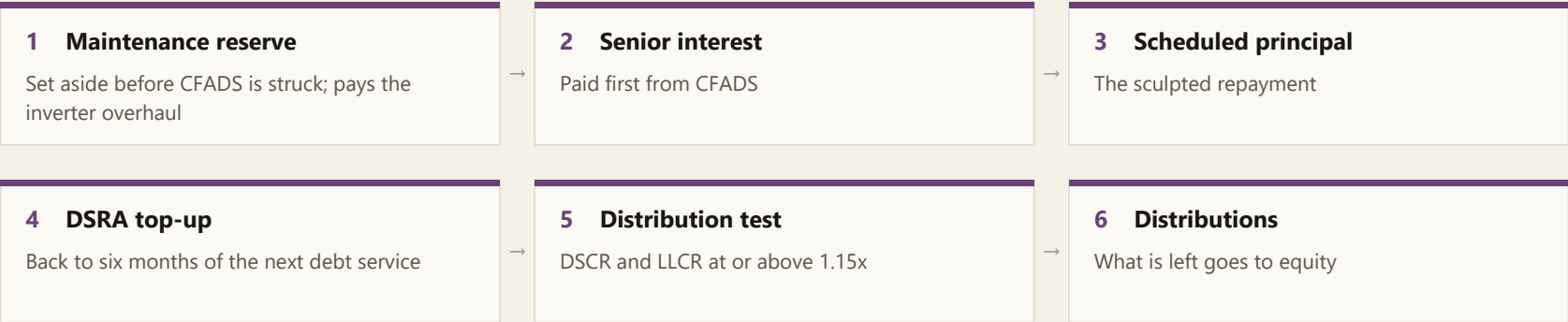


The waterfall: where every rand of CFADS goes

CFADS is not cash to equity. Between the two sits the waterfall the lender writes into the facility agreement: who gets paid, in what order, and what has to be true before the shareholders see a rand. The model has to run it in that order every period. This post runs Riverbend's.

01 THE ORDER OF PAYMENT



CFADS is struck after the maintenance reserve's contributions, as lenders define it, so the reserve is built before debt service is tested and paid. Year 1 shows the order in rands. Interest takes most of the CFADS early in the tenor, because the balance is at its highest; principal starts small and grows as the balance falls.

EXHIBIT 6.1 Year 1: from CFADS to distributions (R m)



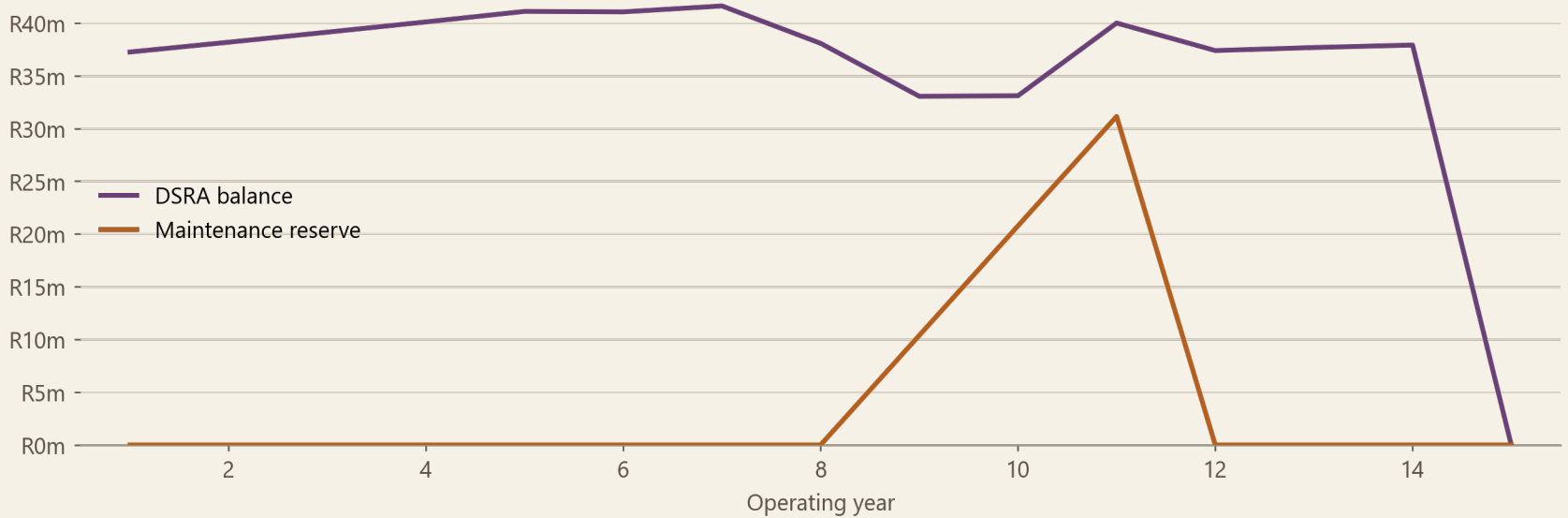
VAT refund: construction VAT refunded by SARS, returned to the sponsors who bridged it.

