



Southern African - German Chamber of Commerce and Industry
Deutsche Industrie - und Handelskammer für das südliche Afrika
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Enterprise Development Fund- Concept Idea

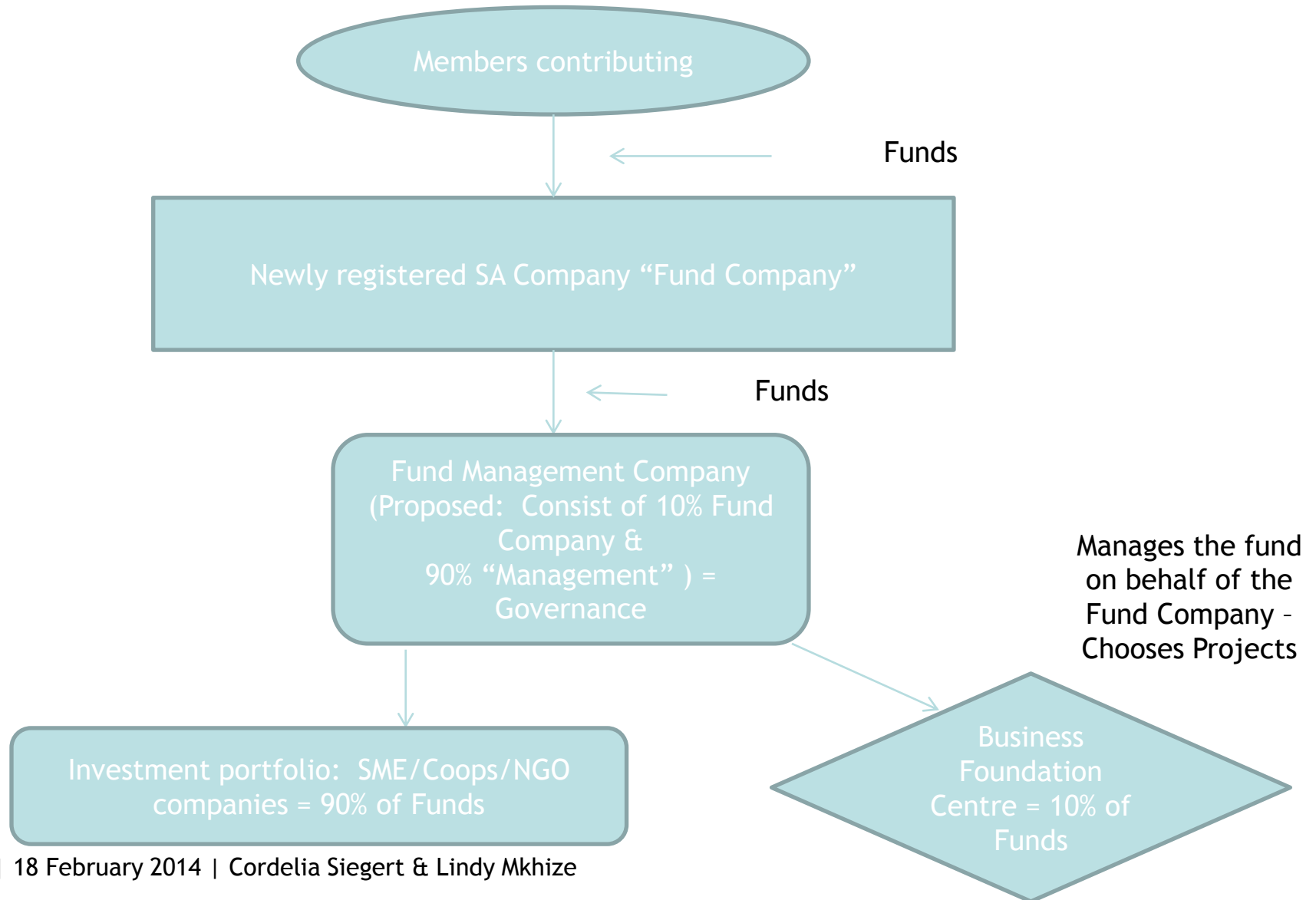
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Enterprise Development

- Enterprise and Supplier Development (ESD) now counts 40 points on the revised B-BBEE Scorecard
- It has become imperative that companies give more thought to investing collectively and partner up in a fund to meet developmental objectives and foster economic growth to facilitate the growth of the SME and SMME industry
- It is proposed that the member companies, under the umbrella of the chamber, establish an Enterprise Development Fund as a vehicle to make funding available to small business, including youth cooperative business that contributes towards job creation and economic stimulation
- The Fund will further create the opportunity for investor companies to invest in the future quality of their suppliers

