

# METTA CAPITAL MODERATE RISK PORTFOLIO 1

("MCP1")



managed by  
Metta Capital Managers Proprietary Limited  
Registration number 2017/250417/07

## INVESTMENT MEMORANDUM

<b>Opening Date</b>	25 January 2018
<b>Closing Date</b>	23 February 2018

Managed by

Administered by



The definitions and interpretations commencing on page 6 of this Investment Memorandum apply to this entire document, except where the context indicates a contrary intention.

THE ATTENTION OF INVESTORS IS DRAWN TO THE FACT THAT THE SELECTED VCC'S INCLUDED IN MCP1 ARE UNLISTED AND ARE NOT READILY MARKETABLE.

This Investment Memorandum includes forward-looking statements. Forward-looking statements are statements that include, but are not limited to, any statements regarding the future financial position of MCP1 and its future prospects.








These forward-looking statements have been based on current expectations and projections about future results which, although the Directors believe them to be reasonable, are not a guarantee of future performance.

Risk factors which may cause MCP1's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by it in the forward - looking statements include, among other things, weak economic climate and volatile currency exchange rate. Risk factors are described

in **Annexure 1** on page 22 of this Investment Memorandum.

The Directors and Prescribed Officers, whose names are listed on pages 8 and 9 of this Investment Memorandum, certify that every effort has been made to ensure the accuracy of the information contained in this Investment Memorandum and, to the best of their knowledge and belief, no facts have been omitted which would make any statement false or misleading and have made all reasonable enquiries to ascertain such facts.

The Advisors, whose names are included in this Investment Memorandum, have given, prior to publication of this Investment Memorandum their written consent to act in the capacities stated and to the inclusion of their names appearing in this Investment Memorandum and, where applicable, to their reports being included in this Investment Memorandum.

<p align="center"><b><u>Manager and Promoter</u></b></p> 	<p align="center"><b><u>MCM's Attorney and Tax Advisor</u></b></p> 	<p align="center"><b><u>Auditors</u></b></p> 
<p align="center"><b><u>Corporate Advisors on the Investment Memorandum</u></b></p> 	<p align="center"><b><u>Commercial Bank</u></b></p> 	<p align="center"><b><u>Compliance Officer</u></b></p> 
<p align="center"><b><u>MCM's Company Secretary</u></b></p> <p align="center"><b>Light &amp; Livingstone Secretarial Services Proprietary Limited</b></p>	<p align="center"><b><u>Administrative Manager</u></b></p> 	

*This Investment Memorandum is only available in English. Copies of this Investment Memorandum may be obtained during normal business hours from the date of issue hereof, being 25 January 2018 until 28 February 2018 at the registered office of MCM at its address set out in the "Corporate Information and Advisors" section of this Investment Memorandum.*

## Corporate Information and Advisors

<p><b>Manager and Promotor</b>  Metta Capital Managers Proprietary Limited  Registration Number: 2017/250417/07</p> <p>164 Katherine Street  Building 2, Pinmill Office Park  Strathavon, 2196</p> <p>PO Box 1277  Gallo Manor  2052</p> <p>Tel: 011 262 6433</p>	<p><b>Corporate Advisors and Administrative Manager</b>  Venture Capital Management Services Proprietary Limited  Registration Number: 2012/223909/07</p> <p>164 Katherine Street  Building 2, Pinmill Office Park  Strathavon, 2196</p> <p>PO Box 1277  Gallo Manor  2052</p> <p>Tel: 011 262 6433</p>
<p><b>MCM's Attorneys and Tax Advisor</b>  Edward Nathan Sonnenbergs Incorporated  Registration number: 2006/018200/21</p> <p>150 West Street  Sandton  Johannesburg, 2196</p> <p>PO Box 783347  Sandton  2146</p> <p>Tel: 011 269 7600</p>	<p><b>Auditors</b>  Grant Thornton Johannesburg Partnership</p> <p>Chartered Accountants SA  52 Corlett Drive  Johannesburg, 2196</p> <p>Private Bag x 10046  Sandton  2146</p> <p>Tel: 010 590 7200</p>
<p><b>Commercial Bank</b>  Standard Bank of Southern Africa  Registration number: 1969/017128/06</p> <p>9<sup>th</sup> Floor, Standard Bank Centre  5 Simmonds Street  Johannesburg, 2001</p> <p>PO Box 7725  Johannesburg  2000</p> <p>Tel: 0860 123 000</p>	<p><b>Compliance Officer</b>  Moonstone Compliance Proprietary Limited  Registration number: 2002/020736/07</p> <p>Valerida Centre, 1<sup>st</sup> floor  Piet Retief Street, Stellenbosch  7613</p> <p>PO Box 12662  Die Boord, Stellenbosch  7613</p> <p>Tel: 021 883 8000</p>
<p><b>MCM's Company Secretary</b>  Light &amp; Livingstone Secretarial Services Proprietary Limited  Registration number: 2017/264017/07</p> <p>3<sup>rd</sup> Floor, Palm Grove  Houghton Estate Office Park  2 Osborn Road, Houghton, 2198</p> <p>PO Box 46079  Orange Grove  2119</p> <p>Tel: 011 483 1930</p>	

## General Statements

---

You should consult with your own independent legal, tax, accounting, investment or other relevant advisor when contemplating any investment decisions described in this Investment Memorandum.

The information contained herein has been prepared to assist you in forming an initial view of MCP1. This Investment Memorandum does not purport to contain all the information that an investor may require nor is it intended to replace any form of legal, financial or technical due diligence. The content hereof may not be utilised and/or relied upon for any purpose other than to evaluate whether you wish to invest in MCP1.

Investments in MCP1 by taxpayers who are not Connected Persons in relation to each of the Selected VCC's, will qualify as a deduction from income in terms of Section 12J of the Income Tax Act.

In the event of any conflict or inconsistency between the terms of this Investment Memorandum and each of the Selected VCC's MOI, the terms of the MOI of each of the Selected VCC's shall prevail.

### Disclaimer

The contents of this Investment Memorandum do not constitute and should not be construed as investment, tax, legal, accounting and/or other advice. For advice on these matters we recommend that you consult your preferred investment, tax, legal, accounting and/or other advisor about any information contained in this Investment Memorandum.

All information contained in this Investment Memorandum should be considered by prospective investors before deciding to invest in MCMF1.

Every effort has been made to ensure the accuracy of the information contained in this Investment Memorandum. However, MCM does not warrant, guarantee or give any confirmation whatsoever in respect of the accuracy of the information, whether expressly or implied and hence no prospective investor will have any claim against MCM due to any information contained herein.

Prospective investors should be aware that:

- The value of the Venture Capital Shares of each of the Selected VCC's will fluctuate and Investors may not receive back the full amount originally invested.
- Changes in legislation may restrict or adversely affect the ability of MCP1 to meet its objectives as set out in this Investment Memorandum.
- There can be no assurance that MCP1 can meet its objectives as set out in this Investment Memorandum.
- This Investment Memorandum does not constitute an offer to the public as contemplated under the Companies Act.
- MCM is not registered under the Collective Investment Schemes Control Act, 45 of 2002, and each Investor will hold shares directly in each of the Selected VCC's and will be issued with a share certificate in his or her own name to this effect.
- This Investment Memorandum has not been addressed to a "client" as that term is defined in FAIS.

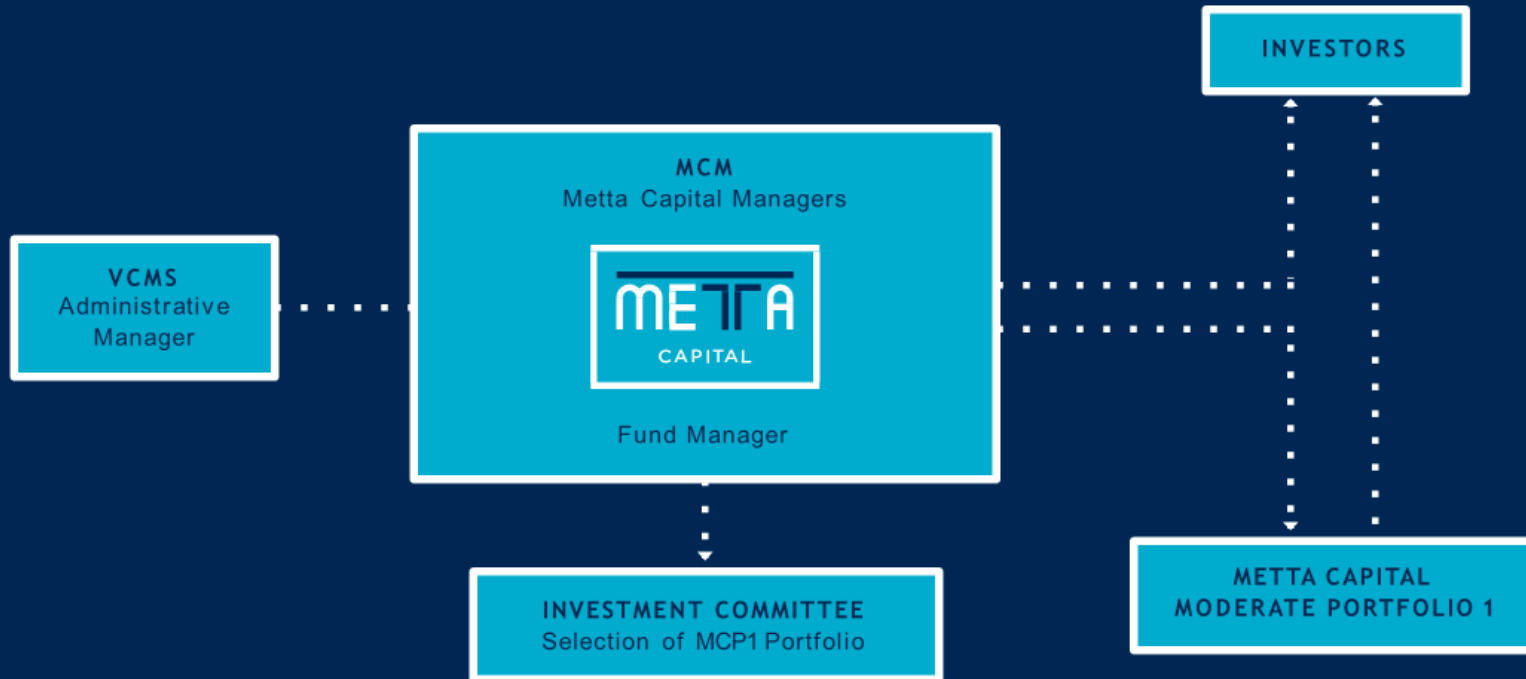
### Warning

Investments in Venture Capital Companies carry higher risk by their very nature and prospective investors should:

- refer to **Annexure 1** of this Investment Memorandum concerning the Risk Factors; and
- make every effort to familiarise themselves with the consequences of MCP1 not attaining the objectives outlined in this Investment Memorandum.

