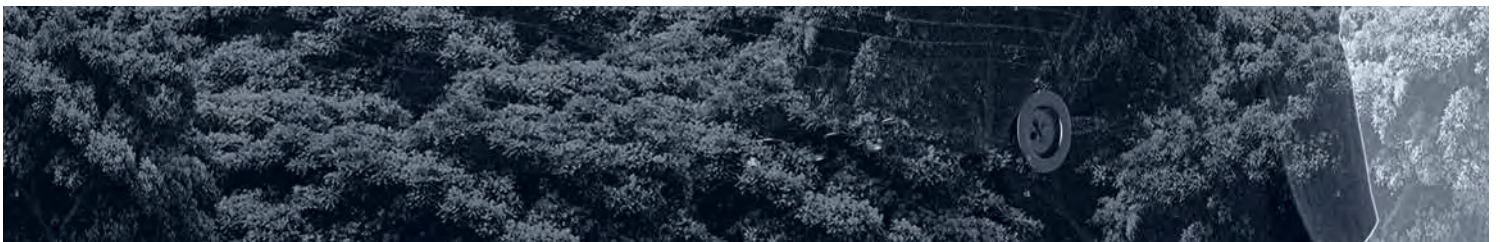




# LENDING SOLUTIONS



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BC FUNDING  
SOLUTIONS

# ABOUT THE COMPANY

BC Funding Solutions (Pty) Ltd is part of the Sectional Title Solutions (Pty) Ltd group, which focuses on providing value-add solutions to Sectional Title Bodies Corporate and Homeowners Associations ("Community Schemes") across South Africa.

Our success is based on over 150 years combined experience within Community Scheme property sectors.

BC Funding Solutions raises capital from private individuals, corporate entities and Trusts in order to facilitate much needed funding to Community Schemes, predominantly for underlying levy debtor problems or for maintenance and capital projects.

Our core focus is to provide and facilitate a sustainable value-added solution that will benefit both the lenders into this environment, as well as the unit owners of the Community Schemes, in order to ultimately ensure financial stability and protect the unit owner's value of their investment in their property.

## **BENEFITS TO OUR LENDING CLIENTS IN THIS ENVIRONMENT INCLUDE:**

- Direct ownership in Community Scheme loans
- Interest returns that are not correlated to equity markets
- Prime plus interest returns
- A fully managed process with no involvement required from our lenders
- Full deployment of capital as costs are paid by the borrowers
- Legislative and contractual protections (security cession of levies)
- Limited risk of non-payment

Lending, loans and arrear levy debt claims are not financial products, as defined by the Financial Sector Conduct Authority (formerly known as the Financial Services Board) and, as such, are not regulated by the Financial Advisory and Intermediary Services Act No 37 of 2002 (as amended) ("FAIS Act").

BC Funding Solutions' role is to connect Community Scheme borrowers with lenders wishing to lend into this secured environment, and thereafter it is to monitor the collection and repayment of these loans to our lending clients.



# LENDING FUNDS

BC Funding Solutions performs the role of facilitator between the Community Schemes requiring loan funding, and you, the lender, willing to lend funds to, or in respect of, these Community Schemes. Any individual, corporate entity or Trust, can lend funds to Community Schemes.

BC Funding Solutions sources funding leads, provides, facilitates and manages the legal documents between the two parties and monitors the collection and repayment to our lenders, until fully repaid.

The origination process follows defined lending criteria and is ultimately supported by legislation and contract. Once you, as the lender, are satisfied with the loan and have signed the legal documentation, you deposit your funds into an independent cash custody account administered by GAEL Fund Services (Pty) Ltd.

# LENDING CRITERIA

Community Schemes undergoing capital improvement, maintenance projects and / or suffering from non-payment of contributions from unit owners seldom have the required income to fully fund their obligations under the Community Scheme legislation or constitutional documentation.

