



Key Solar Exchange Fund 2

SECTION 12J INVESTOR SUMMARY

Investors are advised to read this Investor Summary together with the Private Placement Memorandum (PPM) and Share Subscription Agreement.

WWW.FUTURENEERS.CO

PRIVATE PLACEMENT SUMMARY

Closing Date of Private Placement:	30 June 2021.
Subscription Price per Share:	R1 per Share.
Minimum investment amount:	R1,000,000, provided that the directors shall have the option to consider and approve alternative offers on a case-by-case basis.
Maximum investment amount:	No one taxpayer may subscribe for more than 20% of the total issued KSE Investor Shares. Investments are limited to R2,500,000 per tax year for an individual or trust and R5,000,000 per tax year for companies.
Investment period:	Minimum 5 years.
Dividend period:	Annually, provided that surplus profits will be distributed every 6 months.
12J Asset Risk profile:	Medium (investment is asset backed by solar PV plants with predictable cash flows from 20-year plus power purchase agreements).
12J Asset Returns Profile:	Medium to High – targeting a pre-tax IRR exceeding 20% and doubling the net investment after all fees and taxes over 5 years



INVESTMENT OPPORTUNITY

100% tax deductible section 12J investment opportunity with future returns linked to the KSE solar projects described herein and further detailed in the PPM:

	Individuals	Trusts	Companies
Total investment made (Subscription Price):	R1,000,000	R1,000,000	R1,000,000
Maximum SARS Tax Relief	-R450,000	-R450,000	-R280,000
Net Cash impact (Effective Capital Exposure)	R550,000 (-55%)	R550,000 (-55%)	R720,000 (-72%)
Effective Tax Rate Relief*	+45%	+45%	+28%

Electricity in South Africa is becoming more expensive every year. Eskom (and municipal) electricity tariffs have been escalating at alarming rates over the past few years with double digit tariff increases expected to continue in the foreseeable future.



Many medium sized Commercial and Industrial (“C&I”) companies in South Africa are high electricity users (for example: manufacturers, abattoirs and businesses operating in an environment requiring regular heating or cooling). Not only are these businesses faced with the challenge of continuous load shedding, but are now also finding it difficult to maintain their profit margins while energy costs are increasing at alarming rates every year. It is clear that they need to address these rising costs, but even many longstanding businesses lack the available and free cash, or balance sheet, to make a significant investment in the development of an alternative energy asset, which requires a significant upfront capital outlay. Quite frankly, these Commercial and Industrial companies want to focus on their core business and have their balance sheets unencumbered and available to the funding of future growth and operations rather than building a solar plant.



The KSE solution and opportunity

KSE offers C&I customers a fully funded, designed, constructed and maintained grid-tied solar PV energy solution (with optional energy storage capabilities) by entering into a long term (normally 20-25 years) power supply and purchase agreement (“PPA”).

This simply means, KSE will provide alternative solar energy (and optional energy storage where required) to the C&I customers at a contractually agreed fixed tariff on a **pay-per-use** basis, escalating annually at an agreed escalation rate.

The benefits to the C&I customers are:

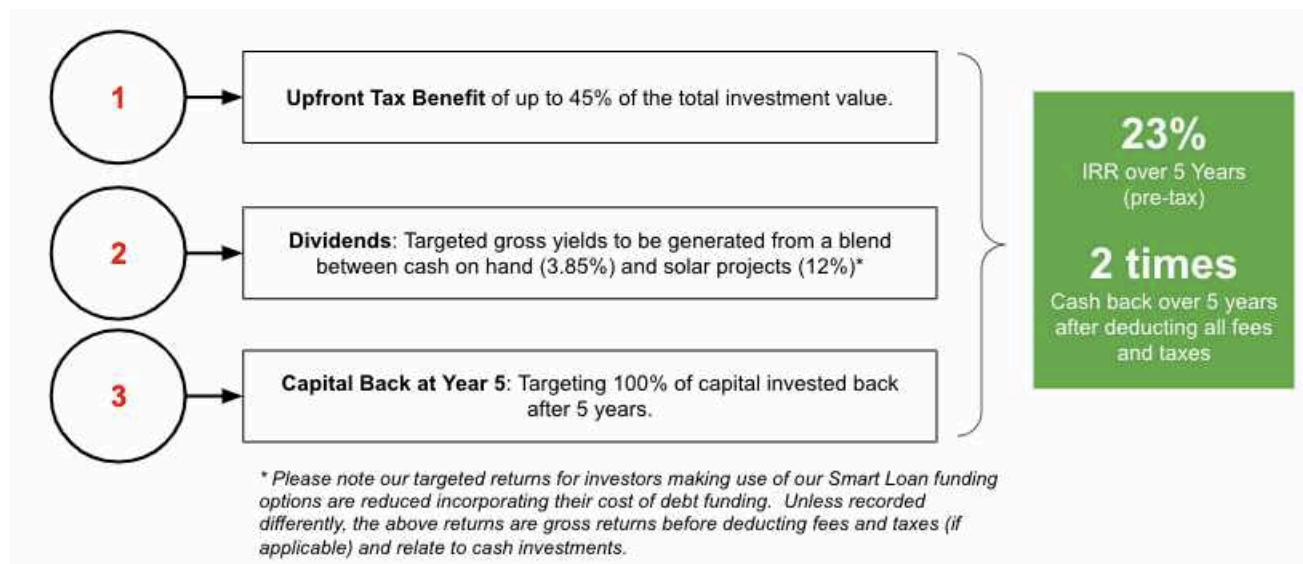
- No upfront costs.
- No funding required – off balance sheet transaction (“opex” only).
- Immediate saving in costs / additional revenue opportunities partnering with KSE.
- Significant long-term cost savings / additional recurring revenue.
- Continue to focus on core business, while Solar PV plant are maintained by KSE on their behalf.
- Predictable annual alternative energy escalations for the next 20-25 years.
- Option to acquire the Solar PV plant from KSE at any time during the PPA Agreement.