**Date of issue: 25 January 2018**

# INVESTMENT STRUCTURE



## Table of Contents

Definitions and interpretations .....	7
<b>SECTION 1 – INFORMATION ABOUT .....</b>	<b>10</b>
1. HISTORY, NATURE, INDUSTRY OVERVIEW AND BENEFITS.....	10
2. DIRECTORS, OTHER OFFICE HOLDERS AND MATERIAL THIRD PARTIES.....	11
3. MATERIAL CONTRACTS.....	17
4. INTERESTS OF DIRECTORS AND PROMOTERS.....	17
5. SHARES ISSUED OTHERWISE THAN FOR CASH .....	18
<b>SECTION 2 – DETAILS OF THE INVESTMENT OPPORTUNITY .....</b>	<b>19</b>
1. PURPOSE OF THE OF THE INVESTMENT .....	19
2. SALIENT DATES .....	19
3. PARTICULARS FOR INVESTING.....	19
4. RESERVATION OF RIGHTS .....	19
5. RESULTS OF ALLOCATIONS .....	20
6. INVESTMENT OPPORTUNITY SUSPENSIVE CONDITION.....	20
7. FEES PAYABLE PURSUANT TO AN INVESTMENT .....	20
8. FLOW OF FUNDS .....	21
9. STATEMENT OF ADEQUACY OF CAPITAL .....	21
10. REPORT BY DIRECTORS AS TO MATERIAL CHANGES .....	21
11. STATEMENT AS TO LISTING ON STOCK EXCHANGE .....	21
<b>SECTION 3 - ADDITIONAL MATERIAL INFORMATION.....</b>	<b>22</b>
1. TAX DEDUCTIBILITY OF INVESTMENT IN MCP1 .....	22
2. PROCEDURE TO CLAIM TAX DEDUCTION OF INVESTMENT .....	22
3. LITIGATION STATEMENT.....	22
4. CORPORATE GOVERNANCE .....	22
5. EXPERTS' CONSENTS .....	22
6. DIRECTORS' RESPONSIBILITY STATEMENT .....	23
7. FINANCIAL ADVICE.....	23
8. RISK FACTORS OF VENTURE CAPITAL INVESTMENTS .....	23
9. COMPLAINTS PROCESS & TCF OUTCOMES .....	23
10. CONFIDENTIALITY .....	23
11. INVESTORS NOT RESIDENT IN SOUTH AFRICA .....	24
12. DOCUMENTS AVAILABLE FOR INSPECTION.....	24
13. PROFESSIONAL INDEMNITY AND FIDELITY INSURANCE COVER.....	24
<b>ANNEXURE 1 – Risk Factors .....</b>	<b>25</b>
<b>ANNEXURE 2 - Appointment, qualification, remuneration and borrowing powers of Directors .....</b>	<b>27</b>
<b>ANNEXURE 3 – Directors Service Contracts .....</b>	<b>33</b>
<b>ANNEXURE 4 – Salient Points of the MCM Responsibilities .....</b>	<b>35</b>
<b>ANNEXURE 5 – Schedule of Fees .....</b>	<b>36</b>
<b>ANNEXURE 6 – King Code on Corporate Governance.....</b>	<b>38</b>
<b>ANNEXURE 7 – What is Section 12J? .....</b>	<b>40</b>
<b>ANNEXURE 8 – FSB License.....</b>	<b>43</b>

## **Definitions and interpretations**

In this Investment Memorandum, unless the context indicates otherwise, reference to the singular shall include the plural and vice versa, words denoting one gender include others, expressions denoting natural persons include juristic persons and associations of persons, and the words in the first column have the meanings stated opposite them, in the second column as follows:

<b>“Administration Agreement”</b>	the agreement concluded between MCM and VCMS in terms of which VCMS will provide certain administration services to MCM
<b>“Advisors”</b>	collectively Edward Nathan Sonnebergs Inc, VCMS, Grant Thornton Johannesburg Inc, Moonstone Compliance Proprietary Limited and the Company Secretary, full details of which are contained in the <i>Corporate Information and Advisors</i> section of this Investment Memorandum
<b>“Audit and Risk Committee”</b>	the audit and risk committee established by the Board, whose primary objectives is to provide the Board with additional assurance regarding the efficacy and reliability of the financial information used by the Directors, to assist them in the discharge of their duties
<b>“Board” or “Directors”</b>	the directors of MCM from time to time, which, as at the Last Practicable Date, comprises of the persons identified in paragraph 1.2.1 of this Investment Memorandum
<b>“Business”</b>	the business of MCM namely the: <ul style="list-style-type: none"> <li>• raising of capital from investors to invest in MCP1 and/or any future portfolios;</li> <li>• sourcing, researching and considering investments in VCC’s which meet the mandate and objectives of MCP1; and</li> <li>• identifying and negotiating opportunities to dispose of investments in MCP1 (and other future portfolio’s)</li> </ul>
<b>“Business Day”</b>	any day other than a Saturday, Sunday or statutory holiday in South Africa
<b>“CEO”</b>	Chief Executive Officer
<b>“Closing Date”</b>	the latest date and time by which Investors can submit a Mandate and Application Form to participate in MCP1, which is expected to be 17:00 on 28 February 2018 but which may be amended by MCM by way of an announcement released on its website <a href="http://www.mettacapital.co.za">www.mettacapital.co.za</a>
<b>“Companies Act”</b>	the Companies Act, No. 71 of 2008, as amended from time to time
<b>“Company Secretary”</b>	Light & Livingstone Secretarial Services Proprietary Limited (registration number 2017/264017/07), a private company incorporated under the laws of South Africa, full details of which are contained in the <i>Corporate Information and Advisors</i> section of this Investment Memorandum
<b>“Connected Person(s)”</b>	connected person as defined in section 1 of the Income Tax Act
<b>“Formation Cost”</b>	all cost, and fees incurred by MCM in the formation of MCP1, which shall include but not be limited to all cost and fees payable to the Advisors
<b>“FAIS”</b>	Financial Advisory and Intermediaries Services Act, No. 37 of 2002
<b>“Financial Services Providers”</b>	any person, other than a representative, who as a regular feature of the business of such person - (a) furnishes advice; or (b) furnishes advice and renders any intermediary service, as more fully defined in FAIS
<b>“FSB”</b>	Financial Services Board established under the Financial Services Board Act, No. 97 of 1990
<b>“Gross Investment”</b>	the aggregate amount which is utilised by MCM to subscribe for the Venture Capital Shares on behalf of the Investors
<b>“Investor(s)”</b>	an individual, trust, company, or other legal entity who completes and duly submits the Mandate and Application Forms and makes an Investment
<b>“Investment”</b>	the amount paid by an Investor in order to subscribe for the Venture Capital Shares
<b>“Investment Committee”</b>	the investment committee constituted by MCM in order to, <i>inter alia</i> , select VCC’s to be included in MCP1
<b>“Investment Memorandum”</b>	this Investment Memorandum and its annexures, issued on 25 January 2018

<b>“Investment Opportunity”</b>	the opportunity afforded to investors to invest in MCP1 pursuant to the terms and conditions set out in this Investment memorandum
<b>“IRR”</b>	Internal rate of return
<b>“Last Practicable Date”</b>	30 November 2017, being the last practicable date prior to the finalisation of this Investment Memorandum
<b>“Mandate and Application Form(s)”</b>	the mandate and application form to invest in MCP1 which is attached to, and forms part of this Investment Memorandum and which must be completed by the Investor in order to participate in MCP1
<b>“MCP1”</b>	Metta Capital Moderate Risk Portfolio 1 comprising of a portfolio of Selected VCC’s
<b>“MCM”</b>	Metta Capital Managers Proprietary Limited (registration number 2017/250417/07), a private company, incorporated under the laws of South Africa, full details of which are contained in the <i>Corporate Information and Advisors</i> section of this Investment Memorandum
<b>“MCM Ordinary Shares”</b>	Ordinary Shares of no par value in the capital of MCM
<b>“MOI”</b>	the memorandum of incorporation of MCM and each of the Selected VCC’s, as amended from time to time
<b>“Performance Shares”</b>	a class of no par value shares in the issued share capital of the Selected VCC’s, which may be issued to a VCC Manager by virtue of Investors subscribing for shares in the Selected VCC’s
<b>“POPI Act”</b>	the Protection of Personal Information Act No. 4 of 2013
<b>“Prescribed Officer”</b>	shall have the meaning ascribed to such term in the Companies Act
<b>“Qualifying Company/ies”</b>	a company satisfying the conditions of a Qualifying Company as defined in Section 12J of the Income Tax Act
<b>“Qualifying Investment(s)”</b>	an investment in the shares of an unlisted company which satisfies the conditions of a Qualifying Company as defined in Section 12J of the Income Tax Act
<b>“Qualifying Shares”</b>	equity shares issued to each of the Selected VCC’s by Qualifying Companies
<b>“RCPIT”</b>	Redwood Capital Partners Investment Trust Master’s Reference no. 1638/2012 of 164 Katherine Street, Pinmill Farm Office Park, building 2, Strathavon, Sandton, Johannesburg, South Africa;
<b>“Register”</b>	the register of Shareholders of each of the Selected VCC’s
<b>“Risk Capital”</b>	55% (fifty-five per cent) of the Gross Investment
<b>“SARS”</b>	South African Revenue Service
<b>“Sec 12J Tax Certificates”</b>	means a tax certificate issued by each of the Selected VCC’s, which certificate shall include, <i>inter alia</i> , the full name of the Investor, the year in which the investment was made into the Venture Capital Company, the amount of the investment made into the Venture Capital Company, as well as tax registration number of the Investor
<b>“Selected VCC’s”</b>	each of the VCC’s as recommended by the Investment Committee and ratified by the Board and which forms part of MCP1
<b>“Shareholder”</b>	a holder of Venture Capital Shares
<b>“SMME”</b>	a small medium sized enterprise
<b>“Income Tax Act”</b>	the Income Tax Act, 58 of 1962, as amended, consolidated or re-enacted from time to time and including all schedules thereto
<b>“VCC Manager(s)”</b>	the respective manager of each of the Selected VCC’s



"VCMS"	Venture Capital Management Services Proprietary Limited (registration number 2012/223909/07), a private company incorporated under the laws of South Africa, full details of which are contained in the <i>Corporate Information and Advisors</i> section of this Investment Memorandum
"VCC Investment Committee"	the investment committee constituted by each of the Selected VCC's in order to, <i>inter alia</i> , to select underlying companies/investments
"Venture Capital Company" or "VCC"	a venture capital company as defined in Section 12J of the Income Tax Act
"Venture Capital Shares"	collectively, shares subscribed for by MCM on behalf of and for the benefit of the Investors in each of the Selected VCC's as defined in Section 12J of the Income Tax Act
"Wealth Manager(s)"	selected and invited Financial Services Providers who service, advise and manage high net worth individual clients' investments portfolios, and with whom they have an existing relationship and deep knowledge and understanding of their investment strategies and who will enter into the Wealth Managers Agreement
"Wealth Managers Agreement"	the agreements concluded between MCM and each of the Wealth Managers

# INVESTMENT MEMORANDUM

---

## SECTION 1 - INFORMATION ABOUT METTA CAPITAL MANAGERS PROPRIETARY LIMITED

---

### History of MCM

#### Overview

Metta Capital Managers Proprietary Limited (formerly Nova Ventures Proprietary limited) was incorporated as a private company on 7 June 2017. MCM changed its name to Metta Capital Managers on 19 September 2017.

MCM is a licensed Financial Services Provider in terms of Section 8 of FAIS under license number 48601. A copy of the FSB license is contained in **Annexure 8** of this Investment Memorandum.

The primary investment objective of MCM is to administer MCP1, by among other things, researching investments which meet the criteria of MCP1.

MCM's registered office and primary place of Business is set out in the "*Corporate Information and Advisers*" section of this Investment Memorandum.

MCM has no holding company or subsidiaries as at the Last Practicable Date.

The purpose of this Investment Memorandum is to provide information to prospective Investors in MCP1.

#### Nature of Business

MCM has pioneered a single-entry point structure for Investors to gain exposure to a selected and diverse portfolio of Venture Capital Companies and fund managers. This innovative structure provides Investors the opportunity to diversify their investment whilst still benefiting from the Section 12J tax deduction.

#### Section 12J industry Overview

Section 12J legislation was introduced via SARS to encourage investment into the SMME and junior mining exploration industries. In 2015, SARS amended the existing Section 12J legislation which made it far more appealing to Investors. These amendments included unlimited investment amount into Section 12J companies by investors and investments of up to R50,000,000 (fifty million) in Qualifying Companies by a VCC, with a sunset clause of 2021. As at the Last Practicable Date, approximately 77 (seventy-seven) registered VCC's have been registered with an estimated R1,800,000,000 (one billion and eight hundred million rand) having been invested, with an estimated further R2,000,000 (two million rand) to be invested in the asset class by February 2018.

#### Metta Capital Moderate Risk Portfolio 1

MCP1 is MCM's first portfolio of VCC's launched to investors in South Africa. The mandate of MCP1 is to invest in a portfolio of moderate-risk VCC's that meet MCM's and the Investment Committee's selection criteria, which includes diversification of industry, managers and fund vintage, on behalf of the Investors.

