the IRS could assert that an ECI Corporation should not be respected for U.S. federal income tax purposes or assert other arguments which, if successful, could result in an ECI Partner recognizing ECI from ECI Investments.

Special rules may apply in the case of Non-U.S. Limited Partners (i) that have an office or fixed place of business in the United States or (ii) that are former citizens of the United States, CFCs, foreign insurance companies that hold interests in the Partnership in connection with their U.S. business, "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax. **Such persons are urged to consult their U.S. tax advisers before investing in the Partnership.**

Tax Shelter Reporting Rules

The Partnership may engage in transactions or make investments that would subject the Partnership, its Partners that are obligated to file U.S. tax returns and/or its advisers to special rules requiring such transactions or investments by the Partnership, or investments in the Partnership, to be reported and/or otherwise disclosed to the IRS, including to the IRS's Office of Tax Shelter Analysis (the "Tax Shelter Rules"). Although the Partnership does not expect to engage in transactions solely or principally for the purpose of achieving a particular tax consequence, there can be no assurance that the Partnership will not engage in transactions that trigger the Tax Shelter Rules. In addition, a Limited Partner may have disclosure obligations with respect to its Interest if the Limited Partner (or the Partnership in certain cases) participates in a reportable transaction.

Potential investors should consult their own tax advisers about their obligation to report or disclose to the IRS information about their investment in the Partnership and participation in the Partnership's income, gain, loss, deduction or credit with respect to transactions or investments subject to these rules.

In addition, pursuant to the Tax Shelter Rules, the Partnership may provide to its advisers identifying information about the Partnership's investors and their participation in the Partnership and the Partnership's income, gain, loss, deduction or credit from transactions or investments that are subject to the Tax Shelter Rules, and the Partnership or its advisers may disclose this information to the IRS upon its request.

Legislation Relating to Foreign Accounts

Under legislation enacted in March 2010, commonly referred to as "FATCA," a 30% withholding tax would apply to certain types of payments made to "foreign financial institutions" (which would include a non-U.S. Alternative Investment Vehicle or Parallel Vehicle) and certain other non-U.S. entities. FATCA generally imposes a 30% withholding tax on "withholdable payments" paid to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury Department requiring, among other things, that it undertake to (i) identify accounts (which would include interests in such non-U.S. Alternative Investment Vehicle or Parallel Vehicle) held by certain U.S. persons or foreign entities owned by U.S. persons ("U.S. Investors"), (ii) annually report certain information about such accounts, and (iii) withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. "Withholdable payments" include, but are not limited to, U.S. source dividends, interest and gross proceeds from the sale of any property of a type that can produce U.S. source interest and dividends (generally equity or debt instruments of U.S. issuers). The IRS recently issued final regulations providing that the 30% withholding tax will apply only to interest, dividends and certain other "fixed or determinable, annual or periodic" payments made after December 31, 2013, subject to certain grandfathering rules, and to gross proceeds from a sale or disposition made after December 31, 2016. The General Partner intends to cause any non-U.S. Alternative Investment Vehicle or Parallel Vehicle (each, an "Affected Vehicle") to enter into such an agreement if the General Partner determines in its sole discretion that it is appropriate to do so. In that event, the Affected Vehicle would, among other obligations, be required to disclose to the U.S. Treasury Department the identity of, and other information relating to, U.S. Investors who are beneficial owners of such non-U.S. Alternative Investment Vehicle or Parallel Vehicle.

The Partnership may be required to withhold 30% of distributions to Limited Partners that are non-U.S. partnerships or corporations unless those Limited Partners provide the Partnership with information regarding their U.S. partners or shareholders, which information will be required to be disclosed to the United States Treasury. **Prospective investors should consult their tax advisers regarding this legislation.**

Any individual owning an interest in "specified foreign financial assets," including a foreign investment Partnership such as any non-U.S. Alternative Investment Vehicle or Parallel Vehicle, the value of which in the aggregate exceeds $50,000, is required to attach to his or her tax return for the year detailed disclosure of such assets. Substantial penalties are imposed for the failure to make such disclosure, and for any understatement of tax from undisclosed foreign financial assets.

Possible Legislative or Other Actions Affecting Tax Aspects

The present U.S. federal income tax treatment of an investment in the Partnership may be modified by legislative, judicial or administrative action at any time, and any such action may affect the treatment of such investment. The U.S. federal income tax rules are constantly under review by persons involved in the legislative process and by the IRS and U.S. Treasury Department, resulting from time to time in the adoption of new Treasury regulations or changes to existing regulations, revised interpretations of established concepts, as well as statutory changes. Any changes in the U.S. federal tax laws or interpretations thereof could adversely affect the tax treatment of an investment in the Partnership. As noted above under — "*Legislation Relating to Foreign Accounts*," the U.S. Congress is continuously scrutinizing the U.S. federal income tax treatment of partnerships and the rules that apply with respect to U.S. persons who hold interests in non-U.S. partnerships, and there can be no assurance that additional legislation will not be enacted that has an unfavorable effect on an investment in the Partnership. **Prospective investors should consult their own tax advisers regarding proposed legislation.**

State and Local Taxes

Prospective U.S. Limited Partners should also consider the potential state and local tax consequences of an investment in the Partnership. In addition to being taxed in its own state or locality of residence, a U.S. Limited Partner may be subject to tax return filing obligations and income, franchise and other taxes in jurisdictions in which the Partnership (or an entity in which the Partnership invests) operates. Furthermore, the Partnership may be subject to state and/or local tax. **Prospective investors should consult their own tax advisers regarding the state and local tax consequences of an investment in the Partnership.**

Taxation in Other Jurisdictions

If the Partnership makes investments in jurisdictions outside the United States, the Partnership or the Limited Partners may be subject to income or other tax in that jurisdiction. Withholding taxes or other taxes may be imposed on income or gains of the Partnership from investments in such jurisdictions, provided that such taxes may be subject to the possibility of reduction under applicable tax treaties. Local tax incurred in non-U.S. jurisdictions by the Partnership or vehicles through which the Partnership invests may not be creditable or deductible by a Limited Partner. **Prospective investors should consult their own tax advisers regarding the non-U.S. tax consequences of an investment in the Partnership.**

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in the Partnership by employee benefit plans that are subject to Title I of ERISA, plans, individual retirement accounts ("IRAs") and other arrangements that are subject to Section 4975 of the Code or provisions under any other federal, state, local, non-U.S., or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Laws"), and entities whose underlying assets are considered to include "plan assets" of any such plan, account, or arrangement (each, a "Plan").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an "ERISA Plan") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an

ERISA Plan, or who renders investment advice for a fee or other compensation to an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Partnership of a portion of the assets of any Plan, a fiduciary should determine, particularly in light of the risks and lack of liquidity inherent in an investment in the Partnership, whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control, and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws. Furthermore, absent an exemption, the fiduciaries of a Plan should not purchase Interests with the assets of any Plan if the General Partner, the Advisor or any of their respective affiliates is a fiduciary with respect to such assets of the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties-in-interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code. The acquisition and/or ownership of Interests by an ERISA Plan with respect to which the Partnership is considered a party-in-interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor (the "DOL") has issued prohibited transaction class exemptions, or "PTCEs," that may apply to the acquisition and holding of investments in the Partnership. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers.

Plan Assets

Under ERISA and the regulations promulgated thereunder (the "Plan Asset Regulations"), when an ERISA Plan acquires an equity interest in an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that less than 25% of the total value of each class of equity interest in the entity is held by "benefit plan investors" as defined in Section 3(42) of ERISA (the "25% Test") or that the entity is an "operating company," as defined in the Plan Asset Regulations. For purposes of the 25% Test, the assets of an entity will not be treated as "plan assets" if, immediately after the most recent acquisition of any equity interest in the entity, less than 25% of the total value of each class of equity interests in the entity is held by "benefit plan investors," excluding equity interests held by persons (other than benefit plan investors) with discretionary authority or control over the assets of the entity or who provide investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates thereof. The term "benefit plan investors" is generally defined to include employee benefit plans subject to Title I of ERISA or Section 4975 of the Code (including "Keogh" plans and IRAs), as well as any entity whose underlying assets include plan assets by reason of a plan's investment in such entity. (e.g., an entity of which 25% or more of the value of any class of equity interests is held by benefit plan investors and which does not satisfy another exception under ERISA). Thus, absent satisfaction of another exception under the Plan Asset Regulations, if 25% or more of the value of any class of equity interests of the Partnership were held by benefit plan investors, an undivided interest in each of the underlying assets of the Partnership would be deemed to be "plan assets" of any ERISA Plan that invested in the Partnership.

The definition of an "operating company" in the Plan Asset Regulations includes, among other things, a VCOC. Generally, in order to qualify as a VCOC, an entity must demonstrate on its "initial valuation date" (as defined in the Plan Asset Regulations) and annually thereafter that at least 50% of its assets, valued at cost (other than short-term investments pending long-term commitment or distribution to investors) are invested in operating companies (other than VCOCs) (i.e., operating entities that (x) are primarily engaged directly, or through a majority owned subsidiary or subsidiaries, in the production or sale of a product or service other than the investment of capital; or (y) qualify as "real estate operating companies" as defined in the Plan Asset Regulations) in which such entity has direct contractual management rights. In addition, to qualify as a VCOC an entity must, in the ordinary course of its business, actually exercise such management rights with respect to at least one of the operating companies in which it invests. The Plan Asset Regulations do not provide specific guidance regarding what rights will qualify as management rights, and the DOL has consistently taken the position that such determination can only be made in light of the surrounding facts and circumstances of each particular case, substantially limiting the degree to which it can be determined with certainty whether particular rights will satisfy this requirement.

Plan Asset Consequences

If the assets of the Partnership were to be deemed to be "plan assets" under ERISA, this would result, among other things, in (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by the Partnership and (ii) the possibility that certain transactions in which the Partnership might seek to engage could constitute "prohibited transactions" under ERISA and the Code. If a prohibited transaction occurs for which no exemption is available, the General Partner, the Advisor and/or any other fiduciary that has engaged in the prohibited transaction could be required to (i) restore to the ERISA Plan any profit realized on the transaction and (ii) reimburse the ERISA Plan for any losses suffered by the ERISA Plan as a result of the investment. In addition, each disqualified person (within the meaning of Code Section 4975) involved could be subject to an excise tax equal to 15% of the amount involved in the prohibited transaction for each year the transaction continues and, unless the transaction is corrected within statutorily required periods, to an additional tax of 100%. ERISA Plan fiduciaries that decide to invest in the Partnership could, under certain circumstances, be liable for prohibited transactions or other violations as a result of their investment in the Partnership or as co-fiduciaries for actions taken by or on behalf of the Partnership or the General Partner. With respect to an IRA that invests in the Partnership, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiaries, would cause the IRA to lose its tax-exempt status.

The General Partner intends to use commercially reasonable efforts either to (i) limit equity participation by benefit plan investors in the Partnership to less than 25% of the total value of each class of equity interests in the Partnership as described above, or (ii) to operate the Partnership in such a manner so as to qualify the Partnership as a VCOC so that the underlying assets of the Partnership do not constitute "plan assets" of any ERISA Plan which invests in the Partnership. However, there can be no assurance that, notwithstanding the commercially reasonable efforts of the General Partner, the Partnership will qualify as a VCOC, the structure of particular investments of the Partnership will satisfy the Plan Asset Regulations, or the underlying assets of the Partnership will not otherwise be deemed to include ERISA plan assets.

