SAEFA
SA ENGINEERS AND FOUNDERS ASSOCIATION

SAEFA SKILL-SHARE

Understanding B-BBEE Compliance, Strategy & Business Growth Opportunities

acorn
black investments

B-BBEE BACKGROUND

An elective legislation which measures a company's investment in the economic transformation strategies outlined by the Codes and rewards entities who commit to participation through the allocation of pricing, concessionary, licensing and incentive preference.

- The B-BBEE Act was introduced to address the economic imbalance within South Africa (2 Elements - Measured through Ownership and Management Control).
- In 2007 this Act was revised through the implementation of the Broad-based Codes of Good Practice (CoGP) (7 Elements - Increased the measurement to include Ownership, Management Control, Employment Equity, Skills Development, Preferential Procurement, Enterprise Development and Socio-economic Development).
- In 2011 the Preferential Procurement Policy Framework Act was amended to include B-BBEE provisions and mandates the way the State will administer their procurement/allocation of Concessions/Grants. In 2013 the B-BBEE Act Amendment legally compelled the state to link incentive and grant awards to B-BBEE compliance.
- The Amended Codes of Good Practice (ACoGP) were gazetted in 2013 (implemented from 1st May 2015) not by virtue of the failure of the legislation but to refocus industry on the transformation of underperforming elements (5 Elements - Ownership, Management Control, Skills Development, Enterprise & Supplier Development and Socio-economic Development.
- 2016 The Draft Preferential Procurement Policy Framework Act is distributed for public comment widening the emphasis on the B-BBEE status consideration when the State evaluates Bid, Concession or Grant applications.

2003 2007 2011 2013 2015 2015 2017 2018 2019 2026

2003 – The introduction of the Broad-based Black Economic Empowerment Act.

2007 - Broad-based Black Economic Empowerment Codes of Good Practice.

2011 - Preferential Procurement Policy Framework Act includes B-BBEE in its adjudication criteria.

On the 11th of October **2013** the Amended Codes of Good Practice (ACoGP) were gazetted.

On the 27th of January **2015** the Broad-based Black Economic Empowerment Act was amended. Specifically it legislated B-BBEE consideration when any organ of state allocates any licensing, concessions or Grants.

Amended Codes of Good Practice came into effect for companies measuring their compliance on financial periods ending after the 30 April **2015**.

01 April **2017** Preferential Procurement Regulations providing 80/20 preference point system from R30 000 and up to R50 million and 90/10 preference point system above R50 million tenders.

28 August **2018** - The YES 4 Youth initiative was introduced aiming to support job creation for youth between the ages of 18 and 35, providing entities to boost their compliance up to 2 Levels.

1 May **2019** B-BBEE Amendment Statement 000, 300 and 400. Amended Skills (including CHE target), Procurement (increasing point yield and focus on black owned suppliers), together with expanding definitions

January **2026** draft amendments to B-BBEE, currently out for comment. It introduces Transformation Fund and realigns targets towards 100% black owned and 51%<100% suppliers under the Enterprise and Supplier Development element, increasing the potential point yield within this element again.

B-BBEE AMENDED CODES OF GOOD PRACTICE

B-BBEE Element	ACoGP (2013 legislation)
Ownership*	25
Management Control	19
Employment Equity	
Skills Development*	20 (5)
Preferential Procurement*	42 (4)
Enterprise Development*	
Socio Economic Development	5
Total	111 (9)

Yes4Youth concept introduced:
Qualification criteria -

- QSE = >40% of in 2 of the priority elements provided is Ownership or >40% gross score on two priority elements
- Generic = >40% of in 3 of the priority elements or >50% gross score on all 3 priority elements

Calculation -
(The higher of the below calculation)
1,5% of NPAT
R55,000
or
1,5% of Headcount

B-BBEE Status	ACoGP (2013 legislation)
Level 1	100
Level 2	95
Level 3	90
Level 4	80
Level 5	75
Level 6	70
Level 7	55
Level 8	40
Non-Compliant	0

		Automatic recognition		
Category	**Annual turnover**	**Black Ownership level**		
		100%	>51%	<51%
EME	R 10 mil	Level 1	Level 2	Level 4
QSE	R 50 mil	Level 1	Level 2	Not automatic, use scorecard points
Generic	None	Not automatic, use scorecard points		

Priority Element	Sub Minimum target	Penalty - QSE	Penalty – Large Enterprise
*Ownership	<3.2/8 points for net value	1 Level Discount	1 Level Discount
*Skills Development	<8 points		
*Supplier and Enterprise Development	<10,8/27 points within the PP < 6/15 points within the ESD		
Treatment – Penalised if Subminimum not met in :		Ownership plus one other	Any of the priority elements

ELEVATED B-BBEE COMPLIANCE

Measurement Category	Weighting Points	Bonus Points	Theoretically available score	Typical Industry score
Code 100: Ownership Element	25		0	0
Code 200: Management Control Element	19		19	4 - 13
Code 300: Skills Development Element	20	5	25	20 – 25
Code 400: Enterprise & Supplier Development Element	42	4	46	26 – 32
Code 500: Socio-Economic Development Element	5		5	5
	111	9	95	55 - 75

Without considering the Ownership element, the maximum practical compliance would be a discounted Level 6 contributor status and Level 4 if Yes4Youth is engaged.

There are 120 points on offer. Mathematically it would be possible to achieve Level 2 status, discounted to Level 3. Typically the industry is able to implement initiatives which produce 55 – 75 points resulting L5/L6/L7 discounted to L6/L7/L8

In most cases, discounted compliance without specific focus on implementing or shaping initiatives within a measured financial period would see most measured entities tripping up the priority elements and failing to reach 55 points therefore rendering them non-compliant.

