



Cash custodian code: \_\_\_\_\_ (for office use only)

**INCOME ENERGISER: RESERVE FORM**

Deployment amount : R \_\_\_\_\_  
Source of funding : \_\_\_\_\_

Head Consultant : \_\_\_\_\_  
Independent Consultant : \_\_\_\_\_  
Consultant e-mail address : \_\_\_\_\_

Interest will be earned, once funds are deployed, at the **prime lending rate + 3% per annum** and paid to the Client monthly in arrears.

**Interest of 4% per annum (nominal annual, compounded monthly)** will be earned on the funds held in the cash custody account, whilst in the process of origination, deployment and / or re-deployment.

**Client details:**

Title : \_\_\_\_\_  
Client's full name : \_\_\_\_\_  
Mobile number for SMSs : \_\_\_\_\_  
ID/Registration no : \_\_\_\_\_  
Authorised representative : \_\_\_\_\_  
Physical address : \_\_\_\_\_  
: \_\_\_\_\_

E-mail : \_\_\_\_\_  
ID no : \_\_\_\_\_  
(In case of a minor, trust account or company)  
Postal code : \_\_\_\_\_

**Bank details for repayment of loan:**

Account holder : \_\_\_\_\_  
Name of bank : \_\_\_\_\_  
Branch : \_\_\_\_\_  
Account no : \_\_\_\_\_

Branch code : \_\_\_\_\_

**Signed** : \_\_\_\_\_

**Date** : \_\_\_\_\_

**Print name** : \_\_\_\_\_

**SANNE Fund Services SA (Pty) Ltd – (Cash Custodian)**

**Account name** : SANNE Nominees SA (Pty) Ltd – BC Funding Solutions  
**Bank** : FNB  
**Account number** : 6261 3121 566  
**Branch number** : 204 109 (RMB Corporate Banking, Cape Town)  
**Reference** : Please use the unique Cash Custodian code as the reference

**(Please note that SANNE does not accept cash deposits)**

Income Energiser

Initial



## **MEMORANDUM OF UNDERSTANDING**

### **COMMUNITY SCHEME LENDING OPPORTUNITY**

A "Community Scheme" is defined in terms of Section 1 of the Community Schemes Ombud Service Act No 9 of 2011 (as amended) as any scheme or arrangement in terms of which there is shared use of and responsibility for parts of land and buildings, including but not limited to a **sectional titles development scheme** and a **home or property owner's association**.

BC Funding Solutions (Pty) Ltd ("**BC Funding Solutions**") has identified Community Schemes that require funding and offer the potential of an attractive return. The Independent Consultant has identified the Client as a party willing to advance funds into this environment on the basis that any repaid capital is redeployed for a five-year period (subject to 3a below) and the entire interest that accrues on funds advanced is paid to the Client monthly.

The opportunity to advance funds to Community Schemes and / or in respect of Arrear Levy Debtors may take the form of a direct advance of funds to one or more Community Schemes pursuant to a new Loan Agreement, and / or the sale from another Community Scheme creditor of an existing claim for the repayment of funds advanced to a Community Scheme pursuant to a Sale of Claims Agreement, and / or the acquisition and / or purchase of other related claims against a Community Scheme, including legal fees claims, electricity and other service claims (other Community Scheme Creditor Claims), and / or the acquisition and / or purchase of Ceded Rights to Underlying Claims subrogated in terms of Levy Guarantee Insurance Policies entered into with Community Schemes (collectively referred to as "Sale Claims").

The Client and the Independent Consultant hereby acknowledge and agree that BC Funding Solutions' lending opportunity processes and procedures have been explained to them and further that they have read and understood the contents of this Memorandum of Understanding.

