



OFFER DOCUMENT

***Energise Africa - SolarNow Issue 1***

**2017**

lendahand™ 

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**AFRICA**

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Potential Investors' attention is drawn to the content of pages 13 to 15 headed "Risk Analysis Overview" and the "Credit Write up by INRISC" in Appendix A.1 of this document, which sets out certain risk factors relating to any Investment in Securities in companies active in emerging markets and certain risks that apply to the Company in particular. All statements regarding the Company's business, financial position and prospects should be viewed in the light of these risk factors.

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# 1. Introduction

This Offer Document is intended to provide investors with relevant information in order to make an informed investment decision.

Keep in mind that investments of this nature carry risks. Therefore, it is recommendable to spread your investments across projects, partners, platforms and investment products and not to allocate too much of your savings and investments in what are considered high risk investments.

This offer is brought to you by Lendahand Ethex Limited, a joint venture between the Dutch impact investing platform Lendahand and the UK based positive investment platform Ethex, specifically set up to promote the Energise Africa campaign, sponsored by the UK Aid. Lendahand Ethex combines the strengths of both organisations in order to meet the challenge of mobilising UK based retail investors to lend to businesses undertaking solar power energy installations in Sub-Saharan Africa.

## **Disclaimer**

The Directors hereby declare that the information contained in this Offer Document is to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This document provides no advice on particular tax benefits that an investor may be eligible to claim in relation to an investment into the product offered. Tax incentives that may be available will vary depending the personal circumstances of each investor. Those interested in investing should do so only after reading this document in full and taking appropriate financial and other advice.

## **Message from the CEO**

*Dear Reader,*

*I am delighted to introduce you to an exciting opportunity to invest in the development of rural Africa.*

*In 2011, we started SolarNow in Uganda. We had seen that over 80% of the households and businesses did not have access to the electricity grid, and these people spent disproportional sums of money on kerosene (for lighting), dry cell batteries (for radio, torches) and diesel (for generators). Some frontrunners had invested in solar energy systems, but, as these systems were normally cheap and came without warranty and credit, these systems typically lasted less than two years, thereby giving solar energy a bad reputation.*

*Our idea was simple: selling high quality solar home systems including a 24 months credit facility, thereby making solar energy accessible and affordable to rural households and entrepreneurs. The credit facility also means that we could not compromise on quality - after all, clients will not pay when their systems are not working. This idea became SolarNow. From the very beginning, the company has seen quality and customer satisfaction as a core strategy for growth.*

*Pioneering a new business model in an unproven market was not always easy. The team had to constantly learn from mistakes and adapt to new situations. But seeing the dramatic positive impact our products and services had on our clients' lives, provided a tremendous motivation to grow the business and reach more clients.*

*Six years later, we have 16,000 systems installed and our product range includes a full range of electrical appliances, with an increasing focus on income generation (water pumps and other agricultural solutions). Clients appreciate our services, demonstrated by very high credit repayments. We have 490 staff on our payroll, working from 46 branches in Uganda and 1 in Kenya. We expect to achieve operational breakeven during the last quarter of 2017 and annually for 2018, as one of the first solar companies in Africa. The company will in the coming years grow its geographic reach, but also continue to introduce new products that allow existing and new clients to increase their income.*

*You now have an opportunity to participate in this initiative. Your investment will not only be rewarded with a market conform return (please note that your capital is at risk), but every GBP 1,000 invested for a 2-year period will also give one household or one entrepreneur access to modern electricity, thereby, creating a financial saving and reducing CO2 emissions.*

*Thank you very much for your interest in SolarNow.*

*Yours sincerely,*

*Willem Nolens  
CEO and co-founder*

## 2. Summary of offer

<b>Issuing entity</b>	SolarNow B.V.
<b>Investment target</b>	GBP 150,000
<b>Minimum investment</b>	GBP 50
<b>Maximum investment</b>	No maximum
<b>Maturity</b>	24 months
<b>Expected interest rate</b>	5% per annum
<b>Interest payment frequency</b>	Semi-annually
<b>Notional repayment frequency</b>	Semi-annually
<b>Financial instrument</b>	Promissory note / unsecured interest bearing bond
<b>Seniority of debt</b>	Senior debt investment
<b>Security</b>	Unsecured
<b>Management fee / transaction costs</b>	None
<b>Non-recall period:</b>	The issuer is allowed to repay the loan early at all times against a 2% penalty fee on the amount prepaid. In case the company sells more than 50% of its shares, no penalty fee will apply if prepayment occurs
<b>Risks</b>	This is a direct investment into a company and therefore it is recommendable that you are careful with the amount you will invest. For an overview of the associated risks, please go to section 5 or appendix A of this offer document
<b>Reporting</b>	The borrower is obligated to share with Lendahand Ethex Ltd its annual audited financial statements, quarterly update on financial metrics and annual social impact reports
<b>Know Your Client Investor</b>	KYC procedure on investors to be performed by licensed Payment Service Provider, Mangopay ("PSP").
<b>Know Your Client Borrower</b>	KYC procedure on borrowers to be performed by PSP in conjunction with Lendahand (powered by Ethex) platform
<b>Application</b>	All investments shall be made via the Lendahand.co.uk website
<b>Age restrictions</b>	Investors must be 18 years or older

## 3. Business overview and use of funds

### 3a. About SolarNow B.V

- CEO name: Mr. Willem Nolens
- Dutch Chamber of Commerce registration: 52467074
- Location: Kampala, Uganda
- Sector: Sustainable energy projects
- Founded: 2011
- Number of employees: 490
- Turnover in 2016: EUR 4,000,000

SolarNow makes solar energy accessible and affordable to millions of off-grid people in Africa by taking a large scale and systematic approach. Operations started in Uganda in May 2011, building on management's 7-year experience with the award winning Dutch Rural Energy Foundation training hundreds of rural entrepreneurs across Africa to develop solar energy enterprises and recognizing the potential in Uganda to develop a scalable commercial business. SolarNow has since then sold over 16,000 systems, mainly to entrepreneurs and households, and to a lesser extent schools and clinics. The Ugandan distribution network is strong and growing, with increasing levels of repeat orders from existing customers.

Client repayment performance is solid with low delinquencies and minimal write offs. Large-scale international sourcing delivered significant cost reductions, with further margin improvements projected for 2017. The Company is constantly broadening the product range with DC appliances to satisfy the needs of its customers. The Company attracted three strong and reputable equity partners who have invested USD 5.5 million in SolarNow B.V. to date. The company is preparing a large equity round for Q2-2017 to fuel its expansion plan in Uganda and Kenya. The company expects its core operations in Uganda to be cash flow positive by mid-2017. This loan is specifically meant for shipment of direct current appliances to Uganda.

### 3b. What the money will be used for

SolarNow provides larger home systems and income generating appliances that facilitate greater entrepreneurial activity. Systems consist of solar panels, batteries and a broad range of appliances, including lights, radios, televisions, fridges, flat irons and more. The systems are being used for household purposes (lighting, television, cooling) or by businesses, schools and clinics (to extend opening hours, power small appliances, cooling of medicines, etc.). The systems are modular and can be upgraded over time, of which nearly half of their clients make use of.

Clients pay for their systems in 24 months. Also, SolarNow gives a 5-year warranty and free service on its products. The lifetime of the systems is 10 years, although clients need to replace the batteries earlier, depending on the use. An average system costs USD 850, with the cheapest systems starting at USD 340.

SolarNow is growing fast with 45 branches and 470 employees in Uganda and, starting January 2017, Kenya. The funds raised with this campaign could be used by the company to ship a container with solar related products to families, schools and entrepreneurs in Sub-Saharan Africa, mainly Uganda. The repayment of the project matches the payment pattern of the underlying client portfolio.

### 3c. Impact - social & environmental

Solar home systems have the potential to change lives. There are a number of different benefits achieved through implementing solar homes systems as outlined below.

- 1) Better quality and accessibility to lighting and the potential to reduce energy expenses of off-grid households in the long term.
- 2) Improved health and safety – replacing dirty Kerosene lights, reduces the risks of indoor fires and reduces the health effects of the particulate emissions associated with Kerosene.
- 3) Improved access to information for rural families through the ability to:
  - charge their phones – therefore enabling mobile banking/money transfers, improving financial inclusion. Better communication with family often working some distance away in trading centres.
  - watch television or even connect to the internet, which stimulates development, equality, education and even democratization.
- 4) An even higher impact is achieved by the productive systems. Apart from increasing the income of entrepreneurs, this contributes to creating employment, economic development and even food security.