Yes4Youth Boost

- 1x B-BBEE level up Achieve YES Target and Absorb 2.5% of YES Youth
- 1x B-BBEE level up + 3 points Achieve 1.5x YES Target and Absorb 5% of YES Youth
- 2x B-BBEE levels up Double YES Target and Absorb 5% of YES Youth

B-BBEE Status	ACoGP
Level 1	100
Level 2	95
Level 3	90
Level 4	80
Level 5	75
Level 6	70
Level 7	55
Level 8	40
Non-Compliant	0

B-BBEE THE OWNERSHIP ELEMENT (CODE 100)

Measurement Category & Criteria	Compliance Targets	Weighting Points	
2.1) Voting Rights:			25.00
2.1.1) Exercisable Voting Rights in the Entity in the hands of black people	25.10%	4	
2.1.2) Exercisable Voting Rights in the Entity in the hands of black women	10.00%	2	
2.2) Economic Interest:			
2.2.1) Economic Interest in the Entity to which black people are entitled	25.00%	4	
2.2.2) Economic Interest in the Entity to which black women are entitled	10.00%	2	
2.2.3) Economic Interest of any of the following black natural people in the Measured Entity 2.2.3.1) Black designated groups; 2.2.3.2) Black participants in Employee Share Ownership Programs; 2.2.3.3) Black people in Broad-Based Ownership Schemes; 2.2.3.4) Black Participants in Co-operatives	3.00%	3	
2.2.4) New Entrants	2.00%	2	
2.3) Realisation Points:			
2.3.1) Net Value	Refer to Annexure C	8	

The Ownership element has been identified as a priority element. Failure to achieve 40% of the targeted value under 2.3.1 (i.e. a score >3.2) results in a punitive level drop (discounting).

Net Value Table

Years post transaction	Net Value created in the hand of Black person
0-1	0.00%
1-2	10.00%
2-3	20.00%
3-4	40.00%
5-7	60.00%
7-9	80.00%
9+	100.00%

As per Government Gazette 40898 of the 9th of June 2017 all transactions from the 24th of October 2014 of larger than R25 million must be registered with the B-BBEE Commissioner within 60 days of the date of the publication of the Gazette.

THE NET VALUE PRINCIPLE

Measurement Category & Criteria	Compliance Targets	Weighting Points	%	Score	
2.1) Voting Rights:					
2.1.1) Exercisable Voting Rights in the Entity in the hands of black people	25.10%	4	25.10%	4	
2.1.2) Exercisable Voting Rights in the Entity in the hands of black women	10.00%	2	10.00%	2	
2.2) Economic Interest:					
2.2.1) Economic Interest in the Entity to which black people are entitled	25.00%	4	25.10%	4	
2.2.2) Economic Interest in the Entity to which black women are entitled	10.00%	2	10.00%	2	
2.2.3) Economic Interest of any of the following black natural people in the Measured Entity 2.2.3.1) Black designated groups; 2.2.3.2) Black participants in Employee Share Ownership Programs; 2.2.3.3) Black people in Broad-Based Ownership Schemes; 2.2.3.4) Black Participants in Co-operatives	3.00%	3	3.00%	3	19.40
2.2.4) New Entrants	2.00%	2	2.00%	2	
2.3) Realisation Points:					
2.3.1) Net Value	**Refer to Annexe C**	**8**	**30%**	**2.4**	

Net Value Table	
Years post transaction	**Net Value created in the hand of Black person**
0-1	0.00%
1-2	10.00%
2-3	20.00%
3-4	40.00%
5-7	60.00%
7-9	80.00%
9+	100.00%

This entity would be discounted Net value <3.2 points

Example: Measured entity worth R100 million sells 25.1% of the issued share capital vendor financed for the R25.1 million transaction (i.e. they loan the purchaser the money to buy the shares; 60% Black male, 40% Black female, 12% Designated Groups and 8% Black new entrants) but are only able to declare a dividend of R3 million due to cash flow constraints. The view is taken on the 3rd anniversary of the transaction.

$$\text{Deemed value} = \frac{\text{R25.1 mil} - \text{R24.347 mil}}{\text{R25.1 mil}}$$

$$\text{Net value} = 3\% \times \frac{1}{25\% \times 40\%} \times 8$$

Measurement Category	Weighting Points	Score
Code 100: Ownership Element	25	19.4
Code 200: Management Control Element	19	5
Code 300: Skills Development Element	20 + 5	20
Code 400: Enterprise & Supplier Development Element	42 + 4	31
Code 500: Socio-Economic Development Element	5	5
	120	**80.4**

Level 4 discounted to Level 5

B-BBEE OWNERSHIP: TYPES OF OWNERSHIP

BLACK NATURAL OR JURISTIC PERSONALITY
- Commercial Model Understanding
- Limitations
- Risks Reviewed

MODIFIED FLOW THROUGH (2X LEVERAGE)
- Commercial Model Understanding
- Limitations
- Risks Reviewed

PRIVATE EQUITY FUND (4X LEVERAGE)
- Commercial Model Understanding
- Limitations
- Risks Reviewed

TRADITIONAL OWNERSHIP INVOLVING TRANSFER OF ISSUED SHARE CAPITAL

EQUITY EQUIVALENCE INVESTMENT PROGRAM
- Commercial Model Understanding
- Limitations
- Risks Reviewed

SALE OF ASSET IN LIEU OF EQUITY
- Commercial Model Understanding
- Limitations
- Risks Reviewed

EQUITY EQUIVALENCE INVOLVING NO TRANSFER OF ISSUED SHARE CAPITAL

Black may hold their rights of ownership as -

- A person which is African, Coloured, South African Indian or South African Chinese who was either resident in South Africa prior to inception of the New Constitution in 1994, born after 1994, and a member of the aforementioned race groups or was part of the aforementioned race groups and seeking asylum.

Or through:

- A Company
- A Close Corporation
- A Trust
- A Co-operative
- A Partnership
- An Employee Ownership Scheme
- A Broad-based Ownership Scheme

B-BBEE OWNERSHIP: SHAREHOLDERS

Trusts:
- Benefit to the distribution of capital and interest must vest with the beneficiary.
- The Trust must not directly or indirectly seek to circumvent the provisions of the Codes.
- Other lesser requirement.

Employee Empowerment Schemes:
- The Employees must have the rights to appoint 50% of the fiduciaries of the Scheme.
- Benefit to the distribution of capital and interest must vest with the employees.
- Other lesser requirement.