The benefits to KSE (and ultimately its Investors) are:

- Asset backed investment. The equipment is capitalised against the KSE Balance Sheet (on Balance Sheet model).
- Contractual income for the next 20-25 years for every PPA concluded. This equates to predictable cash flows.
- Attractive asset to finance through debt in partnership with the banks.
- Attractive asset to build into a substantial consolidated asset portfolio and in the medium to long term sell to pension funds and other interested local or overseas buyers – with the ultimate objective to create cash liquidity to exit investors at the end of 5 years.

TARGETED INVESTMENT RETURNS AND FEES

Please note that as a registered Section 12J VCC and registered financial services provider, we cannot provide any investment guarantees. Investor returns are therefore indicative and targets only and can be broken down and summarised as follows:



The above targeted returns have been calculated after deducting the following management fees:

Management involvement:	Active participation in Qualifying Companies.
Fees:	Upfront 5% and 2% per annum payable from investment returns. For the Investor's benefit, fees are structured in the most tax efficient manner as either a management fee or a management dividend.
Performance incentives:	Management is incentivised to create liquidity and facilitate cashflow to enable the buy-back of Investor Shares after 5 years at targeted returns.



TARGETED INVESTOR CASH FLOWS

Indicative Investor Cash flows are illustrated below:

	Now	Year 1	Year 2	Year 3	Year 4	Year 5
Upfront						
12J Upfront Investn	-R1,000,000					
Once-off Upfront 12J Fee	-R50,000					
SARS Section 12J Tax Benefit	R472,500					
Ongoing						
Dividends received (before tax)		R40,000	R100,000	R100,000	R100,000	R80,000
Exit after 5 Years						
ZAR Asset Exit						R1,000,000
Cash Flow before Tax	-R577,500	R40,000	R100,000	R100,000	R100,000	R1,080,000
Tax						
Dividends Tax -20.00%	R0	-R8,000	-R20,000	-R20,000	-R20,000	-R16,000
Capital Gains Tax -18.00%						-R180,000
CASH FLOW	-R577,500	R32,000	R80,000	R80,000	R80,000	R884,000
BOTTOM LINE		Cash in	-R577,500			
		Cash out	R1,156,000			
					2.00	times your money back

(Net Cash impact after deducting all taxes and all fees)

Critical assumptions:

- Gross yields of 3.85% on cash not yet deployed and 12% on capital deployed into solar projects.
- Annual Management Fees payable: 2% per annum.
- Dividends paid at the end of every year, provided surplus profits will be distributed every 6 months.
- Annual targeted Dividend Yield (before withholding tax) of 4% in year 1 as cash is deployed into renewable energy projects.
- Annual Dividend Yield of 10% (gross yield of 12% less 2% fees) years 2-4 assuming full deployment of capital into projects and 8% (10% less 2% fees) in year 5 as cash is made available again for exits.
- 100% Cash back after the end of the 5-year investment cycle. It is the objective of the fund to buy-back investors at the end of term.
- Capital gains tax on exit deducted from returns in compliance to section 12J of the Income Tax Act.

The above cash flows are for cash investments. Please refer next page or enquire about our funding options available to qualifying investors.





