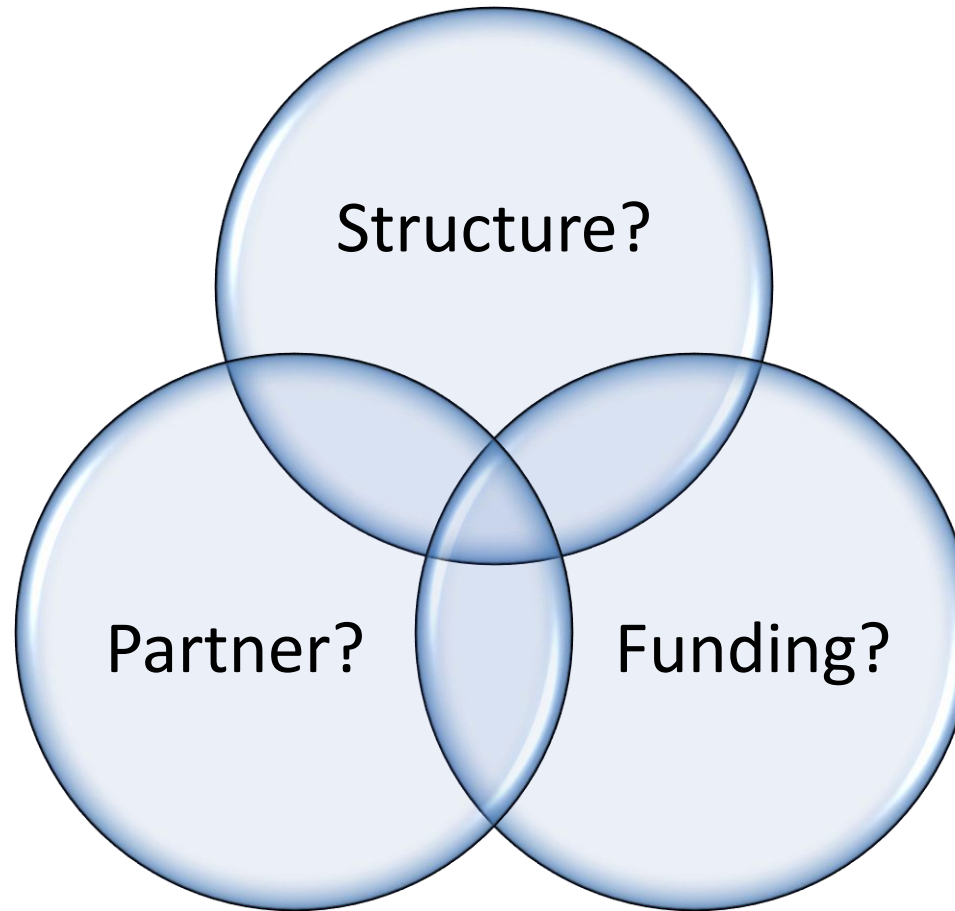




B-BBEE Equity Ownership Net Value

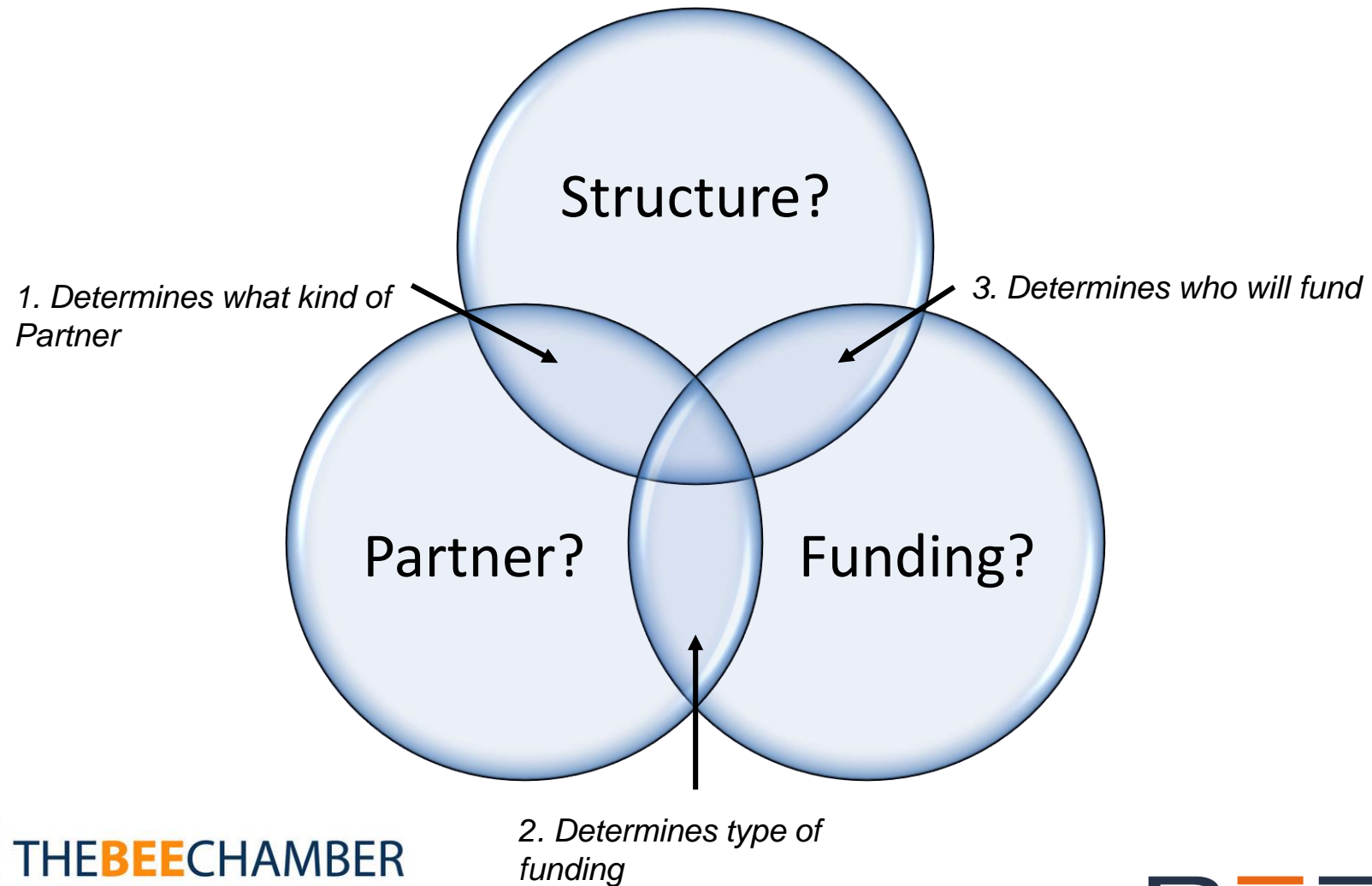
Ownership Questions?