Broad-Based Ownership Schemes:
- Beneficiaries must be >85% Black
- 50% of the fiduciaries of the Scheme must be independent
- 50% of the fiduciaries of the Scheme must be Black and 25% Black female
- Benefit to the distribution of capital and interest must vest with the beneficiaries
- Management fees of the scheme are limited to 15%
- Other lesser requirement

The Codes measure Gender, Designation, New Entrant status and Net Value in addition to race

Designated Groups:

a. Black unemployed people;

i.e. Black people who are:
- unemployed
- not attending or are not required by law to attend an educational institution or not awaiting admission to an educational institution.

b. Black youth;

i.e. Black people who are between the ages of 14 and 35 years as defined in the National Youth Commission Act 1996

c. Black people with disabilities;

i.e. Black people who are persons with disabilities as defined in the Codes of Good Practice on employment of people with disabilities issued under the Employment Equity Act.

d. Black people living in rural and under-developed areas.

Black New Entrants:

Means a black participant who hold rights of ownership in a Measured Entity and who, before holding the Equity Instrument in the Measured Enterprise, have not held equity instruments in any other entity which has a total value of more than R50,000,000 measured using a standard valuation method.

B-BBEE OWNERSHIP: SALE EXAMPLE

Example: (view at date of transaction)

A Measured entity sells 25.1% of the issued share capital to:

a. Black man who is 50 and has been engaged in B-BBEE transaction of R50 million at cost

b. Black woman who is 34 and has not been engaged in B-BBEE transaction of R50 million at cost

A

Black man Purchaser					
Measurement Category & Criteria	Compliance Targets	Weighting Points	%	Score	
2.1) Voting Rights:					
2.1.1) Exercisable Voting Rights in the Entity in the hands of black people	25.10%	4	25.10%	4	
2.1.2) Exercisable Voting Rights in the Entity in the hands of black women	10.00%	2	0%	0	
2.2) Economic Interest:					
2.2.1) Economic Interest in the Entity to which black people are entitled	25.00%	4	25.10%	4	
2.2.2) Economic Interest in the Entity to which black women are entitled	10.00%	2	0%	0	
2.2.3) Economic Interest of any of the following black natural people in the Measured Entity 2.2.3.1) Black designated groups; 2.2.3.2) Black participants in Employee Share Ownership Programs; 2.2.3.3) Black people in Broad-Based Ownership Schemes; 2.2.3.4) Black Participants in Co-operatives	3.00%	3	0%	0	16.00
2.2.4) New Entrants	2.00%	2	0%	0	
2.3) Realisation Points:					
2.3.1) Net Value	Refer to Annexe C	8	100%	8	

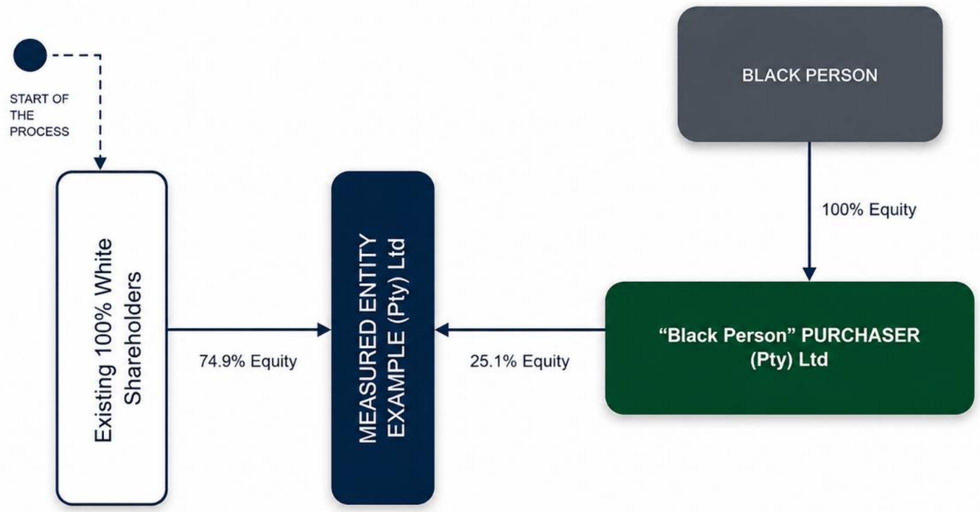
B

Black woman Purchaser					
Measurement Category & Criteria	Compliance Targets	Weighting Points	%	Score	
2.1) Voting Rights:					
2.1.1) Exercisable Voting Rights in the Entity in the hands of black people	25.10%	4	25.10%	4	
2.1.2) Exercisable Voting Rights in the Entity in the hands of black women	10.00%	2	25.10%	2	
2.2) Economic Interest:					
2.2.1) Economic Interest in the Entity to which black people are entitled	25.00%	4	25.10%	4	
2.2.2) Economic Interest in the Entity to which black women are entitled	10.00%	2	25.10%	2	
2.2.3) Economic Interest of any of the following black natural people in the Measured Entity 2.2.3.1) Black designated groups; 2.2.3.2) Black participants in Employee Share Ownership Programs; 2.2.3.3) Black people in Broad-Based Ownership Schemes; 2.2.3.4) Black participants in Co-operatives	3.00%	3	25.10%	3	25.00
2.2.4) New Entrants	2.00%	2	25.10%	2	
2.3) Realisation Points:					
2.3.1) Net Value	Refer to Annexe C	8	100%	8	

FLOW-THROUGH OWNERSHIP

When measuring the rights of Ownership of any category of Black people in a Measured Entity, only rights held by natural persons are relevant.

The Net Value discounting principle still applies



The voting rights and economic interests of each Black shareholder is measured in respect of their gender, designated group or new black entrant status against the relevant statement within this Code.