#### **Social impact and environmental impact**

SolarNow's customers state their quality of life has improved. A study revealed that:

- 97% of customers felt that their quality of life had 'improved very much'
- A Net Promoter Score of 83: customers were very likely to recommend SolarNow's systems
- 81% of customers rated the SolarNow 'pay as you go' SHS value for money as very good or good
- 96% of families felt safer

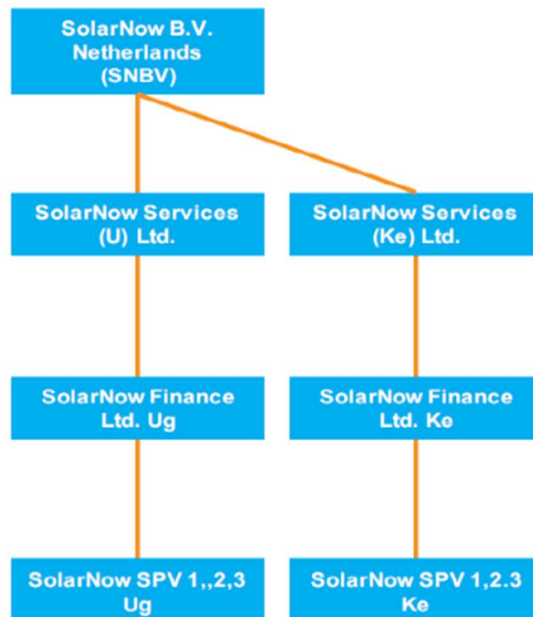
- Children were studying an hour longer per day with access to bright, safe light

Prior to switching to solar energy, nearly all of the households used kerosene lanterns for lighting. On average 3 kerosene lamps were used regularly per household. The use of kerosene leads to health issues as well as environmental issues. The CO2 emission per household per year as a result of kerosene use is 1.2 tonnes.



*Illustrative case study:* Meet Mary, a hairdresser who used to spend around USD1 per day on blades every day, providing an inefficient and unpleasant service. A SolarNow system with 2 electric clippers costs her USD 24 per month and enabled 30% more shaves per day. Her monthly net income increased from USD 119 to USD 162. In 2 years, she will have finished payment and earn even more.

### 3d. Organizational structure



The counterparty in this investment is SolarNow BV based in the Netherlands. This company’s only activities are to procure solar products and sell them to the local SolarNow entities. These entities in turn sell it to the finance companies as illustrated

above, of which SolarNow is 100% owner. The risk of bankruptcy will be limited by such finance company or *Special Purpose Vehicle* (SPV). This is a subsidiary entity with an asset/liability structure and a legal status that makes its obligations secure even if the parent company (in this case NL based SolarNow BV) goes bankrupt or vice versa. The long portfolio of the company's clients, is placed here which ultimately limits the risk for SolarNow BV and the investors in that SPV. Other risks however might be more significant with such a structure. If the SPV goes bankrupt because the clients stop paying, the damage to SolarNow is limited to its equity stake, efforts and reputation. The investors of this bond (as its directly to the parent company), will be insulated from the bankruptcy of the SPV.

### 3e. Management team

*Willem Nolens* (CEO) - Willem has over 19 years' experience in establishing and managing social enterprises in Africa, in particular in the field of microfinance and renewables. In 2001, Willem co-founded ProCredit Bank Ghana and then later became the MD. He also co-founded Catalyst Microfinance Investors (CMI), a USD 100m private equity fund investing in microfinance Institutions in Africa and Asia and from that co-founded ASA International, a network of Greenfield MFIs. In 2010, Willem transformed the award-winning Rural Energy Foundation into SolarNow and has served as CEO since its inception.

*Peter Huisman* (CTO) - Peter is an electrical engineer and research & development professional with over 12 years of experience. Peter began his career as a researcher at TNO, a Dutch research organization that believes in the joint creation of economic and social value. In 2009, Peter formed part of the original team at the Rural Energy Foundation (REF) as Country Coordinator in Tanzania. Since the transformation of REF into SolarNow, Peter has been in charge of a variety of functions from its very beginnings across R&D, IT, Operations, Finance and Logistics.

*Ronald Schuurhuizen* (CCO) - Ronald is the longest serving employee of SolarNow with over eleven years of experience in solar energy market development in Africa. Ronald was the Regional Coordination for East Africa whilst at the Rural Energy Foundation, managing teams throughout Sudan, Ethiopia, Uganda, Tanzania, Zambia and Mozambique implementing a market development strategy for solar and renewable energy technology diffusion. Since SolarNow's inception in 2011, co-founder Ronald has held a variety of roles across Sales, Marketing, Operations, International Sourcing, Business Development, General Management, and is currently the Commercial Director.

*Andreas Rosenau* (CFO) - Andreas is a finance professional with over 15 years of experience across financial control and asset management. He was born in Germany and started his career in banking and as financial controller in Germany and Eastern

Europe. He then moved to Asia working with Procter & Gamble as a financial controller, establishing a new business in Taiwan. Completing his MBA studies in Australia, he then worked in asset management, particularly for pension funds and individual investors. In 2015, Andreas worked as a financial consultant in South Africa and has enjoyed travelling and exploring the region.

*Austin Harris (COO)* - Austin Harris is a finance, strategy and operations professional with over 13 years of experience. He has now been living and working in East Africa for over 5 years. He began his career in Mergers & Acquisitions, and then Corporate Banking ranging from start-up ventures to Citigroup as well as development projects with the UNDP. He transitioned from corporate banking into microfinance which took him to Bangladesh and Rwanda. A Skoll Scholar, he completed his MBA at Oxford Said Business School and most recently worked for Off Grid Electric in Tanzania and Rwanda.

*John Kizito (Risk Management)* - John has over 20 years' experience in accounting, auditing and tax law. He moved from Uganda to the US to complete his studies including a Masters Degrees in Accounting and Tax Law and worked for the United Nations as an Accountant. He then spent over 10 years working in Accounting and International Tax Law at Discovery Communications and a private Tax Law Practice before returning to Uganda to join SolarNow as head of Risk Management.



### **Awards**

- In 2010 SolarNow was awarded the prestigious Ashden Award
- In 2011 the company won the EU Sustainable Energy Award

## **4. Business in detail**

In this section, a more in depth financial analysis is presented and entails a financial analysis, offers a few key financial ratios that describe the liquidity and solvency position, and a brief cash flow analysis.

For the sake of building a more complete overview of the business and the opportunity at hand, Lendahand also has a strategic partnership with INRiSC, a

boutique consulting firm that delivers a credit write-up report. Their analysis takes a more analytical approach to the risks of the investment.

In SolarNow's case, there are 2 full INRiSC reports that can be viewed in whole in appendix A.1 and B.1. The first report relates to the EUR denominated credit facility that SolarNow can withdraw funds from via the Lendahand platform. The second analysis is an update of that report for the GBP denominated credit facility that SolarNow can assess via the Lendahand (powered by Ethex) platform in the UK. For a more complete picture of the credit worthiness of SolarNow, it is recommendable to read both reports in full in the appendix.

## Financial analysis

INRiSC reviewed the consolidated annual accounts 2012 until 2015. In this period revenues have risen steadily with an operating profit margin that is line with industry averages of the green & renewable energy companies in emerging markets and substantially higher than that of a distributing company. SolarNow is operating at net losses and negative cash flow. But it did grow their asset base in the form of vendor leases considerably. The historical financials indicate a rather large indebtedness relative to the company's capital and operating cash flow. The company relies heavily on funding and capital infusions to sustain cash flows. This is also reflected in the projected ratios.

The consolidated projections are based a financial model provided as is by SolarNow. The projections include SolarNow BV in the Netherlands and the two branches in Uganda and Kenya. Both branches consist of an Operational Company, Financial Company and Portfolio SPV which holds the loan portfolios. The projections are based on the sales of said goods in Uganda and Kenya and includes the loan portfolio profits. INRiSC was able to obtain a good overview of the financials of the company

Key financial ratios, projected, excluding notes issuance				
	2016	2017	2018	2019
Current ratio	3,13	6,96	8,97	7,15
Total debt/EBITDA	Neg	10,75	2,83	1,61
Gearing	10,81	2,12	0,93	0,75
Interest cover ratio	-1,71	0,89	3,13	5,57
Debt service cover ratio	-1,71	0,89	3,13	5,57
cash cover ratio	15,6	20,5	22,3	20,9

going forward, including intercompany relations. Please note that INRiSC did not test the reality of the projections in terms of market share captured, underlying price levels, costs related to the realization of the product or its components. Nor did we test for consumer payment behaviour, payment terms or consumer default rates and loan losses for Uganda or Kenya.

### *Liquidity*

Cash coverage in SolarNow BV is dependent on sales and collections plus new equity fundraising. Both the debt service cover ratio and current Ratio are sufficient in a consolidated analysis going forward. According to the projections the company will keep sufficient cash in hand to service its debts. The intercompany payables are supplementary to this liquidity position. Liquidity is particularly realized through new infusions of debt and capital.

### *Solvency*

Historically solvency was low due to high indebtedness on a consolidated basis. That indebtedness is primarily concentrated in the SolarNow SPV (SAFI SPV). Nevertheless, on a consolidated level considerable cash infusion is required to be maintained to keep pace with the funding requirements. Solvency will improve moving forward and is primarily the result of capital infusions. Gearing reduces accordingly. Due to strong sales projections Debt/ EBITDA decreases significantly.

### *Cash flow analysis*

Cash flows have been negative historically. This is the case already on operating cash flow level. Until SolarNow Uganda (SNUG) becomes cash flow positive, or break-even for that matter, there is an imminent need for external financing. The company is currently seeking to bridge cash flows until a new equity financing round is concluded. This cash flow pattern and fund need is customary for the current growth stage of the company. The company however needs to move to an operating cash flow neutral situation in order to become sustainable. The projections show positive operating cash flows as of 2018. At that point, the company will become less dependent on external financing.

SolarNow has an extensive network among governmental organizations and NGO's. Supplemental financing from NGOs is an important form of funding in this stage. For instance, the company attracted a EUR 2m grant from the Dutch embassy of Uganda which is used to subsidize customers. Apart from NGO's SolarNow has proved to be able to yield interest from and contract funding in a wide range of investors. This is imperative to meet the short-term financing needs of the company, including debt servicing.

