BRIGHT LIGHT
SOLAR VCC

BRIGHT LIGHT SOLAR VCC LTD
FREQUENTLY ASKED QUESTIONS

This document provides a comprehensive list of questions and answers for investors interested in investing in Bright Light Solar VCC. Please contact the management team of Bright Light Solar VCC should you have any further queries or require additional clarity on any of the below.

Who qualifies as a S12J investor?

Any individual, corporate entity or Trust, as a registered taxpayer in South Africa automatically qualifies to invest in an approved S12J Venture Capital Company (“VCC”).

What amount can I claim against my taxable income?

Qualifying investors can claim a maximum amount of R2.5m for individuals and Trusts, and R5.0m for companies as a deduction against taxable income.

Can I borrow money to invest in a S12J VCC?

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.

How do I claim the tax deduction?

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.

If the investor sells their shares prior to holding these for five years, the deduction is recouped.

What happens when I sell my shares in the S12J VCC?

Standard capital gains tax rules apply in respect of the sale of Venture Capital shares. Investors should note that the base cost for CGT purposes will be zero.

What documents will I receive from Bright Light Solar VCC?

Bright Light Solar VCC will issue investors with Tax Certificates prior to any tax submission deadlines. This will provide SARS with the proof it needs to allow the investor the relevant tax deduction.

What does Section 12J entail?

Section 12J came into effect in July 2009. Its purpose is aimed at creating funding opportunities for the growth of small to medium sized businesses. Section 12J effectively provides investors in a registered VCC with a taxable deduction of 100% of their investment against taxable income in order to promote investment.

Section 12J has a 12-year sunset clause meaning that it will end on 30 June 2021, although this is subject to review and may be extended depending on the success of the initiative by government. This will have no effect on investors who have invested prior to this date. Investors investing after this date (should it not be extended) will not be able to deduct the cost of the investment against their taxable income.

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What is a VCC?

A VCC is a company designed to provide individual, Trust and corporate investors with access to companies which have high growth potential. A VCC raises the funds required by these Qualifying Companies by issuing equity shares to investors and the money is then invested in those businesses.

How long must I hold my VCC shares?

Current legislation dictates that the shares need to be held for a minimum of 5 years in order to avoid paying back the tax deduction. In other words, you can claim the tax deduction in the tax year in which the investment was made, but if you sell your shares in a registered and approved VCC before 5 years, then you will need to pay SARS any deduction that you previously obtained.

Is there a maximum annual and lifetime limit?

There is currently no annual or lifetime limit regarding how much an individual, Trust or company can invest in registered and approved Venture Capital Companies, however recent changes to the Section 12J legislation has placed a limit on the maximum deduction investors can apply to taxable income in any one year. This is currently set at R2.5m for individuals and Trusts, and R5.0m for companies.

What are the risks to an investor in a VCC?

There are inherent risks to any investment. Investing in a VCC is considered riskier than a listed equity investment. It is important to note that in general, there are two types of risk associated with a VCC investment.

Investment Risk

Venture Capital Companies are usually young companies and therefore not yet fully established. This means they carry a higher risk of failure compared to more mature businesses. However, some of this risk is mitigated by the income tax relief, since, in effect, the capital invested is only a percentage of the face value of the investment when one considers the upfront tax deduction.

Liquidity Risk

The current Section 12J legislation requires the VCC shares to be held for a period of 5 years in order to make the tax deduction permanent. This means that capital may be tied up while this holding period expires. In addition to this, even after the holding period, it may not be easy to sell VCC shares at their full value as a willing buyer will need to be sourced. Purchasers who buy VCC shares from those investors who originally invested will not benefit from upfront income tax relief under the current Section 12J legislation. Whilst there have been proposals to transfer the tax benefits, this provision of Section 12J is not yet amended.

What tax will I pay on my investment?

Upfront tax deduction

A Section 12J investor receives a tax deduction equal to 100% of the amount invested. This tax deduction is available immediately (subject to the maximum annual deduction limits). The tax relief is available provided that the investor subscribes for equity shares, as opposed to buying them from other investors. Any distribution an investor receives thereafter will be a dividend. Dividends are paid out of after tax reserves in the company and dividends tax (currently 20%) will be deducted prior to payment to the investor. This applies to individuals and Trusts. Companies that invest will not have dividends tax deducted.