← Economic interests (shareholding)

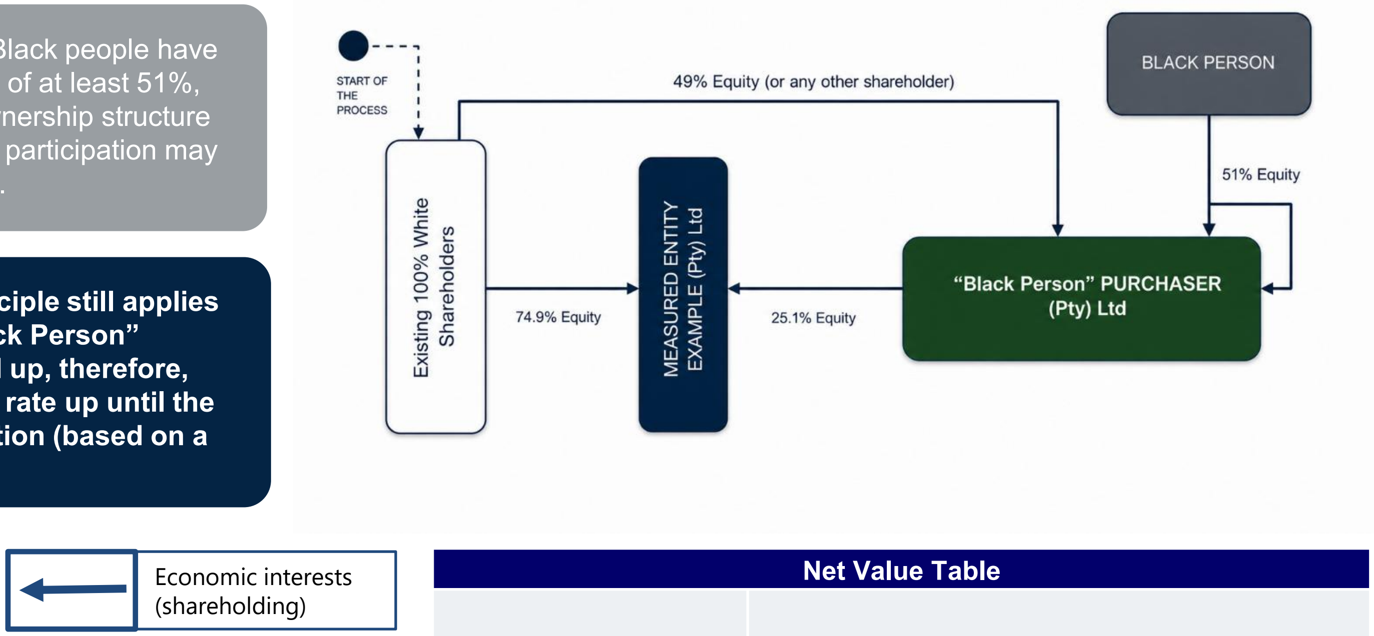
Net Value Table	
Years post transaction	Net Value created in the hand of Black person
0-1	0.00%
1-2	10.00%
2-3	20.00%
3-4	40.00%
5-7	60.00%
7-9	80.00%
9+	100.00%

Equity ratio 1:1

MODIFIED FLOW-THROUGH OWNERSHIP

Where in the chain of Ownership, Black people have a flow-through level of participation of at least 51%, and then only once in the entire ownership structure of the Measured Entity, such Black participation may be treated as if it were 100% Black.

The Net Value discounting principle still applies however 49% of the "Black Person" PURCHASER's equity is paid up, therefore, satisfying the Net Value hurdle rate up until the 5th anniversary of the transaction (based on a 10% interest).



Enhanced status afforded to EME & QSE's (Automatic Level 1 status for 100% Black Owned and Level 2 status for 100%<51% Black owned entities) has been limited to exclude ownership originating from Modified Flow-through under the B-BBEE Commissioner's Practice Guide 1 of 2017 published on the 31st of March 2017.

Net Value Table

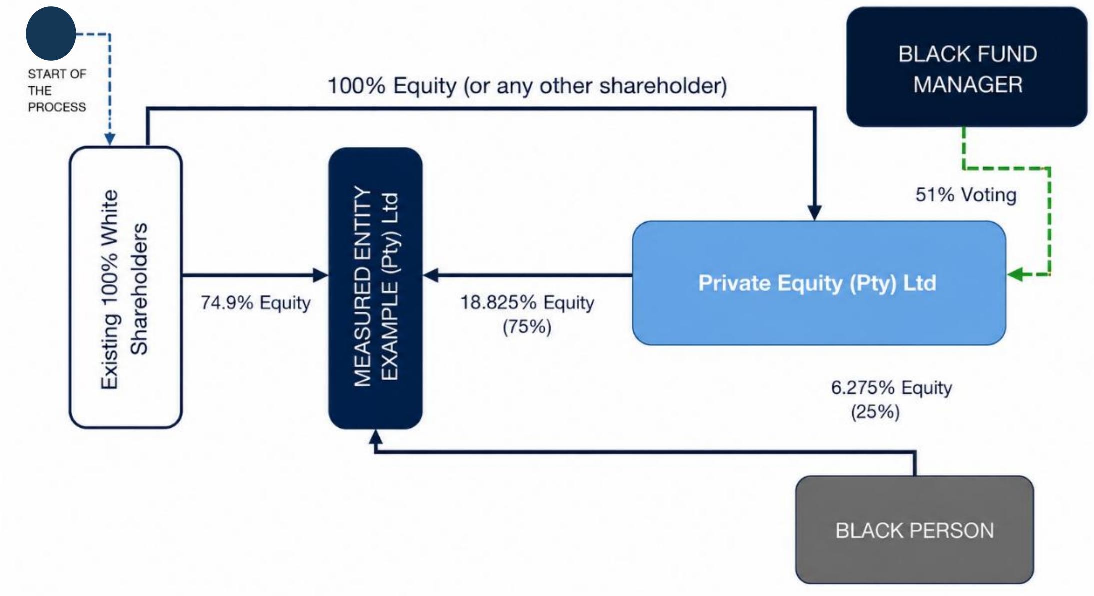
Years post transaction	Net Value created in the hand of Black person
0-1	0.00%
1-2	10.00%
2-3	20.00%
3-4	40.00%
5-7	60.00%
7-9	80.00%
9+	100.00%

Equity ratio 2:1

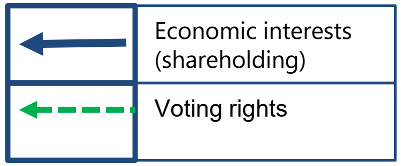
PRIVATE EQUITY OWNERSHIP

The B-BBEE codes (section 3.10) state that a "Measured Entity" may treat any of its ownership arising from a Fund managed by a verified Black Fund Manager as if that ownership were held by Black people subject to a qualifying investment of 25% in the hands of a Black natural or juristic person.