## **5. Risk analysis overview**

This section of the offer document provides an overview of some of the associated risks with this investment opportunity.

The investment team of Lendahand, comprising of 4 investment managers with a combined experience of 30+ years in investment management and investment banking, performs a light due diligence. This process comprises of many hours of

desk research, calls/meetings with the investee, gathering market intelligence and competitor data as well as talking to experts. After data is gathered, a more in-depth analysis takes place. Not only with regards to financial aspects such as audited statements, balance sheet and cashflow projections, but also with respect to operational activities, quality of the management team, clients and market fit, ownership and governance. In general, the investment team will also perform an on-site visit, possibly after a pilot phase.

Before an investment decision is made, the investment team of Lendahand gathers all documents/information and writes an investment memo that is presented to a Credit Committee. This committee consists of 3 experienced individuals with relevant backgrounds:

1. Michael Looft – former Kiva Regional Director Asia and Europe
2. Martijn Bollen – General counsel at Sequoia, an independent corporate finance advisory, investment management and private equity investment firm.
3. Peter Heijen – CEO and Founder at Lendahand

## 5a. Risk factors to take into consideration

Outlined below are some of the more general risks associated with investing in unlisted and unsecured bonds such as the one presented in this offer document. Further, some of the risks that apply to this investment are provided which may cause late repayments or loss of invested capital. Please be aware that there might be other, not so obvious risks, that apply as well. This therefore is in no way a full and complete overview of all the associated risks.

### **Risks of investing in unlisted, unsecured bonds**

By investing in an unsecured bond, you are lending your money to a business, with all the risks that this involves. These include the fact that the issuer of an unlisted bond is not subject to stock market requirements to make information affecting the price or value of the investment publicly available, therefore, you cannot choose to sell your bond if you want based on price fluctuations. It is also difficult to get out of the investment early. Unsecured bonds are 'fixed interest' investments. This means that the interest rate on the money you lend is set in advance. However, interest payments on your money and the return of your capital are not guaranteed and depend on the performance of SolarNow.

Your capital is at risk and you may lose some, or all, of your initial investment. You should only invest if you can afford to lose all of your investment.

## Company specific risks

- The solar assets may not perform as well as forecasted due to manufacturing errors even though the company prides itself for the high-quality systems, end-clients might not be willing/able to repay, competitors may enter the market with superior product/service and suppliers may default.
- SolarNow may be unable to raise sufficient future capital to sustain its operations and expansion plans.
- Operational costs may rise faster than anticipated.
  - Currently SolarNow has signed fixed-price contracts for operations and maintenance, which include an allowance for parts, however there are no guarantees that they will be able to secure future contracts on the same terms.
- Management and key staff turnover could affect the performance of the company.
- High defaults among clients might occur, which might result in the SPVs going bankrupt and high reclaiming costs of systems. This could result in financial loss for SolarNow BV in terms of their equity stake, cause reputational damage, cause investor losses and result in the need to set up new SPVs etc.
- In most emerging markets, different currencies are used that are more volatile than their counterparties used in developed countries. Even though SolarNow borrows in GBP and repays in GBP, its subsidiaries have revenue streams in Ugandan Shilling (“UGX”). If the UGX were to depreciate, the company’s day to day operations could be affected which in turn could influence the ability to repay its hard currency loans. This is a common obstacle that solar companies must be able to cope with. It would be great for the industry if international investors are able to provide local currency funding, limiting foreign exchange risks for the companies. Lendahand Ethex Ltd recognizes this risk and has therefore set up a small foreign exchange (FX) fund to cover potential losses to a certain extent.

## Risks for Lendahand Ethex Ltd (“Lendahand”)

- The platform may go bankrupt. In order to prevent investors from losing their money, the notes/bonds are held in a ‘collective depot’ that is administered by Hands-on B.V. as allowed by the Dutch Financial Authority (AFM) under its licence. The noteholders are the owners of this depot. This is a clear segregation from the assets of the Hands-on B.V. The flow of money is also segregated, namely via the platform’s payment service provider Mangopay.
- Since the bonds will not be tradeable on a recognised exchange, they are non-readily realisable. Bondholders may be able to buy and sell bonds which the Lendahand Ethex platform might facilitate, although applicants should be aware that there is no guarantee that a willing buyer will be found.

### **Risks when investing in emerging markets**

A brief overview of political, social and macroeconomic risks that could influence this investment:

- The company's main operations are in Sub-Saharan Africa, therefore investors should consider the potential for changes in the political climate. Elections often have a strong impact on the economic stability of a country and significant changes can create obstacles for foreign investors especially as new regimes might make repatriation of funds difficult/impossible.
- Political instability could have a very strong impact on economic stability, the judicial system, stability of the financial markets and institutions and other similar factors. Such risks are difficult to assess but can have a strong effect on investment returns in general. Emerging markets in essence have growing economies, more or less per definition. Nonetheless, the threats of economic downturn due to other factors as described in this section lurk beneath the surface.
- In some cases, corruption is rooted in cultural differences and thus strongly influential in people's way of life. This could also affect businesses. For example, corruption could affect a business' ability to present fair financial statements. It may add costs that are hard to predict or manage. It could make doing business difficult and make contracts void in court, due to the (in)stability or effectiveness of the judicial system.
- Natural disasters tend to occur more regularly in emerging markets and/or the effects have a more profound impact due to lacking emergency (government) responsiveness or general infrastructure, than is the case in developed nations and can have a profound impact on local economies and communities.
- Emerging markets may also be more receptive to being the stage of (civil) war or other types of social instability. This is largely related to the economic and political situation of a country.

All the aforementioned factors can threaten the economic and political stability of a country. In turn, these can lead to local currency devaluations, high inflation levels and negatively influence other macro-economic metrics.

### **Changes in government legislation**

- The risk of this affecting the profitability of the company in the future is expected to be minimal. Risk would only relate to future investments made under the new government legislation that are not part of this bond offer. SolarNow will assess each future project on its own financial merits at the time.
- The impact of Brexit: As of 29 March 2017, The United Kingdom will begin the process of leaving the European Union. Aside expected currency fluctuations, it's expected that this will have little impact on SolarNow's activity in Africa.

## 5b. Contractual measures to monitor the investment

The company will have to adhere to certain covenants as stated in the agreements with Lendahand Ethex Ltd. A covenant is a formal debt agreement which is put in place to protect the investor from borrowers defaulting on their obligations.

Most relevant covenants are typically represented in terms of financial ratios that must be maintained and are used often in the financial industry. A few that Lendahand Ethex Ltd maintains with its investees are the following;

- *Leverage ratio* - Companies rely on a mixture of owners' equity and debt to finance their operations. A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans), or assesses the ability of a company to meet financial obligations. Too much debt can be dangerous for a company and its investors. Uncontrolled debt levels can lead to credit downgrades or worse. On the other hand, too few debts can also raise questions
- *Debt service coverage ratio* - the Debt-Service Coverage Ratio (DSCR) is a measure of the cash flow available to pay current debt obligations. A DSCR greater than 1 means the entity – whether a person, company or government – has sufficient income to pay its current debt obligations. A DSCR less than 1 means it does not.
- *Cash coverage ratio* - this ratio assesses whether the company has sufficient levels of cash to cover
- *Unhedged currency position* - relates to what extent a company's assets and liabilities are in a foreign currency and assesses the company's vulnerability to currency fluctuations. There is a limit of foreign currency assets that a company is allowed to maintain.

Lendahand Ethex Ltd will receive quarterly KPI updates in order to monitor the company. If certain metrics deteriorate, we will engage with the company. In certain cases, we may decide to cease the funding flow. If any of the covenants are breached we may call an event of default or start a workout procedure.

The mode of investment will be a *promissory note*. A promissory note is a financial instrument containing a written promise by the issuer to pay the investor a definite sum of money, either on demand or at a specific future date. In the case of this offer, it will be spread over specific future dates. The promissory note outlines all the terms pertaining to the investment, such as the principal amount, interest rate, maturity date, date and place of issuance and the issuer's signature.

In the case the company desires to repay the loan early, there is a non-call period after which the company is allowed to repay the loan early at all times against a 2% penalty fee on the amount prepaid. In case the company sells more than 50% of its

shares, no penalty fee will apply if prepayment occurs. Hence in certain circumstances, investors will receive (part) of their investments back early (including interest to date). Such early repayment option is common in the industry and provides a company with flexibility that in the end could benefit the end clients, e.g. households in rural Africa. An investor is free to reinvest the repayment in other projects on the platform.

## 6. Terms and Conditions

Each drawdown from the credit facility will be a note issuance according to the terms & conditions as stated here in this Example Note.