Under the Partnership Agreement, the General Partner will have the power to take certain actions to avoid having the assets of the Partnership characterized as "plan assets," including, without limitation, the right to cause a Limited Partner that is a benefit plan investor to withdraw from the Partnership. While the General Partner and the Partnership do not expect that the General Partner will need to exercise such power, neither the General Partner nor the Partnership can give any assurance that such power will not be exercised.

Under certain circumstances certain Limited Partners may hold their Interest in the Partnership or one or more alternative investment vehicles (each, an "Alternative Investment Vehicle") through an entity or entities (each, a "Feeder Fund"). The discussion above under "*General Fiduciary Matters,*" "*Plan Assets*" and "*Plan Asset Consequences*" will be similarly applicable to any investment in the Partnership or an Alternative Investment Vehicle either directly or indirectly through a non-U.S. Feeder Fund. While the General Partner intends to use its commercially reasonable efforts, as described above, to provide that the underlying assets of the Partnership and each Alternative Investment Vehicle should not constitute "plan assets" under ERISA, a Feeder Fund is not expected to qualify as an "operating company" for purposes of the Plan Asset Regulations and it is possible that the Feeder Fund may not satisfy the 25% Test, in which case the assets of such non-U.S. Feeder Fund will constitute "plan assets" for purposes of ERISA and Section 4975 of the Code. The General Partner may structure each Feeder Fund as a vehicle intended to be an intermediate vehicle for purposes of an investment in the Partnership or an Alternative Investment Vehicle, as the case may be, with limited discretion with respect to the management or disposition of assets of such Feeder Fund. In this regard, when investing in the Partnership or an Alternative Investment Vehicle through such a Feeder Fund, each Limited Partner investing the assets of a Plan will, by making a capital contribution to the Feeder Fund, be deemed to (i) direct the general partner (or similar managing entity) of the Feeder Fund to directly or indirectly invest the amount of such capital contribution in the Partnership or the Alternative Investment Vehicle, as applicable, and acknowledge that during any period when the underlying assets of the Feeder Fund are deemed to constitute "plan assets" under ERISA, Section 4975 of the Code or applicable Similar Law the general partner (or similar managing entity) of the Feeder Fund will act as a custodian with respect to the assets of such Plan but is not intended to be a fiduciary with respect to any such Plan for purposes of ERISA, Section 4975 of the Code or applicable Similar Law and (ii) represent that such capital contribution, and the transactions contemplated by such direction, will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or a violation of any applicable Similar Law. However, there can be no assurance that the fiduciary and prohibited transaction provisions of ERISA, Section 4975 of the Code or Similar Law will not be applicable to activities of such Feeder Fund. During any period when the underlying assets of a Feeder Fund are deemed to constitute "plan assets" of any ERISA Plan under ERISA, the general partner (or similar managing entity) of the Feeder Fund will, or will cause an affiliate of the general partner (or managing member) to, hold the counterpart of the signature page of the Feeder Fund's partnership agreement in the United States.

Reporting of Indirect Compensation

To the extent that the Partnership relies on the 25% Test, plan administrators of an investor that is a benefit plan investor subject to ERISA may be required to report on Form 5500 Annual Return/Report compensation paid to the General Partner or Advisor. The descriptions contained herein of fees and compensation, including the Management Fee payable to the Advisor and the Carried Interest allocable to the General Partner, are intended to satisfy the disclosure requirements for "eligible indirect compensation" for which the alternative reporting option on Schedule C of Form 5500 may be available.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Each Plan fiduciary should consult with its legal adviser concerning the considerations discussed above before making an investment in the Partnership. As indicated above, Similar Laws governing the investment and management of the assets of governmental or non-U.S. plans may contain fiduciary and prohibited transaction requirements similar to those under ERISA and the Code. Accordingly, fiduciaries of such governmental or non-U.S. plans, in consultation with their advisors, should consider the impact of their respective laws and regulations on an investment in the Partnership and the considerations discussed above, if applicable.

11. TRANSFER OF EXISTING INVESTMENTS

Following the Initial Closing, Panda Fund I transferred the investments in the Liberty, Patriot, Mattawoman and Stonewall projects described below and the Advisor transferred a gas-to-liquids project described below, each for the price noted below. Panda Fund I also transferred other longer term projects to the Partnership at no cost; *provided*, *however*, when any such project has a Financial Closing, the Partnership will reimburse Panda I for its cost for such project plus an additional amount equal to an 8% compound annual rate of return. As additional consideration for the transfers by Panda Fund I to the Partnership, Panda Fund I will receive a certain percentage of the Existing Investment Class A Shares (as defined in the Partnership Agreement) in each of the Liberty, Patriot, Mattawoman and Stonewall projects, as described below.

Investments Transferred by Panda Fund I	**Transfer Price**	**Percentage of Existing Investment Class A Shares in Project allocated to Panda Fund I**	**Percentage of Existing Investment Class A Shares in Project allocated to Partnership and Parallel Funds**
1. Liberty (PA)-825 MW CCGT	$20,996,000	10%[28]	90%
2. Patriot (PA)-825 MW CCGT	$5,867,000	10%	90%
3. Mattawoman (MD)-750 MW CCGT	$10,869,000	5%	95%
4. Stonewall (VA)-750 MW CCGT	$8,710,000	2%	98%

Each of the investments above was transferred by Panda Fund I following the Initial Closing for the transfer prices set forth above. All costs and obligations incurred in connection with the Existing Investments from and after the Initial Closing will be borne by the Partnership.

Panda Fund I will receive a percentage of the Existing Investment Class A Shares issued by the holding company owning each of the Liberty, Patriot, Mattawoman and Stonewall projects in the amounts set forth above.

Investments Transferred by Advisor	**Transfer Price**
1. Muskogee 2,000 BBL gas-to-liquids project	$454,000

The investment above was transferred by the Advisor following the Initial Closing for the transfer price set forth above. All costs and obligations incurred in connection with the Existing Investments from and after the Initial Closing will be borne by the Partnership.

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28. In total, Panda Fund I invested $61 million in the equity of the Liberty project and received 28.866% of the total Existing Investment Class A Shares in connection with this investment in the Liberty project. To clarify, Panda I received 10% of the total Existing Investment Class A Shares in consideration for the transfer of the Liberty project to the Partnership, and received the remaining 18.866% of the total Existing Investment Class A Shares based on its pro rata share of the total capital contributed to the Liberty project.

<u>Percentage Interests of Existing Investment Class A Shares</u>[29]

<u>Investments</u>	**<u>Partners admitted before Financial Closing of Investment</u>**[30]	**<u>Partners admitted after Financial Closing of Investment</u>**
1. Liberty (PA)-825 MW CCGT	85% of Capital Commitment percentage plus 5% of the total Existing Investment Class A Shares issued to the Partnership	85% of Capital Commitment percentage
2. Patriot (PA)-825 MW CCGT	85% of Capital Commitment percentage plus 5% of the total Existing Investment Class A Shares issued to the Partnership	85% of Capital Commitment percentage

The intention of the allocation of the Existing Investment Class A Shares for each of Liberty and Patriot is as follows:

Panda Fund I retains 10% of the Existing Investment Class A Shares and the Partnership is entitled to 90%. Of the 90% to which the Partnership is entitled, 85% (i.e. 85% of the total, not 85% of the Partnership's Existing Investment Class A Shares) is allocated among all Partners based on relative Capital Commitments. The remaining 5% is allocated only to Partners who become Partners of the Partnership prior to the Financial Closing of the Liberty or Patriot project, as applicable, based on their relative Capital Commitments. Thus, a Partner who becomes a Partner of the Partnership prior to the Financial Closing of the Liberty or Patriot project, as applicable, will have a proportionately greater interest in the Existing Investment Class A Shares related to the applicable project than a Partner who becomes a Partner at a Subsequent Closing following the Financial Closing of the Liberty or Patriot project, as applicable.

Assume, for example, $1 billion of total Capital Commitments to the Partnership and a $300 million Initial Closing. The Existing Investment Class A Shares will be allocated to the first Closing Partners .3 x 85% + 5%, or 30.5% (33.9% of the total Existing Investment Class A Shares held by the Partnership), and to the other Partners .7 x 85%, or 59.5% (66.1% of the Existing Investment Class A Shares held by the Partnership), with the remaining 10% being retained by Panda Fund I.

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[29]. Aggregate Partnership Percentage Interests are net of retained Panda Fund I percentage interests. If in the reasonable determination of the General Partner there has been a material change in the value of an Existing Investment, the General Partner may increase the percentage of Percentage Interests of Existing Investment Class A Shares allocated to Partners admitted before the Financial Closing of such Existing Investment to an amount in excess of 5%.

[30]. The General Partner shall have the discretion, with respect to any Limited Partner that is admitted before the Financial Closing of an Investment and who makes an additional Capital Commitment at a Subsequent Closing, to treat such Limited Partner as if its aggregate Capital Commitment had been made as of the first Closing at which it was admitted to the Partnership.

LIBERTY [see Section 7—“*Investments*” for Liberty project summary]

PATRIOT

Financial Close Date:	December 2013 (estimated)	**Panda Equity Invested: (estimated)**	$200 million, with $200 million in additional co-investment / mezzanine financing
Planned Commercial Operation Date:	2016		
Date of Final Exit:	TBD	**Source:**	Third-party developer
Asset Type:	Natural Gas	**Status:**	In Development
Location:	Clinton Township, PA		

Business Description:

The Patriot Power Project, located near Williamsport, Pennsylvania, is a gas-fueled combined-cycle power production facility with a capacity of 828 MW. The project has received all required permits, and completed development activities (excluding final negotiation of construction contracts and construction financing). PJM's capacity auction will be the source of annual capacity revenues, and energy will be sold into the PJM market. Panda is also evaluating the potential of hedging up to 400 MW of the facility's output for three to five years through the sale of a heat rate call option or tolling agreement. Approximately $600 million of senior debt is expected to be raised in the institutional markets, with approximately $400 million of equity expected be contributed by the Fund and other equity co-investors. Holding company mezzanine debt may also be used as a substitute for a portion of the required equity.

Patriot is expected to be constructed by Gemma Power Systems, under a turnkey engineering, procurement, and construction contract. Siemens will provide the power island equipment under a separate contract. Under their respective fixed-price contracts, both Gemma and Siemens are subject to liquidated damages for non-performance and delay, with Gemma covering overall performance and schedule. Patriot is expected to begin construction in December 2013 and commence commercial operations in 2016.

Transaction Rationale:

PJM has a total capacity of 186 GW, with 70 GW of an average age of 56 years. Announced and projected coal and inefficient gas-fired plant retirements are at historic high levels, setting the stage for tightening reserve margins. Additionally, PJM's latest load forecast indicates that, over the next 10 years, its total peak demand is projected to grow at an average annual rate of 1.4 percent, or approximately 2,200MW per year.[31]

[31] Source: SAIC Independent Market Consultant's Report, Liberty Facility, Draft 1.

The Patriot project is fully developed, and cleared the PJM Base Residual Auction for the 2016/2017 planning year at $119.37/MW-day. Patriot is located in the constrained MAAC Locational Delivery Area, whose capacity cleared at a premium price compared to generation in the western portion of PJM. The project is sited within the Marcellus dry shale natural gas producing area, allowing for low delivered gas pricing compared to the Henry Hub index. This low fuel price, coupled with the project's efficient heat rate (6,500 Btu/kWh, expected to be the lowest in PJM), should allow Patriot to be dispatched ahead of most coal-fired generation, making the project essentially a base-load plant.