## **The above forces the Community Scheme to decide to:**

- Do without the required services to the common property, in contravention of the Act and / or constitutional documentation;
- Raise and collect a special levy – if they raise a special levy and the members contribute fully then the problem would be solved and there would be no need for the Community Scheme to borrow. If, however, the special levy is not fully paid then the Community Scheme would either need to raise a further special levy for the differential (this is where the subsidisation of the paying owners would occur); or
- Borrow the differential needed to maintain their obligations.

Furthermore, loans are entered into with Community Schemes on the basis that they immediately institute levy collection protocols and commence legal action / debtor rehabilitation against non-paying unit owners.

BC Funding Solutions implements a defined set of lending criteria and follows a strict process when advancing funds to Community Schemes. BC Funding Solutions requires that a setlist of documentation be submitted to BC Funding Solutions by the Community Scheme and / or its managing agent in order to enable BC Funding Solutions to assess the viability of a loan to a Community Scheme and complete an assessment on its financial position in order to confirm the underlying security of the Community Scheme.

In order to protect the paying owners, BC Funding Solutions ensures that the Community Scheme is obliged to implement interest charges at a rate equal to the amount charged in the Loan Agreement.

# LEGISLATION

Ownership within a Community Scheme is an efficient and popular form of property ownership, especially amongst entry level and lower-income owners, as it provides a very effective cost sharing mechanism for many of the essential expenses associated with property ownership. There are an estimated 75 000 Community Schemes registered in South Africa, with an average of 10-15 units per scheme. The estimated funding requirement of Community Schemes national is in the region of R15bn.

Whilst many Community Schemes are efficiently managed and are financially sound, many of them have levy defaulting unit owners and as a result struggle to function operationally, often leading to the general decay of the building complex and therefore unit value. This is mainly as a result of the Community Scheme only being able to afford basic necessities whilst limiting maintenance and other common property services.

In the event that some owners do not pay their contributions / levies timeously, all unit owners in the Community Scheme are put at risk as the Community Scheme may not be able to continue funding essential services, such as:

- Municipal charges (water and electricity)
- Critical running costs (lift maintenance, security, etc.)
- General upkeep (lighting, exterior maintenance and painting, gardens, etc.)

It is due to the non-payment of levies that a Community Scheme will need to borrow, in order to stabilise their cash flow and enable them to continue their required service delivery to the common property, the Community Scheme is either protected by legislation (in the case of Sectional Title Bodies Corporate) and / or by contract and case law (in the case of Homeowners Associations), at various levels, to ensure that any risk of loss to levy income recovery and / or loan creditor (capital or interest) repayment, especially where the levies have been ceded as security to the loan, is extremely remote.

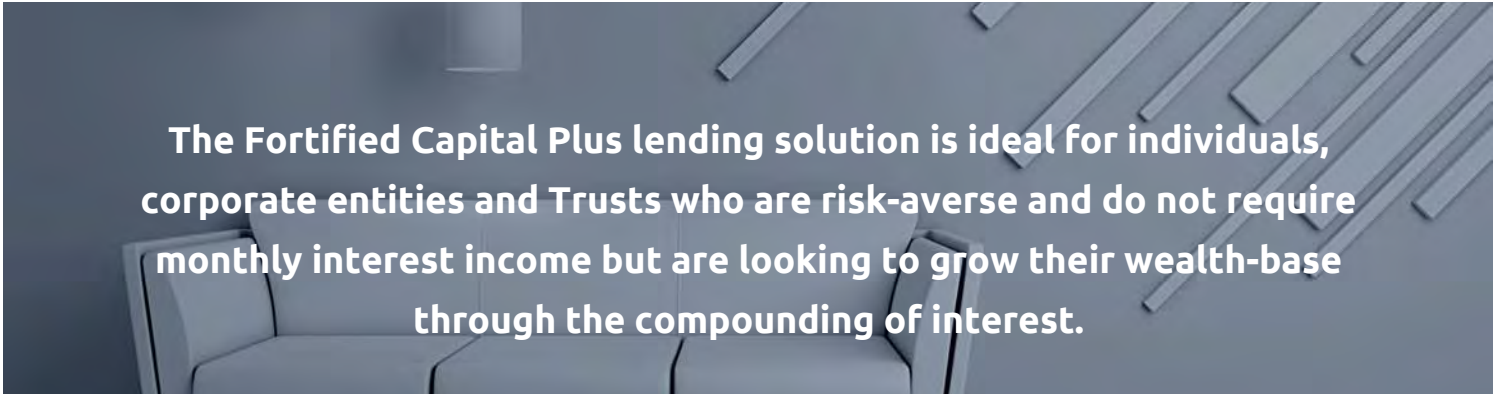
To the extent, any member of a Sectional Title Body Corporate is in default of, or in arrears with, their obligations in this regard, the Trustees are entitled, on behalf of the Body Corporate, to “charge interest on any overdue amount payable to the body corporate” (Rule 21(3)(c) of the Management Rules prescribed in terms of the Regulations to the Sectional Titles Schemes Management Act 8 of 2011).