MCM has identified the Selected VCC's which comprise MCP1. The Selected VCC's have been evaluated to be of moderate risk with predictable and stable cash flows with experienced management teams.

The target blended IRR of MCP1 is 16% (sixteen per cent) on Risk Capital, having taken into account all fees and taxes. MCM has selected an exclusive group of Wealth Managers to receive and promote MCP1 research to their client base. Investors collectively may invest a maximum of R300,000,000 (three hundred million rand) into MCP1.

## Benefits to investing in MCP1

- Single entry-point
- Moderate-risk
- Targeted blended return of 16% (sixteen per cent) IRR net of taxes and fees on Risk Capital
- Diversified investment portfolio
- Diversified industries
- Diversified fund managers
- Section 12J tax deduction
- Experienced fund manager (being MCM) and Investment Committee
- Higher probability of achieving targeted returns
- Half yearly reporting to investors

## 2. DIRECTORS, OTHER OFFICE HOLDERS AND MATERIAL THIRD PARTIES

2.1. The Board currently comprises of 5 (five) non-executive directors and 1 (one) independent non-executive director. The Chairman is a non-executive director. Details relating to the management of MCM are set out in paragraph 2.5 below.

2.2. The full names, business addresses, qualifications, positions and experience of the Directors and Prescribed Officers, all of whom are South African citizens, are set out below:

### 2.2.1 **Michael Solomon Teke (“Mike”) – BA (Ed) B.Ed, BA (Hons), MBA** Non-Executive Chairman

Mike obtained his Bachelor of Education in 1989, he then went on to complete his Bachelor of Education (Honours) in 1996. In 2002, Mike completed his Master’s Degree. He started working as a school teacher in 2002 and then went on to serving multiple HR roles at Unilever SA Ltd, Bayer Proprietary Limited, BHP Billiton Ltd and Impala Platinum Ltd until 2007. In 2008, Mike left Impala Platinum to become one of the founding members of Optimum Coal where he was then appointed as the CEO and where he played an integral role in the listing of Optimum Coal on the Johannesburg Stock Exchange in March 2010. In September 2012, Mike became the Non-Executive Chairman of Optimum Coal Proprietary Limited until April 2015.

In November 2013 Mike was appointed as the President of the Chamber of Mines of South Africa until May 2017. Mike is now the CEO of Seriti Resources Holdings Proprietary Limited and the Non-Executive Chairman of Rolles Technology Holdings Ltd, Anchor Group Ltd and Tellumat Proprietary Limited, and the Deputy Chairman of Council at the University of Johannesburg.

Mike is the founding and controlling shareholder of Dedicool Proprietary Limited, he is also the Executive Chairman and controlling shareholder of a diversified investment company, Masimong Group Holdings Proprietary Limited.

### 2.2.2 **Nicholas Dennis (“Nick”) - B. Com (Hons)** Non-Executive Director

Nick obtained his Bachelor of Commerce (Honours) degree at the University of the Witwatersrand.

Nick started working as a marketing trainee with Colgate-Palmolive Proprietary Limited. Over the next 14 (fourteen) years he went on to become the Group Product Manager (United Kingdom), Managing Director Colgate Sports Group of companies, Deputy Managing Director Joseph Terry (New York), and Assistant Managing Director, Colgate Palmolive, Germany. He returned to South Africa where he joined Barlow Rand Limited.

Nick has served on the boards of Barlow Rand Limited, C G Smith Sugar Ltd, C G Smith Foods Limited, Tiger Brands Limited, Institute of Chartered Shipbrokers, Nedbank Ltd and Lodestone Brands Proprietary Limited, of which some he held an executive position as CEO. He currently serves on the board of Anchor Capital Limited, Medu Capital Proprietary Limited and Universal Paints Corporation Pvt Ltd and is an advisor to Sango Capital Management Proprietary Limited.

Nick's pro bono work includes Childline South Africa - Gauteng, The African Children's Feeding Scheme, Finance Committee of St. Stithians College and a director of Conservation 360, an organisation which strives to protect endangered wildlife, and to provide safe habitats for elephant and rhino in Botswana.

### 2.2.3 **Jeffrey Wayne Miller ("Jeff") – B. Com B.Acc CA (SA)**

Non-Executive Director

Jeff is a qualified Chartered Accountant with over 30 (thirty) years' experience investing in listed and unlisted companies across numerous industries. Jeff is a start-up specialist, having co-founded numerous companies including Brandcorp Proprietary Limited (listed on the Johannesburg Stock Exchange in 1997), KNR Flatrock Proprietary Limited, Balboa Finance Proprietary Limited, Born Free Investments 272 Proprietary Limited, Eurosuit Proprietary Limited, Bride and Co Special Occasions Proprietary Limited, Redwood Capital Partners Proprietary Limited, Seed Engine Proprietary Limited.

Jeff is a co-founder of the Grovest Group and VCMS, the pioneers of Section 12J Venture Capital Companies in South Africa. VCMS is currently the administration manager for 25 (twenty-five) registered VCC's. Jeff is also a founder of Metta Capital Managers, the first Section 12J fund of funds offering to the market.

Jeff is a member of the sub-committee of The Southern African Venture Capital and Private Equity Association, focused on Venture Capital.

### 2.2.4 **Dr. Adrian Saville ("Adrian") – BA (Hons) M. Com (cum laude), PhD**

Independent Non-Executive Director of the Investment Committee

Adrian holds a Bachelor of Arts (Honours) (cum laude), M. Com (cum laude) and a PhD (Economics) from the University of Natal, and for which he was awarded the Economics Society of South Africa's Founders Medal. He is a United Nations Educational, Scientific and Cultural Organisation laureate and a matriculant of Linacre College (Oxford). Adrian has completed programmes in investing and competitive strategy at New York's Columbia University and Harvard Business School in Boston. In 1994, Adrian formed an investment vehicle which became the forerunner to Cannon Asset Managers which he founded in 1998. Today Adrian serves as Chief Executive at Cannon Asset Managers. He also holds a Professorship of Economics, Finance & Strategy at the Gordon Institute of Business Science.

### 2.2.5 **Malcolm Segal ("Malcom") – B. Com CA (SA) CPA (ISR)**

Non-Executive Director

After qualifying as a Chartered Accountant in 1972, Malcolm practiced as a partner of Grant Thornton LLP (Chartered Accountant and Business Advisers) and was elected Managing Partner of the Johannesburg office in 1986 and National Executive Chairman in 1989. Malcolm resigned from Grant Thornton LLP in 1997 to establish a private equity investment fund which he managed until acquired by Sasfin Holdings Limited in 2005.

In February 2012, Malcolm resigned from the boards of both Sasfin Holdings Limited and Sasfin Bank Limited to enable him to pursue his passion - entrepreneurship and entrepreneurial investment activities.

Malcolm currently sits on the boards of various companies in which he holds private equity investments and *inter alia* is also an External Member of the Special Credit Committee of the Industrial Development Corporation of South Africa Limited and a member of the Listings Advisory Committee of AltX (Alternate Exchange of the Johannesburg Stock Exchange). Malcolm is also the Chairman of KMC Chain Industrial Co., Ltd.

### 2.2.6 **Douglas Raymond Smollan ("Doug") – B. Com, MBL**

Non-Executive Director

Doug is Chairman of "The Smollan Group" which was founded by Doug's father, Fred Smollan, in 1931. The Smollan Group employs roughly 50 000 people and has a presence in 5 (five) continents. Doug is passionate about South Africa, its people and its development. He served as President of Young Presidents Organisation Worldwide in 1994/1995, the second Non-American to do so in 50 (fifty) years, at that time he was Chairman of Business Against Crime ("**BAC**"), Gauteng in 1997.

In 2000, he joined BAC's National Board. Doug heads up the Consumer Goods Council of South Africa Anti-Crime initiative. Doug is a Pioneer of the Nelson Mandela: "The Champion Within" Program with Life College to develop R1,000,000 (one million rand) champions by 2020.

### 2.3. Company Advisors

- 2.3.1. The Company Secretary of MCM is Light and Livingstone, whose name and address is set out in the "Corporate Information and Advisors" section of this Investment Memorandum. Light and Livingstone is represented by Jeffrey Livingstone (B. Com, CA (S.A.), HDip Tax Law).
- 2.3.2. The names and business addresses of the Advisors are set out in the "Corporate Information and Advisors" section of this Investment Memorandum.
- 2.3.3. The Advisors other than disclosed in this Investment Memorandum, do not have any interest in MCM as at the Last Practicable Date.

### 2.4. Additional information relating to Directors of MCM

- 2.4.1. The Directors shall be elected by an ordinary resolution of the shareholders at a general or annual general meeting of MCM.
- 2.4.2. **Annexure 2** contains the following additional information in respect of the Directors:
  - 2.4.2.1. Directors and prescribed officers' remuneration policy; and
  - 2.4.2.2. retirement and appointment of Directors.
- 2.4.3. All Directors have a term of office of 5 (five) years. Further details of the service contracts are set out in Annexure 3.
- 2.4.4. The Directors' and officers' emoluments are set out below:

Name of Director/Officer	Fees per Board Meeting	Investment Committee
Michael Teke	R 10 000	R 50 000
Nicholas Dennis	R 10 000	R 50 000
Jeffrey Miller	Nil	Nil
Adrian Saville	R 10 000	R100 000
Malcolm Segal	Nil	Nil
Douglas Smollan	R 10 000	R50 000

- 2.4.4.1. The Board will meet 4 (four) times per annum.
- 2.4.4.2. Adrian Saville is an Independent Non-Executive Director and Chairman of the Investment Committee.
- 2.4.4.3. The Chairman of the Investment Committee will receive a once off fee of R100 000 (one hundred thousand rand), whilst the other Members of the Investment Committee will each receive a once off fee of R50 000 (fifty thousand rand).

### 2.5. Management of MCP1

- 2.5.1. MCP1 is managed by MCM, whose business address is listed in the *Corporate Information and Advisors* section of this Investment Memorandum.
- 2.5.2. MCM encompasses an experienced management team with extensive private equity, public company and commercial experience.
- 2.5.3. MCM's responsibilities include:

- 2.5.3.1 research of the universe of registered VCC's to identify funds that meet MCP1's mandate:
  - 2.5.3.1.1 Provide research findings to the Investment Committee;
  - 2.5.3.1.2 Share the research findings in relation to MCP1 with selected Wealth Managers;
  - 2.5.3.1.3 Receive and make payments on behalf of Investors.
- 2.5.3.2 apply for the Venture Capital Shares and obtain the related share certificates;
- 2.5.3.3 act as agent for the Investor:
  - 2.5.3.3.1 procure for the Investors Sec 12J Tax Certificates from the VCC Managers;
  - 2.5.3.3.2 attend Shareholders meetings on behalf of Investors and to act as their proxy;
  - 2.5.3.3.3 ensure Investors receive their share of dividends declared and paid and distributions of capital;
- 2.5.3.4 monitor performance of MCP1;
- 2.5.3.5 liaise with VCC Managers on a regular basis and evaluate their performance;
- 2.5.3.6 research opportunities for the realisation of Selected VCC's and make recommendations to the Investment Committee and the Board in relation thereto;
- 2.5.3.7 report to Investors semi-annually on the performance of MCP1 and developments of interest relating thereto;
- 2.5.3.8 host an annual general meeting of Investors;
- 2.5.3.9 institute or defend any legal proceedings arising out of the ordinary and regular course of conduct of Selected VCC's, which costs will be for the account of the Investor.
- 2.5.4. MCM will carry the costs incurred in research and evaluating VCC's to comprise MCP1.
- 2.5.5. Refer further **Annexure 4** for additional information on MCM's responsibilities.
- 2.5.6. MCM has entered into the Administration Agreement with VCMS to outsource various functions.

## 2.6 VCMS

- 2.6.1 MCM has entered into an Administration Agreement with VCMS to carry out certain of the administrative functions of MCM and MCP1.
- 2.6.2 VCMS is the market leader in Section 12J VCC's management and administration and currently acts as an administration manager for approximately 25 (twenty-five) VCC's in South Africa.