02 THE TWO RESERVES

The debt service reserve account holds six months of the next debt service. It is paid in at COD (R36.3m), as a project cost funded by the loan and the equity, follows the repayment schedule up to a peak of R41.6m, and is released when the loan is repaid. It carries the project through a bad half-year without a payment default.

The maintenance reserve pays for the year-12 inverter overhaul, R31.1m in that year's rand. It is built in equal amounts of R10.4m over the three years before, the window lenders typically set (6 to 36 months of upcoming spend), rather than from year 1: cash reserved a decade early would sit idle while the equity waits for it. Because CFADS is struck after the contributions and the reserve pays the overhaul, neither CFADS nor debt service dips in year 12; the cost reaches debt service through the three funding years instead.

EXHIBIT 6.2 Reserve balances at each year end



The DSRA holds the next six months' debt service, so it falls ahead of the lower debt service in the reserve-building years and refills before the overhaul year.

03 YEAR BY YEAR

TABLE 6.3 The waterfall over the tenor (R m)

YEAR	BEFORE RESERVE	RESERVE	CFADS	DEBT SERVICE	DSRA	DSCR	TO EQUITY
1	115.4	0.0	115.4	72.7	0.9	1.59x	42.8
2	118.3	0.0	118.3	74.5	0.9	1.59x	42.9
3	121.2	0.0	121.2	76.4	1.0	1.59x	43.9
4	124.3	0.0	124.3	78.3	1.0	1.59x	45.0
5	127.4	0.0	127.4	80.2	1.0	1.59x	46.2
6	129.8	0.0	129.8	82.2	0.0	1.58x	47.6
7	129.1	0.0	129.1	82.1	0.6	1.57x	46.4

TABLE 6.3 The waterfall over the tenor (R m) (continued)

YEAR	BEFORE RESERVE	RESERVE	CFADS	DEBT SERVICE	DSRA	DSCR	TO EQUITY
8	132.0	0.0	132.0	83.2	-3.5	1.59x	52.3
9	129.9	10.4	119.6	76.1	-5.0	1.57x	48.4
10	114.2	10.4	103.8	66.1	0.0	1.57x	37.6
11	115.8	10.4	105.4	66.2	6.9	1.59x	32.3
12	94.5	-31.1	125.6	80.0	-2.6	1.57x	48.2
13	118.3	0.0	118.3	74.8	0.3	1.58x	43.3
14	119.4	0.0	119.4	75.4	0.2	1.58x	43.8
15	120.3	0.0	120.3	75.8	-37.9	1.59x	82.4

CFADS = cash before the reserve less the reserve's movement. To equity = CFADS less debt service less the DSRA's movement. Reserve columns show the year's movement (positive: cash into the reserve). Year 1 also returns R0.96m of construction VAT, refunded by SARS, to the sponsors who bridged it.

04 THE LOCK-UP

Distributions are tested first: if the DSCR or LLCR falls below 1.15x, cash is trapped in the project until the ratios recover. In Riverbend's base case it never bites; the lowest DSCR is 1.57x. In the six-month COD delay (post 8) it does.

05 CONCLUSION

The waterfall turns CFADS into equity cash flow, and its order is the lender's protection. The two reserves move cash between years rather than spend it: the DSRA covers a bad half-year, and the maintenance reserve spreads a lumpy cost over the years before it, so neither the lender nor the equity meets it in one year. Next: the tax line inside CFADS.

Section 12B and the assessed loss

Allowances, the assessed loss and the 80% rule, row by row.

Riverbend Solar is an illustrative case study: a fictional deal with no real counterparty. Every figure comes from one run of the engine; every exhibit is generated, none is typed.