# FORTIFIED CAPITAL PLUS

There are a vast number of Community Schemes in South Africa that struggle to operate functionally as a result of non-paying unit owners. The non-payment of levies results in a shortfall in the operational budget which basically means that paying unit owners either end up subsidising non-paying unit owners' levy amounts or the Community Scheme goes without essential services to the common property. This also often results in unit owners' property assets not being maintained and a general decay within the entire Community Scheme, causing a drop in the value of properties.

The Fortified Capital Plus lending solution is utilised to fund Community Schemes with arrear levy debtor problems, where a portion of unit owners have not paid their levies, and / or in respect of Arrear Levy Debts subrogated in terms of Levy Guarantee Insurance Policies.



**The Fortified Capital Plus lending solution is ideal for individuals, corporate entities and Trusts who are risk-averse and do not require monthly interest income but are looking to grow their wealth-base through the compounding of interest.**

## FORTIFIED CAPITAL PLUS LENDING SOLUTION FEATURES:

<b>Minimum amount</b>	R 50 000.00
<b>Interest rate</b>	Prime plus 5.0% per annum, compounded monthly Interest is capped at 20.0% per annum, compounded monthly, due to legislative and industry restrictions imposed on interest chargeable to levy debtors
<b>Interest repayment</b>	Interest is capitalised and repaid "as and when" the Community Scheme collects its arrear levies
<b>Repayment</b>	Loans are generally repaid "as and when" the Community Scheme collects its arrear levies, typically within an average of five years
<b>Underlying legislation and security</b>	The Sectional Titles Schemes Management Act 8 of 2011, the Sectional Titles Act 95 of 1986, and the Community Schemes Ombud Service Act 9 of 2011, including important case law
<b>Liquidity</b>	Loans to Community Schemes are illiquid The secondary market for this asset class is well established and sales can be facilitated by BC Funding Solutions, to willing buyers
<b>Fees and charges</b>	None, as all fees and charges are paid by the Debtor

# INCOME ENERGISER

Similar to the ongoing struggles that Community Schemes face with non-paying unit owners, large capital and maintenance projects require significant reserves which are not often held in cash. Community Schemes, therefore, face the situation where they can raise a special levy and save up for the project or borrow funds and provide unit owners with the time to pay their special levy over a period of time.

The Income Energiser lending solution is utilised to fund arrear levy, project and maintenance funding needs of Community Schemes.