## 2.7 MCP1 Selection Process

- 2.7.1 MCP1 will be comprised of shares of VCCs investing in the following sectors:
  - 2.7.1.1 **Hospitality Sector** - Hospitality companies underpinned by real estate located in prime locations in South Africa. Investment criteria include operational ability of the manager, location, yield, and potential for capital appreciation. A combination of own capital and bank debt will be used to enhance investor returns.
  - 2.7.1.2 **Energy Sector** – Renewable Energy projects which demonstrate predictable inflation linked cash flows supported by long term Power Purchase Agreements (PPA) with credit worthy off takers. In order to

enhance investor returns these projects will typically seek to fund acquisitions with a combination of its own capital and bank loans.

- 2.7.1.3 **Logistics Sector** – Short term rentals of vehicles which demonstrate predictable and sustainable cashflows with asset underpin. Investment criteria include operational ability of manager and resale value of vehicles. A combination of own capital and bank debt will be used to enhance investor returns.
- 2.7.1.4 **Telecommunications Sector** – Short term rentals of cell phones and mobile telecommunication devices to corporates which demonstrate predictable and sustainable cash flows. Investment criteria includes operational ability of manager, understanding of the value chain, and resale value of second hand telecommunication devices.
- 2.7.1.5 **Retail Sector** – Franchise Retail businesses in selected sectors in high density areas which demonstrate historical and future profits and positive cash flows. Investment criteria include operational ability of manager, value add of the manager and exit strategy of the retail business.
- 2.7.1.6 **Junior Mining Sector** – Tailings and dump retreatment projects and the expansion of existing high-quality mining operations which transaction involves a high calibre (bankable) project owner and/or product off-taker. Investment criteria include operational ability of manager and understanding of the value chain.
- 2.7.1.7 **Industrial Sector** – Businesses who rent moveable industrial assets which generates income of a contractual or predictable nature. Investment criteria include operational ability of manager and resale value of industrial assets.

## 2.8 Process to Select the Selected VCC's

- 2.8.1 The Investment Committee, has applied comprehensive investment processes in selecting the Selected VCC's and has conducted rigorous due diligence investigations into the Selected VCC's.
- 2.8.2 The due diligence process included a desk top due diligence of all Venture Capital Companies registered with SARS.
- 2.8.3 This included, a comprehensive assessment of the VCC Managers, sectors in which they operate, reliability and sustainability of cash flows and legislative requirements.
- 2.8.4 A short list of 16 (sixteen) VCC's were compiled and interviews were conducted to understand the vision of the management team, potential deal flow, quality of existing investments if any, future capex requirements, profitability, cash flows and credit worthiness and sustainability of customers and off takers.
- 2.8.5 The Investment Committee made recommendations and motivations to the Board to include 8 VCC's in various proportions to constitute MCP1 having taken into account the spread and experience of the VCC Managers, diversification of sector and vintage of funds.
- 2.8.6 The Board having considered the recommendations of the Investment Committee ratified the recommendations of the composition and weighting of MCP1.

## 2.9 MCP1

MCP1 comprises of:

MCP1 – Selected VCC's	Percentage Allocation	Targeted IRR Return (%)	Anticipated Time Frame of Investment (Years)	Sector
CCP 12J Fund Limited	17.5%	20%	7 years	Junior Mining
Franchise Junction Section 12J VCC Limited	12.5%	22%	7 years	Retail
Grovest Energy Limited	12.5%	16%	10 years	Energy
Mdluli Safari Lodge Limited	10.0%	16%	10 years	Hospitality
Rencell Limited	7.5%	22%	5 years	Telecommunications
Sunstone Capital Limited	15.0%	16%	5 years	Logistics
Westbrooke Alternative Rental Income Assets 2018 Limited	15.0%	17%	5 years	Industrial
Westbrooke STAC Limited	10.0%	17%	7 years	Hospitality

2.9.1 An Investment should be considered as a medium to long term investment.

2.9.2 In order for a Selected VCC to form part of MCP1, it will be required to prepare a prospectus in accordance with the relevant provisions of the Companies Act and on terms acceptable to MCM, failing which such Selected VCC shall not longer form part of MCP1 (“**Portfolio Change**”).

2.9.3 In the event of a Portfolio Change:

2.9.3.1 the initial percentage allocation as set out above shall be spread among the remaining Selected VCC's in accordance with such proportions as MCM shall determine; and

2.9.3.2 MCM shall make an announcement to this effect on MCM's website within 2 (two) Business Days of such Portfolio Change occurring, which announcement shall set out the amended percentage allocation applicable to each Selected VCC.

### 2.10 Post investment management

2.10.1 Representatives of MCM will meet with the VCC Managers on a regular basis, to conduct performance review.

2.10.2 MCM will use its best endeavours to ensure that corporate governance, legal compliance, and financial reporting is done appropriately and timeously.

### 2.11 Exit strategies

Notwithstanding that the Investment is of a medium to long-term nature, when evaluating investments, the Investment Committee has taken into consideration exit opportunities which may include, the marketability of underlying investee companies, dividend yields, and the potential to sell future cash flows.



## **2.12 Directors' Declarations**

2.12.1 None of the Directors:

2.12.1.1 have been declared bankrupt, insolvent;

2.12.1.2 have entered into any individual voluntary compromise arrangements;

2.12.1.3 have been publicly criticised by any statutory or regulatory authorities, including recognised professional bodies, or being disqualified by court from acting as a Director of a company or for acting in the management or conduct of the affairs of MCM;

2.12.1.4 have been convicted of any offense involving dishonesty;

2.12.1.5 are ineligible or disqualified from acting as a Director of a company in terms of section 69 of the Companies Act.

2.12.2 No payment has been made to any Director at the Last Practical Date, to induce him to become a Director or in connection with the promotion or formation of MCM.

2.12.3 Formal letters of appointment have been entered into with all Directors and are available for inspection at the registered offices of MCM.

## **2.13 Transactions with related parties**

Malcolm and Jeff are Directors and Shareholders of VCMS.

Malcolm, Jeff and Doug are Directors and Shareholders of Grovest Energy Limited.

Malcolm and Jeff are Directors and Shareholders of Mdluli Safari Lodge Limited.

Nick is a Director of Mdluli Safari Lodge Limited.

## **2.14 Material changes**

There have been no material changes in the Business during the past 3 (three) years.

## **2.15 Liquidity and Share buy backs**

2.15.1 Shares in Venture Capital Companies should be held for at least 5 (five) years and are thus considered illiquid. Disposal of these shares before the end of 5 (five) years is permissible, but the tax deduction claimed by the Investor will be taxed as a recoupment in his hands. However, the acquirer thereof is not entitled to claim the Section 12J tax deduction.

2.15.2 The Selected VCC's are not obligated to repurchase the Venture Capital Shares from Investors, but MCM will endeavour to facilitate a repurchase by the Selected VCC's to assist Investors where possible.

2.15.3 Repurchases of the Venture Capital Shares by the Selected VCC's from Investors may necessitate a discount to their intrinsic value.

## **2.16 Investment Committee**

The Investment Committee comprises of a minimum of 3 (three) members. The members of the Investment Committee as at the Last Practical Date are **Adrian (Chairman)**, Mike, Nick and Doug. Decisions are made on the majority vote by members of the Investment Committee. The Investment Committee has the right to co-opt appropriately skilled parties as and when required.

Adrian is an independent non-executive Director and Chairman of the Investment Committee

## **2.17 Directors' opinion regarding prospects of MCP1**

The Directors are of the opinion that MCP1 has good prospects of achieving its investment mandate as contained in this Investment Memorandum based on the following:

2.17.1 Diversification of MCP1

- 2.17.2 Diversification of VCC Managers
- 2.17.3 Diversification of sectors
- 2.17.4 Sustainable and predictable cashflows of selected VCC's

**3. MATERIAL CONTRACTS**

- 3.1 Fee and Performance Agreements with VCC Managers
- 3.2 The Administration Agreement with VCMS
- 3.3 Wealth Manager Agreements with Wealth Managers
- 3.4 Directors Service Agreements (Annexure 3)

The above agreements are available for inspection at MCM's registered address during normal office hours from the date of issue of this Investment Memorandum up to and including the Closing Date.

**4. INTEREST OF DIRECTORS AND PROMOTERS**

4.1. No consideration, has been paid, or agreed to be paid to:

- 4.1.1. any Director or related party;
- 4.1.2. another company in which a Director has a beneficial interest or of which such Director is also a Director; or
- 4.1.3. any partnership, syndicate or other association of which the Director is a member;
- 4.1.4. induce the Director to become a Director, to qualify as a Director or for services rendered by the Director or by a company, partnership, syndicate or other association, in connection with the promotion or formation of the Company.

4.2 As at the Last Practical Date, the Directors hold the following shares in MCM:

4.3 MCP Ordinary Shares

Name of Director or Officer	Direct Beneficial Number of Shares	Indirect Beneficial Number of Shares	Total Number of Shares	Percentage of Total Shareholding
Michael Teke	125	0	125	12.5%
Nicholas Dennis	150	0	150	15.0%
Jeffrey Miller	0	300	300	30.0%
Adrian Saville	0	0	0	0
Malcolm Segal	300	0	300	30.0%
Douglas Smollan	125	0	125	12.5%
<b>Total</b>	<b>700</b>	<b>300</b>	<b>1000</b>	<b>100%</b>

- 4.3.1 No loans have been made by MCM to any of its Directors or Prescribed Officers and MCM has not furnished security for and on behalf of any of its Directors or Prescribed Officers.
- 4.3.2 No properties have been acquired or disposed of by MCM since its incorporation and therefore the Directors had no interests in properties acquired or disposed by MCM since its incorporation.

**5. SHARES ISSUED OTHERWISE THAN FOR CASH**

There have been no MCM Ordinary Shares issued other than for cash since MCM's incorporation.

---

## SECTION 2 - DETAILS OF THE INVESTMENT OPPORTUNITY

---

### 1. PURPOSE OF THE INVESTMENT

The purpose of the Investment Opportunity is to raise capital for MCP1.

### 2. SALIENT DATES

The dates and times for the opening and closing of the Investment Opportunity is set out below:

Details	
Opening date of the Investment Opportunity on (09:00)	25 January 2018
Expected Closing date of the Investment Opportunity (17:00)	23 February 2018

### 3. PARTICULARS FOR INVESTING

- 3.1. Applications may be made by completing the "Mandate and Application Form" annexed to this Investment Memorandum.
- 3.2. Applications for an Investment may only be made by competing and submitting the Mandate and Application Form prior to the Closing Date. Applications are irrevocable and may not be withdrawn once received by MCM.
- 3.3. Mandate and Application Forms must be completed in accordance with the provisions of this Investment Memorandum and the instructions as set out in the Mandate and Application form.
- 3.4. Applications must be for a minimum of R500 000 (five hundred thousand rand).
- 3.5. All Mandate and Application Forms completed in accordance with the provisions of this Investment Memorandum and the instructions set out on the Mandate and Application Form, should be delivered to:

Email address : cindyh@mettacapital.co.za  
Physical address : 164 Katherine Street, Pinmill Office Park  
Strathavon  
Sandton

- 3.6. Proof of payment is to be received by MCM by no later than the Closing Date.
- 3.7. Applications will be regarded as complete once payment has been received. Payment may be made by bank guaranteed cheque (crossed "not transferable") or banker's draft or electronic transfer into the following bank account:

**Bank:** Standard Bank  
**Branch:** Sandton  
**Branch code:** 051001  
**Account name:** Metta Capital Managers  
**Account number:** 301995702

- 3.8. No receipts will be issued for applications and/or payments received.

### 4. RESERVATION OF RIGHTS

The Directors reserve the right to accept or refuse any application(s), either in whole or in part, or to abate any or all application(s) in such manner as they may, in their sole and absolute discretion, determine.

## 5. **RESULTS OF ALLOCATIONS**

Investors will be notified of the allocation of the Venture Capital Shares within 7 (seven) days of the Closing Date by way of email.

### 5.1. **Over Subscriptions**

In the event of any application being rejected or accepted for a lesser investment amount applied for, any surplus application monies received will be refunded by MCM to the Investors within 3 (three) days of the Closing Date.