STONEWALL

Financial Close Date:	2nd Quarter 2014 (estimated)	**Panda Equity Invested:**	TBD
Planned Commercial Operation Date:	2017 (estimated)	**Source:**	Bechtel and third-party developer
Date of Final Exit:	TBD	**Status:**	In Development
Asset Type:	Natural Gas		
Location:	Loudoun County, VA		

Business Description:

The Stonewall Power Project, located in northern Virginia near Leesburg, is a gas-fueled combined-cycle power production facility with a capacity of approximately 750 MW. The project has received its air permit, and will file its State CPCN application in June 2013. All final permits are expected to be in-hand during the first quarter of 2014. The project's capacity is expected to be bid into PJM's 2017/2018 planning year Base Residual Auction, to be conducted in May 2014. Energy may be sold into the PJM market, or hedged through the sale of a heat rate call option, or another financial/physical hedge product. Panda purchased a controlling interest in the project from a joint venture between Bechtel, the contractor for Panda's Texas projects, and a Virginia real estate developer. Stonewall will be constructed by Bechtel under a fixed-price, turnkey construction contract (containing liquidated damages for non-performance and delay). Stonewall is expected to begin construction during the third quarter of 2014, and commence commercial operations in 2017.

Transaction Rationale:

PJM has a total capacity of 186 GW of generation, with 70 GW having an average age of 56 years. Announced and projected coal and inefficient gas-fired plant retirements are at historic high levels, setting the stage for tightening reserve margins. Additionally, PJM's latest load forecast indicates that, over the next 10 years, PJM's total peak demand is projected to grow at an average annual rate of 1.4 percent, or approximately 2,200MW per year[32]. The project is positioned to supply power to the growing Washington, DC market.

The Stonewall project is located in the Dulles Toll Road area of Northern Virginia, where load growth has historically outpaced that of other regions of PJM. Northern Virginia is also known as a difficult area to site new industrial assets, such as generation plants, and the approvals and permits in-hand provide a first mover advantage to the project over other planned generation facilities. The project site is adjacent to an

[32] Source: SAIC Independent Market Consultant's Report, Liberty Facility, Draft 1.

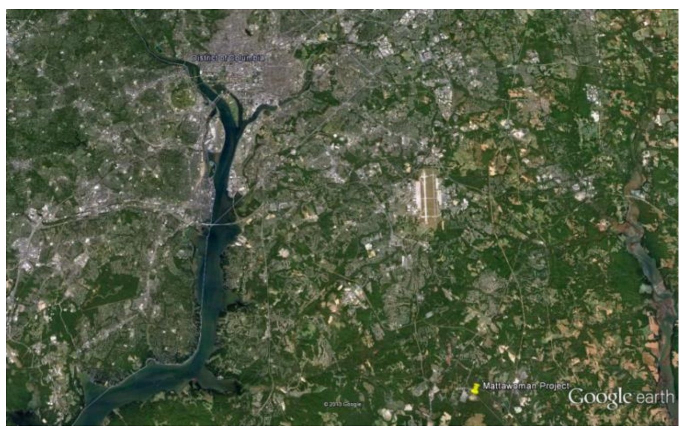
existing corridor containing interstate gas pipelines and high voltage electric transmission, allowing the project to interconnect to fuel supply and electric delivery points without right-of-way acquisition.

MATTAWOMAN

Financial Close Date:	4th Quarter 2014 (estimated)	**Panda Equity Invested:**	TBD
Planned Commercial Operation Date:	2017 (estimated)	**Source:**	Self-developed
Date of Final Exit:	TBD	**Status:**	In Development
Asset Type:	Natural Gas		
Location:	Prince George's County, MD		

Business Description:

The Mattawoman Power Project, located in Prince George's County, Maryland, is a gas-fueled combined-cycle power production facility with an expected capacity of 820 MW. The project is located in the SWMAAC Locational Delivery Area of the PJM grid. The project will apply for its air permit and other regulatory approvals, via the State CPCN process, in June 2013. It has completed the System Impact Study process with PJM, and will complete the interconnection Facilities Study in September 2013. The project owns the site real estate, and is in negotiations with the local water authority for the supply of treated wastewater. The project's capacity is expected to be bid into PJM's 2017/2018 planning year Base Residual Auction, to be conducted in May 2014. Energy may be sold into the PJM market, or hedged through the sale of a heat rate call option or another financial/physical hedge product.



Mattawoman is expected to be constructed under a turnkey engineering, procurement, and construction ("EPC") contract, under which the EPC contractor will be subject to liquidated damages for non-performance and delay. Mattawoman is expected to begin construction in late 2014 or early 2015, and commence commercial operations in 2017.

Transaction Rationale:

PJM has a total capacity of 186 GW of generation, with 70 GW having an average age of 56 years. Announced and projected coal and inefficient gas-fired plant retirements are at historic high levels, setting the stage for tightening reserve margins. Additionally, PJM's latest load forecast indicates that, over the next 10 years, its total peak demand is projected to grow at an average annual rate of 1.4 percent, or approximately 2,200MW per year.[33] The project is positioned to supply power to the growing Washington, DC market.

[33] Source: SAIC Independent Market Consultant's Report, Liberty Facility, Draft 1.

Mattawoman's efficient (6,500 heat rate) base load combined cycle plant will be located in the constrained SWMAAC Locational Delivery Area. The project's energy will be sold at the PEPCO Zone Locational Market Price, which trades at a price premium compared to the western portion of PJM, due to constrained generation near the load pockets. The project site is the last in Prince George's County to be zoned appropriately for power generation, allowing for a simpler land use approval process when compared to future potential local competitors.

MUSKOGEE GAS-TO-LIQUIDS

Financial Close Date:	2d Half 2014 (estimated)	**Panda Equity Invested:**	TBD
Planned Commercial Operation Date:	2015 (estimated)	**Source:**	Third-party developer
Date of Final Exit:	TBD	**Status:**	In Development
Asset Type:	Natural Gas to Liquids Processing		
Location:	Muskogee, OK		

Business Description:

The Muskogee Gas-to-Liquids Project, located in the Port of Muskogee, Oklahoma, is a liquid fuels production facility with an expected output of 2,000 barrels per day. The project will receive natural gas from a major pipeline, and convert the gas to diesel fuel using the Fisher-Tropsch catalytic process. The project will apply for its air permit and other regulatory approvals in 2013. The project will emit fewer than 100 tons/year of NOx; therefore it will not be considered a major new source of air emissions, and will be subjected to a permit review process that is expected to be of much shorter time frame compared to a larger GTL project or power generation facility. The project has an option agreement in place for the site real estate, and is in negotiations with the owner of the patented technology for the license to utilize a special, high-performance catalyst. The project expects to operate under a tolling (or similar) agreement with a major energy trader, whereby the trader will take price risk for both feedstock and final product, and pay the project a conversion fee. This structure should allow the project to realize a non-recourse, project financing under favorable terms, and mitigate commodity risk.

The project is expected to be constructed under a turnkey EPC contract, under which the EPC contractor will be subject to liquidated damages for non-performance and delay. The project is expected to begin construction in mid-2014, and commence commercial operations in late 2015.

Transaction Rationale:

With the current low natural gas market prices expected to continue into the future, conversion to a value-added liquid fuel can be accomplished at attractive price spreads. The Fisher-Tropsch process is proven, and performance can be guaranteed by credit-worthy construction contractors. Pipeline-delivered natural gas provides a sulfur-free feed stock, resulting in a premium-grade liquid product of great value, both as a primary transportation fuel and as a blending stock for major refineries. The development activities related to a gas-to-liquids processing facility are much the same as those of a power generation plant, allowing Panda to leverage its expertise into a new technology.

ANNEX A SECURITIES LAW LEGENDS

The distribution of this Memorandum and the offer and sale of the Interests in certain jurisdictions may be restricted by law. This Memorandum does not constitute an offer to sell or the solicitation of an offer to buy in any state or other U.S. or non-U.S. jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such state or jurisdiction. This offering does not constitute an offer of the Interests to the public, and no action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose. The Interests may not be offered or sold, directly or indirectly, and this Memorandum may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of the Interests, and any foreign exchange restrictions that may be relevant thereto.

NOTICE TO INVESTORS IN ALL U.S. STATES

In making an investment decision, investors must rely on their own examination of the Partnership and the terms of the offering, including the merits and risks involved. The Interests have not been recommended by any U.S. federal, state, local or other securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Memorandum. Any representation to the contrary is a criminal offense.

The Interests are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act of 1933, as amended, and any applicable state or other securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.

NOTICE TO RESIDENTS OF NEW HAMPSHIRE

Neither the fact that a registration statement or an application for a license has been filed under this chapter with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the secretary of state that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

NOTICE TO RESIDENTS OF FLORIDA

The Interests have not been registered under the Florida Securities Act. If sales are made to five (5) or more investors in Florida, any Florida investor may, at his or her option, void any purchase hereunder within a period of three (3) days after he or she (a) first tenders or pays to the Partnership, an agent of the Partnership, or an escrow agent the consideration required hereunder or (b) delivers his or her executed subscription agreement, whichever occurs later. To accomplish this, it is sufficient for a Florida investor to send a letter or telegram to the Partnership within such three (3) day period, stating that he or she is voiding and rescinding the purchase. If any investor sends a letter, it is prudent to do so by certified mail, return receipt requested, to insure that the letter is received and to evidence the time of mailing.

NOTICE TO RESIDENTS OF GEORGIA

The Interests have been or will be issued or sold in reliance on Paragraph 13 of Code Section 10-5-9 of the Georgia Securities Act of 1973, and may not be sold or transferred except in a transaction that is exempt under such act or pursuant to an effective registration under such act.

NOTICE TO ALL NON-U.S. INVESTORS GENERALLY

It is the responsibility of any persons wishing to subscribe for these securities to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of these securities, and any foreign exchange restrictions that may be relevant thereto.

NOTICES TO CERTAIN NON-U.S. INVESTORS

***NOTICE TO RESIDENTS OF ARGENTINA*:** The Interests will not be publicly offered in Argentina. Therefore, this Memorandum has not been, and will not be, registered with the Comisión Nacional de Valores (the "CNV"). This offer does not constitute a public offering of securities within the scope of the Argentine Securities Law N° 17.811. This Memorandum and other offering materials relating to the offer of the Interests are being supplied only to those investors who have expressly requested it. They are strictly confidential and may not be distributed to any person or entity other than the recipients hereof. The Interests have not been registered before any Argentine regulatory agency, including but not limited to, the CNV, nor does it presently intend to register the securities before any such regulatory agency in the future.

***NOTICE TO RESIDENTS OF AUSTRALIA*:** The provision of this Memorandum to any person does not constitute an offer of Interests to that person or an invitation to that person to apply for Interests. Any such offer or invitation will only be extended to a person if that person has first satisfied the General Partner that (a) the person is a sophisticated or professional investor for the purposes of Section 708 of the Corporations Act 2001 (Cwth) (the "Corporations Act"), and (b) the person is a wholesale client for the purposes of Section 761G of the Corporations Act. The General Partner is the sole issuer of this Memorandum. The General Partner does not hold an Australian financial services license and is not licensed to provide financial product advice in relation to the Interests. Investors in the Interests have no cooling off rights.

***NOTICE TO RESIDENTS OF AUSTRIA*:** The Interests are not registered or otherwise authorized for public offer under the Capital Market Act, the Investment Funds Act or any other relevant securities legislation in Austria. The recipients of this Memorandum and other selling material in respect of this Memorandum have been individually selected and are targeted exclusively on the basis of a private placement. Accordingly, the Interests may not be, and are not being, offered or advertised publicly or offered similarly under either the Capital Market Act, the Investment Funds Act or any other relevant securities legislation in Austria. This offer may not be made to any other persons other than the recipients to whom this Memorandum is personally addressed.