Taxable recoupment

The upfront income tax relief described above is only temporary. The tax deduction will become permanent if the investor holds their shares in the VCC for a period of 5 years.

Dividends tax

Dividends earned from VCC shares are subject to dividends withholding tax if the investor is an individual or a Trust. Companies are excluded from dividends tax.

Capital gains tax

Capital Gains Tax (CGT) will be payable when selling VCC shares. The CGT rate will be at the tax payer's usual CGT rate. There is tax relief for capital losses on disposal of VCC shares. Any losses can be deducted against any other capital gains. It will not be possible to offset capital losses against the investors' income. The base cost for CGT purposes will be zero.

Reinvestment

An investor will not be allowed to defer the gain from another investment by applying the sale proceeds to subscribe for VCC shares.

The venture capital legislation is temporary. The Section 12J legislation dictates that VCC investments will be subject to a sunset period which ends on 30 June 2021. This means that upfront income tax relief will only apply to VCC shares acquired on or before 30 June 2021.

What are the criteria for investment by the VCC into Qualifying Companies?

Qualifying Companies must:

- Be a company registered in South Africa;
- Be a resident;
- Not be a controlled group company in relation to a group of companies;
- Have its tax affairs in order (a tax clearance certificate must be requested from SARS to support this requirement);
- Be an unlisted company (section 41 of the Act);
- Not, during any year of assessment, account for over 20% of the Venture Capital Companies investment income;
- Not carry on any of the following impermissible trades:
    - Any trade carried on in respect of immoveable 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 the Republic.

Are there any tax benefits to the Qualifying Company post an investment by a VCC in its shares?

- There are no special tax rules for Qualifying Companies;
- Standard tax rules will apply.
- Given that the Qualifying Companies will be investing in renewable energy infrastructure, the full cost of the installation will be allowed as a wear and tear allowance.

What are the requirements that a VCC must meet for investors to qualify for the Section 12J tax deduction?

The company must satisfy the following requirements by the end of each year of assessment after the expiry of 36 months from the first date of issue of Venture Capital Shares:

- A minimum of 80% 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 million in any junior mining company; or

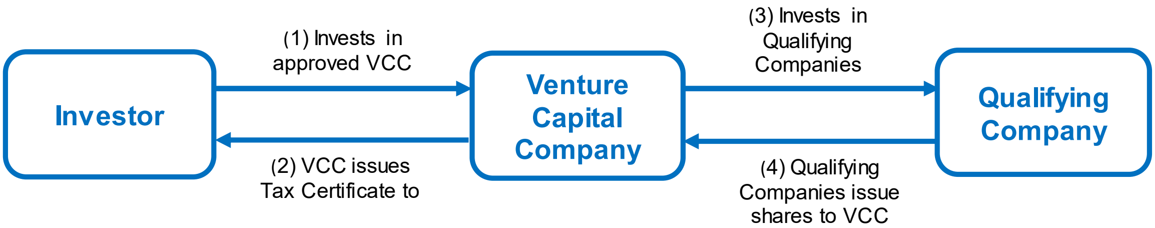
    - R50 million in any other qualifying company.
- The expenditure incurred by the VCC to acquire qualifying shares in any one qualifying company must not exceed 20% of any amounts received in respect of the issue of Venture Capital Shares.

Can an investor sell their shares in Bright Light Solar VCC at any time?

Whilst there is no law restricting an investor from selling their shares in a VCC, investors should be aware of the recoupment by SARS of their tax deduction if they do not hold the shares for a minimum of 5 years.

SARS will be entitled to recoup the full deduction should the investor not hold their shares for a minimum of 5 years.

How does the structure work?



What are the responsibilities of Bright Light Solar VCC?

Bright Light Solar VCC will be responsible for the following:

- Maintaining a record of all investors;
    - This record must be submitted to SARS in February and August of each year.
- Maintaining a record of all its Qualifying Companies;
    - This record must be submitted to SARS in February and August of each year.
- Ensuring that the Qualifying Companies that it invests in meet the requirements in terms of Section 12J;
- Issuing Tax Certificates to investors in the tax year in which the investment is received.

What is the minimum and maximum investment permitted in terms of this offer?

The minimum and maximum investment amount is contained in each investor offering memorandum / Prospectus.