### 5.2. **Issue of Shares**

The Venture Capital Shares to be issued by the Selected VCC's will be issued at such Selected VCC's expense.

## 6. **INVESTMENT OPPORTUNITY SUSPENSIVE CONDITION**

6.1. The Investment Opportunity contemplated in this Investment Memorandum is subject to MCM procuring from the Investors a Gross Investment of not less than R20,000,000 (twenty million Rand by no later than the Closing Date, failing which this Investment Memorandum (and the Mandate and Application Form) will become null and void.

6.2. In the event that the Investment Memorandum (and the Mandate and Application Form) becomes null and void as contemplated in paragraph 6.2 above, MCM shall:

6.2.1. make an announcement to this effect on MCM's website within 2 (two) Business Days of the Closing Date ("**Announcement Date**"); and

6.2.2. return to each Investor the amount of its Investment (together with all interest accrued thereon) within 3 (three) Business Days reckoned from the Announcement Date.

6.3. In the event that the Investment Memorandum (and the Mandate and Application Form) becomes of full force and effect MCM shall:

6.3.1. pay to each of the Selected VCC's an amount equal to the Gross Investment received from the Investors in the percentage allocation as set out in paragraph 1.9 above (the "**Proportionate Gross Investment**"); and

6.3.2. be entitled to set-off the Formation Cost against any interest accrued on the Gross Investment from the date on which MCM receives the Gross Investment up until the date on which MCM pays the Proportionate Gross Investment to each of the Selected VCC's.

6.4. Despite anything to the contrary in this Investment Memorandum, an Investor's participation in each of the Selected VCC's is limited to its Investment (and not determined with reference to the Gross Investment).

## 7. **FEES PAYABLE PURSUANT TO AN INVESTMENT**

### 7.1. **Fees Payable by the VCC Managers to MCM**

Each of the VCC Managers will be required to pay MCM the fees as more fully set out in paragraph 1 of Annexure 5 hereto, which fees **may** comprise of:

7.1.1. a once-off capital rising fee based on the Gross Investment;

7.1.2. an annual management fee based on the Gross Investment; and/or

7.1.3. a performance fee calculated with reference to the amount of money received by a VCC Manager by virtue of Performance Shares issued to each VCC Manager pursuant to the Venture Capital Shares subscribed for by MCM in Selected VCC's on behalf of Investors.

### 7.2. **Fees Payable by the Selected VCC's to the VCC Managers**

Each of the Selected VCC's will be required to pay each of the VCC Managers the fees as more fully set out in paragraph 2 of Annexure 5 hereto.

7.3. Fees Payable by the Investor to MCM

- 7.3.1. The Investor will be required to pay MCM an annual platform fee of 0,5% per annum (excluding VAT) calculated on the Gross Investment (the “**Platform Fee**”), annually in advance.
- 7.3.2. MCM shall further be entitled to set off the Platform Fee against any interest, dividends or repayments of capital due to the Investor from time to time.
- 7.3.3. The outstanding Platform Fee will accrue interest from the date of payment of the Gross Investment to MCM at the Prime Rate.

8. **FLOWS OF FUNDS**

8.1. Amount to be paid by MCM to each of the Selected VCC's

MCM shall be obliged to pay to each of the Selected VCC's the Proportionate Gross Investment.

8.2. Amount to be paid by each of the Selected VCC's to the VCC Managers

Each of the Selected VCC's shall pay to its respective VCC Manager an amount equal to the fees as more fully set out in paragraph 2 of [Annexure 5] hereto as consideration for the issuance of the Venture Capital Shares to the Investor.

8.3. Amount to be paid by the VCC Managers to MCM

Each Selected VCC shall pay to MCM an amount equal to all dividends and capital distributions declared and paid by each of the Selected VCC's (in relation to the Venture Capital Shares subscribed for by MCM on behalf of Investors) (the “**Investment Return**”).

8.4. Amount to be paid by MCM to the Investor

Upon receipt of an Investment Return, MCM shall pay to the Investor an amount equal to the Investment Return (together with interest accrued thereon) less the Platform Fee (if it is still outstanding at such time), on a bi-annual basis. There is no guarantee of there being an Investment Return and that an Investor will only receive the payment in this paragraph if there is an Investment Return.

9. **STATEMENT OF ADEQUACY OF CAPITAL**

The Directors are of the opinion that the working capital of MCM, both before and pursuant to the Investment, is sufficient for MCM's present requirements.

10. **REPORT BY DIRECTORS AS TO MATERIAL CHANGES**

There have been no other material changes in the financial and trading position of MCM since the previous financial reporting period and the Last Practicable Date.

11. **STATEMENT AS TO LISTING ON STOCK EXCHANGE**

No application has been made to any stock exchange for the listing of MCM's shares.

## SECTION 3 - ADDITIONAL MATERIAL INFORMATION

### 1. TAX DEDUCTIBILITY OF INVESTMENT IN MCP1

- 1.1. In terms of Section 12J of the Income Tax Act, Investors will be entitled to deduct from their income the full amount of their Investment in the tax year in which the investment is made.
- 1.2. This tax relief mitigates the Investment risk and significantly enhances the potential return.
- 1.3. The tax impact is best demonstrated as follows:

Investor type	Individuals	Trusts	Corporates
Gross investment	R1 000 000	R1 000 000	R1 000 000
Tax relief (Maximum marginal rate)	(R450 000)	(R450 000)	(R280 000)
<b>Net Investment-Risk Capital</b>	<b>R550 000</b>	<b>R550 000</b>	<b>R720 000</b>
Effective % Tax Relief	45%	45%	28%

\* Dividends received by Corporates will not be subject to Dividend Withholding Tax

- 1.4. The intention is to return realised Investment surpluses to shareholders by way of dividends. Dividends paid by each of the Selected VCC's will be subject to Dividends Tax as applicable.
- 1.5. A return of capital by a Selected VCC which is limited to the amount of the investor's initial Investment will not be subject to income tax as a recoupment in the hands of an investor provided that the investor held the for no less than 5 (five) years.
- 1.6. Capital Gains as well as original capital returned to investors will be subject to Capital Gains Tax.

### 2. PROCEDURE TO CLAIM THE TAX DEDUCTION

- 2.1. Investors will be entitled to deduct the full amount of their Investment from their income in the tax year ending 28 February 2018.
- 2.2. Certificates from each of the Selected VCC's to substantiate a claim for tax deduction will be sent to Investors within 6 (six) weeks of the Closing Date.

### 3. LITIGATION STATEMENT

There are no legal or arbitration proceedings, including any proceedings that are pending or threatened, of which MCM is aware that may have or have had in the last 12 (twelve) months, a material effect on MCM financial position.

### 4. CORPORATE GOVERNANCE

MCM subscribes to the guidelines of Corporate Governance set out in the King IV Report on Corporate Governance as set out in **Annexure 6**.

### 5. EXPERTS' CONSENTS

Each of the parties listed under "Corporate Information and Advisors" section on page 3 has consented in writing to act in the capacities stated and to their names appearing in this Investment Memorandum and have not withdrawn their consent prior to the publication of this Investment Memorandum.

## **6. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors, whose names are list in Section 1, paragraph 1.2.1 of this Investment Memorandum, record that every effort has been made to ensure the accuracy of the information contained in this Investment Memorandum and that to the best of their knowledge and belief, there are no material facts relating to MCM that have been omitted, which would make any statement relating to MCM false or misleading, and that all reasonable enquiries to ascertain such facts have been made.

## **7. FINANCIAL ADVICE**

- 7.1. This Investment Memorandum constitutes objective information about MCM and MCP1.
- 7.2. Investors should be cognisant that the value of, and potential income generated from, an Investment may appreciate as well as depreciate. Investors may not realise the initial Investment. If in doubt, Investors should seek advice from their financial advisor, attorney, accountant, banker or other professional adviser.

## **8. RISK FACTORS OF VENTURE CAPITAL INVESTMENTS**

- 8.1. All the information in this Investment Memorandum should be considered by potential Investors before making a decision to invest in MCP1. Venture Capital Investments are considered to be speculative and are considered to be more suitable for investors in a high-income bracket who are prepared to accept the risks inherent in Investments of this nature.
- 8.2. Prospective investors should carefully consider their financial position and make every effort to familiarise themselves with the consequences of non-attainment by MCM or MCP1 of the objectives outlined in this Investment Memorandum. It may be prudent to seek independent financial advice regarding this Investment.
- 8.3. Prospective investors should be aware that the value of the Venture Capital Shares will fluctuate, and that his/her Investment may not realise a profit.
- 8.4. Changes in legislation relating to Venture Capital Companies may restrict or adversely affect the ability of MCM or MCP1 to meet its objectives.
- 8.5. There can be no assurances that MCP1 will meet its objectives as set out in this Investment Memorandum.
- 8.6. To comply with VCC legislation, Selected VCC's may not expend more than 20% (twenty per cent) of its capital raised on any single Qualifying Companies. Qualifying Companies must be unlisted and not have a book value of not more than R50,000,000 (fifty million rand) after the Investment has been made. Such companies may have a higher risk profile than larger, listed companies.
- 8.7. Qualifying Investments made by each of the Selected VCC's will be in companies whose shares are not listed and will therefore not be readily marketable.

## **9. COMPLAINTS PROCESS & TCF OUTCOMES**

- 9.1. MCM is committed to service excellence and values the relationship with its Investors. The Treat Your Customers Fairly (TCF) culture is embedded in our Business.
- 9.2. In terms of FAIS, Investors may lodge a complaint with Jeffrey Miller who is the key individual of MCM at [jeffm@vcms.co.za](mailto:jeffm@vcms.co.za). We are committed to an effective and fair resolution of any complaints. MCM's Complaints Resolution Procedure is available on request.

## **10. CONFIDENTIALITY**

MCM will not use or disclose any confidential information obtained, except to the extent permitted by investors in MCP1 or required by applicable law. Policies and procedures in terms of the POPI Act are in the process of being implemented.

## **11. INVESTORS NOT RESIDENT IN SOUTH AFRICA**

11.1. Investors not resident in South Africa should seek professional advice as to the consequences of making an Investment in a VCC, as they may be subject to tax in other jurisdictions as well as in South Africa.

11.2. The following is intended as a guide and is, therefore, not comprehensive. If you are in any doubt in this regard, please consult your professional advisor.

### **11.3. Emigrants from the Common Monetary Area**

11.3.1. A former resident of the Common Monetary Area who has emigrated from South Africa may use blocked Rands to invest in MCP1.

11.3.2. All payments in respect of Investments into MCP1 by emigrants using blocked Rands must be made through an authorised dealer in foreign exchange.

11.3.3. Share certificates in each of the Selected VCC's will be restrictively endorsed as "NON-RESIDENT".

11.3.4. If applicable, refund monies in respect of unsuccessful applications, emanating from blocked Rand accounts, will be returned to the authorised dealer administering such blocked Rand accounts for the credit of such applicant's blocked Rand account.

### **11.4. Applicants resident outside the Common Monetary Area**

11.4.1. A person who is not resident in the Common Monetary Area should obtain advice as to whether any government and/or legal consent is required and/or whether any other formality must be observed to enable an Investment.

11.4.2. This Investment Memorandum is accordingly not available to investors in any area or jurisdiction in which it is illegal to make an Investment. In such circumstances this Investment Memorandum is provided for information purposes only.

11.4.3. Share certificates will be restrictively endorsed as "NON-RESIDENT" to investors not resident in the Common Monetary Area

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

12.1. Copies of the following documents will be available for inspection at the registered offices of MCM at its address set out in the "*Corporate Information and Advisors*" section of this Investment Memorandum at any time during business hours from the date of issue hereof, being 25 January 2018 until the Closing Date at the registered office of MCM.

12.1.1. the MOI of MCM;

12.1.2. material agreements disclosed paragraph 3 of this Investment Memorandum;

12.1.3. the written consents of the Advisors named in this Investment Memorandum to act in those capacities; and

12.1.4. MCM's FSB licence.

## **13. PROFESSIONAL INDEMNITY AND FIDELITY INSURANCE COVER**

13.1. As required in terms of FAIS, professional indemnity and fidelity insurance cover of R20 000 000 (twenty million rand) has been procured by MCM.