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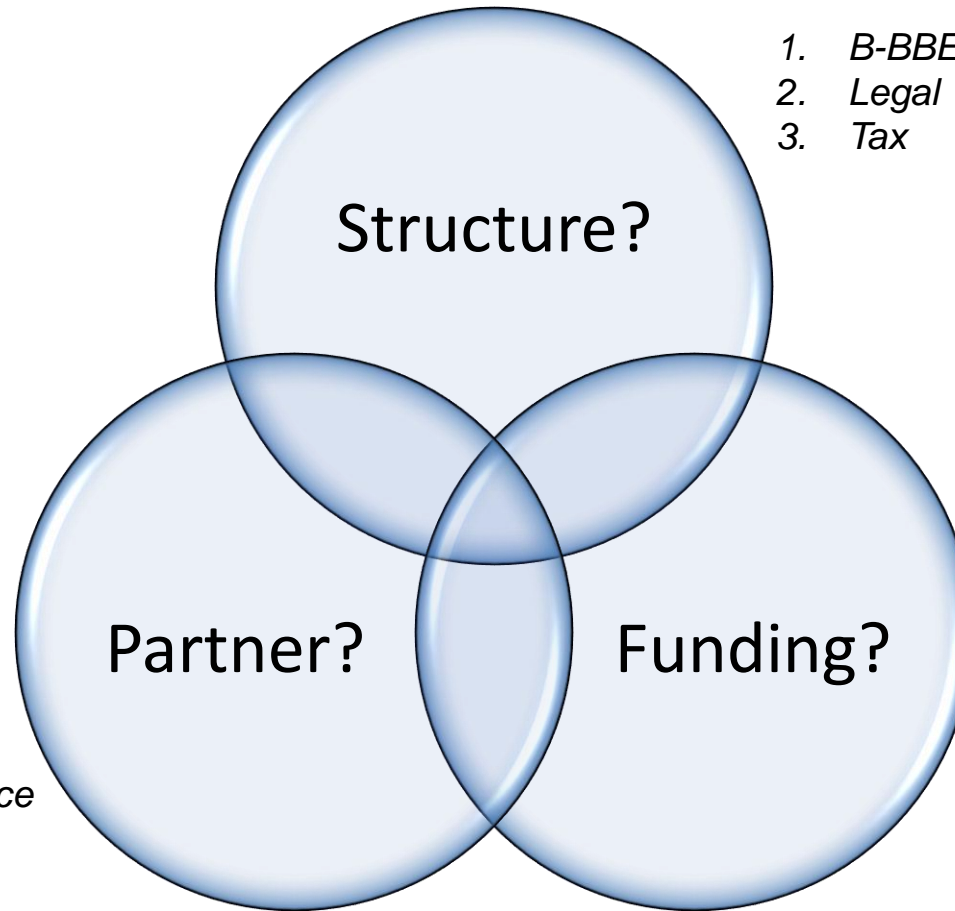
Ownership Questions?



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Ownership Questions?



1. *B-BBEE/ Corporate Finance*
2. *Legal*
3. *Tax*

1. *B-BBEE/Corporate Finance*

1. *B-BBEE/Corporate Finance*
2. *Accountant/Auditor*
3. *Tax*



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Funding Source Options

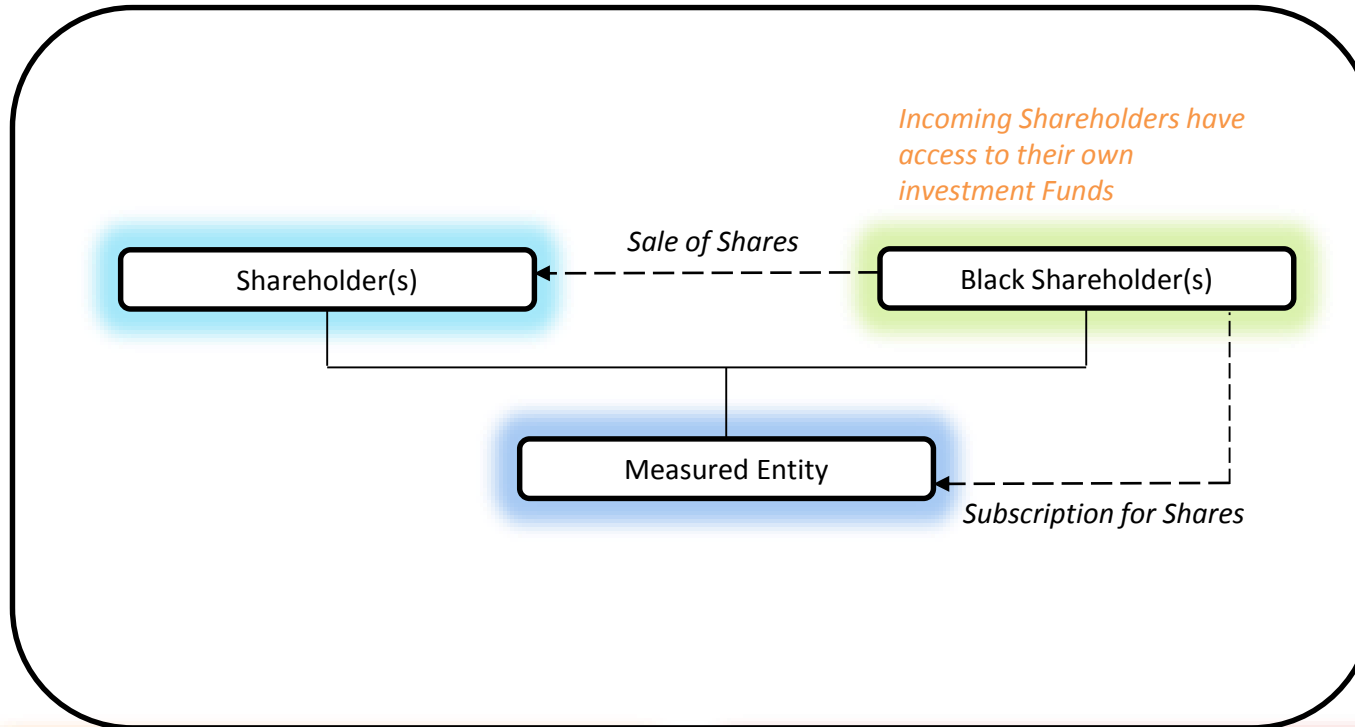
- **Personal Finance**
 - The Black Investor has their own funds.
 - Confirmation must be secured as to whether the funds are borrowed for Net Value claims.
- **Commercial Finance**
 - Finance can be secured from a commercial lender.
 - The cost of Commercial Finance will negatively impact the Net Value claims.
- **Shareholder Finance**
 - The existing Shareholder finances the Black Investor.
 - Allows for structured finance to enable Net Value claims.
- **Vendor Finance**
 - The company (Vendor of shares) finances the transaction.
 - Allows for structured finance to enable Net Value claims.



