



Ownership Verification Report

Shalamuka Capital (Pty) Ltd

**Compiled by:
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Executive summary of Empowerdex's assessment of the black ownership status of Shalamuka Capital (Pty) Ltd

The analysis of the Shalamuka Capital (Pty) Ltd, a private equity fund (the Fund) and Shalamuka Fund Manager (Pty) Ltd, a private equity fund management company (the Fund Manager) by Empowerdex has returned the following key findings:

- ❖ The structure of the Fund and the fund manager assigned to the fund is fully compliant with the prescriptions present in Paragraph 5 of Code Series 100 Statement 100 of the Codes as well as the Interpretive Guide.
- ❖ Both the Fund and the Fund Manager are black-owned companies as defined in the Codes.
- ❖ Their relationship is structured in such a way so as to achieve the following:
 - The creation of a Black Private Equity Fund Manager as contemplated in the Codes.
 - The Fund Manager's investments are to be deemed to be investments by black shareholders.
 - Target companies invested in by the Fund will be allowed to treat all such investment as being 100% black-owned for the purpose of B-BBEE scorecard recognition under the ownership element.
 - Target companies invested in by the Fund will be allowed to treat all such investment as being 29.60% black women-owned in terms of voting rights and 29.60% in terms of economic interest, by flowing through the black women ownership from Shalamuka Foundation and FirstRand Ltd respectively.

Analysis:

Shalamuka Capital (Pty) Ltd & Shalamuka Fund Manager (Pty) Ltd

Below is a summary of the profile of Shalamuka Capital (Pty) Ltd and Shalamuka Fund Manager (Pty) Ltd, which collectively act as a private equity investor. This investor's profile is compared to the criteria for the recognition of investment by a Private Equity Fund as being equivalent to investment by black investors. These criteria emerge from the Broad-Based Black Economic Empowerment Codes of Good Practice as gazetted on 9 February 2007 in terms of Section 9 of the Broad-Based Black Economic Empowerment Act 53 of 2003 (see Annexure A); and the Broad-Based Black Economic Empowerment Codes of Good Practice Interpretive Guide issued by the DTI in June 2007 (see Annexure B).

Criteria	Yes	No
More than 50% of any Exercisable Voting Rights associated with the Equity Instruments through which the Private Equity Fund holds rights of ownership, be held by black people	✓	
Shalamuka Fund Manager (Pty) Ltd holds 50.26% of the ordinary shares in Shalamuka Capital (Pty) Ltd. 51.15% of Shalamuka Fund Manager (Pty) Ltd ordinary shares are held by the Shalamuka Foundation, a broad-based scheme with 100% black beneficiaries and 90% black female beneficiaries. The black shareholding attributable to Corvest 100 (Pty) Ltd gives Shalamuka Fund Manager (Pty) Ltd as black ownership status of 56.27%.		
Criteria	Yes	No
More than 50% of profits made by the Private Equity Fund after realising any investment made by it, must by written agreement, accrue to black people;	✓	

50.26% of the carried interest from any new investment by Shalamuka Capital (Pty) Ltd accrue to Shalamuka Fund Manager (Pty) Ltd. This, in turn, is a 56.27% black-owned company as described above. This agreement is recorded in the Shareholders Agreement between Corvest 100 (Pty) Ltd and RZT Zelpy 4593 (Pty) Ltd, which was later renamed as Shalamuka Fund Manager (Pty) Ltd. This interpretation of the above criterion stems from the clarification in the interpretive guide as evidenced in Annexure B.

Criteria	Yes	No
The Private Equity Fund manager must be a BEE Owned Company as defined	✓	

As explained above, Shalamuka Fund Manager (Pty) Ltd is a 55.89% black-owned company. This qualifies is as a black-owned company in terms of the Codes.

Criteria	Yes	No
More than 50% of the value of funds invested by any Private Equity Fund must at all times be invested in black owned enterprises that were at least 25% black owned before the investment of the Private Equity Fund	✓	

One of the investments, of R6.47 million by the Fund Manager during the course of the year was in an entity that was more than 25% black-owned prior to the investment of the Fund. A second investment of R25.01 million by the Fund Manager, made during the course of the year was in an entity that became more than 25% black-owned as a result of the transaction.