## ANNEXURE 1 – RISK FACTORS

This annexure describes the risk factors which are considered by the Directors to be material in relation to MCP1:

Risk	Explanation of impact of risk on performance/ reputation of MCM	Level	Mitigating factor
<b>Economic conditions</b>	The state of the economy will change over time in line with the economic and business cycles	Low	The Hospitality and Energy Sectors are currently experiencing growth in Southern Africa and their valuations are less sensitive to economic cycles. The Investment Committee have only considered investments which demonstrate a high degree of reliable and sustainable cashflows.
<b>Uncertainty</b>	Having limited knowledge of current conditions or future outcomes	Low	The Investment Committee has only considered investments of which it has a good understanding and can add value and influence to the underlying investments.
<b>Changes in legislation</b>	Legislative risk includes changes to Section 12J legislation	High	The Section 12J VCC regime is subject to a sunset clause terminating on 30 June 2021. It is reasonable to assume that SARS will review the efficiency of the regime and a decision will be then made as to whether it should be extended.
<b>Liquidity</b>	The holding of Venture Capital Shares is Illiquid	High	Full disclosure is made to Investors that the Venture Capital Shares subscribed for are illiquid.  At the discretion of the board of Directors of each of the Selected VCC's, the Selected VCC's may repurchase the Investors Venture Capital Shares at an appropriately discounted value.
<b>Fraud risk/internal control risk</b>	MCM does not have an internal audit function	Low	It is not deemed practical by the Audit and Risk Committee to implement an internal audit function due to the size of MCM and the Selected VCC's.  Management accounts are produced monthly by each of the Selected VCC's and are reviewed regularly by the Board.  External auditors annually provide Audited Financial Statements of each of the Selected VCC's.  Each of the Selected VCC's has an Audit and Risk Committee.
<b>Credit Risk</b>	Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.	Low	MCM and Selected VCC's only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.
<b>Interest Rate Risk</b>	Financial Assets and Liabilities that are sensitive to interest rate comprise cash balances and gearing if any.	Low	Funds not yet invested are deposited in short, medium and long-term interest-bearing accounts.  A 1% increase or decrease represents management's assessment of reasonably possible changes in interest rates.

<b>Operational Risks</b>	<p>The operational risk is that investment decisions are not properly evaluated and considered.</p> <p>Post investment management not conducted with adequate diligence and care.</p>	<p>Low</p> <p>Low</p>	<p>The mandate of the VCC Investment Committee is to ensure that investment decisions are properly considered and evaluated prior to investments being made.</p> <p>MCM will liaise with each of the Selected VCC's on a regular basis.</p>
<b>Liquidity Risk</b>	<p>The risk that funds will not be available to meet future investment requirements.</p>	<p>Medium</p>	<p>Each of the Selected VCC's are obliged to manage liquidity risk through ongoing review of future funding obligations.</p>
<b>Capital Risk</b>	<p>The risk that one cannot guarantee the investment/capital of the investors into the VCC of cash deposits, cash equivalents and trade debtors.</p>	<p>Medium</p>	<p>In order to maintain or adjust the capital structure, the Selected VCC's may issue new shares or sell assets to increase cash and cash equivalents.</p>

## ANNEXURE 2 - APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

The material provisions of the Memorandum of Incorporation of Metta Capital Managers Proprietary Limited are as follows:

### COMPOSITION AND POWERS OF THE BOARD OF DIRECTORS

- 32.1 The board shall consist of not less than four directors. The shareholders shall be entitled, by ordinary resolution, to determine such maximum number of directors as they from time to time shall consider appropriate.
- 32.2 A director shall not be required to hold any shares.
- 32.3 No director shall be elected for life or for an indefinite period.
- 32.1 The directors shall be nominated by the shareholders.
- 32.2 Each shareholder will be entitled to nominate 1 (one) director to the board.
- 32.3 Each shareholder agrees to vote in favour of each of the other shareholders' nominees.
- 32.4 As at the filling date the board will consist of 6 (six) directors as follows –
- 32.4.1 Malcolm, who shall be considered as a director nominated by himself in his capacity as a shareholder;
- 32.4.2 Jeff, who shall be considered as a director nominated by RCPIT;
- 32.4.3 Nick , who shall be considered as a director nominated by himself in his capacity as a Shareholder;
- 32.4.4 Doug, who shall be considered as a director nominated by himself in his capacity as a Shareholder;
- 32.4.5 Mike, who shall be considered as a director nominated by himself in his capacity as a Shareholder; and
- 32.4.6 Adrian, who shall be considered as an independent non-executive director nominated by board/company; and
- 32.5 The shareholders acknowledge that the directors appointed to the board are critical to the success of the business and they shall not be entitled to replace their nominees and nominate alternates thereto.
- 32.6 All directors nominated by shareholders shall be elected by an ordinary resolution of the shareholders at a general meeting.
- 32.7 In any election of directors -
- 32.7.1 the election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the board at that time have been filled; and
- 32.7.2 in each vote to fill a vacancy -
- each voting right entitled to be exercised may be exercised once; and
- the vacancy is filled only if a majority of the voting rights exercised support the candidate.
- 32.8 The company shall only have elected directors and there shall be no appointed or ex officio directors as contemplated in section 66(4).
- 32.9 Apart from satisfying the qualification and eligibility requirements set out in section 69, a person need not satisfy any eligibility requirements or qualifications to become or remain a director or a prescribed officer of the company.
- 32.10 All acts performed by the directors or by a committee of directors or by any person acting as a director or a member of a committee shall, notwithstanding that it shall afterwards be discovered that there was some defect in the election of the directors or persons acting as aforesaid, or that any of them were disqualified from or had vacated office, be as valid as if every such person had been duly elected and was qualified and had continued to be a director or member of such committee.

- 32.11 Save as otherwise expressly provided by the MOI, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments and all documents to be executed by the company, shall be signed, drawn, accepted, endorsed or executed as the case may be in such manner as the directors shall from time to time determine.
- 32.12 The directors shall have the authority to make, amend or repeal any rules relating to the governance of the company as contemplated in section 15(3).
- 32.13 Should any invited director not serve a minimum term of office of 60 (sixty) consecutive months as a director of the company for any reason whatsoever, the company will have the exclusive right to repurchase all or a proportionate amount of shares held by that shareholder represented by the invited director at a nominal value of R1 (one Rand) per share, calculated in terms of the formulae set out in Annexure A hereto.
- 32.14 Without prejudice to any contrary provisions in this MOI, a director shall vacate his office in the circumstances envisaged in section 70(1) of the Act or if –
- 32.14.1 his estate is sequestrated or he surrenders his estate or enters into a general compromise with his creditors; or
  - 32.14.2 he is found to be or becomes of unsound mind; or
  - 32.14.3 a majority of his co-directors sign and deposit at the office a written notice wherein he is requested to vacate his office, which shall become operative on deposit at the office (but without prejudice to any claim for damages); or
  - 32.14.4 he is removed by a resolution of the company of which proper notice has been given in terms of the Act (but without prejudice to any claim for damages); or
  - 32.14.5 he is, pursuant to the provisions of the Act or any order made thereunder, prohibited from acting as a director; or
  - 32.14.6 he gives one months (or with the consent of the board, a lesser period) notice in writing of his intention to resign; or
  - 32.14.7 he dies or resigns his office by notice in writing to the company; or
  - 32.14.8 he is absent from meetings of the directors for 6 (six) consecutive months without leave of the directors while not engaged in the business of the company and -
  - 32.14.9 he is not represented at any such meetings during such six consecutive months by an alternate director; and
  - 32.14.10 the directors resolve that his office be, by reason of such absence, vacated,
- provided that the directors shall have power to grant to any director leave of absence for a definite or indefinite period.
- 32.15 A director may hold any other office or place of profit under the company (except that of auditor) or any subsidiary of the company in conjunction with his office of director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a director) and otherwise as a disinterested quorum of the directors or a remuneration committee appointed by the board may determine.
- 32.16 A director of the company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested as shareholder or otherwise.
- 32.17 Any director may act personally or through his firm in a professional capacity for the company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services rendered as if he were not a director.

32.18 A director who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the company or any person in which the company has an interest, shall declare the nature of his interest in accordance with the Act.

32.19 No director shall be disqualified by his office from contracting with the company with regard to –

32.19.1 his tenure of any other office or place of profit under the company or in any company promoted by the company or in which the company is interested;

32.19.2 professional services rendered or to be rendered by such director;

32.19.3 any sale or other transaction.

No such contract or arrangement entered into by or on behalf of the company in which any director is in any way interested is voidable solely by reason of such interest.

32.20 No director so contracting or being so interested shall be liable to account to the company for any profit realised by any such appointment, contract or arrangement by reason of his office as director or of the fiduciary relationship created thereby.

32.21 A director may not vote nor be counted in the quorum (and if he shall do so his vote shall not be counted) on any resolution for his own appointment to any other office or place of profit under the company or in respect of any contract or arrangement in which he is interested, provided that this prohibition shall not apply to –

32.21.1 any arrangement for giving to any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the company; or

32.21.2 any arrangement for the giving by the company of any security to a third party in respect of a debt or obligation of the company which the director has himself guaranteed or secured; or

32.21.3 any contract by a director to subscribe for or underwrite shares or debentures of the company; or

32.21.4 any contract or arrangement with a public company in which he is interested by reason only of being a director, officer, creditor or shareholder of such legal person,

and these provisos may at any time be suspended or relaxed either generally, or in respect of any particular contract or arrangement, by the company in general meeting.

32.22 A contract which violates the terms of clause 32.21 can be ratified by the company in general meeting.

32.23 The terms of clause 31.21 shall not prevent a director from voting as a shareholder at a general meeting at which a resolution in which he has a personal interest is tabled.

32.24 The directors may exercise the voting powers conferred by the shares held or owned by the company in any other company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or for determining any payment of or remuneration to the directors or officers of such other company.

32.25 A director may vote in favour of a resolution referred to in clause 32.24 for the exercise of the voting rights in the manner described in clause 32.24 notwithstanding that he may be, or is about to become, a director or other officer of such other company and for that or any other reason may be interested in the exercise of such voting rights in the manner aforesaid.

## **PROCEEDINGS OF DIRECTORS AND COMMITTEES**

32.26 Save as may be provided otherwise in this MOI, the directors may meet for the despatch of business, adjourn, and otherwise regulate their meetings as they think fit.

32.27 The Directors shall meet at least 4 (four) times per financial year;

32.28 All resolutions of directors in order to be of force and effect must be accepted and approved by the majority of the directors.

32.29 Each director shall have 1 (one) vote.

32.30 A quorum for any meeting of directors shall not be constituted unless at least 4 (four) directors, are in attendance, of which at least one should be Malcolm or Jeff.

32.31 If a quorum is not present within 30 (thirty) minutes after the time appointed for the commencement of any meeting of the directors, that meeting shall stand adjourned until a day, 5 (five) business days after the date scheduled for the meeting, at the same time and place, or such other date, time or place as the chairperson of the meeting shall appoint. The adjourned meeting may only deal with the matters which were on the agenda of the meeting which was adjourned and all the directors present at such adjourned meeting shall constitute a quorum.

32.32 If any directors' meeting is adjourned as envisaged in clause 33.6, the company shall use its best endeavours to inform the directors who were not present at that meeting that it was adjourned, and of the time, date and place to which that meeting has been adjourned.

32.33 A director authorised by the board of directors of the company-

32.33.1 may call a meeting of the directors at any time; and

32.33.2 must call such a meeting if required to do so by at least -

25% (twenty five percent) of the directors, in the case of a board that has at least twelve members; or

two directors, in any other case.

32.34 The directors shall determine the number of days' notice to be given for directors' meetings, and the form of that notice.

32.35 A meeting of the directors may be conducted by electronic communication and/or one or more directors may participate in a meeting by electronic communication, so long as the electronic communication facility employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate effectively in the meeting.