#### **The transaction of the lending opportunity includes the following:**

1. ANY and ALL monies advanced by the Client are deposited with, and administered by, Sanne Fund Services SA (Pty) Ltd ("**SANNE**"), who are an independent cash custodian and fund administrator and who carries Fidelity and Professional Indemnity insurance cover for funds held on the Clients behalf. SANNE will only disburse funds once it has received a copy of the relevant agreement creating the Sale Claim duly completed and signed by the required parties (including, without limitation, by BC Funding Solutions on behalf of the Client).
2. The financial accounting service of the Client's loan, in the specific form of monthly loan and other statements issued to the Community Scheme, the Client and / or the Independent Consultant, is undertaken by BC Funding Solutions. In respect of Sale Claims such as Ceded Rights to Underlying Claims in respect of Levy Guarantee Insurance Policies, the Arrear Levy Debtor in question shall receive monthly levy and other statements from Debtorex (Pty) Ltd, with oversight only from BC Funding Solutions' legal department.
3. All monthly loan repayments made against the Sale Claims by or on behalf of the Community Scheme and / or Arrear Levy Debtor, will be paid directly to SANNE on behalf of the Client.

#### **a. Capital Component of Loan Repayment**

The Client understands and agrees that the capital component of the loan repayments by a Community Scheme will automatically be redeployed by BC Funding Solutions to purchase Sale Claims on behalf of, and acting in the name of, the Client. Further, in terms of this document, BC Funding Solutions is irrevocably authorised and instructed to implement the above redeployment on one or more occasions to purchase new or existing Sale Claims, for a fixed period of five years. After such five-year period, the Client may elect either to continue with the redeployment of the capital repayments or to receive the capital repayments as and when payments in respect of capital are received against the relevant Sale Claims.



**b. Interest Component of Loan Repayment**

The interest component of the loan repayment will be paid to the Client monthly in arrears.

4. The Sale Claims are capable of being repaid to the Client in full, or in portions thereof, at any time throughout the duration of the loan.
5. The interest rate payable to the Client, is adjusted in accordance with any fluctuations in the prime interest rate as quoted by First Rand Bank Limited from time to time. The Client acknowledges and agrees that it is not entitled to earn more than a maximum interest rate of 20% of the funds used to acquire the Sale Claims, and hereby waives any claim or right to any interest in excess of this rate notwithstanding that the relevant agreement under which the Sale Claims are created may provide for a higher interest rate that is payable by the relevant Community Schemes and / or Arrear Levy Debtors.
6. 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) ("**STSMA**"), the Sectional Titles Act No 95 of 1986 (as amended) ("**STA**") and the Community Schemes Ombud Service Act No 9 of 2011 (as amended) ("**CSOSA**").
7. The Client, where it is the creditor of a Body Corporate pursuant to its acquisition of the Sale Claims (where cession of arrear levies has taken place), also enjoys the STSMA's protection due to the **securities** given by the Body Corporate, the effect of which is that the Client's claims, as well as the local authority and any other claims which are "costs in the cause", are recovered before those due to other Body Corporate and unit owner creditors, including the Receiver of Revenue and mortgage bond holders, in respect of Sale Claims under which a Loan Agreement has been entered into with a Body Corporate. 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 judgment debt which has not formed part of levy payments, to the Client's claims.
8. Section 15B(3) of the STA requires that the Registrar of Deeds shall not register a transfer of a Sectional Title unit until the Body Corporate has issued a levy clearance certificate certifying that all monies due to it, by the unit owner in respect of the relevant unit, have been paid or that provision has been made to the satisfaction of the Body Corporate for the payment thereof.
9. In terms of the abovementioned Sectional Title legislation, Body Corporates (i.e. the borrower) can only be "destroyed" in terms of section 17 of the STSMA (deemed destruction) and section 49 of the STA (disposal on destruction of buildings). Further, in the absence of deemed destruction, section 2(7) of the STSMA requires the Body Corporate to have perpetual succession.
10. Loans 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**"). Written confirmation has been received from the Financial Services Board stating that this lending model is not a financial product, and this is provided to the Client on the BC Funding Solutions website.
11. All information provided to the Client by the Seller, the Independent Consultant, BC Funding Solutions and / or their staff should not be construed as financial advice, but rather as introductory information to a lending opportunity in terms of the abovementioned Sectional Title legislation and in terms of other Community Scheme constitutional and / or governance documentation. Any additional legal, financial or Sectional Title and / or Community Scheme advice required in the due diligence and decision-making process of this lending opportunity, should be obtained from any independent source within the Community Scheme industry or from any preferred professionals selected by the Client.
12. The Client acknowledges that any business opportunity carries risk and that it has performed its due diligence of this lending opportunity to its satisfaction.