Moving forward, more than 50% of the investments (at historical cost) made by the fund must at all times be invested in enterprises that were at least 25% black-owned before the investment (as per the Codes) or would have attained such a direct black shareholding subsequent to the investment by the Fund Manager.

Key Findings

Empowerdex has conducted a thorough and full examination of all relevant documentation and supporting evidence that gives rise to the findings presented below. Copies of these documents are kept on the premises of Empowerdex for future reference. All findings have been tested against a strict compliance criteria based solely on the Broad-Based Black Economic Empowerment Codes of Good Practice and it is expressly stated that Empowerdex believes such compliance to be full and unequivocal.

Below is a summary of the findings:

Shalamuka Capital (Pty) Ltd

Shalamuka Capital (Pty) Ltd is a 50.26% black-owned private equity fund. The remainder of the shareholding comes by way of a preference share agreement with Corvest 100 (Pty) Ltd entitling Corvest 100 (Pty) Ltd to a share in the profits of the fund equal to 49.74% of the total interest. These preference shares rank *pari passu* with the Ordinary Shares, of which Shalamuka Fund Manager (Pty) Ltd hold 100%, in respect of voting rights and dividends declared on the Ordinary Shares. In addition a further agreement entitles Corvest 100 (Pty) Ltd to a 51.25% share in the upside of existing investments made prior to 9 February 2007. Given that the Interpretive Guide excludes such investments from the analysis, this arrangement is irrelevant to this analysis.

In turn, Corvest 100 (Pty) Ltd is effectively 67% owned by FirstRand Ltd, which has an effective B-BBEE shareholding of 18.07% in terms of voting rights and 18.07% in terms of economic interest as per the verification of First Rand Ltd by Sizwe Nstaluba VSP. This further contributes to the black-ownership status of Shalamuka Capital (Pty) Ltd. All shareholding by Corvest 100 (Pty) Ltd can effectively be taken to be 12.10% black-owned in terms of voting rights, and 12.10% in terms of economic interest taking Shalamuka Capital to an overall black ownership status of 56.27% in terms of voting rights and 56.27% in terms of economic interest. Similarly, the black women ownership in Shalamuka Capital is 29.60% in terms of voting rights and 29.60% in terms of economic interest.

Shalamuka Fund Manager (Pty) Ltd

Shalamuka Fund Manager is a 56.27% black-owned private equity fund manager which is funded by way of a preference share agreement with Corvest 100 (Pty) Ltd. This funding preference share agreement is similar to that of a loan agreement and does not entitle Corvest 100 (Pty) Ltd to any of the profits or capital appreciation of the fund manager.

In addition, Corvest 100 (Pty) Ltd owns another class of convertible redeemable preference shares which entitle it to exercise voting rights and receive a dividend that ranks *pari passu* with the ordinary shares, of which the Shalamuka Foundation holds 100%.

Conclusion

In the light of the above findings, Empowerdex therefore recognises that any investment by Shalamuka Capital (Pty) Ltd would be considered as a 100% black-owned investment as per the provisions in the Codes. All target companies can therefore claim ownership points on the equity or other instruments that impart rights of ownership (namely voting rights and economic interest) by Shalamuka Capital (Pty) Ltd as if they were held by black investors.

Signed for and on behalf of Empowerdex (Pty) Ltd

A handwritten signature in black ink, appearing to read 'SH', with a long horizontal flourish extending to the right.

Steven Hawes

Manager: Research and Advisory

Annexure A:

Recognition of ownership by Private Equity Funds as per Paragraph 5 of Code Series 100, Statement 100 of the Broad-Based Black Economic Empowerment Codes of Good Practice

5 Private Equity Funds

5.1 A Measured Entity may treat any of its ownership arising from a Private Equity Fund as if that ownership were held by black people, where the Private Equity Fund meets the following criteria:

5.1.1 more than 50% of any Exercisable Voting Rights associated with the Equity Instruments through which the Private Equity Fund holds rights of ownership, be held by black people;

5.1.2 more than 50% of profits made by the Private Equity Fund after realising any investment made by it, must by written agreement, accrue to black people;

5.1.3 the Private Equity Fund manager must be a BEE Owned Company as defined; and

5.1.4 more than 50% of the value of funds invested by any Private Equity Fund must at all times be invested in black owned enterprises that were at least 25% black owned before the investment of the Private Equity Fund.