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Funding Sources: Personal Finance



Transaction Descriptive

1. Black Shareholder(s) purchase shares in Measured entity from Shareholder(s) or Measured Entity.
2. There are no loans required to facilitate the transaction.

Seller Pro's

1. Full Net Value points.

Seller Con's

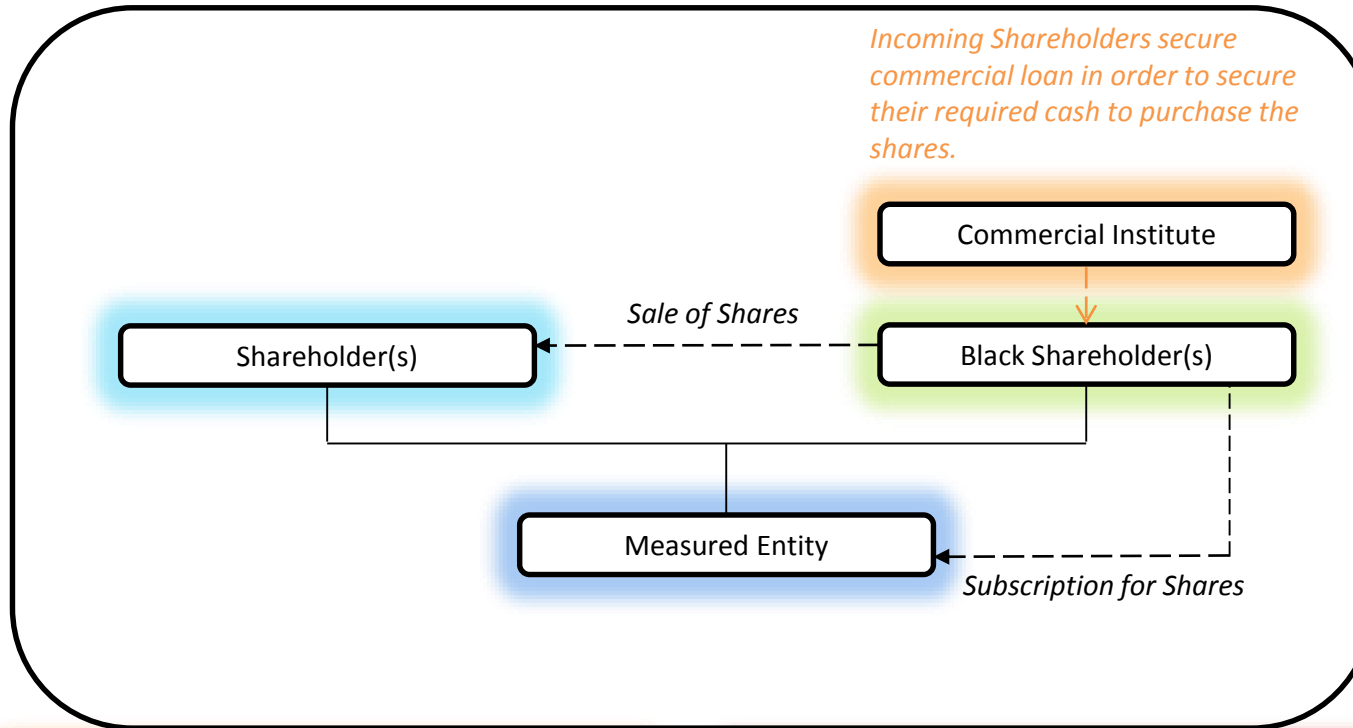
1. Buying back the shares will require full market value.



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Funding Sources: Commercial Finance



Transaction Descriptive

1. Black Shareholder(s) secure a loan from a commercial institute in order to purchase the shares.
2. The Black Shareholder(s) purchase shares in Measured entity from Shareholder(s) or Measured Entity.