NOTICE TO RESIDENTS OF THE BAHAMAS**:** The Interests shall not be offered or sold into the Bahamas except in circumstances that do not constitute an offer to the public. The Interests may not be offered or sold or otherwise disposed of in any way to any person(s) deemed "resident" for exchange control purposes of the Central Bank of the Bahamas.

NOTICE TO RESIDENTS OF BAHRAIN**:** This Memorandum has been prepared for the private information purposes of intended investors who shall only be high net worth individuals and institutions. This Memorandum is intended to be read by the addressee only. No invitation has been made in or from the Kingdom of Bahrain and there shall be no marketing or offering of the Interests to any potential investor in Bahrain. All marketing and offering is made and shall be made outside the Kingdom of Bahrain.

The Central Bank of Bahrain (or any other regulatory authority in Bahrain) has not reviewed, nor has it approved, this Memorandum or the marketing of Interests in the Partnership and takes no responsibility for the accuracy of the statements and information contained in this Memorandum, nor shall it have any liability to any person for any loss or damage resulting from reliance on any statements or information contained herein.

NOTICE TO RESIDENTS OF BARBADOS**:** The Interests shall not be offered or sold into Barbados except in circumstances that do not constitute an offer to the public. This Memorandum is made available on the condition that it is for the use only by the recipient and may not be passed onto any other person or be reproduced in any part. The Securities Commission has not in any way evaluated the merits of the Interests offered hereunder and any representation to the contrary is an offence.

NOTICE TO RESIDENTS OF BELGIUM**:** This Memorandum relates to a private placement and does not constitute an offer or solicitation to the public in Belgium to subscribe for or acquire Interests. The offer has not been and will not be notified to, and any other offering material relating to the offer has not been, and will not be, approved by, the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) pursuant to the Belgian laws and regulations applicable to the public offering of securities. Accordingly, the offer as well as any other materials relating to the offer may not be advertised, the Interests may not be offered or sold, and this Memorandum or any other information circular, brochure or similar document may not be distributed, directly or indirectly; (i) to any other person located and/or resident in Belgium other than in circumstances which do not constitute an offer to the public in Belgium pursuant to the Belgian Act of June 16, 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market or pursuant to the Belgian Act of July 20, 2004 on certain forms of collective management of investment portfolios; or (ii) to any person qualifying as a consumer within the meaning of the Belgian Act of April 6, 2010 on market practices and consumer protection, unless such sale is made in compliance with this act and its implementing regulation. This Memorandum has been issued to the intended recipient for personal use only and exclusively for the purpose of the offer. Therefore it may not be used for any other purpose, nor passed on to any other person in Belgium.

***NOTICE TO RESIDENTS OF BERMUDA*:** The Interests may not be marketed, offered or sold directly or indirectly to the public in Bermuda and neither this Memorandum, which has not been submitted to the Ministry of Finance in Bermuda, nor any offering material or information contained herein relating to the Interests, may be supplied to the public in Bermuda or used in connection with any offer for the subscription or sale of Interests to the public in Bermuda. Bermuda investors may be subject to foreign exchange control approval and filing requirements under the relevant Bermuda foreign exchange regulations, as well as offshore investment approval requirements.

***NOTICE TO RESIDENTS OF BRAZIL*:** In Brazil, this Memorandum will not be carried out by any means that would constitute a public offering in Brazil under law no. 6,385, dated December 7, 1976, as amended, and under CVM Rule (Instrução) No. 400, dated December 29, 2003, as amended. The issuance, placement and sale of the Interests have not been and will not be registered with the Comissão de Valores Mobiliários (the "CVM"), nor any other Brazilian regulatory authority. Any representation to the contrary is untruthful and unlawful. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Interests in Brazil is not legal without such prior registration with the CVM. Documents relating to this Memorandum, as well as information contained therein, may not be supplied to the public in Brazil, as this Memorandum is not a public offering of securities in Brazil, nor may they be used in connection with any offer for subscription or sale of the Interests to the public in Brazil.

***NOTICE TO RESIDENTS OF THE BRITISH VIRGIN ISLANDS*:** The Interests may not be offered in the British Virgin Islands unless the Partnership or the person offering the Interests on its behalf is licensed to carry on business in the British Virgin Islands. The Partnership is not licensed to carry on business in the British Virgin Islands. The Interests may be offered to British Virgin Islands Business Companies (from outside the British Virgin Islands) without restriction. A British Virgin Islands Business Company is a company formed under or otherwise governed by the BVI Business Companies Act, 2004 (British Virgin Islands).

***NOTICE TO RESIDENTS OF BRUNEI*:** This Memorandum has not been delivered to, licensed or permitted by the Ministry of Finance in Brunei as designated under the Brunei Darassalam Mutual Funds Order 2001 nor has it been registered with the Registrar of Companies in Brunei.

***NOTICE TO RESIDENTS OF CANADA*:**

(I) General

This Memorandum constitutes an offering of Interests only in those Canadian jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell the Interests. This Memorandum is not, and under no circumstances is to be construed as, an advertisement or a public offering of Interests. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the Interests, and any representation to the contrary is an offence under applicable securities laws.

Purchase and Resale Restrictions: The Interests are being offered on a private placement basis in reliance upon a prospectus exemption and in compliance with the registration requirements under applicable securities legislation in each of the provinces of Canada. Resale of the Interests offered hereby will be subject to restrictions under applicable securities legislation, which will vary depending upon the relevant jurisdiction. Generally, the Interests may be resold only pursuant to an exemption from the prospectus requirements and in compliance with the registration requirements of applicable securities legislation, pursuant to an exemption order granted by appropriate securities regulatory authorities or after the expiry of a hold period following the date on which the Partnership becomes a reporting issuer under applicable securities legislation. It is not anticipated that the Partnership will become a reporting issuer. In addition, investors reselling the Interests may have reporting and other obligations. Accordingly, investors are advised to seek legal advice with respect to such restrictions and obligations. Resale of Interests is also restricted under the terms of the Partnership Agreement. Accordingly, each prospective investor must be prepared to bear the economic risk of the investment for an indefinite period.

Each purchaser of Interests will be required to deliver to the Partnership a subscription agreement in which such purchaser will represent to the General Partner and the Partnership that such purchaser is entitled under applicable provincial securities laws to purchase such Interests without the benefit of a prospectus qualified under such securities laws.

Forward-Looking Information. Set forth in this Memorandum are certain statements with respect to the potential future financial performance of the Partnership and investments made by the Partnership and its affiliates which constitute forward-looking information for the purposes of Ontario securities law. Actual results may differ materially from the information provided in this Memorandum. These statements are based on current expectations, estimates, projections, opinions and/or beliefs of General Partner and the Partnership. The material assumptions used to develop these statements include, but are not limited to, the factors set out in the sections of the Memorandum entitled "*Risk Factors and Potential Conflicts of Interest*." Purchasers should refer to and carefully review this section of the Memorandum.

Rights of Action for Damages or Rescission: Securities legislation in certain of the provinces of Canada provides certain purchasers with, or requires certain purchasers to be provided with, in addition to any other rights they may have at law, a right of action for rescission or damages or both, against the Partnership, and in certain cases, other persons, where this Memorandum and any amendment to it and, in certain cases, advertising and sales literature used in connection therewith, contains a misrepresentation. Where used herein, the term "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in light of the circumstances in which it was made, and the expression "material fact" means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the Interests. These remedies or notice with respect thereto must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation. The following is a summary of the rights of rescission or damages, or both, available to purchasers under the securities legislation of certain of the provinces of Canada. Each purchaser should refer to the provisions of applicable securities legislation for the particulars of these rights or consult with a legal adviser.

(II) Ontario

The rights of action for rescission or damages described herein is conferred by Section 130.1 of the Securities Act (Ontario). In the event that this Memorandum, together with any amendments hereto, delivered to an Ontario purchaser contains a misrepresentation, a purchaser will, as provided below, have a right of action against the Partnership for damages, or for rescission, if still the owner of the Interests, without regard to whether the purchaser relied on the misrepresentation, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Partnership provided that, among other limitations:

(a) in the case of an action for rescission, the purchaser must give notice to the defendant not more than 180 days after the date of the transaction that gave rise to the cause of action, that the purchaser is exercising such right;

(b) in the case of any action, other than an action for rescission, no action shall be commenced more than the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action;

(c) the Partnership will not be liable if it proves that the purchaser purchased the Interest with knowledge of the misrepresentation;

(d) in the case of an action for damages, the Partnership will not be liable for all or any portion of the damages that the Partnership proves do not represent the depreciation in value of the Interests as a result of the misrepresentation relied upon; and

(e) in no case will the amount recoverable in any action exceed the price at which the Interests were offered.

The securities legislation in Ontario does not extend the above mentioned statutory rights of action for damages or rescission to an Ontario purchaser that is: (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106); (b) the Business Development Bank of Canada; or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary.

(III) Manitoba

The right of action for rescission or damages described herein is conferred by section 141.1 of the Securities Act (Manitoba) (the "Manitoba Act"). The Manitoba Act provides, in the relevant part, that in the event that an offering memorandum contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase.

Such purchaser has a statutory right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person or company who signed the offering memorandum or, alternatively, while still an owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer or the directors. No such action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission, or (b) the earlier of (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the day of the transaction that gave rise to the cause of action, in any other case.

The Manitoba Act provides a number of limitations and defences, including the following:

(a) no person or company is liable if the person or company proves that the purchaser had knowledge of the misrepresentation;

(b) in the case of an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation; and

(c) in no case will the amount recoverable in any action exceed the price at which the securities were offered under the offering memorandum.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

(a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;

(b) after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion or statement, or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or

(d) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

(IV) New Brunswick

Pursuant to Section 150 of the Securities Act (New Brunswick), in the event this Memorandum, together with any amendments hereto, or any information relating to the offering, delivered to a New Brunswick purchaser contains a misrepresentation and it was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied upon the misrepresentation and will, as provided below, have a right of action against the Partnership for damages, or while still the owner of the Interest, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against the Partnership provided that, among other limitations:

(a) in the case of an action for rescission, the purchaser must give notice to the defendant not more than 180 days after the date of the transaction that gave rise to the cause of action;

(b) in the case of any action, other than an action for rescission, no action shall be commenced more than the earlier of (i) one year after the purchaser first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of the transaction that gave rise to the cause of action;

(c) the Partnership shall not be liable where it is not receiving any proceeds from the distribution of the securities being distributed and the misrepresentation was not based on information provided by the Partnership unless the misrepresentation: (i) was based on information that was previously publicly disclosed by the Partnership; (ii) was a misrepresentation at the time of its previous public disclosure; and (iii) was not subsequently publicly corrected or superseded by the Partnership before the completion of the distribution of the securities being distributed;

(d) in an action for damages, the Partnership will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Interests as a result of the misrepresentation relied upon;

(e) in an action for damages or rescission, the Partnership will not be liable if it proves that the purchaser purchased the Interest with knowledge of the misrepresentation; and

(f) in no case will the amount recoverable in any action exceed the price at which the Interests were offered.

(V) Newfoundland and Labrador

The right of action for rescission or damages described herein is conferred by section 130.1 of the Securities Act (Newfoundland and Labrador) (the "NL Act"). The NL Act provides, in the relevant part, that if an offering memorandum contains a misrepresentation when a person or company purchases a security offering by the offering memorandum, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages or rescission.