13. It is the Independent Consultant's obligation (where applicable), if it is an Authorised Representative in terms of the FAIS Act, to place on record that it is not providing information, nor is it marketing this lending opportunity to the Client, in its capacity as an Authorised Representative in terms of an FSP license.
14. BC Funding Solutions implements various lending criteria when deploying funds into this environment. These include initial maximum loan to value ratios (at inception of the loans). BC Funding Solutions also monitors the Community Scheme levy collection service providers, as well as the recovery of the levies to the Community Scheme for repayment of the loan. It is important to note that BC Funding Solutions is not responsible for the collection or recovery of any these debts and has appointed or will appoint one or more service providers to perform the collection and recovery function, based on the professed experience and qualifications of the service provider/s. BC Funding Solutions reserves the right to amend lending criteria from time to time (depending on the current lending environment) assessment of the individual Community Schemes and each Community Scheme's specific financial, management and rehabilitation circumstances.
15. The returns from this lending opportunity should be considered to be interest and are therefore taxable. BC Funding Solutions and the Independent Consultants are not tax advisors and are therefore not able to provide advice in this regard. BC Funding Solutions does not provide the Client with an IT3(b) certificate as it is not a deposit-taking institution.
16. Early exit (before the Community Scheme and / or Arrear Levy Debtor has repaid the loan) from this lending opportunity is not generally available. If circumstances force the Client to request an early exit, then the Client acknowledges that it will incur an early termination cost equal to 10% of the amount to be repaid to the Client in the first five years and, thereafter, this cost will reduce to 5%.
17. The cost in 16 above is payable to offset expenditure incurred in the original placement and subsequent sale of the Client's respective Sale Claims. If the Client requests early exit he / she / it will be required to wait until his / her / its loan claims (i.e. the asset) are sold, by him / her / it or another Independent Consultant, to a willing third-party purchaser in terms of a Sale of Claims Agreement(s).
18. BC Funding Solutions and the Independent Consultant are remunerated from fees charged to the Community Schemes and / or Arrear Levy Debtors and / or another seller of a loan claim, including in cases of an early exit. This means that 100% of the Client's funds are deployed, to its benefit, for the Sale Claims purchased throughout the duration of the loan.
19. The Client acknowledges that he / she / it has been free to secure independent accounting, legal, tax and / or other advice as to the nature and effect of all of the provisions of this Memorandum of Understanding, the Loan Agreements and / or the Sale of Claims Agreements and / or any other contracts and that he / she / it has either taken such independent accounting, legal, tax and / or other advice or dispensed with the necessity of doing so.
20. The Client acknowledges that it has not relied on any advice, representations, undertakings or warranties given or made by BC Funding Solutions, its directors, employees, any Independent Consultant or professional advisers in deciding whether or not to enter into this Memorandum of Understanding, any Loan Agreement and / or any Sale of Claims Agreement and / or any other contract.
21. Accordingly, the Client hereby irrevocably waives any claim of any nature whatsoever which it may now have or which might arise in the future against BC Funding Solutions, its directors, employees, any Independent Consultant and / or professional advisers arising out of or in connection with any claims, costs, damages, expenses, liabilities, losses, penalties or taxes imposed or levied on, or incurred or suffered by, the Client as a result of, or in connection with, (1) the entering into of this Memorandum of Understanding, any Loan Agreement, any Sale of Claims Agreement and / or any other contract, excluding any claims of gross negligence or willful default; and (2) the failure of the Client to recover or receive repayment of all or any portion of the Sale Claims (or any additional amounts that are or become payable in connection therewith).
22. Nothing contained in this Memorandum of Understanding will constitute a guarantee or underwriting of any nature whatsoever of the obligations of BC Funding Solutions, its directors, employees, any Independent Consultant and / or professional advisers to the Client.



