



BRIGHT LIGHT
SOLAR VCC

BRIGHT LIGHT SOLAR VCC LTD VENTURE CAPITAL FUNDS

In the past, venture capital investments were not readily available to retail investors, due to the risk, minimum investment amounts and access to professional venture capital specialists. The introduction of Section 12J into the South African Income Tax Act has opened the door for smaller retail investors to enter this market.

HISTORY

The Venture Capital Company structure is by no means a new concept to South Africa. The South African Revenue Service ("SARS") adopted this structure into the South African Income Tax Act in July 2009, following in the footsteps of various other countries all over the world.

One of the many challenges faced by small and medium-sized entities has been their access to capital. The South African government implemented the Venture Capital Company structure with the aim of attracting capital into this space to assist these entities in attracting capital in order to grow and with the aim of creating employment. The Venture Capital Company structure is aimed at attracting retail investors to invest in this sector by allowing a tax deduction of 100% of the investor's capital against taxable income.

The Venture Capital Company structure has been particularly successful in the United Kingdom ("UK"), which was implemented by the UK government to help stimulate the economy, mainly through job creation and growth in the small to medium-enterprise sectors. Venture Capital Trusts (as they are known in the UK) have become a form of private equity to retail investors.

This has resulted in the exponential growth of this investment sector throughout the world.

SARS has however implemented a 12-year sunset clause, which effectively closes this investment opportunity on the 30th June 2021. The effectiveness of the structure will be assessed at that time and SARS will then decide on whether to continue to offer this tax deduction under Section 12J, or end the structure. Investors already invested in a registered Venture Capital Company should however not be concerned about a recoupment on their deduction, whichever path SARS decides.

VENTURE CAPITAL

Individuals and entities in the early stages of their corporate development have been approaching investors, friends and family members, and funders to assist with funding for centuries. Whilst friends and family members may be able to assist with a small amount of capital, it is typically not enough for a growing entity and therefore, a more formal venture capital funding environment emerged.

Venture Capital Companies are now able to offer retail investors the opportunity to invest in higher return qualifying entities, whilst at the same time reducing the risk associated with this environment due to the tax deduction afforded to the investor by SARS.

There is therefore a strong case to be made to include Venture Capital opportunities in an investor's diversified portfolio. It is advised that this percentage be limited to between 5% and 10% of an investment portfolio.

Venture Capital versus Private Equity:

Venture capital investing, whilst similar to private equity investing, does differ in several aspects. These differences are highlighted below:

- Venture capital is typically invested at a much earlier stage in the lifecycle of a company than private equity;

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Bright Light Solar VCC Ltd is an authorised Financial Services Provider, FSP number 47804



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- Investing in a company at an earlier stage would traditionally mean that there is greater risk, as the company faces growth and other challenges until it matures.
 - Whilst the above is true in many instances, the risk of investing in a Venture Capital Company is significantly reduced by the tax deduction allowed by SARS.
- Investing in a company at an earlier stage does however typically result in lower purchase pricing, as the company requiring funding typically has less access to traditional sources of funding.
 - The above offers the opportunity of increased returns; and
 - Private equity investing in comparison does not have the luxury of better pricing, as investee companies typically have greater access to capital based on longer business track records.
- One constraint associated with both private equity and venture capital is liquidity, with both structures less liquid than typical share and bond investment funds.
 - Investors in this space should view their investments as long term and should not be looking to exit in the short to medium term.
- Yet another difference would be the use of debt funding. Earlier stage companies typically lack access to significant debt funding in comparison to more mature and stable companies that private equity investors typically invest in.
 - This is both a positive and a negative, as gearing generally increases risk, it can however also magnify return.
- Lastly, but not least, the tax treatment under a Venture Capital Company structure is far more attractive due to the deduction allowed under Section 12J, whilst private equity investors do not benefit from any preferential tax treatment.

BRIGHT LIGHT SOLAR VENTURE CAPITAL COMPANY

Bright Light Solar VCC aims to offer its investors above average after-tax investment returns utilising the Venture Capital Company structure and investing in Qualifying Companies that yield stable, long term above average returns. Given the growth in demand for solar and efficient energy solutions, by industrial, commercial and residential end-users, coupled with the stable long-term sustainability of a solar or efficient energy solution, management of Bright Light Solar VCC are confident that investors will obtain the higher after-tax forecast returns it envisages in the current Prospectus.

Bright Light Solar VCC invests in Qualifying Companies who are focused on renewable energy, achieving diversification of investor risk as several of the Qualifying Companies each own multiple solar and efficient energy projects. Bright Light has also recently widened its investment mandate to include water projects.

Bright Light Solar VCC is managed by Bright Light Project Management (Pty) Ltd ("Bright Light Projects") whose management team have extensive experience in the asset management and energy sectors. Bright Light Projects has also attracted top solar and efficient energy talent to join its management team and oversee the implementation of projects by the Qualifying Companies. The hands-on approach, coupled with extensive experience in property and solar installations will ensure that projects are installed correctly and efficiently, cutting out unnecessary wastage and ensuring the project is fully operational.

In addition to the above, Bright Light Solar VCC has partnered with a specialist property group, focusing on Sectional Title Bodies Corporate and Homeowner Association residential estates (gated estates). The partnership with Sectional Title Solutions (Pty) Ltd ("STS") will offer numerous benefits to Bright Light Solar VCC, including project funding and security for arrear payments by clients of the Qualifying Companies. Essentially, STS will be a backup funder for any bad debt arising from a gated estate customer of the Qualifying Companies, reducing the credit risk of a large proportion of the client base.



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Every aspect of the Bright Light Solar VCC structure and its Qualifying Companies, that it invests in, has been carefully reviewed and structured to minimise risk to the investor. Our goal is to limit downside risk, whilst taking advantage of stable long-term high yielding solar assets.

In summary, Bright Light Solar VCC offers investors the following benefits:

- Diversified portfolio of solar assets;
- Tax benefits under S12J of the South African Income Tax Act;
- Experienced and knowledgeable asset management team;
- Stable, long term above average dividend yield over the life of the solar / energy assets;
- A fully managed process with no involvement required from the investor;
- Semi-annual dividend paid from year 1, with ongoing semi-annual dividends for up to 25 years;
- Targeted IRR of 17.5% after tax return on investment capital (after dividend taxes);
- Targeted IRR of 21.0% after tax return on risk capital (after dividend taxes); and
- The ability to exit the investment after 5 years.

Please contact Kevin Shames or Johnny Wates should you be interested in investing in the Bright light Solar VCC.

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