Such purchaser has a statutory right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum. Alternatively, the purchaser has a right of action for rescission against the issuer, in which case the purchaser shall have no right of action for damages against the persons described above. No such action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission, or (b) the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the day of the transaction giving rise to the cause of action, in any other case.

The NL Act provides a number of limitations and defences, including the following:

(a) no person is liable if the person proves that the purchaser had knowledge of the misrepresentation;

(b) in the case of an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation; and

(c) the amount recoverable in respect of such action shall not exceed the price at which the securities were offered under the offering memorandum.

In addition, a person, other than the issuer, is not liable if the person proves that:

(a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, upon becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;

(b) the person, upon becoming aware of the misrepresentation in the offering memorandum, withdrew the person's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert; or

(d) with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, an extract from, a report, opinion or statement of an expert, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

(VI) Nova Scotia

The right of action for rescission or damages described herein is conferred by Section 138 of the Securities Act (Nova Scotia). In the event that this Memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the Securities Act (Nova Scotia)) contains a misrepresentation, the purchaser will be deemed to have relied upon such misrepresentation (if it was a misrepresentation at the time of purchase) and, subject to certain limitations and defenses, has a right of action against the seller and every person who was a director of the seller at the date of this Memorandum for damages or, alternatively, while still the owner of any of the Interests purchased by the purchaser, for rescission, in which case the purchaser shall have no right of action for damages against the seller and every person who was a director of the seller at the date of this Memorandum, provided that, among other limitations:

(a) no action shall be commenced to enforce the right of action for rescission or damages more than 120 days after the date on which payment was made for the Interests or after the date on which the initial payment for the Interests was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment;

(b) no person or company will be liable if it proves that the purchaser purchased the Interest with knowledge of the misrepresentation;

(c) in the case of an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Interest as a result of the misrepresentation relied upon; and

(d) in no case will the amount recoverable exceed the price at which the Interests were offered.

In addition, no person or company (other than the Partnership if it is the seller) will be liable if such person or company proves that:

(a) this Memorandum or the amendment to this Memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;

(b) after delivery of this Memorandum or the amendment to this Memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in this Memorandum, or amendment to this Memorandum, the person or company withdrew the person's or company's consent to this Memorandum, or amendment to this Memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

(c) with respect to any part of this Memorandum or amendment to this Memorandum purporting (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of this Memorandum or amendment to this Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company (other than the Partnership if it is the seller) will be liable under Section 138 of the Securities Act (Nova Scotia) with respect to any part of this Memorandum or amendment to this Memorandum not purporting: (a) to be made on the authority of an expert; or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed that there had been a misrepresentation. If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, this Memorandum or amendment to this Memorandum, the misrepresentation is deemed to be contained in this Memorandum or amendment to this Memorandum. The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

(VII) Prince Edward Island

The right of action for rescission or damages described herein is conferred by section 112 of the Securities Act (Prince Edward Island) (the "P.E.I. Act"). The P.E.I. Act provides, in the relevant part, that if an offering memorandum contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages.

Such purchaser has a statutory right of action for damages against the issuer, the selling securityholder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum. Alternatively, the purchaser who purchases security offered by the offering memorandum during the period of distribution has a right of action for rescission against the issuer or the selling securityholder on whose behalf the distribution is made, in which case the purchaser shall have no right of action for damages against the persons described above. No such action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission, or (b) the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the day of the transaction giving rise to the cause of action, in any other case.

The P.E.I. Act provides a number of limitations and defences, including the following:

(a) no person is liable if the person proves that the purchaser purchased securities with knowledge of the misrepresentation;

(b) in the case of an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation; and

(c) the amount recoverable by a plaintiff in respect of such action must not exceed the price at which the securities purchased by the plaintiff were offered.

In addition, a person, other than the issuer and selling securityholder, is not liable if the person proves that:

(a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, upon becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;

(b) the person, upon becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

In addition, a person is not liable with respect to a misrepresentation in forward looking information if:

(a) the offering memorandum containing the forward looking information also contains, proximate to the forward looking information (i) reasonable cautionary language identifying the forward looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information, and (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information; and

(b) the person had a reasonable basis for drawing the conclusions or making the forecast or projections set out in the forward looking information.

The above paragraph does not relieve a person of liability respecting forward looking information in a financial statement required to be filed under Prince Edward Island securities laws.

(VIII) Saskatchewan

The rights of action for rescission or damages described herein is conferred by Section 138 of the Securities Act, 1988 (Saskatchewan). Saskatchewan securities legislation provides that in the event this Memorandum is sent or delivered to a Saskatchewan purchaser and contains a misrepresentation, a purchaser who purchases Interests is deemed to have relied upon that misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the Partnership or has a right of action for damages against: (a) the

Partnership; (b) every promoter and director of the general partner of the Partnership, at the time this Memorandum or any amendment thereto was sent or delivered; (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them; (d) every person who, or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed this Memorandum or the amendment to this Memorandum (if applicable); and (e) every person who, or company that, sells Interests on behalf of the Partnership under this Memorandum or amendment thereto.

Such rights of rescission and damages are subject to certain limitations including the following: (a) if the purchaser elects to exercise its right of rescission against the Partnership, it shall have no right of action for damages; (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Interest resulting from the misrepresentation relied on; (c) no person or company, other than the Partnership, will be liable for any part of this Memorandum or any amendment thereto not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation; (d) in no case shall the amount recoverable exceed the price at which the Interests were offered; and (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the Interest with knowledge of the misrepresentation.

In addition, no person or company, other than the Partnership, will be liable if the person or company proves, among other things, that: (a) this Memorandum or the amendment to this Memorandum was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered; or (b) after the filing of this Memorandum or the amendment to this Memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in this Memorandum or the amendment to this Memorandum, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it; or (c) with respect to any part of this Memorandum purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of this Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or (d) with respect to any part of this Memorandum or of the amendment to this Memorandum purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert that contains a misrepresentation attributable to failure to represent fairly his, her or its report, opinion or statement as an expert the person or company had, after reasonable investigation, reasonable grounds to believe, and did believe, that the part of this Memorandum or of the amendment to this Memorandum fairly represented the person's or company's report, opinion or statement; or that on becoming aware that the part of this Memorandum or of the amendment to this Memorandum did not fairly represent the person's or company's report, opinion or statement as an expert, the person or company immediately advised the Commission and gave reasonable general notice that such use had been made of it and that the person or company would not be responsible for that part of this Memorandum or of the amendment to this Memorandum; or (e) with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, the statement was a correct and fair representation of the statement or copy of or extract from the document and the person or company had reasonable grounds to believe, and did believe, that the statement was true.

Saskatchewan securities legislation also provides: (a) similar rights of action for damages and rescission in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities; (b) where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement; (c) a purchaser with the right to void any purchase agreement and to recover all money and other consideration paid by the purchaser to a vendor for the securities if the securities are sold by a vendor in contravention of Saskatchewan securities legislation; and (d) a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by the Saskatchewan securities legislation.

Saskatchewan securities legislation provides that no action shall be commenced to enforce any of the foregoing rights more than: (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of an action for damages, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) six years after the date of the transaction that gave rise to the cause of action.

Saskatchewan securities legislation also provides a purchaser who has received an amended offering memorandum delivered in accordance with such legislation with a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

(IX) Canadian Territories

The rights of action for rescission or damages described herein are conferred by section 112 of each of the Securities Acts of the Yukon, Northwest Territories and Nunavut (each Act, a "Territorial Act"). Each Territorial Act provides, in the relevant part, that if an offering memorandum contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages.

Such purchaser has a statutory right of action for damages against the issuer, the selling security holder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum. Alternatively, the purchaser who purchases security offered by the offering memorandum during the period of distribution has a right of action for rescission against the issuer or the selling security holder on whose behalf the distribution is made, in which case the purchaser shall have no right of action for damages against the persons described above. No such action may be commenced to enforce the right of action for rescission or damages more than (a) 180 days after the day of the transaction that gave rise to the cause of action, in the case of an action for rescission, or (b) the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the day of the transaction giving rise to the cause of action, in any other case.

Each Territorial Act provides a number of limitations and defences, including the following:

(a) no person is liable if the person proves that the purchaser purchased securities with knowledge of the misrepresentation;

(b) in the case of an action for damages, the defendant is not liable for any damages that the defendant proves do not represent the depreciation in value of the security resulting from the misrepresentation; and

(c) the amount recoverable by a plaintiff in respect of such action must not exceed the price at which the securities purchased by the plaintiff were offered.

In addition, a person, other than the issuer and selling security holder, is not liable if the person proves that:

(a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, upon becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;

(b) the person, upon becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or

(c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

In addition, a person is not liable with respect to a misrepresentation in forward looking information if:

(a) the offering memorandum containing the forward looking information also contains, proximate to the forward looking information (i) reasonable cautionary language identifying the forward looking information as such and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information, and (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information; and

(b) the person had a reasonable basis for drawing the conclusions or making the forecast or projections set out in the forward looking information.

The above paragraph does not relieve a person of liability respecting forward looking information in a financial statement required to be filed under securities laws of the applicable territory.

(X) Additional Information

The rights discussed above are in addition to and without derogation from any other rights or remedies available at law to the purchaser and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein. The foregoing summaries are subject to the express provisions of the applicable securities legislation in each of the foregoing provinces and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

Enforcement of Legal Rights: Some or all of the Partnership, General Partner, the Advisor and their affiliates, directors and officers may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Partnership or such persons. All or a substantial portion of the assets of the Partnership or such persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Partnership or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Partnership or such persons outside of Canada.

Certain Canadian Income Tax Considerations: Prospective purchasers of the Interests should consult their own tax advisers regarding the Canadian federal and provincial income tax considerations relevant to the purchase of Interests having regard to their particular circumstances.

***NOTICE TO RESIDENTS OF CAYMAN ISLANDS*:** This is not an offer or invitation to the public in the Cayman Islands to subscribe for the Interests.

***NOTICE TO INVESTORS IN CHILE*:** Neither the Partnership nor the Interests have been registered with the Superintendencia de Valores y Seguros pursuant to Law No. 18.045, the Ley de Mercado de Valores, and the regulations thereunder. This Memorandum does not constitute an offer of, or an invitation to subscribe for or purchase, the Interests in the Republic of Chile, other than to individually identified buyers pursuant to a private offering within the meaning of Article 4 of the Ley de Mercado de Valores (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

***NOTICE TO RESIDENTS OF CHINA*:** This Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities to any person to whom it is unlawful to make the offer or solicitation in the People's Republic of China (excluding Hong Kong, Macau and Taiwan).

This Memorandum is delivered only to the recipient solely for the purpose of evaluating a possible investment in the Partnership (subject to all requisite approvals, registrations or filings being obtained or completed by the recipient) and may not be used, copied, reproduced or distributed, in whole or in part, to any other person (other than professional advisers of such recipient). Subscriptions will not be accepted from any person other than the person to whom this Memorandum has been delivered.

***NOTICE TO RESIDENTS OF COSTA RICA*:** This Memorandum has been produced for the purpose of providing information about the Interests and will be provided to a maximum of 50 investors in Costa Rica who are institutional or sophisticated investors in accordance with the exemptions established in the regulations on public offers of values. This Memorandum is made available on the condition that it is for use only by the recipient and may not be passed onto any other person or be reproduced in any part. The Interests have not been and will not be offered in the course of a public offering or equivalent marketing in Costa Rica.

