



# LUCID RETIREMENT LIVING FUND

*"The longer I live, the more beautiful life becomes"*

Frank Lloyd Wright

*A unique opportunity to invest in a lucrative retirement living fund which is focussed on the hospitality sector, providing high quality hospitality facilities and services to modern seniors in state-of-the-art contemporary senior residences in prime locations.*

## EXECUTIVE SUMMARY

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- Qualifying investors can leverage the benefit of Section 12J of the Income Tax Act before 30 June 2021.
- Investors can also secure an option for a modern retirement solution for themselves or their family.
- The Fund Manager is targeting an IRR of over 20% for Section 12J investors and 15% for investors who do not qualify for the Section 12J benefits.
- Finance available to match any invested capital.
- Experienced multidisciplinary management team

## BACKGROUND

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This document sets out details of the second capital raise for Lucid Retirement Fund (Pty) Limited ("the Fund") trading as Lucid Retirement Living Fund which is registered with SARS as a Venture Capital Company.

The Fund's first capital raise was concluded on 28 February 2021 at an amount of approximately R42 million. The Lucid Hotel Fund, which was capitalised between 2018 and 2020 intends to invest an amount of approximately R40 million alongside the Fund into Qualifying companies.

Due to the quality of the investment opportunities available to the Fund this second capital raise is targeting to raise R100m. As at 1 April 2021, a significant portion of the R100m has already been committed.

### FOR MORE INFORMATION PLEASE CONTACT:

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This document is not a prospectus. Your attention is drawn to the Disclaimer notice at the end of this document.

## 1. INTRODUCTION

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The Lucid Retirement Living Fund is focused on the hospitality sector, providing high quality hospitality facilities and services to modern seniors in state of the art environments in Johannesburg's northern suburbs. Prime land has already been secured in Houghton and Rosebank and a number of other opportunities are being pursued.

An experienced team has been assembled to run the Fund with skills across fund management, property development, hospitality and aged care services. The construction and hospitality services will be run by Kuming and Staples Construction. The aged care facilities will be run by SilverAge, a team of highly experienced care providers with a long track record of service delivery at the highest level. Individuals with considerable investment management experience will oversee the management of the fund. Further details are provided below.

## 2. RATIONALE FOR CREATING THE LUCID RETIREMENT LIVING FUND

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The make-up of the world's population is changing rapidly. The number of older people trebled between 1950 and 2000, and will treble again over the next 40 years. Today, people in their 70s and beyond are living vibrant, energetic lives, contributing to business, political and social landscapes.

The post WWII baby boomers are changing the way we look at ageing, retirement and living spaces for elderly people:

- Seniors are now more active and energetic.
- They prefer living close to their current homes and their families in urban areas.
- Retirees want to remain in one place for the duration of their lives.

Advances in communication and technology allow retirees to be attuned to world events, emerging trends, stay close to family and friends, and enjoy an extended range of leisure activities.

These new modern retirees are extremely under-served in South Africa. Our research estimates that there is a 2+ year wait list in Johannesburg's northern suburbs for modern age care facilities. Without intervention, this wait list will continue to grow.

Traditional retirement facilities are dated and involve an institutional approach to aged care. Modern retirees require modern facilities with extensive use of technology and a hospitality approach to aged care.

### 3. WHAT MAKES US DIFFERENT?

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Lucid will satisfy the demand of these retirees by designing and refining living spaces and providing the service and operations to meet retirees needs. Scalable, purpose-built facilities will be designed and developed, and a new benchmark will be set for retirement care.

The product offering will include elements such as:

- Estate Living with 24hr medical and respite care available
- Visiting Doctors and allied healthcare professionals
- Assistance with Chronic Medicine
- Activity & sports centre
- Social programme and gatherings
- Function venue
- On-site restaurant
- Coffee / Chill Areas
- Inter-generational activities
- Active Lifestyle classes i.e. gym, pilates, yoga
- Solutions for shopping & outings e.g. shuttle

#### CONNECTED CARE

The inspired senior living experience is supported by technology at each step of the journey including communication and health updates, proactive health monitoring and even home automation features. There will be access to high speed, unlimited internet, giving access to social, business, telephony, communication and entertainment.

The facilities will have electronic resident records so all residents' information (health and other) is stored in one place. If daily care becomes necessary, family members will have access to an app that will enable them to get feedback on how the resident is progressing. Latest technology camera systems throughout the facility will allow staff to react proactively if required.