**The Income Energiser lending solution is ideal for individuals, corporate entities and Trusts who are risk-averse and require monthly interest income to supplement their living and / or ongoing business activities**

## INCOME ENERGISER LENDING SOLUTION FEATURES:

<b>Minimum amount</b>	R 100 000.00
<b>Interest rate</b>	Prime plus 3.0% per annum, with simple interest earned on a monthly basis Interest is capped at 20.0% per annum, due to industry restrictions imposed on interest chargeable to levy debtors.
<b>Interest repayment</b>	Interest is serviced (i.e. paid to lenders on a monthly basis)
<b>Repayment</b>	<p>Loans are typically repaid on an amortising basis over a period of five years. However, to ensure that lenders receive a steady interest income every month, BC Funding Solutions will automatically redeploy the capital portion of the monthly repayment to other Community Schemes for capital projects and maintenance and / or in respect of other Arrear Levy Debts subrogated in terms of Levy Guarantee Insurance Policies</p> <p>On the fifth anniversary of the advance of the loan by the lender, lenders are able to select repayment on an amortising basis for the next five years, or choose to continue to automatically re-advance into the Community Scheme environments</p>
<b>Underlying legislation and security</b>	The Sectional Titles Schemes Management Act 8 of 2011, the Sectional Titles Act 95 of 1986, and the Community Schemes Ombud Service Act 9 of 2011, including important case law
<b>Liquidity</b>	Loans to Community Schemes are illiquid The secondary market for this asset class is well established and sales can be facilitated by BC Funding Solutions, to willing buyers
<b>Fees and charges</b>	None, as all fees and charges are paid by the Debtor



# POWERED WEALTH

The Powered Wealth lending solution is utilised to fund arrear levy, project and maintenance funding needs of Community Schemes.



**The Powered Wealth lending solution is ideal for individuals, corporate entities and Trusts who are risk-averse and do not require monthly interest income but are seeking to build wealth in a compounding interest, secured lending environment.**

## POWERED WEALTH LENDING SOLUTION FEATURES:

<b>Minimum amount</b>	R1 000.00 (via debit order, for a period of 60 months)
<b>Interest rate</b>	Prime plus 5% per annum, compounded monthly Interest is capped at 20.0% per annum, compounded monthly, due to industry restrictions imposed on interest chargeable to levy debtors
<b>Interest repayment</b>	Interest is capitalised and repaid “as and when” the Community Scheme collects its arrear levies
<b>Repayment</b>	Loans are generally repaid “as and when” the Community Scheme collects its arrear levies, typically within an average of five years
<b>Underlying legislation and security</b>	The Sectional Titles Schemes Management Act 8 of 2011, the Sectional Titles Act 95 of 1986, and the Community Schemes Ombud Service Act 9 of 2011, including important case law
<b>Liquidity</b>	Loans to Community Schemes are illiquid The secondary market for this asset class is well established and sales can be facilitated by BC Funding Solutions, to willing buyers
<b>Fees and charges</b>	None, as all fees and charges are paid by the Debtor

# INSURED CAPITAL

The Insured Capital lending solution is utilised to fund Community Schemes with arrear levy debtor problems, where a portion of unit owners have not paid their levies.

BC Funding Solutions insures the lender's capital, against non-payment at the end of the fifth year of the loan advance.



**The Insured Capital lending solution is ideal for individuals, corporate entities and Trusts who are risk-averse and do not require monthly interest income but are looking to grow their wealth base through compounding of interest but also require certainty that their capital will be repaid by the fifth anniversary of the loan advance.**

## INSURED CAPITAL LENDING SOLUTION FEATURES:

<b>Minimum amount</b>	R 250 000.00
<b>Interest rate</b>	Prime plus 3.0% per annum, compounded monthly Interest is capped at 18.0% per annum, compounded monthly, due to legislative and industry restrictions imposed on interest chargeable to levy debtors
<b>Interest repayment</b>	Interest is capitalised and repaid "as and when" the Community Scheme collects its arrear levies
<b>Repayment</b>	Loans are generally repaid "as and when" the Community Scheme collects its arrear levies, typically within an average of five years. Capital is, however, insured through Hollard Insurance Ltd, for repayment on the fifth anniversary of the loan advance
<b>Underlying legislation and security</b>	The Sectional Titles Schemes Management Act 8 of 2011, the Sectional Titles Act 95 of 1986, and the Community Schemes Ombud Service Act 9 of 2011, including important case law
<b>Liquidity</b>	Loans to Community Schemes are illiquid The secondary market for this asset class is well established and sales can be facilitated by BC Funding Solutions, to willing buyers
<b>Fees and charges</b>	None, as all fees and charges are paid by the Debtor