***NOTICE TO RESIDENTS OF DENMARK*:** In relation to Denmark, no offer of Interests may be made to the public in Denmark prior to the publication and filing of a prospectus in accordance with the Prospectus Directive as implemented in the Danish Securities Trading Act (*Værdipapirhandelsloven*), except that an offer of Interests may be made to the public in Denmark at any time: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €43,000,000, and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the issuer or any other entity of a prospectus pursuant to Article 3 of the Prospectus Directive as implemented by the Danish Securities Trading Act.

For the purposes of the provision above, the expression an "offer of Interests to the public" in relation to the Partnership in Denmark means the communication in any form and by any means of sufficient information on the terms of the offer and Interests to be offered so as to enable an investor to decide to purchase or subscribe for Interests, as the same may be varied in Denmark by any measure implementing the Prospectus Directive in Denmark. "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measures in Denmark.

***NOTICE TO RESIDENTS OF THE DUBAI INTERNATIONAL FINANCIAL CENTRE*:** This Memorandum relates to a fund which is not subject to any form of regulation or approval by the Dubai Financial Services Authority (the "DFSA"). This Memorandum is intended for distribution only to persons of a type specified in the DFSA's rules (i.e., "qualified investors") and must not, therefore, be delivered to, or relied on by, any other type of person. The DFSA has no responsibility for reviewing or verifying any memorandum or other documents in connection with the Partnership. Accordingly, the DFSA has not approved this Memorandum or any other associated documents nor taken any steps to verify the information set out in this Memorandum, and has no responsibility for it. The Interests to which this Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Interests offered should conduct their own due diligence on the Interests. If you do not understand the contents of this Memorandum, you should consult an authorized financial adviser.

***NOTICE TO RESIDENTS OF EGYPT*:** The Interests may not be offered or sold in any form of general solicitation or general advertising or in a public offering in Egypt, unless the prior approval of the Egyptian Financial Supervisory Authority has been obtained. Interests may only be offered or sold in Egypt through a private placement to Egyptian "Qualified Institutional Buyers" or "Professional High Net Worth Investors" whose ordinary activities involve acquiring, holding, managing or disposing of investments for the purposes of their business and only in accordance with applicable Egyptian laws and regulations including the applicable provisions of the Capital Market Law No. 95 for 1992, its Executive Regulations and the provisions of Directive No. 31 for 2002 concerning private placements. Each purchaser of Interests in the Partnership offered in a private placement in Egypt shall be deemed to have represented that it is either an Egyptian "Qualified Institutional Buyer" or a "Professional High Net Worth Investor" within the definitions under Directive No. 31 for 2002 concerning private placements.

***NOTICE TO RESIDENTS OF ESTONIA*:** The Estonian Financial Supervisory Authority has not reviewed this Memorandum nor approved its contents. The Interests are not available to (nor being offered to) the general public in Estonia for purposes of the Investment Funds Act (adopted on April 14, 2004 and effective on May 1, 2004, as amended) and the Securities Market Act (adopted on October 17, 2001 and effective on January 1, 2002, as amended).

***NOTICE TO RESIDENTS OF FINLAND*:** This Memorandum does not constitute an offer or advertisement of securities to the public in Finland. The Interests cannot be offered, sold, advertised or otherwise marketed in Finland by means of any document to any persons other than: (a) "qualified investors" as defined by the Finnish Securities Markets Act (*Arvopaperimarkkinalaki*, 26.5.1989/495), as amended ("FSMA"); or (b) persons who will commit to investment in the Company in the sum of at least €50,000 per investor for each separate offer; or (c) where the denomination of each investment is at least €50,000. Any offer or sale of the Interests in Finland will be made pursuant to a private placement exemption as defined under Article 3(2) of the Prospectus Directive (2003/71/EC) and FSMA and any regulation made thereunder, as supplemented and amended from time to time. This Memorandum is not a prospectus referred to in FSMA and no action has been taken to authorize an offering of the Interests to the public in Finland and the distribution of this Memorandum is not authorized by the Financial Supervision Authority in Finland. This Memorandum is strictly for private use by its holder and may not be passed on to third parties or otherwise publicly distributed. Subscriptions will not be accepted from any persons other than the person to whom this Memorandum has been delivered by the Partnership or its representative. This Memorandum may not include all the information that is required to be included in a prospectus in connection with an offering to the public.

***NOTICE TO RESIDENTS OF FRANCE*:** Neither this Memorandum nor any other offering material relating to the Interests has been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the Code Monétaire et Financier and Title I of Book II of the Règlement Général of the Autorité des Marchés Financiers ("AMF") and submitted for clearance to the AMF or to the competent authority of another Member State of the European

Economic Area and subsequently notified to the AMF. The Interests have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this Memorandum nor any other offering material relating to the Interests has been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France or used in connection with any offer to the public in France; such offers, sales and distributions have been and shall only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a closed circle of investors (*cercle restreint d'investisseurs*), in each case acting for their own accounts, as defined in and in accordance with Articles L. 411-2, D. 411-1, D. 411-2, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the Code Monétaire et Financier. The direct or indirect distribution to the public in France of any so acquired Interests may be made only in compliance with applicable laws and regulations relating to a public offering (and in particular Articles L. 411-1, L. 411-2 and L. 621-8 to L. 621-8-3 of the Code Monétaire et Financier).

NOTICE TO RESIDENTS OF GERMANY**:** This Memorandum has not been submitted to, nor has it been approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* ("BaFin")). The Interests are neither registered nor notified for public distribution with the BaFin according to the German Investment Act (*Investmentgesetz*), the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) nor listed on a German stock exchange and must not be offered or advertised publicly or offered similarly under Section 135 of the German Investment Act (*Investmentgesetz*) or Section 8f of the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*).

This Memorandum is addressed to the named recipient only and does not constitute an offer or advertisement to the public. The named recipient or any other person must not pass on the Memorandum or make it available to any third party. The Interests must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner and this Memorandum and any other document relating to the Interests, as well as any information or statement contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Interests to the public in Germany.

Each investor is strongly advised to consider potential tax consequences of a potential application of the German Investment Tax Act (*Investmentsteuergesetz*) and is strongly advised to consult his own financial and/or tax counsel.

NOTICE TO RESIDENTS OF GREECE**:** This Memorandum and the information contained herein does not constitute an invitation to the public in Greece to purchase these Interests. The Partnership has not submitted to the Greek Capital Market Commission any certificate of approval attesting that the Memorandum has been drawn up in accordance with the Directive 2003/71/EC (Articles 17 and 18). The Interests may not be distributed, offered or in any way sold in Greece except by way of a possible offer qualified under Article 3 par. 2 of Directive 2003/71/EC. The Partnership does not have a guaranteed performance and past returns do not guarantee future ones.

NOTICE TO RESIDENTS OF GUERNSEY**:** The Interests are not offered to the public in the Bailiwick of Guernsey. Persons resident in the Bailiwick of Guernsey may only apply for the Interests in the Partnership pursuant to private placement arrangements. To the extent to which any promotion of the Interests in the Partnership is deemed to take place in the Bailiwick of Guernsey, the Interests are only being promoted in or from within the Bailiwick of Guernsey either (i) by persons licensed to do so under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) (the "POI Law") or (ii) to persons licensed under the POI Law, the Insurance Business (Bailiwick of Guernsey) Law, 2002 (as amended), the Banking Supervision (Bailiwick of Guernsey) Law, 1994 (as amended) or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 (as amended). Promotion is not being made in any other way. This Memorandum has not been filed with, or approved, by the Guernsey Financial Services Commission and no authorizations in respect of the POI Law have been issued by the Guernsey Financial Services Commission in respect of it.

NOTICE TO RESIDENTS OF HONG KONG**:** The contents of this Memorandum have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Memorandum, you should obtain independent professional advice.

This Memorandum is delivered only to the recipient solely for the purpose of evaluating a possible investment in the Interests and may not be used, copied, reproduced or distributed in whole or in part, to any other person (other than professional advisers of the prospective investor receiving this document). Subscriptions will not be accepted from any person other than the person to whom this Memorandum has been delivered.

NOTICE TO RESIDENTS OF INDIA**:** This Memorandum, in all circumstances, shall not be regarded as being circulated to result, directly or indirectly, in the Interests becoming available for subscription or purchase by persons other than those receiving the offer or invitation; or otherwise as being a domestic concern of the persons making and receiving the offer or invitation. The Interests are being offered on a private placement basis to less than fifty persons in India. This Memorandum is not intended to be issued to persons (a) other than to persons permitted to acquire the Interests under Indian law, whether as a principal or agent, or (b) in circumstances which would constitute an offering to the public within the meaning of Indian law. This Memorandum will not be generally distributed or circulated in India, but will be for the sole consideration and exclusive use of the persons permitted to acquire the Interests under Indian law to whom it is issued or passed on. Neither this Memorandum nor the Interests have been registered with the Securities and Exchange Board of India or any other Indian regulatory authority so as to permit a public offering of the Interests or any other securities under Indian law (including the Companies Act, 1956 and the Securities and Exchange Board of India Act, 1992 and all subordinate legislation thereunder). No specific permission from the Reserve Bank of India or any other legal or regulatory authority under the Foreign Exchange Management Act, 1999 has been obtained for the offering of, or the subscription to, the Interests. The Interests may not be offered or sold, directly or indirectly, in India or to any resident of India, except as permitted by applicable Indian laws and regulations. The prospective investors who are Indian residents are requested to consult their own legal and tax advisers in respect of their eligibility to subscribe to the Interests.

NOTICE TO RESIDENTS OF IRELAND**:** Facilities for participation by the public are not being provided for in respect of this offer. This offer is being extended to investors who acquire Interests for a total consideration of at least EUR 50,000 each in accordance with the exemption in Article 3, No. 2(c), Directive 2003/71/EC. Accordingly, there is no requirement to publish a prospectus pursuant to the Irish Prospectus (Directive 2003/71/EC) Regulations. This Memorandum may not be distributed to the public in Ireland and an Irish recipient of this Memorandum may not in any way forward this Memorandum to the public in Ireland. Nothing in this Memorandum constitutes "investment advice" in the form of personal recommendations under the Irish Markets in Financial Instruments Directive (2004/39/EC).

NOTICE TO RESIDENTS OF THE ISLE OF MAN**:** The Interests may not be promoted in the Isle of Man except pursuant to the exceptions contained in: (a) Section 1(2) of the Isle of Man Financial Supervision Act 1988 (the "FSA"); or (b) the Financial Supervision (Promotion of Unregulated Schemes) (Exemption) Regulations 1992 made under Section 1(3) of the FSA.

NOTICE TO RESIDENTS OF ISRAEL**:** The offer contemplated by this Memorandum and its accompanying or referenced documents is being made pursuant to an exception to the public offering requirements of Israel's Securities Law, 1968 ("Securities Law"). The offer is being made to not more than thirty-five investors, which number of investors includes investors that have purchased Interests in the twelve months preceding this offer, but does not include entities described in the first addendum to the Securities Law. Neither this Memorandum nor the offer contemplated by this Memorandum, nor any document accompanying or referenced in this Memorandum, has been reviewed, qualified or approved by the Israeli Securities Authority or any other Israeli governmental or regulatory body.

This offer is intended solely for the person to whom it has been delivered, on a principal-to-principal basis. An investor who subscribes for or purchases Interests pursuant to this offer is doing so for its own account and not for distribution to others. Neither this Memorandum nor any of its accompanying or referenced documents may be reproduced or distributed, in whole or in part, without the prior written permission of the General Partner.