Seller Pro's

1. Capital injection

Seller Con's

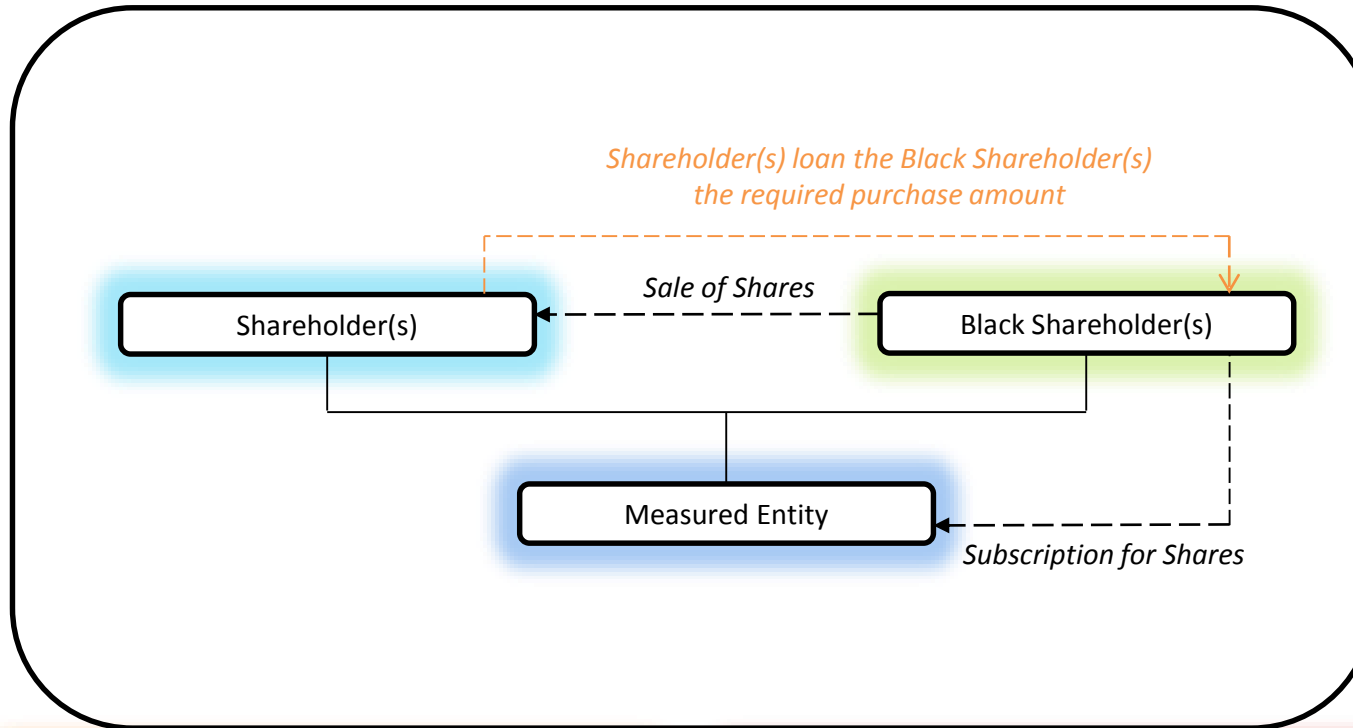
1. Interest from Commercial lenders reduces chances of securing Net Value points.



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Funding Sources: Shareholder Finance



Transaction Descriptive

1. Black Shareholder(s) secure a loan from the original Shareholder(s) in order to purchase the shares.
2. The Black Shareholder(s) purchase shares in Measured entity from Shareholder(s) or Measured Entity.
3. Share Capital ends up with the original Shareholder(s).

Seller Pro's

1. Can control Net Value.
2. Less required for buy-back of shares.

Seller Con's

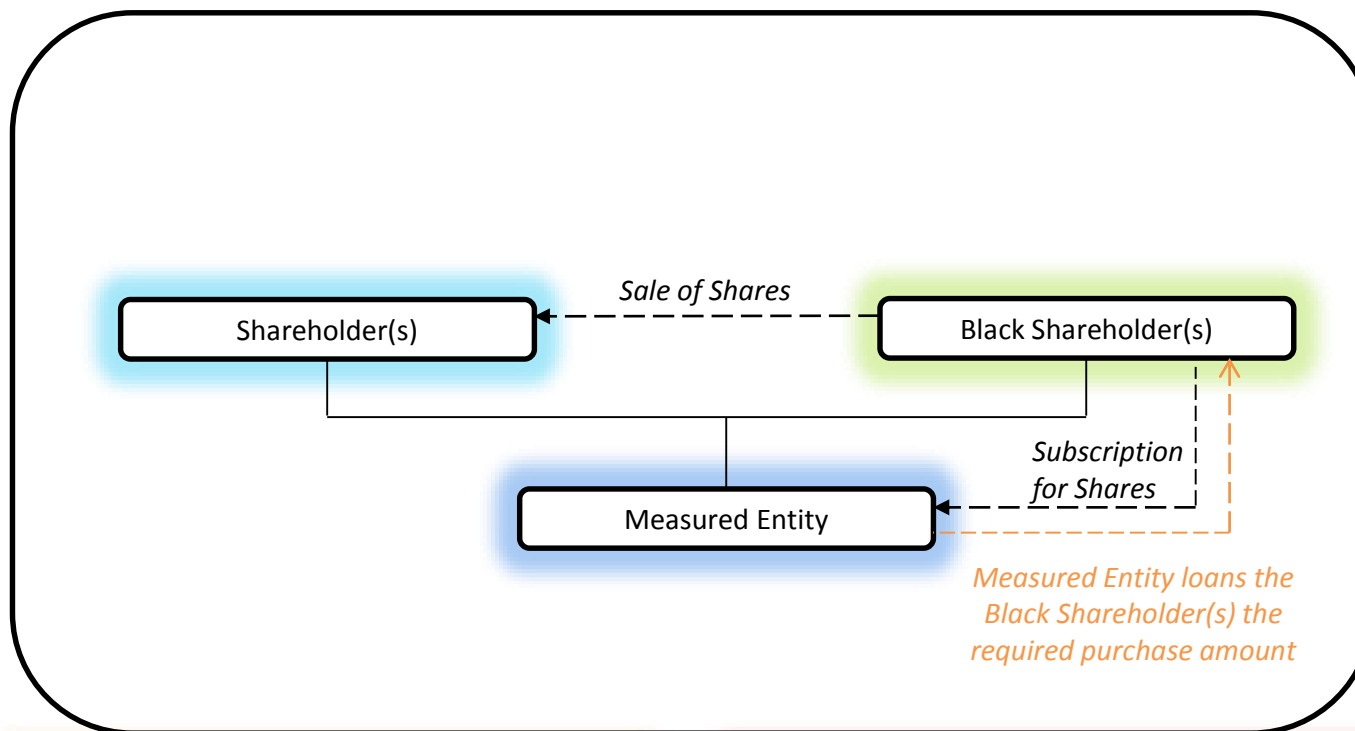
1. No real cash injection from third party source.
2. Effectively giving shares away over time.



