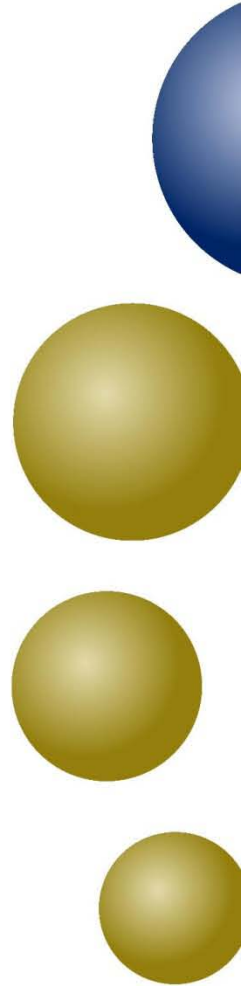


INTRODUCTION TO THE KwaZulu-Natal Growth Fund (KGF)



Contents

- Purpose of the presentation
- Introduction
- Guiding Principles
- KGF Overall structure
- Funding Sources
- Fund Governance
- Trustees
- Security Structure
- KGF Fund Manager
- Fund Manager Governance
- Target Sectors
- Criteria and Success Factors
- Contact Details

Purpose of this Presentation

- Providing information to on KGF Growth Fund
 - The principal business of the Fund
 - Guiding principles of the Fund
 - KGF structure
 - The Fund Manager
 - Target investment focus
 - Senior Debt and Mezzanine Debt to be issued

Introduction

- The KZN Growth Fund has been set up to enable the KZN Government to enhance economic growth and accelerate socio-economic development within the Province
- The principal business of the KZN Growth Fund is to “invest in and manage a well-diversified portfolio of infrastructure project finance related investments”
- The KZN Growth fund is capitalised via a Capital Contribution (KZN Government via Ithala), and the issue of Senior and Mezzanine Debt (private sector investors and DFIs)
- The terms of the Capital Contribution and the Debt to be issued by the KZN Growth Fund provides for a staggered quarterly draw-down, based on disbursement schedule
- Draw-down of funding takes place in proportion
 - 33.3% Capital Contribution
 - 16.7% Mezzanine
 - 50% Senior

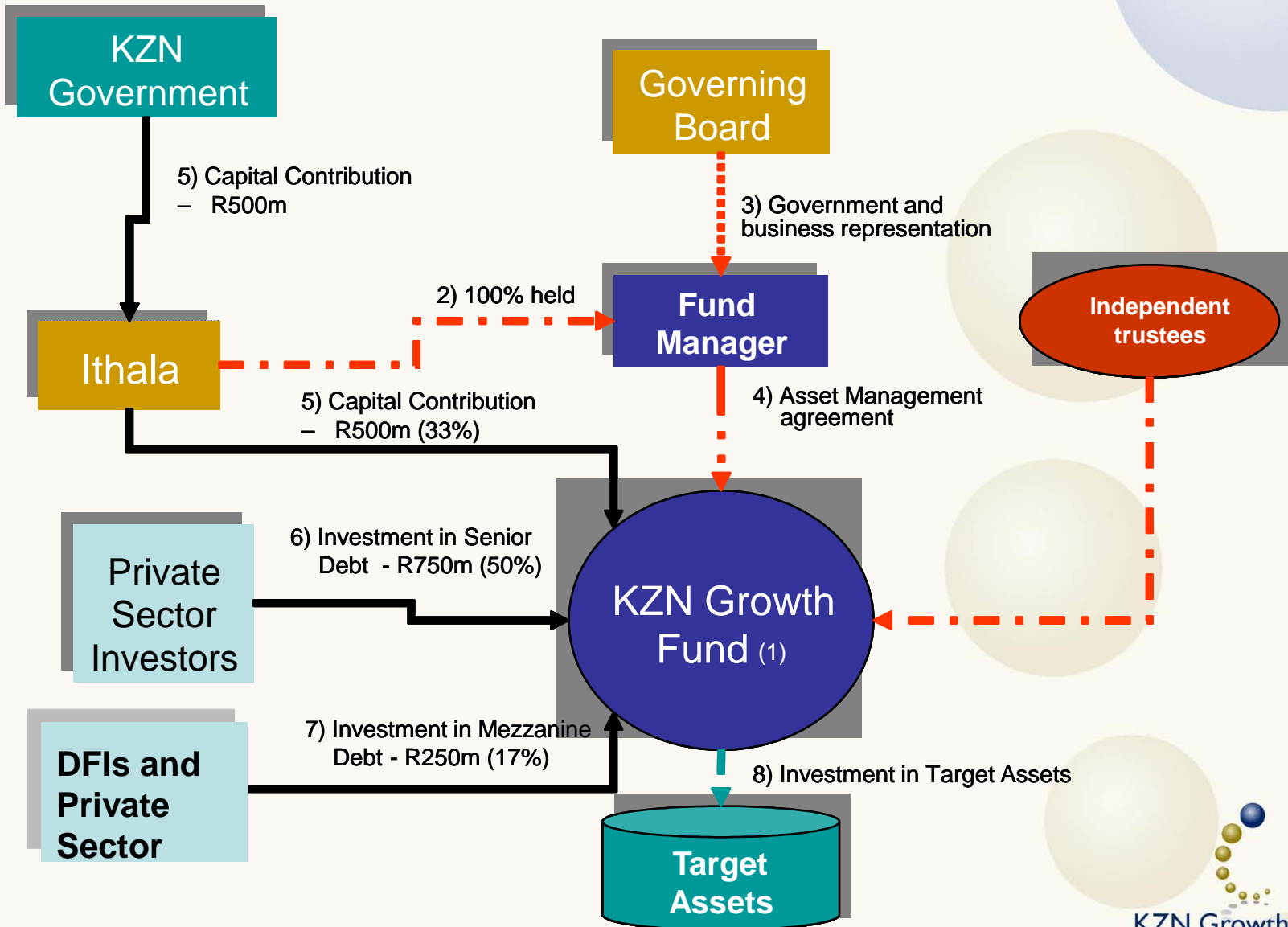
Introduction Cont.