FUNDING OPTIONS AVAILABLE

Over and above the normal Section 12J cash investment option, we also offer the following funding solutions:

Smart Loan (up to 95% Finance available)

Our SmartLoan works similar to a traditional property financed mortgage bond, with one major exception – although the monthly instalment is similar to that of a 20-year bond, by applying and crediting your Section 12J benefit and dividends accrued to the outstanding loan balance, your loan is settled within 5 years. No personal surety required.

Bridge Loan

The Bridge Loan option enables investors to pay 55% Cash while 45% (typically their Section 12J Tax benefit portion) is financed until such time they receive their Section 12J Tax benefit from SARS.

Global Hedge One

In partnership with Sanlam Private Wealth (“SPW”), we offer investors the opportunity to make use of their annual discretionary investment allowances to invest a minimum of R1,000,000 (USD 68,000) in a SPW listed and managed fund. Investors are then offered a 50% loan through SPW (utilising their USD investment as security), while we offer them a Smart Loan in South Africa for a further 50% - enabling the investor to make a 100% leveraged South African 12J investment over and above their offshore investment. In this manner Investors are able to significantly enhance their global USD returns.

Please contact us for further information and a loan quote on any of the above options.

The Futureneers Track Record

achieved over the past 3 years



R270m+

Capital Under Management, incl. R200m+ through Section 12J VCCs



23+

Section 12J projects / Investments executed



R50m+

12J Project Pipeline - Innovative solutions underpinned by conservative assets



4+

Funds under management by Futureneers, incl. two BBBEE Funds and two 12J Funds



120+

Section 12J Investors successfully on-boarded



198+

12J Certificates issued

THE TEAM BEHIND YOUR INVESTMENT



Hands-on Executive Team



Jaco Gerber | CA (SA) | Director | KI

Previous: Partner at PWC | CEO of Marketel Money & Dinner in the Sky | Executive Director of the Giving Organisation



Deon Lewis | Director

Previous: Managing Director and Co-Founder at Cipla Nutrition | X/procure® Software | CIO at Finstruct Group | Head of Department at PWC



Dirk van Loggerenberg | CA (SA) | Director | KI

Previously: CEO: Ambitio Consulting | Executive Director: I to I Technology Services | Non-executive Director: Dörlberg Asset Finance | MD: Scifin



Advisory Board



Renier Swart | CA (SA), BProc, PPRE, MPRE

Sales Director at Val de Vie Group of Companies & MD at Val de Vie Construction, Chairman at the Star Motor Group.



Stefan van Niekerk | BA (Law), LLB

Partner at Minizers Attorneys specializing in property transfers and property development



Johannes Booysen

Current entrepreneur and shareholder in various companies | Previous: Yonder Media, Hotdog Cafe, B-One



Neil Hobbs | CA (SA)

Partner at Hobbs Sinclair, Director of 1st approved S12J VCC - Iridium Investments, Director at Anuva Investments VCC & Lotus Health VCC.

THE KSE OPERATIONAL TEAM



RICKY HUYSER: Ricky is a passionate entrepreneur with a strategic focus on enhancing people and business' through the application of technology in the Energy and Renewable environment. With over 1,500 global process projects implemented in the last 20 years, he has developed solid experience in managing new market opportunities, these include the identification of potential markets, market to technology alignment and rapid implementation. Also with the valuable experience of starting three businesses in the last two decades and all being sold to listed entities, he has proven to have the passion and vision to create industry solutions that are of value both to shareholders and potential users.



ANTON BOSHOFF: Anton is known to the infrastructure industry for efficient project partnering, promotion, sponsoring and -risk mitigation of infrastructure assets. He has led mega infrastructure and construction projects valued at more than ZAR30 billion, ranging from real estate developments to the supply of water services, roads, and social infrastructure

INVESTMENT RISK

Investors should take note that any investment carries risk. The investor shares in Futureneers Capital are unlisted shares and, whilst the team will make every effort to create a secondary market for the sale of investor shares, liquidity is significantly less than listed shares. Investors are also cautioned and advised to hold their shares for the minimum period of 5 years to avoid recoupment of the tax deduction allowed under S12J of the Income Tax Act. Other risks include credit risk of ff-takers and operational risk of the investments made in solar projects. Also refer PPM for further risks identified when investing in a section 12J VCC.

CONTACT DETAILS

Websites

www.futureneers.co.za
www.keysolarexchange.com

Contact details of Directors:

Jaco Gerber | 0824698456 | jaco@futureneers.co
Deon Lewis | 0824698456 | deon@futureneers.co