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Funding Sources: Vendor Finance



Transaction Descriptive

1. Black Shareholder(s) secure a loan from Measured Entity in order to purchase the shares.
2. The Black Shareholder(s) purchase shares in Measured entity from Shareholder(s) or Measured Entity.
3. Share Capital ends up in the Measured Entity.

Seller Pro's

1. Can control Net Value.
2. Less required for buy-back of shares.

Seller Con's

1. No real cash injection from third party source.
2. Effectively giving shares away over time.



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B-BBEE Ownership Scorecard

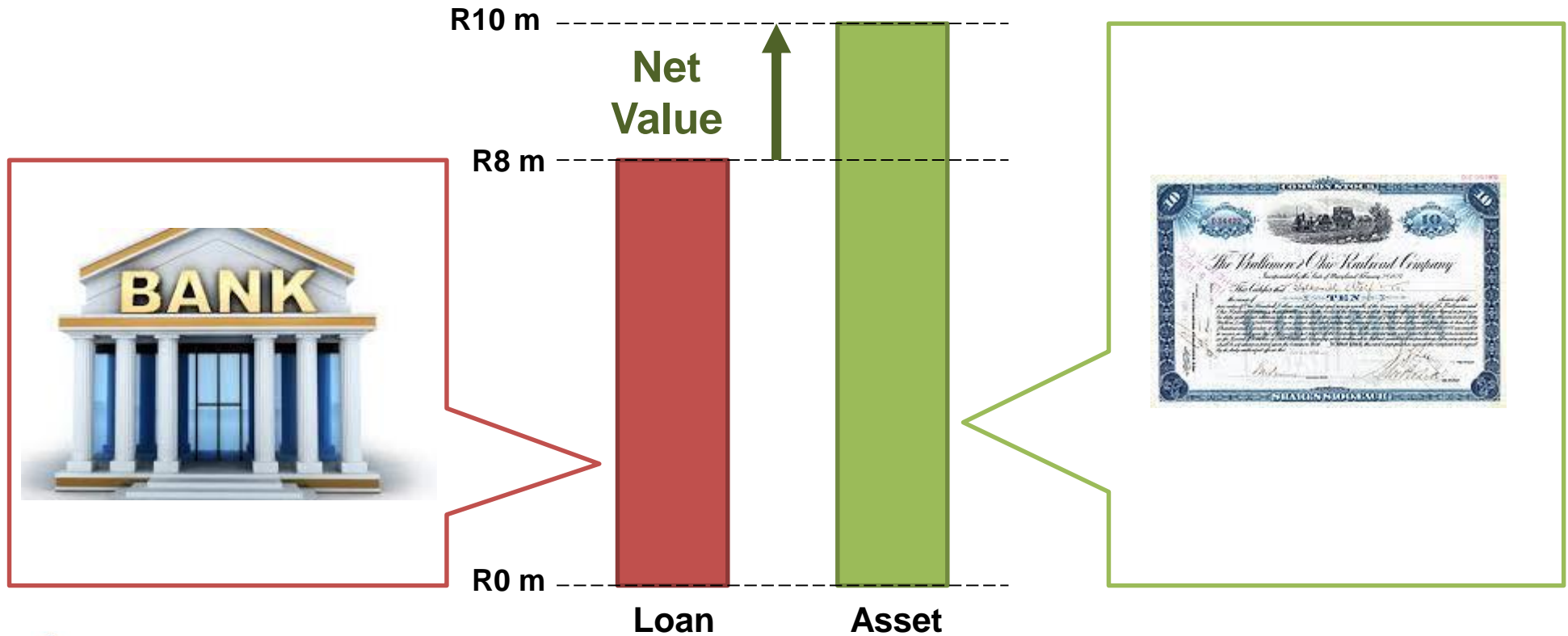
Scorecard Elements		Target	Weighting
Voting Rights			
	Black People	25% + 1 Vote	4
	Black Women	10%	2
Economic Interest			
	Black People	25%	4
	Black Women	10%	2
	ESOP, BBOS, Co-operative	3%	3
Fulfilment			
	Net Value	TBGT	8
	New Entrants	2%	2