32.36 The remaining directors must as soon as possible, and in any event, not later than three months from the date that the number of directors became less than the permissible minimum, fill the vacancies or call a general meeting for the purpose of filling the vacancies. Failure by the company to have the minimum number of directors during the aforesaid three-month period does not limit or negate the authority of the board or the company. The directors in office may act notwithstanding any vacancy in their body, but after the expiry of the aforementioned three-month period, if and for so long as their number is below the minimum number fixed in accordance with the MOI, they may act only for the purpose of filling up vacancies in their body or of summoning general meetings of the company, but not for any other purpose.

- 32.37 The chairperson at directors' meetings will be Mike for so long as he is a director.
- 32.38 The chairperson shall be entitled to preside over all meetings of directors. Should no chairperson be elected, or if at any meeting the chairperson is not present within 5 (five) minutes after the time appointed for holding the meeting, the directors present shall choose one of their number to be chairperson at such meeting.
- 32.39 All issues arising at any meeting shall be decided by a majority of votes and each director shall have one vote on any issue to be decided at any meeting.
- 32.40 The chairperson shall not have a second or casting vote.
- 32.41 A meeting of the directors at which a quorum is present shall be entitled to exercise all or any of the powers, authorities and discretions conferred by or in terms of the MOI or which are vested in or are exercisable by the directors generally.
- 32.42 A resolution in writing signed, given in person, or by electronic communication by a majority of directors which resolution is then inserted into the minute book and provided that each director has received notice of the matter to be decided, shall be as valid and effectual as a resolution passed at a meeting of the directors duly called and constituted.
- 32.43 Any resolutions contemplated in clause 33.17 –
- 32.43.1 may consist of one or more documents so signed;
- 32.43.2 shall have regard to the provisions of section 75 of the Act;
- 32.43.3 shall be delivered to the secretary without delay and shall be recorded by him in the company's minute book.

Such resolution shall be deemed to have been passed on the day it was signed by the last director or alternate director who is entitled to sign it, unless a statement to the contrary is made in that resolution.

- 32.44 The meetings and proceedings of any committee consisting of two or more directors shall be governed by the provisions hereof in regard to meetings and proceedings of the directors so far as the same are applicable thereto.
- 32.45 Resolutions adopted by the board –
- 32.45.1 must be dated and sequentially numbered; and
- 32.45.2 are effective as of the date-of the resolution, unless any resolution states otherwise.
- 32.46 Any minutes of a meeting, or a resolution, signed by the chairperson of the meeting, or by the chairperson of the next meeting of the board, is evidence of the proceedings of that meeting, or the adoption of that resolution, as the case may be.
- 32.47 Minutes of all board meetings, resolutions and directors' declarations shall be kept in accordance with the provisions of section 24.

## **DIRECTORS' REMUNERATION**

- 32.48 The company may pay remuneration to the directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years, as set out in sections 66(8) and 66(9), and the power of the company in this regard is not limited or restricted by this MOI.
- 32.49 Any director who –

- 32.49.1 serves on any executive or other committee; or
- 32.49.2 devotes special attention to the business of the company; or
- 32.49.3 goes or resides outside the RSA for the purpose of the company; or
- 32.49.4 otherwise performs or binds himself to perform services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director,

may be paid such extra remuneration or allowance in addition to or in substitution of the remuneration to which he may be entitled as a director, as a disinterested quorum of the directors or a remuneration committee appointed by the board may from time to time determine.

32.50 A director may be employed in any other capacity in the company or as a director or employee of a company controlled by, or itself a major subsidiary of, the company and, in such event, his appointment and remuneration in respect of such other office must be determined by a disinterested quorum of directors.

32.51 The directors shall also be paid all their travelling and other expenses properly and necessarily incurred by them in connection with –

- 32.51.1 the business of the company; and
- 32.51.2 attending meetings of the directors or of committees of the directors or of the company.

## **INDEMNITY**

32.52 To the extent such indemnity may be given in compliance with the Act, every director, manager, secretary, auditor and officer of the company shall be indemnified out of the funds of the company against –

- 32.52.1 all liabilities incurred by him in that capacity;
- 32.52.2 expenditure incurred by him in defending any proceedings, whether civil or criminal relating to the affairs of the company, in which judgement is given in his favour, or in which he is acquitted; or
- 32.52.3 costs in connection with any application under sections 77(9) and 77(10) of the Act in which relief is granted to him by the Court.

32.53 To the extent that such indemnity may be given in compliance with the Act, every such person shall be indemnified by the company against all costs, losses and expenses for which any such person may become liable by reason of any –

- 32.53.1 contract entered into; or
- 32.53.2 act done by him,

in his capacity as director, secretary, manager, auditor or officer of the company or in any way in the discharge of his duties.

32.54 The company may as contemplated in –

- 32.54.1 section 78(4) advance expenses to a director in respect of the defence of legal proceedings; and/or
- 32.54.2 section 78(7) purchase insurance to protect the company and/or a director against any liability or expense contemplated in section 78(7).



32.55 The provisions of clause 35 shall apply, mutatis mutandis, in respect of any former director, prescribed officer or any member of any committee of the board or the audit committee.

## **BORROWING POWERS**

32.56 Subject to all other provisions of this MOI, the directors may from time to time –

32.56.1 borrow for the purpose of the company such sums as they think fit;

32.56.2 secure the payment or repayment of any such sums or any other sum, as they think fit, whether by the creation and issue of debentures, mortgage or charge upon all or any of the property or assets of the company;

32.56.3 make such regulations regarding the transfer of debentures, the issue of certificates therefor and all such other matters incidental to debentures as the directors think fit.

32.57 The borrowing powers of the company as contemplated in clause 36.1 are not limited.

### ANNEXURE 3 – DIRECTORS SERVICE CONTRACTS

Name of Director	Commencement Date	Termination Date	Period	Notice Period	Remuneration	Restraint of Trade
Michael Teke	5 October 2017	5 October 2022	5-year term of office	1 calendar month	R 10,000 per board meeting and R 50,000 Investment Committee (once off)	None
Nicholas Dennis	5 October 2017	5 October 2022	5-year term of office	1 calendar month	R 10,000 per board meeting and R 50,000 Investment Committee (once off)	None
Jeffrey Miller	07 June 2017	07 June 2022	5-year term of office	1 calendar month	Nil	None
Adrian Saville	5 October 2017	5 October 2022	5-year term of office	1 calendar month	R 10,000 per board meeting and R 50,000 Investment Committee (once off)	None
Malcolm Segal	5 October 2017	5 October 2022	5-year term of office	1 calendar month	Nil	None
Douglas Smollan	5 October 2017	5 October 2022	5-year term of office	1 calendar month	R 10,000 per board meeting R 50,000 Investment Committee (once off)	None

## **ANNEXURE 4 – SALIENT POINTS OF MCM RESPONSIBILITIES**

- 1.1 Effectively manage and supervise the day to day operations of MCP1 including, but without limitation:
  - 1.1.1 raising of funds for Investment and engaging Wealth Managers for that purpose;
  - 1.1.2 promoting and marketing MCP1;
  - 1.1.3 initiating and sourcing of prospective Selected VCC's;
  - 1.1.4 managing due diligence investigations into appropriate VCC's and making recommendations arising therefrom to the Board;
  - 1.1.5 investigating and managing the disposal and realisation of the investments into MCP1 and making recommendations in that regard to the Board;
  - 1.1.6 conducting all negotiations in relation to investments in Selected VCC's;
  - 1.1.7 ensuring compliance by MCM with all relevant requirements of the Financial Services Board.
  - 1.1.8 preparing and maintaining agendas, minutes, adequate accounting records and other reports in respect of MCP1; and
  - 1.1.9 opening and operate banking accounts for the purposes of MCP1.

## ANNEXURE 5 – Schedule of Fees

### Schedule of Fees to be paid to the VCC Managers by the Selected VCC's

Name of VCC Fund	Name of VCC Fund Manager	Capital Raising Fee	Annual Management Fee	Performance Fee
CCP 12J Fund Limited	CCP Managers 12J Proprietary Limited	0%	2.0%	<b>Note: 1</b>
The Franchise Junction Section 12J VCC Limited	Laudian Franchise Management One Proprietary Limited	2.0%	1.5%	<b>Note: 2</b>
Grovest Energy Limited	Eco Energy Group Proprietary Limited	3.0%	2.5%	<b>Note: 3</b>
Mdluli Safari Lodge Limited	Venture Capital Management Services Proprietary Limited	3.0%	1.0%	<b>Note: 4</b>
Rencell Limited	Rencell Management Services Proprietary Limited	3.0%	2.5%	<b>Note: 5</b>
Sunstone Capital Limited	Sunstone Capital Management Proprietary Limited	3.0%	1.5%	<b>Note: 6</b>
Westbrooke Alternative Rental Income Assets 2018 Limited	Westbrooke Alternative Asset Management Proprietary Limited	0%	2.0%	<b>Note: 7</b>
Westbrooke STAC Limited	Westbrooke Alternative Asset Management Proprietary Limited	0%	2.0%	<b>Note: 8</b>

**Note 1:** - 20% in excess of returning Risk Capital plus STeFI to Investors

**Note: 2** - 31% of all distributions from Qualifying Companies in excess of first waterfall to Franchise Junction calculated at 8.5% per annum on capital invested in the Qualifying Company.

**Note: 3** - 20% of all distributions other than return of Risk Capital to Investors.

**Note: 4** - 10% on all distributions other than the Return of Risk Capital to Investors.

**Note: 5** – 44% of all distributions from Qualifying Companies in excess of first waterfall to Rencell calculated at prime plus 5% per annum on capital invested in the Qualifying Company.

**Note: 6** – 45% of all distributions from Qualifying Companies in excess of first waterfall to SCL calculated at prime per annum on capital invested in the Qualifying Company.

**Note: 7** - 20% in excess of returning Risk Capital plus JIBAR to Investors.

**Note: 8** - 20% in excess of returning Risk Capital plus CPI to Investors.

**Schedule of Fees to be paid by the VCC Managers to MCM**  
(calculated on capital invested by MCM)

Name of VCC Fund	Name of VCC Fund Manager	Capital Raising Fee	Annual Management Fee	Performance Fee
CCP 12J Fund Limited	CCP Managers 12J Proprietary Limited	0%	0.5%*	0%
The Franchise Junction Section 12J VCC Limited	Laudian Franchise Management One Proprietary Limited	2.5%	1.0%	<b>Note: 1</b>
Grovest Energy Limited	Eco Energy Group Proprietary Limited	2.5%	0.5%	<b>Note: 2</b>
Mdluli Safari Lodge Limited	Venture Capital Management Services Proprietary Limited	2.5%	0.5%	<b>Note: 3</b>
Rencell Limited	Rencell Management Services Proprietary Limited	2.5%	0.5%	<b>Note: 4</b>
Sunstone Capital Limited	Sunstone Capital Management Proprietary Limited	2.5%	0.5%	<b>Note: 5</b>
Westbrooke Alternative Rental Income Assets 2018 Limited	Westbrooke Alternative Asset Management Proprietary Limited	0%	0.5%	<b>Note: 6*</b>
Westbrooke STAC Limited	Westbrooke Alternative Asset Management Proprietary Limited	0%	0.5%	<b>Note: 7*</b>

**Note: 1** – 16.5% of all distributions from Qualifying Companies in excess of first waterfall to Franchise Junction calculated at 8.5% per annum on capital invested in the Qualifying Company.

**Note: 2** - 10% of all distributions other than return of Risk Capital to Investors.

**Note: 3** - 5% on all distributions other than the Return of Risk Capital to Investors.

**Note: 4** – 22% of all distributions from Qualifying Companies in excess of first waterfall to Rencell calculated at prime plus 5.0% per annum on capital invested in the Qualifying Company.

**Note: 5** – 22.5% of all distributions from Qualifying Companies in excess of first waterfall to Sunstone calculated at prime per annum on capital invested in the Qualifying Company.

**Note: 6** – 5% in excess of returning Risk Capital plus JIBAR to Investors.

**Note: 7** – 5% in excess of returning Risk Capital plus CPI to Investors.

\* - fees based on MCP1 raising R200 000 000.

