



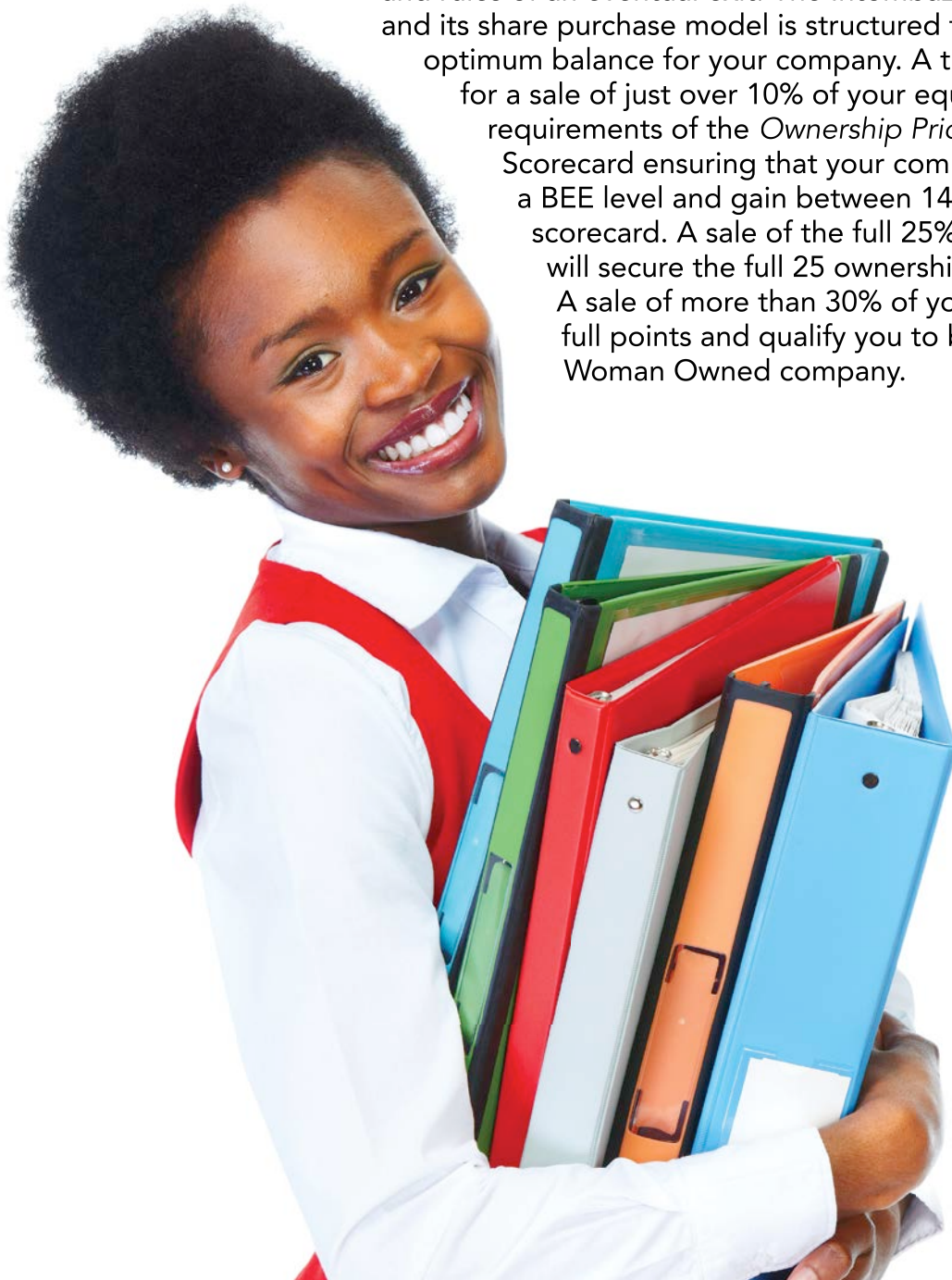

A Black Women Owned Non-Profit Organisation
For The Education of Young, Black Women

*The ideal shareholder to maximise
your BEE scorecard points*



Introduction

The Intombazane Development Trust is the ideal BEE shareholder for companies requiring legitimate, compliant BEE ownership without the risk of fronting. A well-structured BEE shareholder should ensure its company of all critical considerations such as real empowerment, BEE points, business benefits, costs, risk, shareholder value, sustainability and rules of an eventual exit. The Intombazane Development Trust and its share purchase model is structured to provide such an optimum balance for your company. A transaction with the Trust for a sale of just over 10% of your equity will meet the minimum requirements of the *Ownership Priority Element* in the BEE Scorecard ensuring that your company will not drop by a BEE level and gain between 14 and 16 points on your scorecard. A sale of the full 25% + 1 share of your equity will secure the full 25 ownership points for your company. A sale of more than 30% of your equity will secure the full points and qualify you to be recognised as a Black Woman Owned company.



Young Black Women - The Trust Beneficiaries

The Trust beneficiaries are young black woman under the age of 29. This allows the Trust to be recognised as a 100% Black Women Owned entity, and assists to ensure that new recruits for your business can be targeted from the right demographic groups.

Prescribing Your Preferred Beneficiaries

You may prescribe your company preference of young, black beneficiaries or beneficiary categories to the Trust.

So, you may prefer to advance young women in a particular academic or vocational direction with the intention to employ all or some of them when they qualify.