23. Nothing in this Memorandum of Understanding, and no action taken by BC Funding Solutions under this Memorandum of Understanding and / or any Sale of Claims Agreement, will constitute a joint venture or partnership relationship between BC Funding Solutions and the Client or authorise the Client to bind the credit of BC Funding Solutions or incur obligations on behalf of BC Funding Solutions.
24. The Client fully acknowledges that it was given access to the BC Funding Solutions (Pty) Ltd ("**BC Funding Solutions**") web portal prior to signature of this Memorandum of Understanding. Access details for the BC Funding Solutions web portal ([www.bcfundingsolutions.co.za](http://www.bcfundingsolutions.co.za)) are noted below.

Username : [info@bcfundingsolutions.co.za](mailto:info@bcfundingsolutions.co.za)  
Password : #BCFUNDINGSOLUTIONS001

In addition to the above, the Client acknowledges that BC Funding Solutions will provide the following information prior to signature of the first Loan Agreement or Sale of Claims Agreement or any other contract for which the funds deposited into the cash custody account pursuant to this document are used, and that it is the Client's responsibility to ensure that the information is received timeously:

- 24.1. Sale of Claims Reserve Form;
  - 24.2. Memorandum of Understanding;
  - 24.3. Signed Sale of Claims Agreement and Annexures thereto;
  - 24.4. Loan Agreement documentation between the Lender and the Community Scheme and Annexures thereto and / or Other Community Scheme Creditor Contracts and / or Levy Guarantee Insurance Policies and any additional securities (relevant agreement under which the Sale Claims are created);
  - 24.5. Copy of the Municipal Valuation of each unit within the Community Scheme;
  - 24.6. Current Community Scheme Loan / Arrear Levy Debtor Statement;
  - 24.7. Copy of the Deeds office listing, pertaining to the Community Scheme at the time of contracting;
  - 24.8. Copy of a debtors age analysis (DAAs) from the Community Scheme (if available);
  - 24.9. A Google Maps photo of the Community Scheme (if available) at the time of contracting; and
  - 24.10. SANNE documents (updated from time to time):
    - 24.10.1. Company profile; and
    - 24.10.2. Fidelity and Professional Indemnity Cover (R50,000,000).
25. Once the relevant agreement under which the Sale Claims are created have been signed, a copy of the signed agreement(s) will be uploaded onto the Client's portal on BC Funding Solutions' website to be viewed along with the other documents referred to above. BC Funding Solutions will then commence monthly reporting to the Client via a monthly loan statement and SMS, illustrating the movement in the Client's Sale Claim(s) against the relevant Community Scheme(s) / Arrear Levy Debtors with which, and in respect of which, it has transacted.
26. Should the Purchaser fail to sign any of the legal documentation as listed in 24.1 to 24.3 above and / or fails to deposit funds in terms of the Purchaser's obligations under or in terms of the Reserve Form, Memorandum of Understanding and / or Sale of Claims Agreement, within thirty (30) days of receipt thereof, BC Funding Solutions (Pty) Ltd will be entitled, but not obliged, in addition to any other rights which it may have, to cancel the Sale of Claims Agreement and the transaction as a whole will be void.



BC FUNDING  
SOLUTIONS

Cash custodian code: \_\_\_\_\_ (for office use only)

This signed at \_\_\_\_\_ on this \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

**The Client**

Duly authorised

\_\_\_\_\_(Name)

\_\_\_\_\_(Signature)

This signed at \_\_\_\_\_ on this \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

**Independent Consultant**

\_\_\_\_\_(Name)

\_\_\_\_\_(Signature)

Income Energiser

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