### Annex I Issuance Terms UK Notes

- Issuer : SolarNow B.V.
- Underlying Project Name : "SolarNow Energise Africa – Issue 1"
- Depot ID : Subject to confirmation
- Issue Date : Subject to confirmation
- Maturity Date : 24 months after the Issue Date
- Currency : GBP
- Total Issue Amount : GBP 150,000
- Total number of Notes Issued : Subject to confirmation
- Interest Rate : 5% per annum

#### *Amortization Schedule (example)*

<b>1st Repayment Date</b>	<b>1st Principal</b>	<b>1st Interest</b>	<b>1st Total</b>	<b>2nd Repayment Date</b>	<b>2nd Principal</b>	<b>2nd Interest</b>	<b>2nd Total</b>
01/02/2018	37,500.00	3,750.00	41,250.00	01/08/2018	37,500.00	2,812.50	40,312.50
<b>3rd Repayment Date</b>	<b>3rd Principal</b>	<b>3rd Interest</b>	<b>3rd Total</b>	<b>4th Repayment Date</b>	<b>4th Principal</b>	<b>4th Interest</b>	<b>4th Total</b>
01/02/2019	37,500.00	1,875.00	39,375.00	01/08/2019	37,500.00	937.50	38,437.50

## **Annex II**

### **Restrictions on sale**

#### The United States

The Notes have not been and will not be registered under the Securities Act. Trading in the Notes has not been and will not be approved on an exchange or board of trade or otherwise by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act. The Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons at any time. The Issuer will not offer or sell the Notes at any time within the United States or to, or for the account or benefit of, U.S. persons, and it will send to each person to which it sells Notes at any time a confirmation or other notice setting forth the restrictions on offers and sales of the Notes in the United States or to, or for the account or benefit of, U.S. persons.

Each person who enters into a subscription agreement in relation to the Notes with the Issuer will agree, with respect to the Notes being purchased by it, that it will not offer, or sell the Notes within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each person to which it sells any Securities a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. In addition the Notes will be exercisable by the holder only upon certification as to non-U.S. beneficial ownership. As used in this paragraph "United States" means the United States of America, its territories or possessions, any state of the United States, the District of Columbia or any other enclave of the United States government, its agencies or instrumentalities, and "U.S. person" means (i) any person who is a U.S. person as defined in Regulation S under the Securities Act or (ii) any person or entity other than one of the following:

- (i) a natural person who is not a resident of the United States;
- (ii) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a jurisdiction other than the United States and which has its principal place of business in a jurisdiction other than the United States;
- (iii) an estate or trust, the income of which is not subject to United States income tax regardless of source;
- (iv) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided that units of participation in the entity held by U.S. persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by U.S. persons; or
- (v) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

In addition, each purchaser (or transferee) and any person directing such purchase (or transfer) will represent and warrant, or will be deemed to have represented and warranted by purchasing or otherwise holding a Security that on each day from the date on which the purchaser (or transferee) acquires the Security through and including the date on which the purchaser (or transferee) disposes of its interest in the Security, that the purchaser (or transferee) is not an "employee benefit plan" within the meaning of UK/1001958/13 - 95 - 243311/70-40108501 Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Section 406 of the ERISA, a "plan" subject to Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986 (the "Code"), a person or entity the assets of which include the assets of any such "employee benefit plan" or "plan," or a governmental plan that is subject to any law or regulation that is similar to the provisions of Section 406 of ERISA or Section 4975 of the Code.

## TERMS AND CONDITIONS UK NOTES

of

**SOLARNOW B.V.**, a private limited liability company incorporated under the laws of the Netherlands, registered with the Dutch Chamber of Commerce under number 52467074 with its registered office at Nijmegen and presently holding its offices at Nieuwe Mollenhutseweg 29, 6533HB, Nijmegen, the Netherlands (the “**Issuer**”);

### Article 1 DEFINITIONS

1.1 In these Terms and Conditions the following definitions shall have the meaning referred to below.

<b>AFM</b>	the Dutch Authority for the Financial Markets ( <i>Stichting Autoriteit Financiële Markten</i> );
<b>Annex</b>	an annex to these Terms and Conditions;
<b>Business Day</b>	any day on which banks are open for business in the place of business of the Issuer;
<b>Energise Africa</b>	an initiative where solar home systems providers can attract flexible debt funding via the Lendahand Ethex website in the United Kingdom ( <a href="http://www.lendahand.co.uk">www.lendahand.co.uk</a> );
<b>Event of Default</b>	each of the events stated in Article 7;
<b>Ethex</b>	Ethex Investment Club Ltd., a not for profit company incorporated under the laws of the United Kingdom, registered with the UK Companies House under number 07432030, with its registered office at Oxford and presently holding its offices at The Old Music Hall, 106-108 Cowley Road, Oxford, OX4 1JE, United Kingdom;
<b>FCA</b>	The Financial Conduct Authority of the United Kingdom;
<b>FSA</b>	The Dutch Financial Supervision Act ( <i>Wet op het financieel toezicht</i> )

<b>Fully Funded Notice</b>	Notice given by the Issuer to Lendahand Ethex that it accepts the funding offered via the Lendahand Ethex Website for the eligible project(s) of the Issuer and in exchange will issue the Notes in accordance with the Issuer Access Agreement upon issuance of the signed Fully Funded Notice;
<b>GBP</b>	pound sterling, the official currency of the United Kingdom;
<b>Giro Act</b>	The Dutch Securities Giro Act ( <i>Wet op het giraal effectenverkeer</i> );
<b>Information Request</b>	shall have the meaning set forth in Article 10.1;
<b>Interest Payment Date</b>	shall have the meaning set forth in Article 3.2;
<b>Issuance</b>	shall have the meaning set forth in Article 2.1;
<b>Issue Date</b>	shall have the meaning set forth in Article 3.1;
<b>Issuer</b>	<b>SolarNow B.V.</b> , a private limited liability company incorporated under the laws of the Netherlands, registered with the Dutch Chamber of Commerce under number 52467074, with its registered office at Nijmegen and presently holding its offices at Nieuwe Mollenhutseweg 29, 6533HB, Nijmegen, the Netherlands;
<b>Issuer Access Agreement</b>	The agreement concluded between the Issuer and Lendahand Ethex that allows the Issuer access to the Lendahand Ethex Website so that the Issuer can offer and issue Notes to Investors through this website;
<b>Investors</b>	the investors in the Notes;
<b>Lendahand</b>	<b>Hands-on B.V.</b> , a private limited liability company incorporated under the laws of the Netherlands, registered with the Dutch Chamber of Commerce under number 55711766 with its registered office at Amsterdam and presently holding its offices at

Conradstraat 38 - D1.150, 3013 AP Rotterdam, the Netherlands;

**Lendahand Ethex Lendahand Ethex Ltd.**, a company incorporated under the laws of the United Kingdom, registered with the UK Companies House under number 10529133, with its registered office at Oxford and presently holding its offices at The Old Music Hall, 106-108 Cowley Road, Oxford, OX4 1JE, United Kingdom. Lendahand Ethex is a 50/50 joint venture of Ethex and Lendahand that owns and operates the Lendahand Ethex Website under the campaign Energise Africa ([www.lendahand.co.uk](http://www.lendahand.co.uk));

**Lendahand Ethex Website** the internet website operated by Lendahand Ethex that allows investors to select and fund Projects by investing in the Notes ([www.lendahand.co.uk](http://www.lendahand.co.uk));

**Material Adverse Effect** means any circumstance or event which (A) has a material adverse effect for the Investor on the validity, legality or enforceability of the Notes (B) has a material adverse effect on the business, properties, assets, condition (financial or otherwise) of the Issuer, (C) impairs materially the ability of the Issuer to duly and punctually pay or perform its obligations under the Notes;

**Notes** the notes of the Issuer issued in accordance with these Terms and Conditions by the Issuer;

**Outstanding Amount** the principal amount outstanding under the Notes, which at the Issue Date is GBP 50 per Note and which principal amount may decrease over time based on early repayments in accordance with Article 4;

**Prepayment Amount** means amounts prepaid early on the Principal Amount of the Notes, as a result reducing the Principal Amount accordingly, in accordance with Article 4.2;

**Prepayment Date** shall have the meaning set forth in Article 4.2;

**Principal Amount** means GBP 50 per Note as at the Issue Date, which amount may decrease if and when the Issuer makes early Repayments on the Notes;

<b>Project</b>	the Project as set out on the Lendahand Ethex Website;
<b>Repayment</b>	shall have the meaning set forth in Article 4;
<b>Terms and Conditions</b>	the terms and conditions of the Notes as set forth herein;
<b>Voluntary Prepayment</b>	shall have the meaning set forth in Article 4.2.

- 1.2 In these Terms and Conditions, unless the context dictates otherwise, references to the singular shall include references to the plural and vice versa and references to any pronoun shall include the corresponding masculine, female or neuter.

## **Article 2 NOTE ISSUE**

- 2.1 The Issuer seeks to obtain the relevant (back-filled) funding for the Project, by issuing the Notes pursuant to these Terms and Conditions (the “**Issuance**”), the terms of which are attached hereto in **Annex I**.
- 2.2 Lendahand Ethex Ltd is an appointed representative of Enterprise Investment Partners LLP (Authorised and Regulated by the FCA, FRN 604439). It may market financial promotions and execute orders. Lendahand Ethex will place the Project on the Lendahand Ethex Website, ultimately allowing Investors to invest in the Notes.
- 2.3 The Issuer issues the Notes in accordance with these Terms and Conditions. The Investors are assumed to have taken note of and are bound by these Terms and Conditions.
- 2.4 The total amount of the offer and issue of the Notes is as stated in **Annex I**.
- 2.5 Each Note has a denomination of GBP 50.