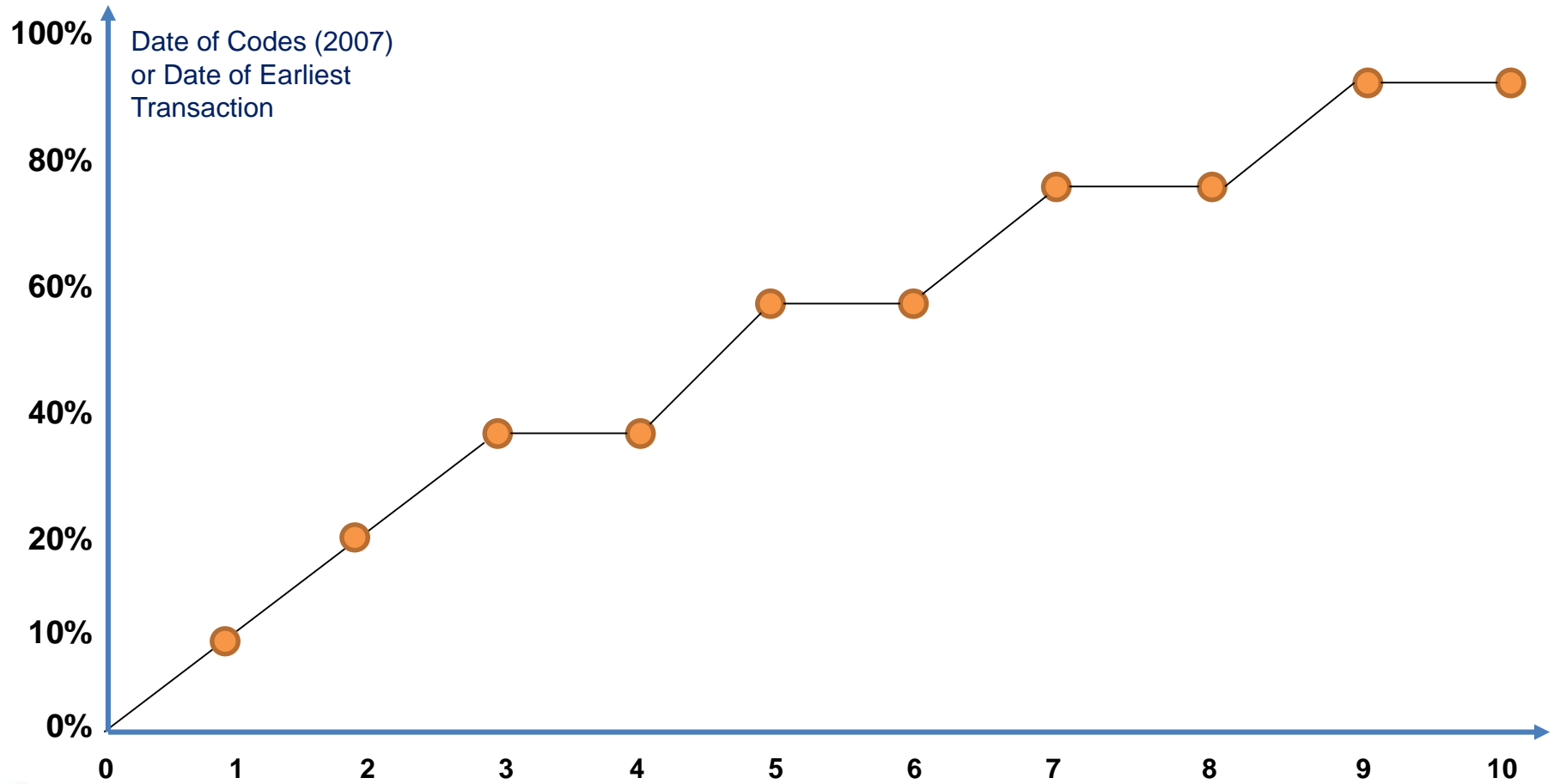
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Net Value Principle



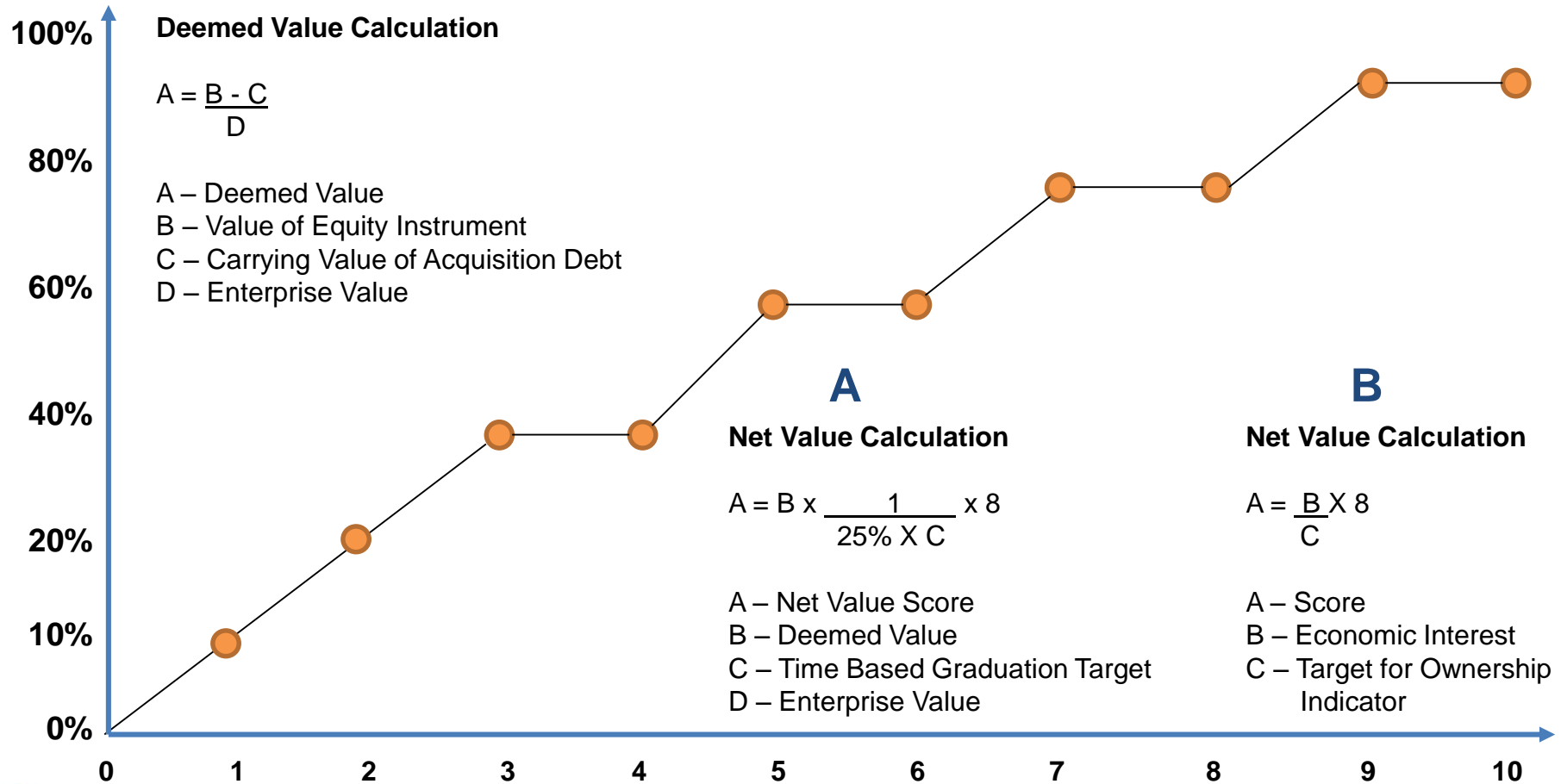
Net Value Time-based Graduation Targets



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Net Value Time-based Graduation Targets