Nothing in this Memorandum or its accompanying or referenced documents may be considered investment counseling or investment advice, as defined under Israel's Regularization of Investment Counseling, Investment Marketing and Portfolio Management Law of 1995. The investor is encouraged to consult with its own financial advisors prior to making any investment decision in connection with the Interests.

NOTICE TO RESIDENTS OF ITALY**:** No offering of the Interests have been cleared by the relevant Italian supervisory authorities. Thus, no offering of the Interests can be carried out in the Republic of Italy and this Memorandum shall not be circulated therein, including but not limited to professional investors or under a private placement, unless the requirements of Italian law concerning the offering of securities have been complied with, including: (i) the requirements of Article 42 and Article 94 and seq. of Legislative Decree No 58 of 24 February 1998 and CONSOB Regulation No 11971 of 14 May 1999; and (ii) all other Italian securities tax and exchange controls and any other applicable laws and regulations, all as amended from time to time.

***NOTICE TO RESIDENTS OF JAPAN*:** No registration pursuant to Article 4, paragraph 1, of the Financial Instruments and Exchange Law of Japan ("FIEL") has been made or will be made with respect to the solicitation of the Interests since such solicitation falls under the category of "*shoninzu-muke-kanyu*" as described in Article 23-13, paragraph 4, of the FIEL. The Interests are the rights as set forth in Article 2, paragraph 2, item 6 of the FIEL.

This Memorandum is confidential and is intended solely for the use of its recipient. Any duplication or redistribution of this Memorandum is prohibited. The recipient of this Memorandum, by accepting delivery thereof, agrees to return it and all related documents to the Partnership if the recipient elects not to purchase any of the Interests offered hereby or if requested earlier by the Partnership. Neither the return of the principal amount invested nor the distribution of profit from the investment is guaranteed. An investment in the Interests involves certain risks of loss caused by fluctuation of interest rates, currency and other market factors, or the credit risk of the counterparties or relevant parties thereof. Prospective investors should read the terms of the investment carefully, in particular, those relating to limitations on the period in which rights relating to such investment can be exercised.

***NOTICE TO RESIDENTS OF JERSEY*:** No consent has been sought from, nor has any such consent been granted by, the Jersey Financial Services Commission under Article 10 of the Control of Borrowing (Jersey) Order 1958, as amended. No public offering of Interests is being made to investors resident in Jersey. Accordingly, the Interests are being offered only to a limited number of institutional and sophisticated individual investors in Jersey.

***NOTICE TO RESIDENTS OF KUWAIT*:** This Memorandum is not for circulation in Kuwait. The Interests have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering of the Interests in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990 (as amended) and Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Interests is being made in Kuwait, and no agreement relating to the sale of the Interests will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Interests in Kuwait.

***NOTICE TO RESIDENTS OF LEBANON*:** This Memorandum is not intended nor should be used for the solicitation of investments in Lebanon by any person. The Partnership does not conduct sales or marketing in Lebanon, nor does the Partnership have any agents, or any authorized sales persons therein. No information appearing in this Memorandum shall be deemed an offer for services or products from the Partnership, its branches or its subsidiaries, or as an offer or the solicitation of an offer to purchase or sell Interests or any other investment product. The Partnership disclaims all liabilities regarding the content of these pages and the use that could be made by anyone. Any person willing to be supplied with one of the services or products presented herein should contact the Partnership outside Lebanon in order to obtain information on the availability of the service or product in question, as well as the contractual conditions and prices applicable thereto. Potential investors should ensure that they are legally authorized to invest in the Partnership. Information appearing in this Memorandum does not in any way constitute investment, legal, tax or other advice.

***NOTICE TO RESIDENTS OF LIECHTENSTEIN*:** The Interests are offered to a narrowly defined category of investors, in all cases and under all circumstances designed to preclude a public solicitation in Liechtenstein. This Memorandum may not be reproduced or used for any other purpose, nor be furnished to any other person other than to those whom copies have personally been sent. This offer is a private offer and this Memorandum and the transactions described therein are therefore not, and have not been, subject to the review and supervision of the Liechtenstein financial market authority. This offer is not intended for on-selling.

***NOTICE TO RESIDENTS OF LUXEMBOURG*:** The Interests may not be offered or sold in the Grand-Duchy of Luxembourg, except Interests which are offered in circumstances that do not require the approval of a prospectus by the Luxembourg financial regulatory authority in accordance with the Law of July 12, 2005 on prospectuses for securities. The Interests are offered to a limited number of investors or to sophisticated investors, in all cases under circumstances designed to preclude a distribution that would be other than a private placement. This Memorandum may not be reproduced or used for any purpose, or provided to any person other than those to whom copies have been sent.

***NOTICE TO RESIDENTS OF MALAYSIA*:** As the approval of the Malaysian Securities Commission pursuant to Section 212 of the Malaysian Capital Markets and Services Act 2007 has not been/will not be obtained, the Interests hereunder are not being and will not be deemed to be issued, made available, offered for subscription or purchase in Malaysia, and neither this Memorandum nor any document or other material in connection therewith should be distributed, caused to be distributed or circulated in Malaysia, save and except to individuals or other legal entities who fall under paragraphs 8, 9, 11, 12 or 13 of Schedule 6 to the Capital Markets and Services Act 2007.

***NOTICE TO RESIDENTS OF MEXICO*:** The Interests have not been and shall not be registered with the National Registry of Securities (*Registro Nacional de Valores*) maintained by the National Banking and Securities Commission of Mexico (*Comision Nacional Bancaria y de Valores*) ("CNBV"). Furthermore, the Interests have not been reviewed or authorized by the CNBV. The Interests may not be publicly offered or sold in Mexico absent an available exemption under the Mexican Securities Market Law (*Ley del Mercado de Valores*) (the "LMV"). In making an investment decision, all investors, including any Mexican investors who may acquire Interests from time to time, must rely on their own review and examination. This offer does not constitute a public offer or exchange under the LMV.

***NOTICE TO RESIDENTS OF MONACO*:** The Interests may not be offered or sold, directly or indirectly, to the public in Monaco other than by a Monaco bank or a duly authorized intermediary. Consequently, this Memorandum may only be communicated to banks duly licensed by the Comité des Etablissements de Crédit et des Entreprises D'Investissement and fully licensed portfolio management companies by virtue of Law N° 1.144 of July 26, 1991 and Law 1.338 of September 7, 2007, duly licensed by the Commission de Contrôle des Activités Financières.

***NOTICE TO RESIDENTS OF THE NETHERLANDS*:** The Interests are exclusively sold, offered or transferred, directly or indirectly, in the Netherlands to qualified investors (*gekwalificeerde beleggers*) within the meaning of the Financial Markets Supervision Act (*Wet* *op het financieel toezicht* or "FMSA"). As a consequence, neither the Partnership nor the General Partner is licensed nor required to be licensed by, or subject to supervision of, the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) or the Dutch Central Bank (*De Nederlandsche Bank*). This Memorandum is not approved nor required to be approved by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markte*n).

NOTICE TO RESIDENTS OF NEW ZEALAND**:** No offeree of the Interests shall directly or indirectly offer, sell or deliver any Interests, or distribute this Memorandum or any advertisement in relation to any offer of the Interests, in New Zealand other than to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money or who in all the circumstances can properly be regarded as having been selected otherwise than as members of the public or in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand.

NOTICE TO RESIDENTS OF NORWAY**:** The offering of Interests in the Partnership is not subject to the Investment Fund Act of 1981. No action has or will be taken for the offering of Interests in the Partnership to be registered under the public offering rules of the Securities Trading Act of 2007. The offering and the Partnership have not been, nor will be, registered or approved by the Financial Supervisory Authority of Norway (*Finanstilsynet*). The Partnership is not under public supervision in Norway. Each investor should carefully consider individual tax issues before investing in the Partnership. This Memorandum must not be copied or otherwise distributed by the recipient.

NOTICE TO RESIDENTS OF OMAN**:** This Memorandum and any associated offering material are being sent at the request of the investor in Oman and should not be distributed to any person in Oman other than its intended recipient. The information contained in this Memorandum neither constitutes a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in the Sultanate of Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (CMA Decision 1/2009). Additionally, this Memorandum is not intended to lead to the conclusion of any contract of whatever nature within the territory of the Sultanate of Oman. The investor represents that he/she is a sophisticated investor (as described in Article 139 of the Executive Regulations of the Capital Market Law) and has such experience in business and financial matters that he/she is capable of evaluating the merits and risks of an investment in the Interests. The investor acknowledges that an investment in the Interests is speculative and involves a high degree of risk.

NOTICE TO RESIDENTS OF PANAMA**:** The distribution of this Memorandum and the offering of the Interests may be restricted in certain jurisdictions. The above information is for general guidance only, and it is the responsibility of any person or persons in possession of this Memorandum and wishing to make an application for the Interests to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Interests should inform themselves as to applicable legal requirements, exchange control regulations and tax requirements in the countries of their respective citizenship, residence or domicile. This Memorandum does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation.

***NOTICE TO RESIDENTS OF PERU*:** The Interests have not been registered before the Comisión Nacional Supervisora de Empresas y Valores ("Conasev") and are being placed by means of a private offer. Conasev has not reviewed the information provided to the investor. This Memorandum is only for the exclusive use of institutional investors in Peru and is not for public distribution.

***NOTICE TO RESIDENTS OF POLAND*:** Pursuant to the July 29, 2005 Act on Public Offers and Conditions for the Introduction of Financial Instruments to Organized Trading Systems and on Public Companies (Journal of Laws of 2005 no. 184, item 1539; the "Act"), a proposal to acquire securities directed to not more than 99 offerees does not represent a "public securities offer" within the meaning of the Act which may be made only via a "public offer" requiring, inter alia, the preparation, local approval and making available of an issue prospectus or an information memorandum.

The offer of the Interests described in this Memorandum does not qualify as a public securities offer within the foregoing meaning and, consequently, does not fall within the purview of the Act. Consequently, this Memorandum has not been approved by the Polish Securities and Exchange Commission, nor was it otherwise consented to or opined on by the Commission.

The Interests offered hereby may not be offered, sold, advertised or otherwise marketed in Poland in circumstances which constitute a public securities offer under the Act without complying first with its requirements.

***NOTICE TO RESIDENTS OF PORTUGAL*:** This offer is addressed only to institutional investors, as so qualified pursuant to the Portuguese Securities Code (Decree-Law 486/99, dated November 13, 2000, as amended) and pre-determined investors, and does not qualify as marketing of Interests in undertakings for collective investments, as per Article 1 No. 3 EX VI Article 15 of Undertaking for Collective Investment Law (Decree-Law 252/2003, dated 17 October 2003, as amended).

The Partnership has not, and will not be registered, with the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) ("CMVM") as a foreign non-harmonized investment fund (Article 71 SS of CMVM Regulation 15/2003 EX VI Article 78 of Undertaking for Collective Investment Law).

This Memorandum has not been, nor will it be, registered with the Portuguese Securities Market Commission. Therefore, this Memorandum may not be made available nor may the Interests offered hereunder be marketed or offered for sale in Portugal, other than under circumstances that will not require a prior registration/authorization with the Portuguese Securities Market Commission.