**Hollard.**  
Underwritten by The Hollard Insurance Co. Ltd,  
an authorised Financial Services Provider



# SECURED NOTE PROGRAMME

BC Funding Solutions, in partnership with Trident Capital (Pty) Ltd ("Trident") and RedInkcapital (Pty) Ltd ("RedInc"), are proud to offer institutional clients access to an exciting new asset class, namely Community Scheme lending environment.

Through Redinc's innovative technology we were able to cater for the investment criteria and mandates of institutional clients.



**We are pleased to announce the maiden note issue on JSE on the 25th May 2021 which is the first of its kind in the Community Scheme lending environment.**

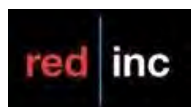
## SALIENT FEATURES OF THE NOTE LISTED ON JSE:

<b>Principal amount</b>	R55.0m issued of R250.0m tranche
<b>Issue date</b>	25 May 2021
<b>Redemption date</b>	5 years from issue date
<b>Interest rate</b>	Jibar plus 350bps (floating rate Note)
<b>Repayment</b>	Quarterly interest payments (capital repaid on a pass-through basis)
<b>Settlement</b>	Settled through STRATE

**In proud partnership with Trident Capital (Pty) Ltd and RedInc Capital (Pty) Ltd**



*Trident Capital (Pty) Ltd is a registered Financial Services Provider (FSP 29060)*



*For further information on the note issuance please contact RedInc at [info@red-inc.co.za](mailto:info@red-inc.co.za) or visit their website on [www.red-inc.co.za](http://www.red-inc.co.za).*

# SUSTAINABILITY

Sustainability is one of the cornerstones of BC Funding Solutions' business and is strategically important for us. We do not want to offer short-term solutions that only make a positive impact today. We want to provide long-term solutions that create legacies for others to continue in the future.

We pay attention to the unique needs of our clients as individuals and we aim to provide them with professional, responsible and sustainable financial solutions. We do so in a manner that encourages everyone to work together to maintain and contribute to a thriving community and country.

## **INVESTING THROUGH THE LENS OF ESG:**

Responsible investing has gained momentum globally, and in South Africa, over the last few years. Now, more than ever, it has become important to think about sustainability insights and information when investing in anything. Investors have realised that material Environmental, Social and Governance (ESG) factors can indicate long-term performance, and have thus become standard criteria in many portfolio formations and valuations.

We work through the lens of ESG factors for investing, to identify and inform our lending solutions and the Community Schemes we assist.

## **OUR CORPORATE SOCIAL RESPONSIBILITY:**

At BC Funding Solutions, we believe that it is our corporate social responsibility to uplift South African Community Schemes – with future sustainability in mind. We aim to get Community Schemes operating at their full potential now, and maintain this into the future. Ultimately, we want to positively impact the broader South African community.

Our lending solutions offer Community Schemes, meeting positive performance on ESG issues, a debt rehabilitation option for their non-paying owners. The provision of credit stabilises the Community Scheme's cash flow and enables it to offer levy debtors time to repay its debt without immediate legal action or costs. We also assist Community Schemes with maintenance funding. The general decay of the buildings (even a single building), if not maintained over time, not only erodes the asset value of those units within the Community Scheme but also the properties surrounding it. Essentially, it provides communities with the means needed to thrive, rather than just survive.

What we do has a real impact on people's lives, communities and the planet. We take this responsibility seriously. We build for tomorrow, today, by focusing on the sustainable interests of our community, investors, and the planet we all share. These initiatives are drivers for social good that extend BC Funding Solutions' practical reach. These drivers are essential for putting our values into practice.