- The Fund will focus on debt funding for transformational infrastructure and commercial projects
- Empowerment Financing
 - “provision of finance for or investment in “Targeted Investments”, being debt financing of, or other form of credit extension to, or equity investment in South African projects in areas where gaps or backlogs in economic development and job creation have not been adequately addressed by financial institutions” – FSC
- Mezzanine Debt and Senior Debt will qualify for Empowerment Financing under the FSC
- The Growth Fund framework complies with the requirements of lenders, providing a satisfactory framework from a compliance, structural, security and credit quality point of view.

Guiding Principles

- Manage the Fund to be sustainable over time
- Projects with lower IRRs and higher risks, provided they are commercially viable (strict Investment Committee guidelines to balance these objectives)
- Maximize 'gearing-in' capacity of each project – the more private sector funding for a project, the better
- Comply with sector priorities outlined in Provincial Growth and Development Strategy
- Prioritize projects that are ready for implementation in the short term
- Support for creating an enabling environment for economic activities that are:
 - job creating
 - welfare enhancing
 - lead to sustainable industries

KGF Overall Structure



Funding Sources

- **Capital Contribution:**
 - R500 million seed capital by KZN Government
 - Ranks behind the Mezzanine Debt and Senior Debt
 - 5% return

- **Mezzanine Secured Debt**
 - R 250 million Mezzanine Secured Debt
 - Rank behind the Senior Debt
 - 15 year term
 - Interest rate to be negotiated, may be fixed or floating

- **Senior Secured Debt:**
 - R750 Million Senior Secured Debt
 - and/or R250 Mezzanine Debt
 - Ranks above Mezzanine and Capital Contribution
 - 15 year term
 - Interest rate to be negotiated, may be fixed or floating

Fund Governance

- The KGF set up as a vesting trust with:
 - No employees
 - No other business than as stated in the Principal Business of the Fund
 - Controlled by independent trustees

- Independent from the KZN Government

- 5 Trustees bind themselves as initial Trustees to the Trust Deed together with the Donor:
 - 2 Trustees - KZN government
 - 3 independent Trustees

KGF Trustees

- Responsible for the strategic direction of the Fund
- Growth Fund Trustees will exercise a supervisory role over the Fund Manager
- The Trust deed governs the powers of the Trustees in order to undertake the business of the Fund
- The powers of the Trustees:
 - Documented in the Trust Deed, and
 - Limited to the Principal Business of the KZN Growth Fund