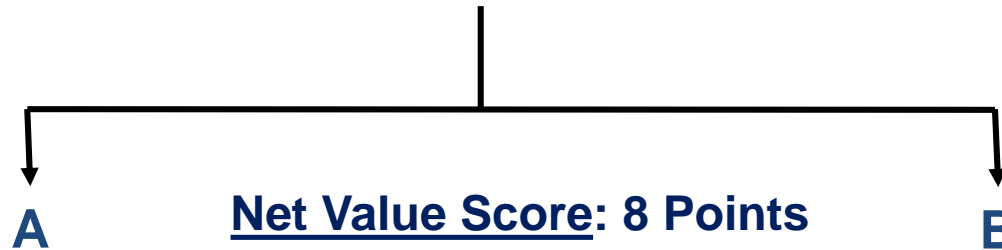


Net Value

Deemed Value Calculation

$$10 = \frac{R25m - R15m}{R100m}$$

A – Deemed Value
B – Value of Equity Instrument – R25m
C – Carrying Value of Acquisition Debt – R15m
D – Enterprise Value – R100m



Net Value Score: 8 Points

Net Value Calculation

$$8 = 10 \times \frac{1}{25\% \times 40\%} \times 8$$

A – Net Value Score
B – Deemed Value – 10%
C – Time Based Graduation Target – 40%
D – Enterprise Value – R100m

Net Value Calculation

$$8 = \frac{25}{25} \times 8$$

A – Score
B – Economic Interest
C – Target for Ownership Indicator

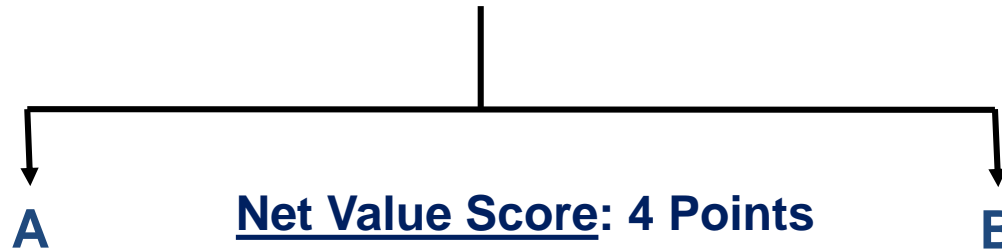


Net Value

Deemed Value Calculation

$$5 = \frac{R25m - R20m}{R100m}$$

A – Deemed Value
B – Value of Equity Instrument – R25m
C – Carrying Value of Acquisition Debt – R20m
D – Enterprise Value – R100m



Net Value Calculation

$$4 = 5 \times \frac{1}{25\% \times 40\%} \times 8$$

A – Net Value Score
B – Deemed Value – 5
C – Time Based Graduation Target – 40%
D – Enterprise Value – R100m