***NOTICE TO RESIDENTS OF QATAR*:** This Memorandum and the offering of Interests have not been, and shall not be: (a) lodged or registered with, or reviewed or approved by, the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory

Authority, the Ministry of Business and Trade or any other governmental authority in the State of Qatar or in the Qatar Financial Centre ("QFC"); or (b) authorized, permitted or licensed for offering or distribution in Qatar or in the QFC, and the information contained in this Memorandum does not, and is not intended to, constitute a public or general offer or other invitation in respect of securities in Qatar or in the QFC.

The General Partner is not regulated by any governmental authority in the State of Qatar or the QFC. The General Partner does not, by virtue of this Memorandum, conduct any business in the State of Qatar or in or from the QFC. The General Partner is an entity regulated under laws outside of the State of Qatar and the QFC. Accordingly, the Interests are not being, and shall not be, offered, issued or sold in the State of Qatar or in or from the QFC, and this Memorandum is not being, and shall not be, distributed in the State of Qatar or in or from the QFC. The offering, marketing, issue and sale of the Interests and distribution of this Memorandum is being made in, and is subject to the laws, regulations and rules of jurisdictions outside of the State of Qatar and the QFC.

This Memorandum is strictly private and confidential, and is being sent to a limited number of institutional and/or sophisticated investors: (a) upon their request and confirmation that they understand the statements above; and (b) on the condition that it shall not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

***NOTICE TO RESIDENTS OF RUSSIA*:** Neither the Interests nor this Memorandum have been, or are intended to be, registered with the Federal Service for Financial Markets of the Russian Federation or any other state bodies which may from time to time be responsible for such registration. Any information relating to the Interests in this Memorandum is intended for, and addressed only to, "qualified investors" (as defined under Russian law) or persons outside Russia.

The purpose of this Memorandum is to assist the recipient in deciding whether it wishes to make any further enquiries in relation to the Partnership. This Memorandum does not constitute an advertisement of any securities or an offer or invitation for the sale, purchase exchange or other transfer of Interests.

This Memorandum has been delivered to interested parties for information purposes only and on the express understanding that they shall use it only for the purpose set out above.

If you have not received this Memorandum directly from the Partnership or any of its affiliates or the placement agent, your receipt is unauthorized. Please return this document to the Partnership immediately.

***NOTICE TO RESIDENTS OF SAUDI ARABIA*:** The Interests may only be offered and sold in the Kingdom of Saudi Arabia in accordance with Article 4 of the Investment Funds Regulations issued on December 24, 2006 (the "Regulations"). Article 4(b)(4) of the Regulations states that, if investment fund interests are offered to no more than 200 offerees in the Kingdom of Saudi Arabia and the minimum amount payable per offeree is not less than Saudi Riyals 1 million or an equivalent amount in another currency, such offer of investment fund interests shall be deemed a private placement for purposes of the Regulations. Investors are informed that Article 4(g) of the Regulations places restrictions on secondary market activity with respect to such Interests.

NOTICE TO RESIDENTS OF SINGAPORE**:** The offer or invitation which is the subject of this Memorandum is only allowed to certain relevant persons and institutions and not to the retail public. Moreover, this Memorandum is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, statutory liability under the SFA in relation to the contents of prospectuses would not apply. Investors should consider carefully whether the investment is suitable for them. This Memorandum and any document or material in connection with the offer or sale, or invitation for subscription or purchase, of Interests may not be circulated or distributed, nor may Interests be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than: (i) to an institutional investor under Section 274 of the SFA, and in accordance with the conditions specified, in Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1)(a) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

NOTICE TO RESIDENTS OF SOUTH AFRICA**:** This Memorandum does not constitute an invitation to the general public to subscribe for, or purchase, Interests in the Partnership, but is furnished only to a limited number of qualifying investors for the purposes of providing information to consider when subscribing for Interests in the Partnership.

This Memorandum has not been submitted to the Companies and Intellectual Property Commission and the distribution of this Memorandum in the Republic of South Africa may be restricted by law. Persons into whose possession this Memorandum comes, should inform themselves about, and observe, such restrictions.

In addition, the acquisition of Interests by investors resident in the Republic of South Africa may be subject to exchange control approval and filing requirements under the relevant South African exchange control regulations, as well as offshore investment approval requirements and potential investors should inform themselves about, and observe, all applicable law, including exchange control requirements.

NOTICE TO RESIDENTS OF SOUTH KOREA**:** Neither the Partnership nor the General Partner is making any representation with respect to the eligibility of any recipients of this Memorandum to acquire the Interests therein under the laws of Korea, including but without limitation the Foreign Exchange Transaction Law and Regulations thereunder. The Interests have been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea for sales to qualified professional investors, not for offering to general public investors, and none of the Interests may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea. Furthermore, the Interests may not be re-sold to Korean residents unless the purchaser of the Interests complies with all applicable regulatory requirements (including but not limited to governmental approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with purchase of the Interests.

NOTICE TO RESIDENTS OF SPAIN**:** Neither the Interests nor the Memorandum have been approved or registered with the Spanish Securities Markets Commission (*Comision Nacional del Mercado de Valores*). Accordingly, the Interests may not be offered or sold in Spain except in circumstances which do not constitute a public offering of securities within the meaning of Article 30-BIS of the Spanish Securities Market Law of 28 July 1988 (Ley 24/1988, de 28 de Julio, del Mercado de Valores), as amended and restated, and supplemental rules enacted thereunder (in particular Real Decreto 1310/2005, de 4 de Noviembre).

NOTICE TO RESIDENTS OF SWEDEN**:** The Partnership is not an investment fund (Sw. investeringsfond) for the purpose of the Swedish Investment Funds Act 2004 (Sw. lag (2004:46) om investeringsfonder). This Memorandum has not been, nor will it be, registered with or approved by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen). Accordingly, this Memorandum may not be made available, nor may the Interests offered hereunder be marketed or offered for sale in Sweden other than under circumstances which are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) om handel med finansiella instrument). Accordingly, the offering of Interests will only be directed to investors resident in Sweden who subscribe for Interests for a total consideration of at least €50,000 per investor.

NOTICE TO RESIDENTS OF SWITZERLAND**:** This Memorandum does not constitute an issuance prospectus pursuant to Articles 652a or 1156 of the Swiss Code of Obligations and may not comply with the information standards required thereunder.

The Interests will not be listed on the SIX Swiss Exchange, and consequently, the information presented in this document does not necessarily comply with the information standards set out in the relevant listing rules of the SIX Swiss Exchange.

The documentation of the Partnership has not been and will not be authorized, and may not be able to be authorized, by the Swiss Financial Market Supervisory Authority FINMA under the Swiss Collective Investment Schemes Act ("CISA"). Therefore, investors do not benefit from protection under CISA or supervision by the FINMA.

The Interests may not be offered, distributed or sold directly or indirectly, to the public in or from Switzerland as defined in Art. 3 of CISA, but only to qualified investors as defined in CISA and its implementing ordinance CISO.

This Memorandum does not constitute investment advice. It may only be used by those persons to whom it has been delivered by the Partnership and may neither be copied nor directly or indirectly distributed or made available to other persons without the express consent of the Partnership.

NOTICE TO RESIDENTS OF TAIWAN**:** There exist restrictions on the offering, distribution, transfer or resale of the Interests within Taiwan, Republic of China. The Interests cannot be offered, distributed or resold to the public within the Republic of China without prior approval from the regulatory authorities in the Republic of China.

NOTICE TO RESIDENTS OF THAILAND**:** This Memorandum has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase the Interests will be made in Thailand and this Memorandum is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

NOTICE TO RESIDENTS OF TURKEY**:** The sale of the Interests to any person, directly or indirectly, in Turkey is subject to capital markets legislation, tax laws and to the other applicable laws and regulations of Turkey. This Memorandum is intended solely for investors and individuals (such as banks, insurance companies, brokerage companies, pension funds and other institutional investors and individuals holding large scale portfolios of Turkish and/or foreign capital markets instruments in the minimum amount of 2,530,000 Turkish Liras at the date of purchase) (each a "Qualified Investor") qualifying to acquire securities by private placement in accordance with Communiqué Series VII No. 14 on Principles Regarding Sale and Registration of Foreign Mutual Partnership Units with the Capital Market Board.

The offer in Turkey of Interests in the Partnership is subject to the permission of the Turkish Capital Markets Board. The Interests shall only be offered to Qualified Investors in Turkey by private placement duly registered with the Capital Markets Board. Such registration cannot be construed as the Capital Markets Board's warranty of the Partnership or the Interests.

If the recipient of this Memorandum is not a Qualified Investor, then the contents of this Memorandum shall not constitute an offer or an invitation to purchase Interests and no part of the Memorandum shall form the basis of or be relied upon in connection with any purchase of such Interests.

NOTICE TO RESIDENTS OF UNITED ARAB EMIRATES**:** Except within the Dubai International Financial Centre ("DIFC"), the Interests are not regulated under the laws of the United Arab Emirates (the "UAE") relating to the issue, offering and sale of interests in investment funds or other securities. Neither the Interests nor this Memorandum have been approved by the UAE Securities and Commodities Authority, the Central Bank of the UAE or any other regulatory authority in the UAE outside of the DIFC. In particular, this Memorandum has not been approved pursuant to Board Resolution No. 37 of 2012 on the Regulation of Investment Funds issued by the UAE Securities and Commodities Authority. In addition, this Memorandum does not constitute or contain an offer of securities to the public in the UAE and the Interests will not be registered under UAE Federal Law No. 4 of 2000 concerning the UAE Securities and Commodities Authority and will not be admitted to trading on a securities exchange in the UAE. Accordingly, this Memorandum is not intended for circulation or distribution in or into the UAE (outside of the DIFC).

The Partnership is not intended for, and the Interests are not being offered, distributed, sold or publicly promoted or advertised, directly or indirectly, to, or for the account or benefit of, any person in the DIFC. This Memorandum is not intended for distribution to any person in the DIFC and any such person that receives a copy of this Memorandum should not act or rely on this Memorandum and should ignore the same.

NOTICE TO RESIDENTS OF UNITED KINGDOM**:** The Partnership is an unregulated collective investment scheme for the purposes of the United Kingdom Financial Services and Markets Act 2000 ("FSMA"), the promotion of which in the United Kingdom is restricted by the FSMA. If made by a person who is not an authorised person under FSMA, the issue or distribution of this Memorandum in the United Kingdom may only be made to and directed at persons who: (a) are investment professionals falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO"); or (b) are persons to whom the promotion may otherwise be lawfully made. If made by a person who is an authorised person under FSMA, the issue or distribution of this Memorandum in the United Kingdom may only be made to and directed at persons who: (a) are investment professionals within Article 14 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 ("PCIS"); (b) are persons to whom the promotion may be made under Rule 14.12.1 of the FSA's Conduct of Business Sourcebook; or (c) are persons to whom the promotion may otherwise be lawfully made. Transmission of this Memorandum to any other person in the United Kingdom is unauthorised and may contravene FSMA.

NOTICE TO RESIDENTS OF URUGUAY**:** The sale of the Interests qualifies as a private placement pursuant to Section 2 of Uruguayan Law 18,627. The Interests must not be offered or sold to the public in Uruguay, except in circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Interests are not and will not be registered with the financial services superintendency of the Central Bank of Uruguay.

The Interests correspond to an investment Partnership that is not an investment fund regulated by Uruguayan Law 16,774 dated September 27, 1996, as amended.

NOTICE TO RESIDENTS OF VENEZUELA**:** Under the laws of the República Bolivariana de Venezuela, no public offer of the Interests described in this Memorandum may take place without the prior approval of the National Securities Commission of Venezuela. This Memorandum may not be publicly distributed within the territory of the República Bolivariana de Venezuela.