The Net Value discounting principle still applies however 75% of the "Black Person" PURCHASER's equity is paid up therefore satisfying the Net Value hurdle rate up until the 7th anniversary of the transaction (based on a 10% interest).



Escalated recognition of voting rights and economic interests would apply to the Black Fund Manager but does not extend to gender, designated group or new black entrant status. These elements would be measured on a Flow-through basis at all times. The natural/juristic Black person would be measured on a flow-through methodology.

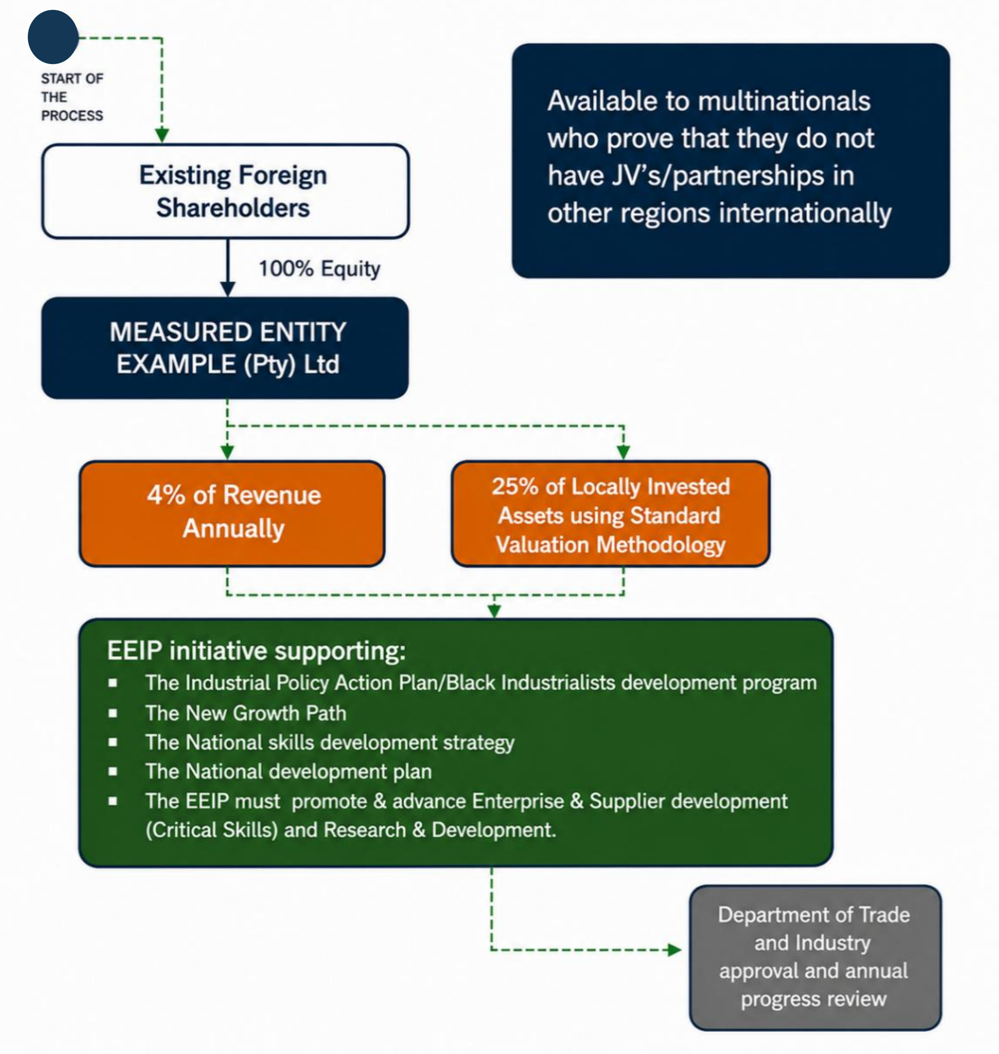


Net Value Table

Years post transaction	Net Value created in the hand of Black person
0-1	0.00%
1-2	10.00%
2-3	20.00%
3-4	40.00%
5-7	60.00%
7-9	80.00%
9+	100.00%

Equity ratio 4:1

EQUITY EQUIVALENCE INVESTMENT PROGRAM



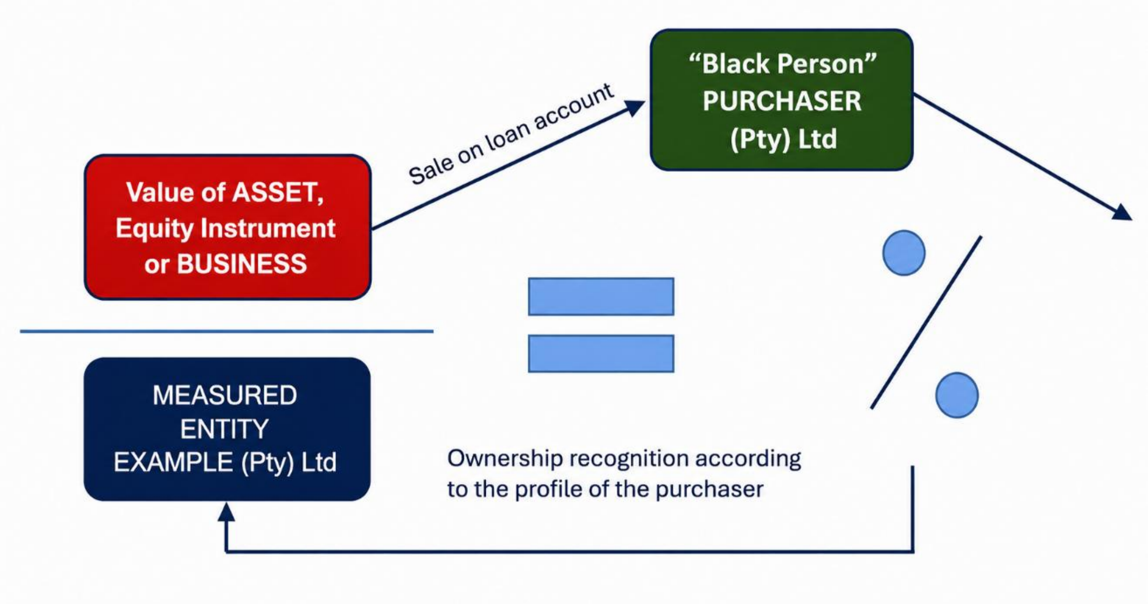
- Should a Multinational Entity decide to make use of the Equity Equivalent Investment Programme (EEIP) set out by the DTI they would need to go through the following process.
- Application to the DTI for exemption from ownership. If this is successful then the next step is as follows;
  - A detailed plan on how the funds will be spent is necessary to be submitted to the DTI within 30 days of receiving exemption from ownership. In order to score the full 25 points it is necessary to spent either 4% of annual Turnover or 25% of Local asset value (the value is calculated using the discounted cash flow valuation method or any other accepted valuation method) on a qualifying initiative. Partial investments are accepted however a minimum of 40% of the targets set out above is required. The points would then be allocated accordingly.
  - Once the DTI have received the plan they would have 30 days to assess it and either provide reason for not accepting it or a EEIP Ownership Points Certificate.
- Should the local assets valuation be used detailed annual progress reports need to be submitted to the DTI for review.