Security Structure

- The Growth Fund Security Company is established to hold all securities on behalf of all Secured Creditors of the KZN Growth Fund
- The Growth Fund Security Company provides Guarantees to all Secured Creditors
- KZN Growth Fund Provides an Indemnity to the Growth Fund Security Company in terms of the obligations of the Fund
- KZN Growth Fund provides a Cession of the Target Assets and bank accounts held, as security for the indemnity provided to the Growth Fund Security Company

KGF Fund Manager

- The Fund Manager is :
 - the operational fund management company
 - a subsidiary of Ithala Development Finance Corporation Limited (“Ithala”)
 - supported by Development Bank of South Africa (“DBSA”)

- Vision:
 - To become the pre-eminent transformational infrastructure project finance debt fund manager in the KZN Province

- Principal mission statement:
 - establish itself as a business that enhances economic growth and accelerates socio-economic development in the KZN Province, embodies and supports the spirit and principles of broad based BEE transformation and development within the South African business environment.

- Responsibilities include:
 - Deal Origination and Transaction Management
 - Portfolio management
 - Credit and Risk Management

KGF Fund Manager Cont.

■ KPIs

- Operating Performance and Efficiency
- Sustainability
- Investment
- Employment Equity
- Development Impact
- Job Creation
- Black Economic Empowerment
- Eradicating Sectoral Crowding-in factor

■ Fee structure

- Provincial Government shall cover all projected operating costs as Fund ramps up
- When the asset base is sufficient, a 2% asset management fee will be charged by the Fund Manager to the Growth Fund

■ Success is dependent upon

- A credible and sustainable empowerment business model,
- initial and ongoing support of the KZN Government and all relevant investors; and
- staff retention and development.

Fund Manager Governance

- Governing Board
- Investment Committee
- Audit and Risk Committee
- HR and Remuneration Committee

Target Sectors

- Tourism-based development projects:
 - KZN Province's comparative advantage lies in its tourism sector
 - labour-intensive; increases at a fast pace; high value-add sector worldwide

- Bulk Water Provision Programmes and Projects:
 - Provide water access to vast number of communities within KZN Province
 - Fund seeks to invest in water provision as long it is 'bulk infrastructure'

- Transportation and logistics:
 - Facilitate a favourable environment for industrial and economic competitiveness

- Sector-specific infrastructure projects:
 - to expand scope or enable new investment in a particular industry
 - existing automotive or clothing-textile industries; or consider sectors such as agri-industry activities, bio-diesel, ICT

Criteria & Success Factors

- The Fund mandate objectives as set out by the KGF Trustees and its sector priorities will guide the detailed Project Selection Criteria.

- The three overriding criteria:
 - Contribution to the BEE within the KZN Province
 - Job creation in the KZN Province
 - Contribution to the KZN Province's growth and diversification

- Investment Process
 - Project Origination (submission of application)
 - Initial Screening Review (initial approval)
 - Final Investment Application
 - Investment Committee (final approval)
 - Loan Agreement & Disbursement
 - After - Care

- Success Factors:
 - Meeting the KPIs established for Fund and the Fund Manager
 - Capacity to rapidly build a diverse portfolio of performing Target Assets which fund socially positive projects and businesses
 - Reporting timeously and accurately to the Trustees and other role players

Contact Details

Dominic Du Plessis

Chief Executive Officer

Tel: +27 31 304-1116

Fax: +27 31 304-2547

Mobile: +27 82 852 1004

Dominic.duplessis@kzngrowthfund.co.za

Physical Address

15th Floor
303 Smith Street
Nedbank Building
Durban
4000

Website: www.kzngrowthfund.co.za

Vuyi Hlabangane

Chief Investment Officer

Tel: +27 31 304-1116

Fax: +27 31 304-2547 (f)

Mobile: +27-82-554-5513

Vuyi.hlabangane@kzngrowthfund.co.za

Physical Address

15th Floor
303 Smith Street
Nedbank Building
Durban
4000

Siyabonga Zulu

Project Investment Officer

Tel: +27 31 304-1116

Fax: +27 31 304-2547

Mobile: +27-79-510-8450

Siyabonga.zulu@kzngrowthfund.co.za

Physical Address

15th Floor
303 Smith Street
Nedbank Building
Durban
4000

THANK YOU