For example, you may require female graduate engineers.

Intombazane - An Independent Trust

Companies sometimes consider the option of setting up a development trust exclusively for their own use. This is typically based on the assumption that it would give the company more control over the management of the trust, but the main downsides of this are a significantly high set up cost, the complexity of managing the trust and the responsibility to fund the costs and the accounts of the trust.

There are also various requirements in the Codes for broad based ownership schemes and trusts that have to be adhered to, especially if the shareholding held by such entity is above 10%. These additional criteria are tough to comply with if a trust is set up specifically to hold shares in one measured entity only.

The Intombazane Development Trust is set up to meet all of these criteria.





Sale Of Shares Structure To The Trust

To maximise the use of its capital for educational purposes, the Trust will prefer a vendor financed transaction based on Net Profit after Tax or Nominal Asset Value that can be substantiated.

Should the Trust sell its shares back to the current shareholders or to the company, the same valuation method will apply.


The Trust is comfortable with arrangements that the company or selling shareholders may call on their shares at any time in the future after an agreed initial period, given the understanding that the valuation at that time will be used to determine the resale price.

The reason for the emphasis on a low entry and exit valuation is that the Trust is focused on retaining the dividend stream for development purposes

Sample Transaction of Sale of Shares to the Trust

A typical sale of shares transaction will follow these principles:

- 1 The Trust buys an agreed percentage of the issued shares in the company from its current shareholders
- 2 The purchase price is based on 90% of the NAV of the company
- 3 The purchase price will be paid from annual dividends actually paid out to the Trust
- 4 The company will declare any annual dividend of 50% of the NPAT of the company
- 5 80% of the dividends received will be used to settle the original purchase price and the balance is used by the Trust for the benefits for its beneficiaries and expenses
- 6 The seller retains the right to re-purchase the shares at any time, based on the then valid NAV of the company
- 7 Any debt still outstanding after six years is written off



The Trust is open to negotiate a fair and equitable transaction to all parties based on these principles.

Transaction Costs

The Trust has a template for a sale of shares agreement based on the above principles and will conduct its own basic valuation and due diligence to confirm the risk and viability of a transaction. If the sale agreement format offered by the Trust is accepted there are no costs attached. Each party will carry its own legal fees, but any company secretarial fees or similar costs relating to the update of the share register and the issue of the shares should be funded by the company. Should the transaction require an updated shareholders agreement or Memorandum of Incorporation, such legal fees are not factored into the transaction and would be funded by the company. The Trust has trusted legal advisors that could be contracted by the company to provide any such additional services.

Strategic Support

Depending on the shareholding and the agreement with the partner company, the Trust may appoint a non-executive director to the board of the company. The cost of attendance at the board meetings, based on a probable 4 meetings per annum of 2 hours each should be carried by the company. Any further support, meetings or activities requested by the company for the purposes of assisting it in any way will be by agreement with and at the cost of the partner company.

Link to Skills Development

The Amended Codes do not restrict skills development spending to staff. Should a company include bursaries and study support into their skills development planning, the management of the Trust would be happy to manage such contributions if they are in line with the main objectives of the Trust.

Link to Socio Economic Development

The Trust can also assist companies on their compliance to the Socio Economic Development element of the Codes as the target beneficiary groups of the Trust qualify for SED. This offers two benefits, namely that the SED contributions would operationalise the Trust while income to the Trust from dividends during the initial years may be low, and at the same time, the management of the SED contributions can be taken care of by the Trust.

Management of the Trust affairs

Gestalt has been appointed to market and promote the Trust and to represent it as transaction advisor and facilitator to identify and implement new investment opportunities for the Trust. The fees for these services are capped at 15% of gross contributions, dividends and income generated by the Trust. The balance of the funds will be used for the benefit of the beneficiaries or to finance further investments by the Trust.

Trustees

The Trust has two trustees that share a wealth of experience and a keen interest in the development of our youth.

Dr Namane Magau is the chief Executive Director of B&D Solutions, a management consultancy that she established. She does management consulting work in public and private sector and is involved in several business enterprises. She is also past President of International Women's Forum South Africa and Business Women's Association (BWS).

As Executive Director of Women's Investments Group, Tselane Basadi, she spearheaded a BEE transaction with Merrill Lynch, South Africa. Dr Magau served on the Santam Board, Murray & Roberts Board and NRF Board. Currently she serves on the AON Board, NECSA Board and chairs the NTP Board.

She has professional qualifications and experience in executive leadership, business development, education, human development and human resources management, including a PhD in Education from Harvard. Dr Magau has been involved in several initiatives to support the development of women entrepreneurs. Technology for Women in Business is one of the flagships.

Mannie Hirsch is the founder and Executive Chairman of the Gestalt Group. He provided strategy consultancy to such giants as American Cyanamid, Lederle Laboratories, Sanyo, The Israel Ministry of Finance, the Government of Ghana, the Royal family of Morocco, the Government of Malawi, Canadian Pacific and many more that specialised in positioning public and private sector enterprises for growth.

At the request of the Ministry of Trade and Industry in Israel, he developed a socio-economic model to build and mentor emerging entrepreneurs that he successfully implemented and which is still widely used today. Mannie, fluent in a number of languages, has published many articles and a number of children's book. His poems and short stories have appeared in anthologies throughout the English speaking world.



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