- 2.6 The Issuer may, at its sole discretion redeem (part of) the Notes earlier by early repayment(s) in accordance with Article 4.
- 2.7 The Notes will be solely offered in the United Kingdom, or in another country of the EEA if the offer is made in accordance with the laws of such other EEA country and if Lendahand Ethex is authorised to execute orders from potential Investors in such EEA country. The Notes cannot and will not be offered in any country outside of the EEA and may not be sold or resold to Investors who are resident or citizens of other countries, such as the United States of America as set forth in **Annex II**.
- 2.8 The Notes will be held in accordance with the Giro Act where Lendahand acts as intermediary (*intermediar*) under the Giro Act. Lendahand is the holder of the collective depot (*verzameldepot*) of the Notes and the Issuer will treat Lendahand as the recordholder of the Notes.
- 2.9 In case of a sale of Notes from one Investor to another Investor, taking into account restrictions on sales, if any, the Notes will be delivered in accordance with the Giro Act and in accordance with the Lendahand Ethex Investor Terms and Conditions.
- 2.10 Notes do not give right to ownership, voting rights or meeting rights.
- 2.11 The terms and conditions of Lendahand Ethex platform for Investors contain provisions on the Notes. In case of a discrepancy between such terms and conditions and these Terms and Conditions, these Terms and Conditions will prevail insofar it concerns the Issuer and/or the Notes.

### **Article 3 INTEREST**

- 3.1 The Notes are issued by the Issuer and bear interest at the interest rate as stated in **Annex I** as from the first day of the month following the Project becoming fully funded on the Lendahand Ethex Website and such date is specified in **Annex I** hereof (the “**Issue Date**”) until and including the Maturity Date, or such earlier date on which the Principal Amount has been repaid in full.

- 3.2 For the avoidance of doubt, each Note shall bear interest as of the Issue Date, and be payable semi-annually as per the Amortization Schedule in **Annex I** ("**Interest Payment Date**").
- 3.3 Interest shall be calculated on the basis of 30 (thirty) days in a month and 360 (three hundred and sixty) days in a year. Interest is calculated on the basis of the Outstanding Amount of the Notes in such year, the first year starting as of the Issue Date.
- 3.4 Interest will be paid on the Interest Payment Date.

#### **Article 4 REPAYMENT OF THE NOTES AND PAYMENTS ON THE NOTES**

- 4.1 The Notes shall be repaid by the Issuer in accordance with the Amortization Schedule attached hereto ("**Repayment**") in **Annex I**. Repayments are semi-annual and in equal instalments.
- 4.2 The Issuer may prepay the Principal Amount, in full or in part (the "**Prepayment Amount**"), on an Interest Payment Date (the relevant Interest Payment Date hereinafter being referred to in this paragraph as the "**Prepayment Date**") (the "**Voluntary Prepayment**"). In addition to the Prepayment Amount, the Issuer shall pay to the Investors on the Prepayment Date an amount equal to the sum of: (a) interest accrued on the Prepayment Amount up to the Prepayment Date, and (b) a prepayment fee of 1.5% (one and a half percent) of the Prepayment Amount, and any legal or other fees incurred as a result of the Voluntary Prepayment or otherwise.
- 4.3 All payments made by the Issuer under the Notes shall be calculated and made in GBP only, and shall be deposited into the bank account of the payment services provider used by the Investors, as provided under the terms and conditions of Lendahand Ethex.
- 4.4 The Issuer shall, under no circumstances, have the right to suspend any payment, the right to set-off or any similar right to withhold payment.
- 4.5 Payments made by the Issuer shall be first applied to the interest due and subsequently to the Principal Amount.

- 4.6 If, at any time, the Issuer is in default in the payment of any amount of principal, interest, fees or other obligations due hereunder (whether by acceleration, at maturity or otherwise), the Issuer agrees to pay an additional interest rate of 2% (two percent) per annum above the rate set forth in Article 3.1 on the then due Principal Amount until the date on which the overdue sum is paid.

## **Article 5 TAXES**

- 5.1 All taxes charged in The Netherlands in relation to any payments made under the Notes will be paid by the Issuer.
- 5.2 All payments by the Issuer under the Notes shall be made without any deduction and free and clear of and without deduction for or on account of any taxes, except to the extent that the Issuer is required by law to make payment subject to any taxes. If any tax or amounts in respect of tax must be deducted, or any other deductions must be made, from any amounts payable or paid by the Issuer under this Agreement, the Issuer shall pay such additional amounts (*make whole*) as may be necessary to ensure that the Investors receive a net amount equal to the full amount which they would have received had payment not been made subject to tax.
- 5.3 All taxes required by law to be deducted or withheld by the Issuer from any amounts paid or payable under the Notes shall be paid by the Issuer when due and the Issuer shall, within 15 (fifteen) days of the payment being made, deliver to the Investors evidence satisfactory to the Investors (including all relevant tax receipts) that the payment has been duly remitted to the appropriate authority.
- 5.4 All costs and expenses of the Investors to be made by the Investors in order to collect payment of any amount due under the Notes, irrespective as to whether these costs are judicial or extrajudicial, shall be paid and borne by the Issuer.

## **Article 6 COVENANTS**

- 6.1 Within 180 (one hundred eighty) days after the year end, the Issuer shall publish a copy of its audited financial statements through the Lendahand Ethex Website.
- 6.2 The Issuer shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses and consents required under any applicable law to enable the Issuer lawfully to enter into and perform its obligations under the Notes and to ensure the legality, validity, enforceability or admissibility in evidence of the Notes in its jurisdiction of incorporation.
- 6.3 The Issuer shall comply in all respects with all laws to which it may be subject, except when such failure to comply would not result in a Material Adverse Effect.
- 6.4 The Issuer shall procure that no substantial change is made to the general nature of its business from that carried on at the date of the origination of the Notes.
- 6.5 The Issuer shall not undertake or permit any merger, demerger, amalgamation or corporate restructuring, which has or could reasonably be expected to have a Material Adverse Effect.
- 6.6 All costs related to the obligations of the Issuer under this Article shall be borne by the Issuer.

## **Article 7 EVENTS OF DEFAULT**

- 7.1 Each of the events as described hereunder constitutes an Event of Default on the part of the Issuer:
  - (i) the failure to pay any sum due under the Notes at the time, in the currency and in the manner required, which non-payment is not remedied within 30 (thirty) days after the due date thereof;

- (ii) a representation or warranty hereunder or repeated by the Issuer in or pursuant to these Terms and Conditions is incorrect or misleading in any material respect when made or repeated;
- (iii) the failure to duly perform any other obligation, including the covenants under Article 6, under or resulting from these Terms and Conditions, which non-performance, if capable of remedy, is not remedied within 7 (seven) days after the Investors' relevant notice to the Issuer which notice shall at all times be given by Lendahand on behalf of the Investors;
- (iv) an attachment or execution affects any assets of the Issuer and is not discharged within 14 (fourteen) days;
- (v) the Issuer under its relevant jurisdiction is declared bankrupt or is granted a moratorium or a request for bankruptcy or moratorium is filed;
- (vi) the Issuer is dissolved, a resolution for its dissolution is passed or a request for its dissolution is filed;
- (vii) the holders of the Notes exercise the Information Request and the Issuer does not provide the requested adequate information (to be determined at the sole discretion of the holders of the Notes) within 15 (fifteen) days;
- (viii) all material authorizations, approvals, licenses and consents, required or desirable to enter into and perform the obligations under the Notes and carry on the business of the Issuer, have not been obtained and/or are not or no longer effected and are effective (which shall at all times exclude any registrations or filings);
- (ix) any material debt of the Issuer in an amount exceeding GBP 100,000 (one hundred thousand pound sterling) is not paid when due nor within any originally applicable grace period, or any material debt of the Issuer in an amount exceeding GBP 100,000 (one hundred thousand pound sterling) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an Event of Default (similar as described hereunder); or

- (x) any event or circumstance occurs that, in the opinion of the Issuer, might have, directly or indirectly, a Material Adverse Effect on the Issuer's ability to perform any of its payment obligations under the Notes, which at all times is limited to a change of control situation of the Issuer or a disposal of assets in excess of GBP 100,000 (one hundred thousand pound sterling).
- 7.2 The Issuer shall, without any delay, inform the Investors through Lendahand Ethex in its capacity of intermediary, in writing if an Event of Default has occurred or is likely to occur.
- 7.3 If an Event of Default has occurred, all Notes still outstanding, together with accrued interest and all other amounts owing under the Notes, will immediately be due and payable without any notice of default or court intervention being required.

## **Article 8 REPRESENTATIONS AND WARRANTIES**

- 8.1 The Issuer explicitly represents and warrants that:
- (i) The Issuer is a company, duly organized, validly existing and in good standing under the laws of its jurisdiction. The Issuer has the power to own its assets and carry on its business substantially as it is being conducted;
  - (ii) The Notes will constitute legal, valid and binding obligations against it in accordance with its terms and will not violate any contract of the Issuer entered into prior to the issue date of the Notes;
  - (iii) The Issuer is authorized and licensed and has the capacity to fulfil its obligations under the Notes, to offer and issue the Notes;
  - (iv) No Event or Default is outstanding or likely to result from the Notes;
  - (v) The Issuer's obligations towards the Investors under the Notes, unless secured, rank senior to any company director loan and at least pari passu with the existing or future claims of all its other

unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally;

- (vi) The Issuer shall not pay or discharge (including, without limitation, by way of set-off or combination of accounts), or grant any guarantee, indemnity, bond, letter of credit or similar assurance against financial loss in support of, any indebtedness owed by it or any other person unless there is prior written consent of the Investors;
- (vii) The Issuer shall not declare or pay any dividends upon any of its stock, or purchase, redeem, retire or otherwise acquire, directly or indirectly, any shares, or make any distribution of cash, property or assets among the shareholders, if the earning before tax over the last 12 (twelve) months is negative or an Event of Default has occurred and is continuing, or would occur; and
- (viii) No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have been started or threatened against the Issuer. In any proceedings taken in its jurisdiction of incorporation in relation to the Notes, the Issuer will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

8.2 Investors will not directly approach the Issuer, but will approach Lendahand Ethex and instruct Lendahand Ethex to act on their behalf but only in accordance with the terms agreed between Lendahand Ethex and the Issuer.