Structure of the Fund



Fund Terms

Fund Manager	The FUND MANAGEMENT CO (to be registered) as a private company engaged as a the Fund manager
Partnership	The ENTERPRISE DEVELOPMENT FUND (in the process being registered) as a private company which will be responsible for operating the Fund and will act according with the partnership agreement
Nature of Fund	To provide funding to entrepreneurs in the SME sector through the enterprise development codes.
Commitments	R100m. Commitments in excess of this amount may be accepted at the sole discretion of the Partnership (just as guide to make it sustainable)
Minimum Investors contribution	R10 million (just as guide to make it sustainable)
Utilisation of Funds	<p>Funding to:</p> <ol style="list-style-type: none"> 1. Business Foundation Centre <ul style="list-style-type: none"> - Mentoring and assistance in business development - Other business related services 2. Investment Portfolio (SMME's) for: <ul style="list-style-type: none"> - Grants - only to companies that are defined as ED companies - Zero interest rate loans - Loans at interest lower than that of commercial banks - Guarantees for loans at commercial banks - Equity investments in enterprises 3. Certain approved CSR related business upstarts
Investments amounts to beneficiaries	<p>Minimum R 250 000</p> <p>Maximum R 5 million</p>

Fund Terms (continued)

Duration of funding	5 to 7 years
Business Stages	<ul style="list-style-type: none"> - Start up - proven concept - Early stage expansionary - Expansionary
Sector Focus	<p>Motor Information Technology Manufacturing Retail, Wholesale Agriculture Property Transportation, etc. - any sector the investors are from and investor company may choose specific sector</p> <p>However the sector focus will change from time depending on the Partnership's focus as determined by the changing economic conditions.</p>
Term of the Fund	<p>The term of the Fund will be 10 years, but may be extended for up to a maximum of three consecutive one year periods at the sole and absolute discretion of the Partnership to permit</p> <ul style="list-style-type: none"> - an orderly disposal of Investments not yet disposed of; and - an orderly dissolution of the Partnership; or funds could be re-invested in a similar new fund - Alternatively fund could be open-ended
Management fees	<p>6% from year 1 to year 7 (Investment Phase) 7% from year 8 to 10 (Disinvestment phase)</p>
Closing	The first closing will take place on signature of the Partnership agreement and the fund management agreement. Commitments will become due 20 days after the fund provided the partnership agreement.
Auditors	To be confirmed- SAGCC
Legal	To be confirmed-SAGCC

Enterprise Development Fund: Aims

- Providing and tailoring funding products that suite the SME's/SED needs
- Exploring and utilising appropriate mechanisms of determining credit worthiness of intended recipients
- Evaluating all entrepreneurs to determine a support program tailored to each entrepreneur that can be provide through the SMME/SED programs provided by the Fund
- Partnering with industry specialists and corporates to provide entrepreneurial support to SME's in order to enhance their business capacity, reduce investment risk and improve their sustainability.
- Educate SMME's/SED on the availability of the various type of financial instruments including equity funding
- Provide access to finance in absence of collateral and own contribution when necessary.
- Provide legal, technical and intellectual support through pro-bona work done by larger commercial attorneys and business management specialist
- Provide support around accounting function and safer/profitable labour relations issues
- Provide strategic guidance to an entrepreneur to ensure that they concentrate on running the business
- Providing effective linkages with other corporate institutions to establish a market for the entrepreneur.

Enterprise Development

- Will be provided by industry specialist
- Will be governed by an Enterprise Development Service Level Agreement between the FUND MANAGER and the service provider
 - The FUND MANAGER will pay for these services from their own resources.
 - There are a number of SME development initiatives with a primary aim to develop SME's and compliment the FUND investment strategy as it relates to the enterprise development of its investee companies
- Each entrepreneur will have a detailed development plan based on a predetermined assessment and profiling of the entrepreneur
- Investors can choose in which sector their investment be utilised

Portfolio Management System

- FUND MANAGER will implement a Client Relationship Management system which is a comprehensive financial and information management system to cater for the SMME market. Amongst other, the system will have the following functionality:
 - Real time information of the investment from the minute the SMME first makes the application to exit
 - Standardisation application and investment report
 - Customisation to send alerts on the portfolio to ensure that payment and exposures are managed within the parameters approved by the Investment Committee
 - Investment management and trend analysis thereof, to refine the product offering
- FUND MANAGER will send monthly report to investor for use of verifying agency