## **ANNEXURE 6 – KING CODE IV ON CORPORATE GOVERNANCE**

The Directors have established mechanisms and policies appropriate to the Business in keeping with its commitment to the best practices in Corporate Governance in order to ensure guidance from the King Code IV. These are reviewed by the Directors from time to time.

The formal steps taken by the directors are summarised as follows:

### **1. BOARD OF DIRECTORS AND BOARD SUB-COMMITTEES**

#### **1.1 Board of Directors**

1.1.1 The Board consists of a minimum of 3 (three) non-executive directors and 1 (one) independent non-executive director. The non-executive director brings to MCM a wide range of skills and experience that will enable him to contribute an independent view and to exercise objective judgement in matters requiring the directors' decisions. The Chairman is an independent non-executive director.

1.1.2 All directors are subject to a term of office of 5 (five) years in accordance with the MOI.

1.1.3 Board meetings are held at least quarterly, with additional meetings convened when circumstances necessitate it. The Board sets the strategic objectives of MCM and determines Investment and performance criteria as well as being responsible for the proper management, control compliance and ethical behaviour of the businesses under its direction. The Board has established a number of committees to give detailed attention to certain of its responsibilities and which operate within defined, written terms of reference.

#### **1.2 Audit and Risk Committee**

1.2.1 The Board has established an audit and risk committee whose primary objectives are to provide the Board with additional assurance regarding the efficacy and reliability of the financial information used by the directors, to assist them in the discharge of their duties. The Audit and Risk Committee is required to provide comfort to the Board that adequate and appropriate financial and operating controls are in place, that significant business, financial and other risks have been identified and are being suitably managed and that satisfactory standards of governance, reporting and compliance are in operation.

1.2.2 Within this context, the Board is responsible for the MCM's systems of internal financial and operational control. The Directors are charged with the responsibility of determining the adequacy, extent and operation of these systems. Comprehensive reviews and testing of the effectiveness of the internal control systems in operation are performed by external practitioners, who report to the Audit and Risk Committee.

1.2.3 The Audit and Risk Committee meets at least 2 times a year and comprises a majority of non-executive directors, one of whom acts as Chairman. Executives and managers responsible for finance, the heads of internal audit, if applicable, and the external auditors, are in attendance.

#### **1.3 Remuneration Committee**

1.3.1 The Board performs the functions of a remuneration committee in that it monitors the remuneration policies of MCM and reviews and approves the remuneration set for directors.

1.3.2 The MCM's remuneration policies are reviewed annually.

#### **1.4 Investment Committee**

1.4.1 The Board has established an Investment Committee. The Investment Committee consists of a minimum of 3 (three) members.

- 1.4.2 The Investment Committee meets when necessary to review MCP1 as well as to consider investment opportunities and possible sales of investments. The Investment Committee's authority level is determined by the Board.

## **2. DIRECTORS' DEALINGS AND PROFESSIONAL ADVICE**

- 2.1 The Board may in furtherance of their duties, take independent professional advice, at the MCM's expense, when necessary. All directors have access to the advice and services of the Company Secretary.

## **3. RISK MANAGEMENT**

- 3.1 The objective of risk management is to identify, assess, manage and monitor the risks to which the Business is exposed. It is the Board's responsibility to:

- review legal matters that could have a significant impact on the Business;
- review the MCM's directors' reports detailing the adequacy and overall effectiveness of the MCM's risk management function and its implementation by management, and reports on internal control and any recommendations, and confirm that appropriate action has been taken;
- review the risk philosophy, strategy and policies recommended by the Board. The Investment Committee will ensure compliance with such policies;
- review the adequacy of insurance coverage; and
- review risk identification and measurement methodologies.

- 3.2 Each risk is viewed from three distinct perspectives:

- opportunity (as there is an inherent relationship between risk and reward);
- uncertainty (to ensure proactive action); and
- hazard (Potential negative events including financial loss such as theft, injury, death or a lawsuit).

## **4. COMMUNICATION**

MCM is committed to communicating regularly and effectively with all shareholders in an accurate and transparent manner.

## **5. STAKEHOLDER RELATIONSHIPS**

Mutual respect between MCM and its shareholders are encouraged, and the interests of stakeholders are taken into account in all decisions made by the company. All shareholders are treated equally.

## **6. ETHICS**

MCM is committed to leading ethically and effectively and the ethics of MCM support the establishment of an ethical culture.

MCM'S commitment to ethics ensures that it is and is seen to be a responsible corporation citizen.

## **ANNEXURE 7 – WHAT IS SECTION 12J**

### **Background**

One of the main challenges to the economic growth of small and medium-sized businesses and junior mining exploration is access to equity finance.

To assist these sectors in terms of equity finance, government has implemented a tax incentive for investors in such enterprises through the Venture Capital Company (VCC) regime.

The VCC is intended to be a vehicle to attract retail investors. It has the benefit of bringing together small investors as well as concentrating Investment expertise in favour of the small business sector.

With effect from 1 July 2009, investors (any taxpayers) can claim an income tax deduction in respect of the expenditure incurred in the subscription for equity in a VCC shares.

The VCC legislation is subject to a 12 (twelve year) year sunset clause i.e. it ends on 30 June 2021. This will allow for review of the efficiency of regime and a decision will then be made as to whether it should be continued.

### **What does this mean for the Investor in MCP1?**

The full amount invested in MCP1 is 100% (one hundred per cent) deductible from your income in the year in which the Investment is made. This applies to individuals, companies and trusts.

An Investor in MCP1 will therefore obtain a 45% (forty-five per cent) tax incentive (for an individual tax payer at maximum marginal rate) at the time of Investment.

If the Investment is held for a minimum period of time of 5 (five per cent) years the tax benefit conferred at the date of Investment will become permanent, i.e. No income tax recoupment of the tax benefit in the hands of the investor when the Investment is subsequently realised.

Each VCC comprising MCP1 is able to invest in companies with total assets up to R50,000,000 (fifty million rand) (previously R20,000,000 (twenty million rand)). MCM is able to consider Investment in larger, more established companies, significantly expanding the Investment universe and reducing Investment risk.

### **Governing Regulation**

Section 12J is subject to the provisions of the Income Tax Act No. 58 of 1962 (the Act). Section 12J was introduced to cater for the deductions in respect of expenditure incurred in exchange for the issue of venture capital company shares.

### **An overview of how it works**

Qualifying Investors will invest in approved VCC's in exchange for the issue of Venture Capital Shares and investor certificates. Investors can claim tax deductions in respect of their Investments in an approved VCC. The approved VCC will, in turn, invest in qualifying investee companies in exchange for Qualifying Shares.

### **Who qualifies to be an Investor?**

Any taxpayer qualifies to invest in an approved VCC.

Qualifying Investors can claim income tax deductions in respect of the expenditure actually incurred to acquire shares in approved VCCs.

Where any loan or credit is used to finance the expenditure in acquiring a Venture Capital Share and remains owing at the end of the year of assessment, the deduction is limited to the amount for which the taxpayer is deemed to be at risk on the last day of the year of assessment.

No deduction will be allowed where the taxpayer is a connected person to the VCC.



On request from SARS, the investor must verify a claim for a deduction by providing a VCC Investor Certificate that has been issued by an approved VCC, stating the amount of the Investment and the year of assessment in which the Investment was made.

Except in the case of Venture Capital Shares held by a taxpayer for longer than five years, the deduction is recouped (recovered) if the taxpayer disposes of the Venture Capital Shares to the extent of the initial VCC Investment (under the general recoupment rules of section 8(4) of the [Income Tax Act]).

Standard income tax and CGT rules apply in respect of VCC shares.

### **What supporting documents will the investor receive from the VCC?**

The approved VCC must issue investor certificates to its investors. This will provide SARS with the proof it needs to allow the investor the relevant tax deduction.

### **Who qualifies to be a Qualifying (investee) Company?**

- The Qualifying Company must be a company; the company must be a resident;
- The Qualifying Company must not be a controlled group company in relation to a group of companies;
- The Qualifying Company's tax affairs must be in order (a tax clearance certificate must be requested from SARS to support this requirement);
- The Qualifying Company must be an unlisted company (section 41 of the Act) or a junior mining company; A junior mining company may be listed on the Alternative Exchange Division (AltX) of the JSE Limited;
- During any year of assessment, the sum of the "Investment Income" derived by the Qualifying Company must not exceed 20% (twenty per cent) of its gross income for that year of assessment;
- The Qualifying Company must not carry on any of the following impermissible trades;
- Any trade carried on in respect of immovable property, except trade as a hotel keeper (includes bed and breakfast establishments);
- Financial service activities such as banking, insurance, money-lending and hire purchase financing.
- Provision of financial or advisory services, including legal, tax advisory, stock broking, management consulting, auditing, or accounting;
- Operating casino's or other gambling related activities including any other games of chance. Manufacturing, buying or selling liquor, tobacco products or arms or ammunition; or
- Any trade carried on mainly outside South Africa.
- There are no special tax rules for Qualifying Companies. The standard tax rules will apply.

### **Requirements to be met by Section 12J companies**

A VCC must satisfy the following requirements by the end of each year of assessment after the expiry of 36 (thirty-six) months from the first date of issue of Venture Capital Shares:

- A minimum of 80% (eighty per cent) of the expenditure incurred by the VCC to acquire assets must be for Qualifying Shares, and each Qualifying Company must, immediately after the issuing of the Qualifying Shares, hold assets with a book value not exceeding: R500,000,000 (five hundred million) in any junior mining company; or R50,000,000 (fifty million) in any other Qualifying Company.
- The expenditure incurred by the VCC to acquire Qualifying Shares in any one Qualifying Company must not exceed 20%(twenty per cent) of any amounts received by the VCC in respect of the issue of Venture Capital Shares.

## **Responsibilities of an approved VCC**

The VCC must maintain a record of all its investors. A copy of this record must be submitted to SARS in February and August of each year. The records must contain at least the following details of the investors:

- Taxpayer Reference Number
- Name of entity
- Physical address
- Nature of trade
- Contact details
- Number of shares issued (per investor)
- Value of shares (per investor)
- Date of issue of shares (per investor).

The VCC must maintain a record of all its investees. A copy of this record must be submitted to SARS in February and August of each year. The records must contain at least the following details of the investees:

- Taxpayer Reference Number
- Name of entity
- Physical address
- Nature of trade
- Contact details
- Number of Qualifying Shares received (per investee)
- Value of Qualifying Shares (per investee)
- Date of receipt of Qualifying Shares (per investee).

The onus will be on the VCC to ensure that it invests in companies (i.e. investees) that meet the stipulated requirements.

The VCC must issue "VCC investor certificates" to investors in respect of the year in which the Investment is received.

The certificates issued by the VCC must include at least the following details:

- The VCC reference number as issued by SARS.
- The name and address of the VCC issuing the certificate to which enquiries may be directed
- The date of receipt of the Investment
- The name and address of the Investor
- The Taxpayer Reference Number of the Investor
- The amount of the Investment.

On request from the Minister of Finance, a VCC must submit a report providing information that the Minister may prescribe.

## **In Summary**

An Investor in MCP1, who is a natural person, who is taxed at the maximum tax rate – MCP1 will obtain a 45% (forty-five per cent) tax incentive (for an individual tax payer at maximum marginal rate) at the time of Investment.

No recoupment of tax incentive at the time of realisation of Investment if the Investment is held for a minimum period by the investor of 5 (five) years.



**FINANCIAL SERVICES BOARD**

**LICENCE No. 48601**

**FINANCIAL SERVICES PROVIDER**  
**Financial Advisory and Intermediary Services Act, 2002**

**It is hereby certified that with effect from 5 September 2017**

**NOVA VENTURES (PTY) LTD**

**IS LICENSED AS A FINANCIAL SERVICES PROVIDER IN TERMS OF SECTION 8 OF THE  
FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, 2002 (ACT NO. 37 OF 2002)**  
subject to the conditions and restrictions set out in the Annexure



  
.....  
**REGISTRAR OF FINANCIAL SERVICES PROVIDERS**

This document to be displayed in terms of section 8(8)(a) of the Act. The Annexure to be available for the information of clients.