8.3 The representations set out in this Article 8 shall be deemed to be given and repeated:

- (a) on the Issue Date; and
- (b) on each Interest Payment Date;

by reference to the facts and circumstances then existing.

## **Article 9 PRESCRIPTION**

- 9.1 Claims against the Issuer for payment of principal and interest in respect of the Notes will be prescribed and become void unless made within a period of 5 (five) years after the date on which such payment first becomes due.

## **Article 10 INFORMATION REQUEST**

- 10.1 Holders of the Notes have the right to proactively ask the Issuer to be provided with additional information, true and complete, regarding the repayment of any amount due under the Notes (the "**Information Request**"). The Information Request may only be exercised in the event that circumstances justify the fear of an impending Event of Default, or in the event that an Event of Default indeed has occurred. The Information Request shall at all times be carried out through Lendahand Ethex; Lendahand Ethex will pass on any information received from the Issuer to the holders of the Notes resulting from the Information Request.

- 10.2 The Information Request has to be sponsored by more than (i) 50% (fifty percent) of the Outstanding Notes and (ii) 50% (fifty percent) of the number of holders of the Notes. In the event that a holder of the Notes desires to exercise the Information Request, it will inform Lendahand Ethex. Lendahand Ethex will inform Lendahand (Hands-on B.V.) as holder of the collective depot (*verzameldepot*) thereof. Lendahand (Hands-on B.V.) will then inform all holders of the Notes accordingly and ask them to vote in order to ensure that the aforesaid quorum is achieved. Lendahand (Hands-on B.V.) will collect the votes and will inform the holders of the Notes and the Issuer if the Information Request can be exercised. If so, any information shall be distributed to all holders of the Notes.

## **Article 11 SECURITY**

- 11.1 The Notes are unsecured.

## **Article 12 MISCELLANEOUS**

## 12.1 Evidence

Subject to evidence to the contrary, the records of Lendahand (Hands-on B.V.) in respect of the Notes as holder of the collective depot (*verzameldepot*) will constitute conclusive evidence of the existence and amounts of any of the obligations of the Issuer under the Notes.

## 12.2 Notifications

a. All notices and other communications relating to the Notes shall be sent to the following addresses:

(i) For Investors:

Lendahand Ethex Ltd.  
The Old Music Hall  
106-108 Cowley Road  
Oxford  
OX4 1JE  
United Kingdom

Email address: [info@lendahand.co.uk](mailto:info@lendahand.co.uk)

(ii) For Issuer:

SolarNow B.V.  
Nieuwe Mollenhutseweg 29  
6533 HB Nijmegen  
the Netherlands

or to such address as stipulated in these Terms and Conditions or as the Issuer or Lendahand Ethex may specify, by registered mail with acknowledgement of receipt, by courier, or by e-mail.

b. Notices and other communications sent as outlined below shall be deemed to have been received by the addressee at the following times:

(i) if delivered by a courier service: at the time the communication is delivered to the addressee by the courier;

(ii) if sent by registered post: on the day specified on the receipt report;

- (ii) if sent by e-mail: on the day specified on the corresponding receipt report.

### **12.3 Invalidity of Provisions**

In the event that any provision of the Notes appears to be non-binding, the other provisions of the Notes will continue to be effective. The Issuer is obliged to replace the non-binding provision with another provision that is binding, in such manner that the new provision differs as little as possible from the non-binding provision, taking into account the object and the purpose of the Notes.

- 12.4 The signed Fully Funded Notice shall form an integral part of the Notes and receipt of the duly signed and executed Fully Funded Notice by Lendahand Ethex will constitute the issuance of the Notes in accordance with the Terms and Conditions thereof.

### **Article 13 JURISDICTION AND CHOICE OF LAW**

- 13.1 The Notes and the Terms and Conditions of the Notes are exclusively governed by the law of England and Wales and they are subject to the exclusive jurisdiction of the courts of England and Wales.

# Appendix

## A.1 - INRiSC Credit Analysis Review

# **INRiSC**

**CREDIT ANALYSIS REVIEW – FINAL**

**Version\_final\_D07**

**January 9, 2017**

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## **1. Introduction**

This memorandum concerns the high-level credit analysis in connection to Lendahand's (the 'Client') potential loan to SolarNow B.V. (SolarNow). The scope of the review is limited to a general review of the credit-related risks in association with the issuer (SolarNow) and the potential issue (the note request). This memorandum does not intend to provide any advice regarding a potential investment in the request under review. Client should make its own considerations and investigations regarding any investment or any offering thereof made to its customers and clients as intended. No rights can be derived from the use of this document. We note that, apart from credit risks, various other aspects might be relevant when considering an investment, e.g. (local) market circumstances, technology risk, country risk, etcetera. The analyses of such other aspects are excluded from this review. Any comments made on such aspects should be seen in conjunction with credit-related analyses and have no value of their own, nor intend to indicate any deeper analyses of such underlying aspects. Information used in this review is limited (as referenced in Appendix A.1). No due diligence or verification of information received has been made. INRiSC has no further interest in the issuer (SolarNow) or the notes issued. INRiSC is not supervised by any regulatory body.

## **2. Notes issuance & summary**

The request concerns:

- senior ranking, covenanted, EUR 1,000,000 facility, the first drawdown amounts EUR 150,000, each note has a maturity of 2 years, with semi-annual, linear repayments;
- Borrower is SolarNow, a limited liability company (besloten vennootschap) based in the Netherlands, with activities in the installation and servicing of solar panels and electrical appliances in East-Africa, momentarily Uganda and in the future Kenya;
- Financing for working capital purposes; the financing of stock and bridging cash flow until a new equity financing round is concluded.

RISK ANALYSIS OVERVIEW	
Positive aspects	Negative aspects
<b>Company</b>	
Experienced and balanced management team	Relevant business activities in foreign countries (which is however part of the typical investment opportunity).
Successful track record in attracting outside money	Scale-up; dependent on large new equity investments EUR 8m in next 2 years
Knowledge of local circumstances (socio-economic & regulation)	
Established network of (N)GO's and investors	
<b>Business</b>	
Large (untapped) market for sustainable (energy) solutions	Country risks in Uganda and Kenya
Straightforward supply chain, no dependencies on single suppliers	Low barriers to entry, better funded competitors active in the same market, albeit with smaller volumes
Large distribution network in place	
<b>Product</b>	
Decentralized off-grid solar utilities	Limited collateral value (first 1/3 of payment plan period asset value below outstanding lease amount)
Additional sales from ancillary products	
<b>Financials</b>	
Separate SPV offers lower financing costs	Change in accounting methods resulted in corrections
Payment behavior of the customer is well understood	FX-risks that are momentarily not hedged
Adequate provisioning for unearned income/ interest	
<b>Facility/ Notes</b>	
Short term to maturity (2 yrs. with semi-annual repayments)	Dependent on new equity rounds
<b>Loan Structure</b>	
Senior ranking	Unsecured

SolarNow will use the note issuance for stock purchases and as a bridge to gap negative cash flow operations until the upcoming fundraising round is concluded. Due to the split in the operating company most of the credit risk to customers is 'contained' in a separate financing SPV that provides vendor leases. The operating company, SNUG has negative cash flows and continuous financing is needed to break-even. FX-risks can have large impact on the profitability of the company and the ability to repay the loan to Lendahand. The payment behavior and creditworthiness of the customers are important variables for the financing SPV, but will not immediately affect the notes. The notes are not directly exposed to credit risk arising from the vendor leases in the SPV. Debt service capacity of SolarNow is however affected by margins that remain within SNUG, the operating company, or SAFi SPV, the financing vehicle. SNUG does not show positive operating cash flow, indicating further funding is needed to sustain the company and limited intrinsic debt service ability.

### 3. The Borrower

#### 3.1. The company

The company, SolarNow BV, is a Dutch based holding company with operational companies in Uganda and Kenya that sells and services solar panels and electrical appliances. Operations started in Uganda in May 2011 after recognizing the potential of Uganda to develop a scalable commercial business. The founders build on seven years of experience with the Rural Energy Foundation, training rural entrepreneurs to develop solar energy enterprises. After Uganda, Kenya is seen as a suitable, perhaps even easier, market to establish a new sales network. Sales in Kenya are planned to start in 2017. SolarNow sells quality solar systems combined with an in-

house finance program through a wholly owned branch network. The target group are rural customers and businesses. Compared to competitors on the market, SolarNow offers a product differentiated by quality, more upgrade variety's supporting more appliances and a 60 month service/ warranty.