The investment periods would be as follows:

Investment value	Period of investment
More than R100 million	Up to 10 years
Between R75 million & R100 million	Up to 7 years
Between R50 million & R75 million	Up to 5 years
Less than R50 million	Up to 3 years

Equity Equivalence Investment Program participation excludes the Measured Entity for measurement against the Ownership element for a period of up to 10 years, at which point the process would need to be repeated.

STATEMENT 102:
SALE OF ASSET IN LIEU OF EQUITY



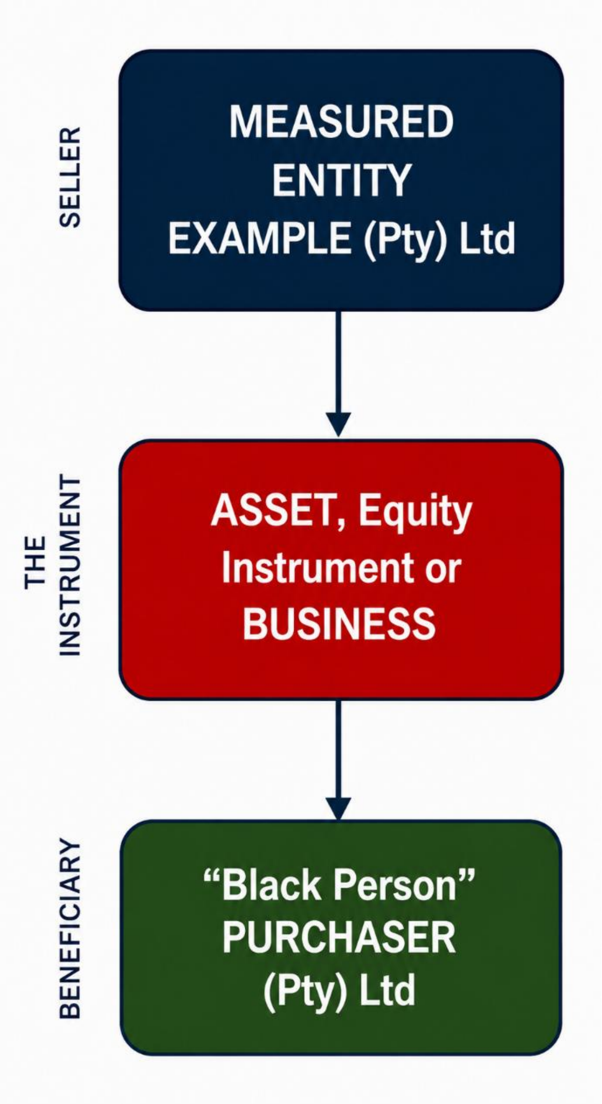
Black person purchaser:

- The equity profile of the purchaser determines the throughput against the targets articulated under the statements within the scorecard
- Ultimately the ideal profile under the equity composition of the purchaser would be: (under the General Amended Codes)
  - 100% Black owned
  - 40% Black women owned
  - 12% Black designated groups
  - 8% Black new entrant

Principles:

- The Sale of Asset in Lieu of Equity sees the Measured Entity gaining ownership recognition through the transfer of a separately identifiable business/asset rather than equity in the principle Measured Entity
- The transaction reviews the value creation in the hands of the Black person purchaser ensuring the success of the underpinning transaction on the basis that 10% Net Value is created on the 1st anniversary, 20% on the 2nd anniversary and 40% on the 3rd anniversary of the transaction against the original consideration contracted
- On the achievement of the 3rd anniversary requirement the ownership recognition locks into the measured entity indefinitely
- There is no minimum value of recognition in terms of Statement 102 (Sale of Asset in Lieu of Equity)
- Additional criteria may be deferred to the purchaser by way of an onus of incubation other black entrepreneurs in lieu of the opportunity afforded to them
- The Ownership recognition for the Measured entity applies to the economic interests and voting rights, but does not apply to the specific ownership demographics targeted by the codes as this would be determined by the make up (organics) of the Black person purchaser (In terms of gender, designated groups status, new entrant status, etc)
- No Qualifying Transaction could be claimed as a B-BBEE ownership transaction if the Measured Entity contracts the right to repurchase.

