



BC FUNDING SOLUTIONS (PTY) LTD **FREQUENTLY ASKED QUESTIONS**

This document provides answers to frequently asked questions for individuals interested in advancing funds to the Sectional Title Bodies Corporate and Home Owners Associations ("Community Scheme") environment. Please contact the management team of BC Funding Solutions (Pty) Ltd, or your independent consultant should you have any further queries or require additional clarity on this unique lending environment.

Is this not a case of "High Risk High Reward"?

This lending opportunity is designed to maximise your return whilst minimising risk. Risk is limited due to the legislative protections (the Sectional Titles Act 95 of 1986, the Sectional Titles Schemes Management Act 8 of 2011, and the Community Schemes Ombud Service Act 9 of 2011) afforded to Sectional Title Bodies Corporate, including other components of protections within the legal framework, such as case law, and contractual relationships, afforded to Homeowners Associations, in the recovery of its debtors and in the repayment of its creditors.

What form can the advance of funds into this environment take?

The opportunity to advance funds into this environment can be in one of several ways:

- A direct advance of funds to one or more Community Schemes;
- The purchase of an existing claim from another Community Scheme creditor; and
- The purchase of ceded rights to claims against arrear levy debtors, the right to recover which is subrogated in terms of levy guarantee insurance policies entered into with Community Schemes.

How secure are my funds in the Sectional Title environment?

Sectional Title Bodies Corporate, a type of Community Scheme, are unique borrowers whose income (i.e. levies) are protected and secured by legislation, including the Sectional Titles Schemes Management Act No 8 of 2011 (as amended) ("**STSM**A"), the Sectional Titles Act No 95 of 1986 (as amended) ("**ST**A") and the Community Schemes Ombud Service Act No 9 of 2011 (as amended) ("**CS**OSA").

As the Sectional Title Body Corporate creditor, you also enjoy the STSM A's protection due to the **securities** given by the Body Corporate, the effect of which is that your claims are recovered, before those due to other Body Corporate and unit owner creditors, including the Receiver of Revenue and mortgage bondholders. In addition, ALL units within the entire Sectional Title development provide security, in proportion to the unit owners participation quota share of the

body corporate creditor's judgment debt which has not formed part of levy payments. The levy clearance certificate as well as the ability for creditors to join unit owners to the debt owed by the body corporate, in their personal capacities, are the primary security layers.

How secure are my funds in the Homeowners Association environment?

Homeowner Associations (HOAs) do not currently fall within Sectional Title legislation. Therefore, it is imperative that a provision for the levy clearance certificate is incorporated into the constitutional and governance documentation of the HOA and / or in the Title Deed of the Erf within the HOA's estate. Such a provision will protect the HOA from unit owners transferring the property without first settling their arrears. This has been made possible due to supporting case law on this issue.

There is, however, no additional layer of security, being the joinder of unit owners to any judgment against the HOA. This is not a possibility in the HOA environment.

What is the maximum loan duration for these lending solutions?

Fortified Capital Plus:

Repayment occurs "as and when" the Community Scheme collects its arrear levies through the legal collection process. This tends to take an average of 5 years. However, given the individual financial status of each Community Scheme / Arrear Levy Debtor, it is impossible to forecast a specific levy recovery date and hence loan repayment date.

Income Energiser:

The capital component of any monthly loan repayment by the Community Scheme / Arrear Levy Debtor will automatically be utilised to purchase new similar loan assets (redeployment). Furthermore, in terms of the Sale of Claims Agreement, BC Funding Solutions will be irrevocably instructed to implement the above purchases of other Sale Claims for a fixed period of 5 years. After 5 years, you may elect either to continue with the redeployment of the monthly capital repayments or to receive the capital repayments over an additional 5 year period.

Powered Wealth:

Repayment occurs "as and when" the Community Scheme collects its arrear levies through the legal collection process. This tends to take an average of 5 years. However, given the individual financial status of each Community Scheme / Arrear Levy Debtor, it is impossible to forecast a specific levy recovery date and hence loan repayment date.