The company structure is shown in Appendix A.3. Basically SolarNow comprises of local operating companies with each a local financing vehicle. The Dutch Holding company is 100% owner of all the subsidiaries. The SolarNow servicing company in Uganda (SNUG) is where the operational activities take place; mainly sales, installation and after-sales servicing. All the direct cash sales to customers are handled by SNUG. The Financial Company has no activities, it is a transaction vehicle for all the loan payments and basically merely serves as a bank account for customer payments. The SolarNow SPV (SAFI) is holder of the vendor lease portfolio. If the customer uses a 'Payplan' (estimated at 70% of total customers) the SPV will buy the product from SNUG and sell it to the customer and will be the beneficiary of the proceeds through lease payments. SNUG handles the installation and after-sales servicing. According to research procured by SolarNow from a third party, Lendable, the delinquency rates are manageable. Customer credit risk is managed via customer selection processes, but are subject to macro-economic effects. In Kenya the corporate structure is a mirror of the structure in Uganda.

### 3.2. Management

The Board of Directors reflect an international track record in microfinance, engineering with a focus on renewable energy and consumer products in emerging countries. The holding company is based in the Netherlands whereas management, operations, sales and marketing is concentrated in Africa. In the supervisory board of SolarNow there are active shareholders present with experience in investing in the region and the industry.

We have interviewed management, Mr. Nolens (CEO). Mr Nolens shows thorough knowledge of the business and the direction it needs to take, local environment, significant micro-finance experience and a good sense of the "umwelt" related to emerging market energy solutions.

### 3.3. Credit history Borrower

The company was founded in 2011, management has been working together since 2009. There is a relevant three year track record of historical figures. The company has attracted credit since 2012 and there is no indication it has had difficulties repaying their creditors up till now.

## 4. Business analysis

The key business activities are concentrated around the sales and after-sales of PV-panels batteries and appliances. PV-panels and appliances are purchased from suppliers located mainly in China. SolarNow offers a payment plan (payplan) to grant a larger customer base access to energy. Key business driver of SolarNow is the sales of an off-grid solar solution, either with or without a payment plan. Around

30% of sales are direct sales, the other 70% of sales go through the payment plan. SolarNow benefits from a strong base of mobile banking technology and subsequent supportive infrastructure to consumer credit activities in Africa. It is noted that there is considerable country risk on Uganda; changing (tax) regulations and slow economic developments create uncertainty around the business climate. Kenya has slightly better economic environment, yet is more bipolar in differences between rural and urban areas.

Initially, the branches of the dealer network were managed as franchises, but resulted in lower productivity levels, due to the larger 'distance' between SolarNow and the dealer network. Initially, SolarNow used franchises for its distribution, but due to low productivity level and control, management changed this into a branch model. In the second quarter of 2016, management started streamlining the branches, dismissing unproductive staff and standardizing daily work plans, optimization of distribution and implementing controls and targets for all field staff. The company is slowly decentralizing credit management to promote flexibility (tailor made solutions) and realize more customer intimacy. These changes resulted in a productivity and revenue increase in the same year.

In order to finance working capital, the company has to attract outside funds. The financing SPV SAFI, established in 2016 with the expertise and direct financing of SunFunder, was primarily done to gain access to capital at a lower financing cost. By separating the lease portfolio, its cash flows and the underlying assets, a secured and ringfenced financing vehicle is created. This technique is seen more often in asset based finance and the company utilizes this technique to its advantage. It also helps to shorten the cash cycle in the operating company SNUG and mitigate part of the credit risk in SNUG and SolarNow BV. This is favorable to financiers at that level of the company. However, on the other hand, most of the tangible collateral of the company is 'off limits' to other financiers as these are pledged to the financiers of the SPV.

SolarNow seems to be effective in terms of credit management. Here the micro-finance experience of management pays off. Credit assessments are made of each customer by the sales staff by means of e.g. debt to income ratios; lease payments cannot exceed half of the free disposable income of a family in a bad month. The credit assessment also takes into consideration six community references that need to vouch for the borrower. As seen more often in micro-finance, social surveillance by the community in which the applicant lives serves as a strong incentive to ensure repayment. Payment reminders are sent automatically via text messages. If repeatedly no payment arrives, SolarNow will start making calls and seeks social workouts if such case arises. Low customer satisfaction results in higher percentage of delinquent customers. SolarNow therefore offers appropriate financing solutions from the start with focus on after-sales. This strategy resulted in maintaining fairly low delinquencies and losses.

## 5. Financial analysis Borrower

INRiSC reviewed the consolidated annual accounts 2012 until 2015. In this period revenues have risen steadily with an operating profit margin that is line with industry averages of the green & renewable energy companies in emerging markets and substantially higher than that of a distributing company. SolarNow is operating at net losses and negative cash flow. But it did grow their asset base in the form of vendor leases considerably. The historical financials indicate a rather large indebtedness (as may be expected) relative to the company's capital and operating cash flow. The company relies heavily on funding and capital infusions to sustain cash flows. This is also reflected in the projected ratios.

The consolidated projections are based a financial model provided as is by SolarNow. The projections include SolarNow BV in the Netherlands and the two branches in Uganda and Kenya. Both branches consist of an Operational Company, Financial Company and Portfolio SPV which holds the loan portfolios. The projections are based on the sales of said goods in Uganda and Kenya and includes the loan portfolio profits. INRiSC was able to obtain a good overview of the financials of the company going forward, including intercompany relations. Please note that INRiSC did not test the reality of the projections in terms of market share captured, underlying price levels, costs related to the realization of the product or its components. Nor

Key financial ratios, projected, excluding notes issuance				
	2016	2017	2018	2019
Current ratio	3,13	6,96	8,97	7,15
Total debt/EBITDA	Neg	10,75	2,83	1,61
Gearing	10,81	2,12	0,93	0,75
Interest cover ratio	-1,71	0,89	3,13	5,57
Debt service cover ratio	-1,71	0,89	3,13	5,57
cash cover ratio	15,6	20,5	22,3	20,9

did we test for consumer payment behavior, payment terms or consumer default rates and loan losses for Uganda or Kenya.

### 5.1. Liquidity

Cash coverage in SolarNow BV is dependent on sales and collections plus new equity fundraising. Both the quick and current Ratio are sufficient in a consolidated analysis going forward. According to the projections the company will keep sufficient cash in hand to service its debts. The intercompany payables are supplementary to this liquidity position. Liquidity is particularly realized through new infusions of debt and capital.

### 5.2. Solvency

Historically solvency was low due to high indebtedness on a consolidated basis. That indebtedness is primarily concentrated in the SAFI SPV. Nevertheless, on a

consolidated level considerable cash infusion is required to be maintained to keep pace with the funding requirements. Solvency will improve moving forward and is primarily the result of capital infusions. Gearing reduces accordingly. Due to strong sales projections Debt/ EBITDA decreases significantly.

### 5.3. Cash flow analysis Borrower

Cash flows have been negative historically. This is the case already on operating cash flow level. Until SNUG becomes cash flow positive, or break-even for that matter, there is an imminent need for external financing. The company is currently seeking to bridge cash flows until a new equity financing round is concluded. This cash flow pattern and fund need is customary for the current growth stage of the company. The company however needs to move to an operating cash flow neutral situation in order to become sustainable. The projections show positive operating cash flows as of 2018. At that point the company will become less dependent on external financing.

SolarNow has an extensive network among governmental organizations and NGO's. Supplemental financing from NGOs is an important form of funding in this stage. For instance the company attracted a EUR 2m grant from the Dutch embassy of Uganda which is used to subsidize customers. Apart from NGO's SolarNow has proved to be able to yield interest from and contract funding in a wide range of investors. This is imperative to meet the short term financing needs of the company, including debt servicing.

## 6. Collateral analysis

The notes will be unsecured. A large part of the tangible assets in the company are pledged to financiers (SunFunder in the SPV, local banks in the operating company). SolarNow BV has stock which represents a value of around EUR 1m, according to the annual account of 2015.

## 7. Risk analysis

The proceeds of the notes issuance by SolarNow BV is used to purchase stock and support working capital financing needs in the operating company SNUG. Due to the structure of the company credit risk is mainly concentrated in the SAFI SPV. The financial risks in SAFI SPV are ring-fenced. Cash flows streaming up to SNUG are rather secure. Realized sales in SAFI via vendor leases are financed by the financier of the SPV. Currently however a larger part of the margins in the company are trapped in SAFI. This is disadvantageous to the financing of SolarNow BV as less cash is available for debt servicing. Excess liquidity in the SPV can however be disbursed to SolarNow BV improving its debt service capabilities when financing covenants on SAFI debt permit it. As such the notes are mainly exposed to operating risk in SNUG (local operations) and SolarNow BV (procurement entity).

Debt service of the notes in SolarNow BV depends largely on upstreaming of cash to SolarNow BV (mainly the result of direct sales to SNUG). SNUG's and SolarNow

BV's liquidity are in part highly dependable on the success of future fundraising rounds at this stage. Until the company realizes an operating cash flow neutral situation, there is no sustainable situation going forward and the company will remain dependent on further financing. When the company is able to improve its operating cash flows, together with the use of financing SPVs that should make a sustainable company. The company reaches positive cash flow from operations in 2018. Due to the investments needed to support growth, the financing need however is considerable. Cash flows before external funding are negative for the projected years up to 2019. Total external funding required exceeds USD 16 million for the projected period.