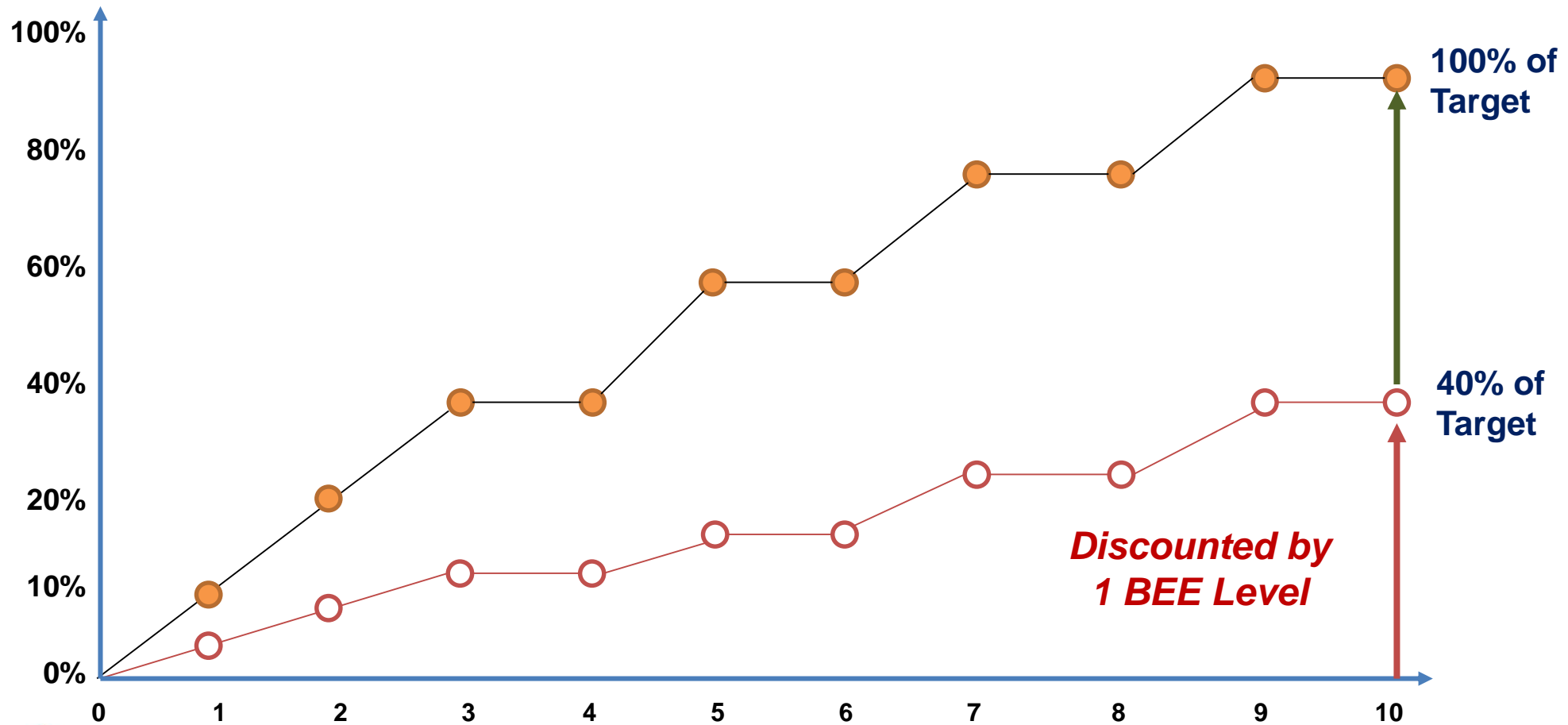
Net Value Calculation

$$8 = \frac{25}{25} \times 8$$

A – Score
B – Economic Interest
C – Target for Ownership Indicator



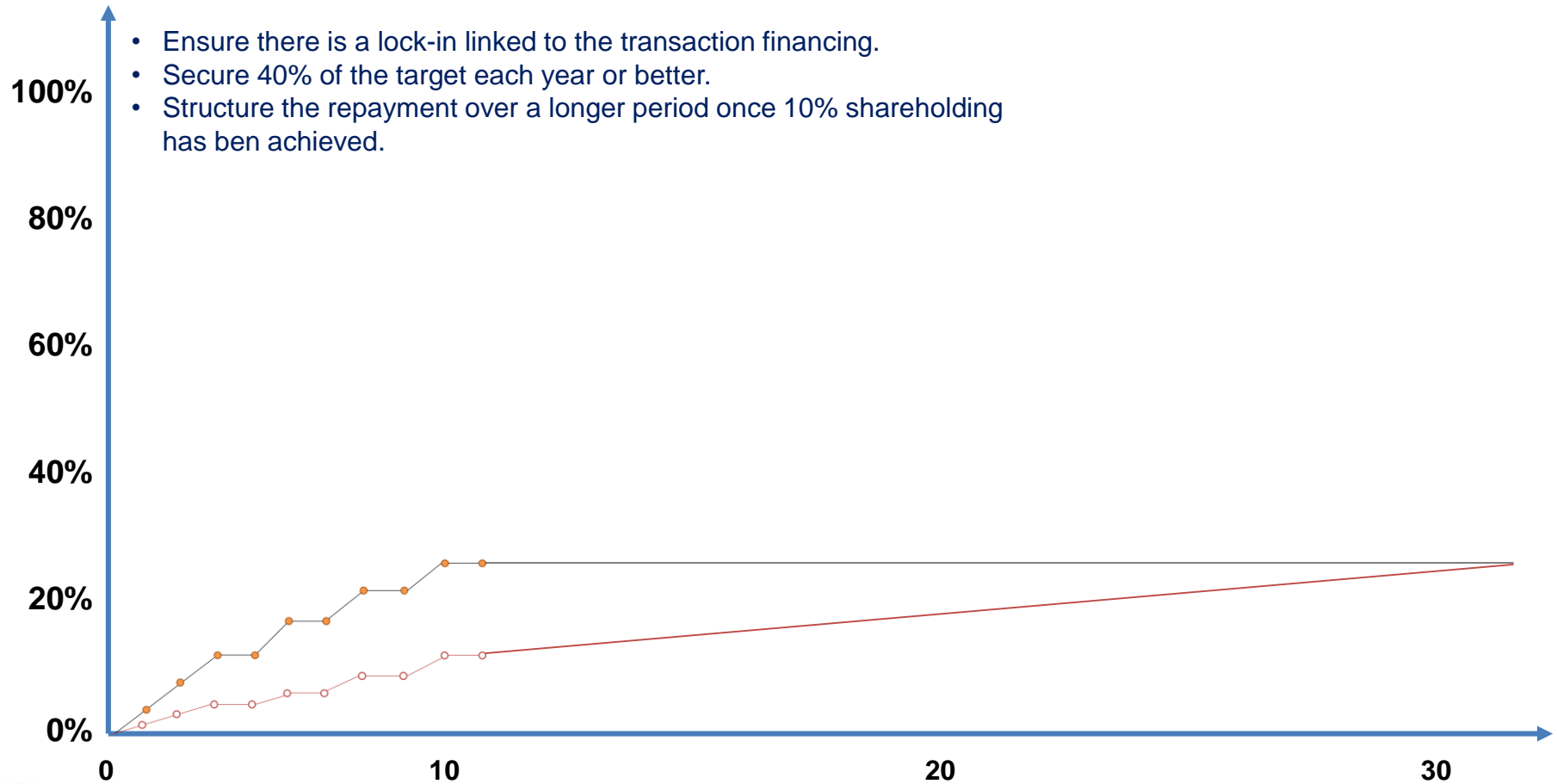
Priority Area: Net Value



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Net Value Strategy: Evergreen



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Funding Mechanisms

- **Personal Finance**
 - Not common
 - Either small amount or after exit of other transaction
- **Grant Finance**
 - Not common
 - Usually only when a Foundation Trust is the Black Investor.
- **Debt Finance**
 - The required finance is provided via a loan.
 - The loan is usually repaid using Dividends.
- **Notional Finance**
 - The shares are sold at a nominal amount (e.g. R1)
 - The discounted price is conditional on the parties agreeing to a sweat equity accrual equation.
 - Applying the equation at any point in time results in;
 - the number of shares which the Black Investor has accrued and can keep or sell at market value; and
 - the number of shares which have not accrued and can be bought back at the nominal amount.



Notional Formula

$$N = (NO / FM) \times A$$

- N – The number of shares which have accrued to the Black Shareholder(s) and can be retained or sold at market rate.
- NO – The Notional Outstandings at the date of the Buy Back.
- FM – Fair Value of the Shares
- A – The Number of shares held by the Black Shareholders



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Notional Formula

$$40 = (R10m / R25m) \times 100$$

- N – The number of shares which have accrued to the Black Shareholder(s) and can be retained or sold at market rate.
- NO – The Notional Outstandings at the date of the measurement.
- FM – Fair Value of the Shares
- A – The Number of shares held by the Black Shareholders