Insured Capital:

Repayment occurs "as and when" the Community Scheme collects its arrear levies through the legal collection process. It is possible that the Client can be repaid in full, or in portions thereof, at any time throughout the duration of the loan.



The outstanding Capital balance owed to the Client on the 5th anniversary of the advance date shall however be repaid to the Client on that date, as BC Funding Solutions has insured this portion of the loan funding. Any remaining interest is repaid “as and when” the Community Scheme collects its arrear levies through the legal collection process.

Can you switch from a Fortified Capital Plus to the Income Energiser?

Yes, however this is only possible if a willing Fortified Capital Plus client exists to purchase your loan asset. Additionally, this switch will incur a transfer fee.

What happens if I need to withdraw / cash-in the asset prior to the repayment of the loan funding by the Community Scheme / Arrear Ley Debtor?

Individual circumstances do change. If you require an early exit from this environment, BC Funding Solutions can facilitate the sale of your loan assets to other lenders wishing to lend into this environment. However, it must be noted that an early termination cost equal to 10% of the amount requested will be incurred. After 5 years from the advance date, this cost will reduce to 5%. This cost is payable to offset expenditure incurred in the original placement and subsequent sale of your claim.

If the client benefits from a 100% allocation of our funds on deployment, who pays BC Funding Solutions and the independent consultant their fees?

All costs of the loan / claim are levied on the Community Scheme / Arrear Levy Debtors. This includes a raising fee and interest differential payable to BC Funding Solutions for monitoring the collection and repayment of funds to you, the client. You, as the lender, benefits 100% from the allocation of your funds, with no cost deductions whatsoever.

Can the Community Scheme / Arrear Levy Debtors repay the loan / claim at any time and can one redeploy the amount repaid?

Yes, the Community Scheme / Arrear Levy Debtors can repay the loan / claim in full or in part, at any time. You may redeploy your repaid funds, subject to the minimum amounts applicable to each lending solution.

Why does the Income Energiser offer you a lower return?

The Income Energiser lending solution services monthly interest to you, whilst the Fortified Capital Plus lending solution capitalises interest. The Community Schemes / Arrear Levy Debtors are required to make set monthly repayments.

Who is SANNE Fund Services?

SANNE Fund Services is specialist global provider of alternative asset, corporate and private client administration services. Established for over 25 years and listed on the Main Market of the London Stock Exchange, SANNE engages



with more than 1,200 people worldwide and has in excess of £200 billion assets under administration. Locally, SANNE employs over 140 professional staff members and carries Professional Indemnity and Fidelity insurance cover of R50m.

How do you offer interest returns to those lenders awaiting deployment?

All lender funds awaiting deployment and placed into the independent cash-custodian account at SANNE Fund Services, earn the applicable cash deposit rate offered on typical short-term deposit bank accounts.

Should BC Funding Solutions cease to conduct its business activities, when my loan is still years from repayment, who will manage the collections from the Bodies Corporate?

Whilst BC Funding Solutions plays an important role in the monitoring of the collection and repayment of the loan and arrear levy claims, you hold all rights, title and interest in your claim. You could, therefore, hand your claim over to a collection attorney and instruct them to collect on your behalf. Whilst this is not the ideal scenario, BC Funding Solutions structured the lending model in this way to ensure that the client would have direct recourse to their claim.

Is BC Funding Solutions registered with the FSCA?

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"). Thus, this is not a "financial product", but a lending opportunity.

What is BC Funding Solutions' role in the lending opportunity?

BC Funding Solutions acts as a facilitator between the Community Scheme requiring funding, and the client willing to participate within this protected lending environment. BC Funding Solutions originates the loan documentation, in accordance with defined criteria, with the Community Scheme and monitors the collection and repayment of the loan / claim to the client.

Can a potential client view the due diligence protocol BC Funding Solutions utilises when assessing a Community Scheme before a loan is approved?

Yes, BC Funding Solutions can make available to the client all Community Scheme documentation reviewed, on reasonable request.

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