Annexure B:

Recognition of ownership by Private Equity Funds as per The Broad-Based Black Economic Empowerment Codes of Good Practice Interpretive Guide – June 2007.

Treatment of Private equity funds

The codes seek to encourage the creation and growth of black owned private equity fund management firms. There is also a need to encourage investment in black owned entities in order to alleviate the challenge of access to finance still faced by a number of such entities. In this regard certain provisions have been made in the codes that will allow investments made by such private equity fund managers to be recognized as being investments made by black shareholders while at the same time requiring them to provide funding that will facilitate economic participation by black investors. The provisions allowing for the treatment of investments made by private equity funds to be treated as black shareholding should be interpreted as follows:

- more than 50% of any of the Private Equity Fund Manager's Exercisable Voting Rights associated with the Equity Instruments through which the Private Equity Fund holds rights of ownership in a Measured Entity, must be held by black people.*
- more than 50% of the profits accruing to the Private Equity Fund Manager after realising any investment made by it, must by written agreement, accrue to black people;*
and

the term profit in this is deemed as profit from the operations of the Private Equity Fund Manager and the carried interest that the Private Equity Fund Manager (and/or its associated entities) receives after realising any investment made by it.

- The Private Equity Fund Manager must be a BEE Owned Company. A BEE owned company refers to a juristic person, having share holding or similar members interest, that is BEE controlled, in which black participants enjoy a right to Economic interest that is more than 50% of the total of such rights measured using the Flow Through Principle.*

- *The Private Equity Fund Manager must seek to invest more than 50% of the value of funds under management in companies that have at least a 25% direct black shareholding.*
- *It is accepted that the Private Equity Fund Manager can facilitate such direct shareholding at the time of entering into the funding transaction should the target company not meet the requirement of 25% direct black shareholding. The point is that subsequent to the investment by the Private Equity Fund Manager there has to be a 25% direct shareholding by a black investor.*
- *This determination will be made at each measurement date and the status given to the Private Equity Fund Manager will be applicable for a period of 12 months. In recognition of the fact that it is currently a challenge for Private Equity Fund Managers to find companies to invest in that already have a significant black shareholding, in practice it should be allowed to achieve the 50% target over a period of time based on the formulation detailed below (It must be noted that this formulation is in line with that of the net value calculation above). This rule will apply to all investments made after 9 February 2007. The commencement date is the later of 9 February 2007 and the date of establishment of a new fund.*
- *within one year from the commencement date, more than 5% of the value of funds invested by the Private Equity Fund must at all times be invested in enterprises that have a 25% direct black shareholding;*
- *within two years from the commencement date, more than 10% of the value of funds invested by the Private Equity Fund must at all times be invested in enterprises that have a 25% direct black shareholding;*
- *From the first day of the third year and the last day of the fourth year from the commencement date, more than 20% of the value of funds invested by the Private Equity Fund must at all times be invested in enterprises that have a 25% direct black shareholding;*
- *From the first day of the fifth year and the last day of the sixth year from the commencement date, more than 30% of the value of the funds invested by the Private Equity Fund must at all times be invested in enterprises that have a 25% direct black*

shareholding;

· From the first day of the seventh year and the last day of the eighth year from the commencement date, more than 40% of the value of the funds invested by the Private Equity Fund must at all times be invested in the enterprises that have a 25% direct black shareholding;

· From the first day of the ninth year and beyond from the commencement date, more than 50% of the value of the funds invested by the Private Equity Fund must at all times be invested in enterprises that have a 25% direct black shareholding.

It should also be noted that the measurement of the 50% of the value of funds invested by any Private Equity Fund that must be invested in enterprises with a 25% direct black shareholding is to be measured with reference to the cost of the investments made by the Private Equity Fund;

In the case of Private Equity Funds that were fully invested prior to 9 February 2007, investments by the fund managers will be considered as being made by black people if the Private Equity Fund Management entities meet the following criteria:

· more than 50% of any of the Private Equity Fund Manager's Exercisable Voting Rights associated with the Equity Instruments through which the Private Equity Fund holds rights of ownership in a Measured Entity, must be held by black people.

· more than 50% of the profits accruing to the Private Equity Fund Manager after realising any investment made by it, must by written agreement, accrue to black people; and

· The Private Equity Fund Manager must be a BEE Owned Company.