SolarNow business activities inherently has to deal with FOREX risk. This risk is exacerbated by the fact that there lies an exposure on both USD (suppliers) and the EUR (loan) and local currency. SolarNow is examining different routes for mitigating these risk, by for example attracting funds in local currency. In the future a local currency financed SPV could offer a natural hedge against FOREX exposure. At the moment however noteholders are exposed to FOREX risk.

The notes have priority over other liabilities in SolarNow BV, but rank below local financing (banks in SNUG, and SunFunder in SAFI SPV). The assets in stock in SolarNow give support to the servicing of the notes, by means of realized sales thereof. No claim can be made against them. The notes are therefore deemed structurally subordinated even though being senior ranking in SolarNow BV and depend on available cash flow in SolarNow BV for debt servicing, which mainly comes from new capital infusions and debt financing.

## **A. Appendices of INRiSC report**

### A.1. Information used

The information used in this analysis were obtained from Client and include:

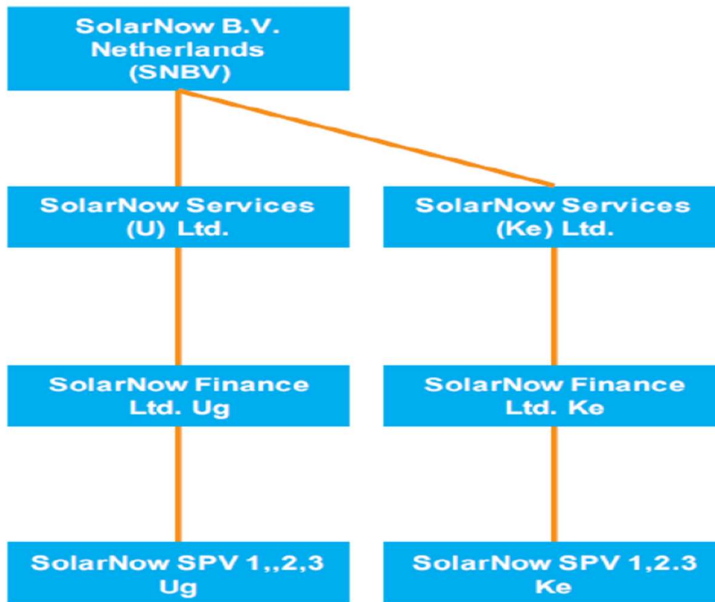
- Business presentation;
- Annual accounts 2013- 2015;
- Projections Solar BV, SNUG, SAFI and consolidated 2016-20121;
- Term sheet notes Lendahand;
- Finance agreement SAFI;

- Finance agreements SNUG;
- Interview conducted between management Mr Nolens (CEO) and INRiSC.

#### A.2. Concept term sheet

<i>Item</i>	<i>Characteristic</i>	<i>Quick Assessment</i>
<i>Borrower</i>	SolarNow B.V.	Dutch borrower with finance docs under Dutch law
<i>Type</i>	Unsecured Notes	Purpose: working capital financing
<i>Start Date</i>	Not known yet at time of analysis	
<i>Maturity</i>	2 Years	At final maturity an extension option can be discussed between parties (with potential increase in principal)
<i>Currency</i>	Euro	See hedging below
<i>Initial Amount</i>	EUR 1,000,000	Utilization of EUR 100,000 tranches min. and EUR 250,000 max. Each note has a maturity of 2 years.
<i>Interest and repayment</i>	Semi-annual	Semi-annual repayment reduced lender's risk. Repayment of older note issuance may occur with new drawdowns (only during availability period).
<i>Interest rate</i>	Not known yet at time of analysis	Will be fixed interest rate, no hedging requirements
<i>Rank</i>	Senior, pari passu	Ranks senior to debt in SolarNow B.V. Notes are however structurally subordinated to local (senior) debt at the level of SNUG and SAFI.
<i>Security interests</i>	None	Cash flow financing, only coverage from cash flow, Negative pledge protects assets for encumbrance by potential other lenders.
<i>Solvency ratio</i>	Required to be at least 35%	(Total Equity) / (Total Assets)
<i>Cash reserve</i>	Cash/ 3 month debt service amount = 1.0	(Cash) / (Principal & Interest Payments next 3 months) shall be 100% or higher.
<i>DSCR</i>	EBIT / debt service amount = 1.50	(Earnings Before Interest & Tax last 12 months) / (Principal + Interest Payments next 12 months) > 1.5
<i>Cash flow coverage ratio</i>	Operating cash flow / debt service amount is required to be at least 1.50	(Operating Cash Flow) / (Principal + Interest Payments next 12 months) > 1.5
<i>Governing law</i>	Dutch law for the documentation	
<i>FX position</i>	Unhedged currency position will remain between -25/ +25% of total equity and foreign currency provision at any time	(Total Foreign Currency Assets – Foreign currency Liabilities) / (Total Equity + FX Provision)

A.3. SolarNow legal structure



## B.1 - INRiSC Credit Analysis review update

# INRiSC

### **CREDIT ANALYSIS REVIEW UPDATE**

**Update to review: Version\_final\_D07 dated  
January 9, 2017**

**February 14, 2017**

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## 1. Note to the Recipient

This review provides an update to the initial credit review of SolarNow made January 9, 2017. In this review update INRiSC re-evaluates the risk profile of SolarNow given recent notes issuance. As such INRiSC has re-evaluated the financial ratios in relation to said recent issuance. The company has since the last review, issued additional EUR 570,000 in debt and is looking for a new notes issuance in Great-Britain Pounds (GBP) 500,000 (issued in the UK).

This analysis is a review update and should be read in conjunction with the initial review on SolarNow. Please refer to the initial review for further elaboration on the overall risk profile of SolarNow.

## 2. Financial analysis Borrower

The review update is based on the financial projections used in the initial review. There is no update for these projections available, and it is therefore assumed that the projections are unchanged. For this review update INRiSC incorporated the newly issued notes in the Netherlands by SolarNow in the past month, as communicated to INRiSC by Lendahand.

SolarNow has issued EUR 570,000 in two-year notes to be repaid semi-annually. The new ratio table (table 2) is an update of the table in the initial review which has been included here for comparison. The new ratios reflect SolarNow's new debt service ability. The notes issuance of the EUR 570,000 has had no significantly

Key financial ratios, projected, excluding notes issuance				
	2016	2017	2018	2019
Current ratio	3,13	6,96	8,97	7,15
Total debt/EBITDA	Neg	10,75	2,83	1,61
Gearing	10,81	2,12	0,93	0,75
Interest cover ratio	-1,71	0,89	3,13	5,57
Debt service cover ratio	-1,71	0,89	3,13	5,57
cash cover ratio	15,6	20,5	22,3	20,9

impact on SolarNow's ratios.

*Table 1: initial review*

If compared with the original report the ratios are relatively stable. This indicates that the size of the debt relative to both the (projected) total asset value of SolarNow and EBITDA is relatively small. The company has more or less the same level of debt service ability compared to the old situation. With the new debt incorporated in the model the current ratio will slightly drop due to the portions due within one

Key financial ratios, projected, including EUR 570,000 notes issuance			
	2017	2018	2019
Current ratio	5,83	6,90	6,83
Total debt/EBITDA	11,33	2,95	1,62
Gearing	2,24	0,97	0,75
Interest cover ratio	0,85	3,07	5,56
Debt service cover ratio	0,85	3,07	5,56
cash cover ratio	21,6	23,5	21,0

year related to the recent notes issuance.

### *Table 2: review update*

The intended notes issuance in the UK amounts to GBP 500,000 (EUR 588,000). It is assumed that the conditions of the GBP notes issuance are similar to those in the Netherlands. The issuance in GBP creates another currency to manage vis-a-vis the local currency and USD in the operations and loan servicing in GBP and EUR.

## 2.1. Liquidity

The low ICR and DSCR in 2017 poses some concern with regard to further issuance of debt as current debt can hardly be serviced from current cash flows. However, cash coverage ratio is significant and will remain so considering the considerable debt issuance and new equity fundraising. According to the projections the company will keep sufficient cash in hand to service its debts. The current ratio can be considered as sufficient in a consolidated analysis going forward.

The interest coverage and debt service cover ratio will slightly drop in comparison with the initial review. The debt service and interest cover ratios for the year 2017 can be considered rather low and improves with projected growth in EBIT and increase with the strong increase in EBIT(DA). Please note that this analysis is completely based on projections, SolarNow will need to prove it can fulfill its promise. This will greatly determine the actual results and debt service ability over time.

## 2.2. Solvency

Historically solvency was low due to high indebtedness on a consolidated basis. The gearing ratio will rise slightly, but overall the balance sheet of SolarNow absorbs the new notes issuance without great difficulty. This holds also true in the case of a GBP note issuance. Debt/ EBITDA still decreases significantly in the medium term horizon as sales figures pick up.

## **For more information**

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Reference may also be made to the Financial Ombudsman Service at Exchange Tower, London E14 9SR or by visiting [www.financialombudsman.org.uk](http://www.financialombudsman.org.uk)

If you wish to invest online, please visit [www.lendahand.co.uk](http://www.lendahand.co.uk)

Please call or email [info@lendahand.co.uk](mailto:info@lendahand.co.uk) if you have any questions with regard to investing in this bond.

This offer was document made in conjunction with Ethex, Hands-on BV, Lendahand Ethex Ltd. and the company.