SALE OF ASSET IN LIEU OF EQUITY FUNDAMENTALS



Overview:

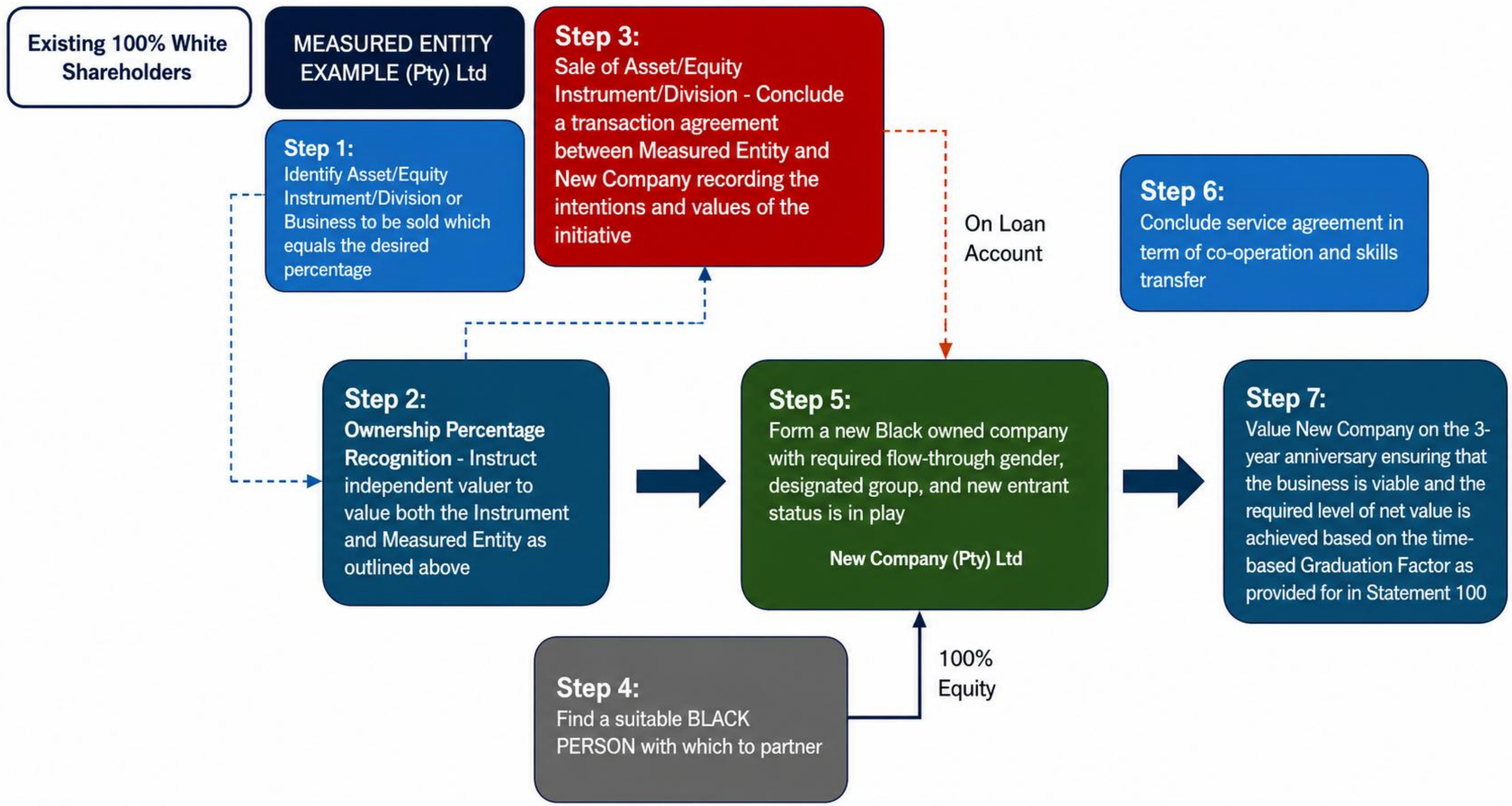
- The principle outlined within the Codes (Statement 102) is that a Measured Entity may claim ownership recognition in respect of Code 100 on the basis that they sell an Asset, Equity Instrument or Business to a Black Person in a ratio outline in Annexure 102 (A) subject to certain criteria

The Rules:

- No restrictions on related party or minimum value (you can do it multiple times).
- The transaction must result in a viable and sustainable business in Black Person/Peoples hands including the transfer of specialised and critical skills.
- There can't be any unreasonable restrictions regards to clients and suppliers of both the Beneficiary and the original Seller.
- The Beneficiaries hold the interests for a minimum of 3 years.
- Any operational outsourcing arrangements between the Seller and the Beneficiary must be negotiated at arm's-length on a fair and reasonable basis.
- The transaction should be subject to an independent verification value by an independent expert.
- In all cases the standard valuation principle needs to be applied.

Note:
By the 3rd Anniversary 40% NAV (net asset value), through debt re-payment or increased value of the asset, must be in the hands of the new company.

SALE OF ASSET STRUCTURE & STEPS



SALE OF ASSET IN LIEU OF EQUITY - VALUATION

$$A = \frac{B}{C} \times D$$

Where:

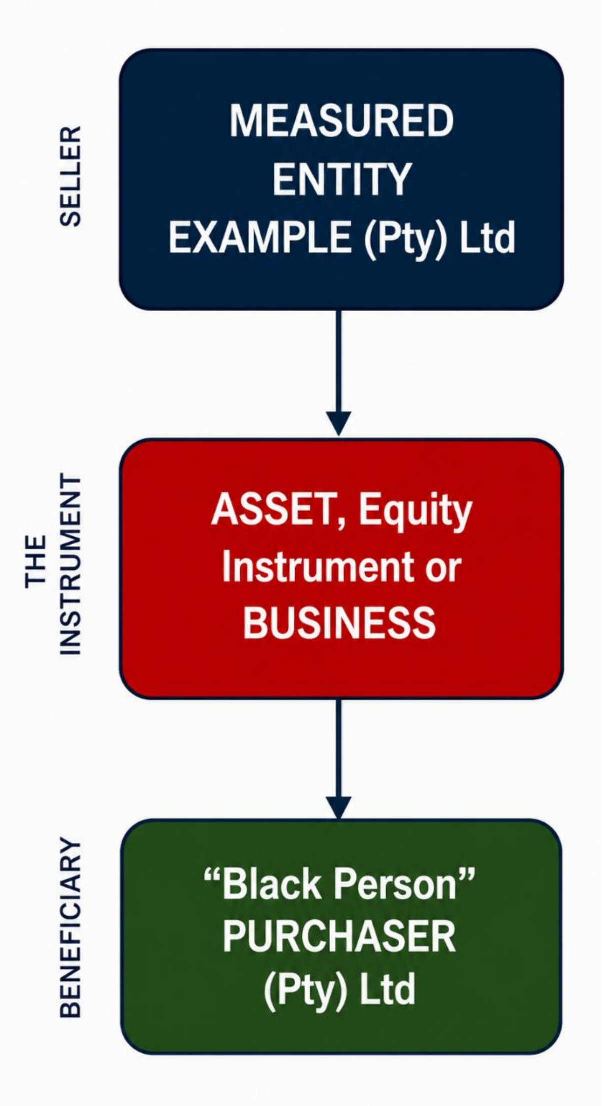
A is the Equivalency Percentage for each of the indicators in paragraphs 2.1 and 2.2 of the Ownership scorecard

B is the value of the Qualifying Transaction to the separately identifiable related Business determined using a Standard Valuation method

C is the value of the Seller determined using a Standard Valuation method

D is the Indicator Percentages of the separately identifiable related Business

SALE OF ASSET IN LIEU OF EQUITY EXCLUSIONS, LIMITATIONS & RISK



Exclusions:

- Sale/transfers of business rights by way of license, lease or other similar legal arrangements not conferring unrestricted ownership
- Sales of franchises by franchisors to franchisees, but includes sales of franchises from franchisees to other franchisees or to new franchisees
- No Qualifying Transaction could be claimed as BEE ownership if a repurchase transaction is entered into within a three period after transaction implementation, even if transaction implementation is deferred post year 3. A seller cannot have any right to enforce such a repurchase.
- Ownership points are subject to existing contracts between the parties to remain in effect on market related terms, subject to market norm service levels.

Limitations:

- Applies to the economic interests and voting rights, but does not apply to the specific ownership demographics targeted by the codes as determined by the make up (organics) of the purchasing company
- Legislation could change

Risks:

- The business could fail and the measurement is on the 3rd year anniversary and must equal 40% of the net value in hand

OWNERSHIP OPTIONS

TRADITIONAL OWNERSHIP (i.e. Including a partner)			EQUITY EQUIVALENT (i.e. No partner included)	
BLACK NATURAL OR JURISTIC PERSONALITY	**MODIFIED FLOW THROUGH (2X LEVERAGE)**	**PRIVATE EQUITY FUND (4X LEVERAGE)**	**EQUITY EQUIVALENCE**	**SALE OF ASSET IN LIEU OF EQUITY**
$$$$$	$$	$$	$$$$	$
▪ Non-commercial inclusion ▪ Dividend return expectation ▪ Funding/discount challenges ▪ No leverage	▪ Non-commercial inclusion ▪ Adds unnecessary complexity ▪ Maintenance costs on structure	▪ Non-commercial inclusion ▪ Includes a 3rd party which increases risk ▪ Model depends on the fund managers ▪ Management which could be used to profiteer	▪ Expensive ▪ Subject to DTI approval ▪ Administratively onerous ▪ Legislative milestone may be moved ▪ Difficult to uwnind	▪ Ownership benefit linked to value achievement ▪ Once empowered always empowered may be challenged

SOLAR STATEMENT 102

1

Value your business using IFRS valuation method by an external, suitably qualified professional.

2

Determine your business's energy usage, valuing the sale and lease back of a solar division.

3

Form a subsidiary, wholly-owned company, funded by your business and install a Solar System to the extent of your requirement.

4

Dispose of the wholly owned subsidiary inclusive of a lease option to suitable structured purchaser under the terms of Statement 102.

5

Contract the lease of the asset ensuring the purchaser has more than one supplier and client.

6

Instruct B-BBEE verification and claim your ownership recognition on finalization.

7

Ensure skills transfer over a 3-year period from sale.

8

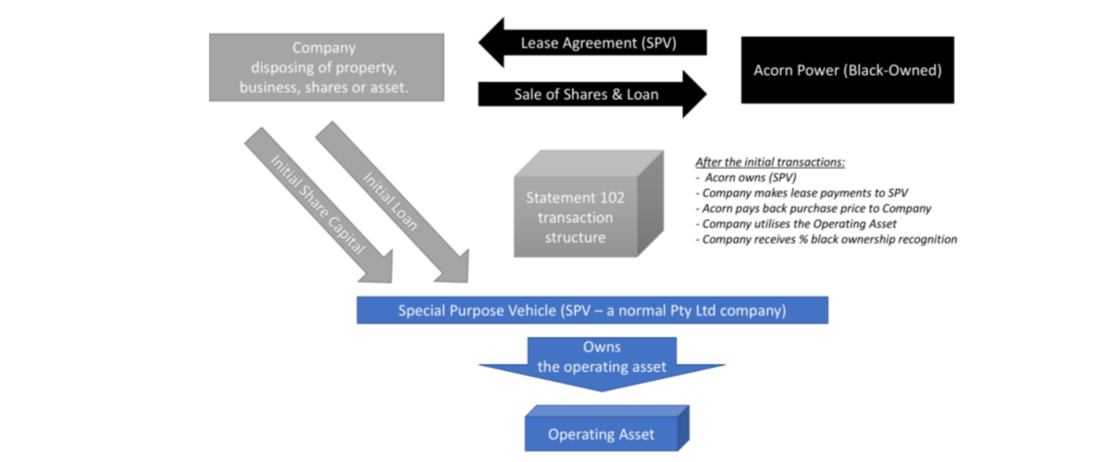
Ensure net value creation at the prescribed hurdle rate set out in the Codes at the 1st, 2nd and 3rd anniversary of the transaction.

9

Obtain an independent person report verifying the fairness of transaction each year post transaction.

10

Value the subsidiary sold on the 3rd anniversary and subject to the achievement of >40% Net Value, recognise the ownership credentials emanating from the transaction into perpetuity.



black investments

E-mail

brent.oakes@abi-za.com

Contact Number

+27 83 652 9177
+27 87 655 5446

Website

www.acornblackinvestments.co.za

Scan to see Brent Oakes's professional profile.