Personal support care navigators will manage the residents' experience and co-ordinate their care.

#### AN APARTMENT FOR LIFE

Residential units are designed and inspired with the future in mind so care can be brought to residents in their own homes as their needs evolve. This includes a modular architectural design that allows carers to live with the resident in a separate space, as well as home automation and support elements that can be added as care needs evolve (e.g. mobility support, access for medical devices, etc.)

#### TRANSPARENT FINANCIAL MODELS

We believe in flexible and transparent costing models that will give residents a view of all costs at the outset so they can make informed financial decisions.

At the core of Lucid's offering is management of luxury mature lifestyle facilities. The business offering is focused on products, services and opportunities aligned to this mission. Our dream – to change the future landscape of senior living.

## 4. MARKET SIZE

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Our research shows that:

1. There are over 80 000 people in the high affordability range who are over 60 years old who live in the areas in Johannesburg that are “feeder areas” for Lucid's facilities.
2. There are over 200 000 people in the high affordability range who are 40 -59 years old. This secondary target audience are the children of the primary client. This audience is important as more and more children get involved not only in the decision-making process of their parents' retirement plans but are very often also the purchaser of the unit and / or product.
3. There is demand for Lucid's offering, and it's growing.

## 5. LUCID'S AGED CARE SERVICE OFFERING TO RESIDENT RETIREES

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RETIREES WILL HAVE A CHOICE OF THREE SERVICE OFFERINGS:

### BASIC SERVICE

This is the Lifestyle Management part of the offering. It includes a secure entrance, kept gardens, general maintenance, High Speed Fibre Internet provided via Wi-Fi, use of all the specifically designed social programmes and facilities, access to a concierge.

### ASSISTED CARE

This is the basic service offering enhanced with some more intense care giving, such as a part time carer assisting with activities of daily living (bathing, feeding and grooming) and full access to family on the health monitoring website portal and participation in social activities tailor made for residents that need some assistance.

### FRAIL CARE

This is the basic service offering enhanced with full time 24/7 individual 1 – to – 1 care by a care assistant. This furthermore includes 3 meals per day, servicing of the unit, full access to family on the health monitoring website portal, participating in social activities tailor made for frail residents.

## 6. PROPERTIES IN THE PIPELINE

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Much work has already been carried out by the Lucid management team developing this opportunity.

The following properties have been identified for development:

### PROPERTY PIPELINE

LOCATION	TOWNSHIP	NUMBER OF APARTMENTS	EXPANSION POSSIBILITY	PROPERTY STATUS	PROJECT STATUS
Tottenham Ave Rosebank	Melrose	83	Yes	Partly Owned	Rezoning Design/ Planning
5th Street Houghton	Houghton	109	No	Secured	Rezoning Design/ Planning
Adrienne St	Sandown X 24	27	Yes	Owned by other Lucid funds	Under Construction

### UNDER CONSIDERATION

Northern Johannesburg		± 190	No		Operational
Northern Johannesburg		± 90	Yes		Operational

## PROPERTIES IN THE PIPELINE

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Negotiations are at an advanced stage to bring two Johannesburg properties in Houghton and Rosebank into the fund. The fund is also considering acquisitions of two operating facilities in Northern Johannesburg.

Properties acquired by the fund will be paid for using a combination of equity and cash. The capital raised by the fund, together with a prudent level of gearing will be used to develop the properties.



It is expected that the initial sites will be developed and ready for sale of Life Rights from January 2024.

There is no shortage of aged care hospitality opportunities in the target areas. Lucid is also pursuing projects in Cape Town as there seems to be a strong demand for a premium facility in areas like the Atlantic Seaboard.

## 7. CORPORATE STRUCTURE

Investors will acquire ordinary shares in Lucid Retirement Fund (Pty) Limited. The shares issued to investors will be in proportion to the total capital raised. The shares may be sold at any time but investors' attention is drawn to the provisions of Section 12J which stipulate that the tax benefits of Section 12J will be lost if the investment is not held for a minimum of 5 years.

### THE FUND MANAGER

The Fund Manager, Stone Case Land 47 (Pty) Limited, will manage the finances of the Fund as well as the overall operations including the selection of properties, monitoring the performance of the construction/hospitality team and the aged care service providers. The same team of individuals manages the Lucid Hotel Fund as well as the Lucid Retirement Living Fund.

### THE MEMBERS OF THE FUND MANAGER ARE:



**Gidon Novick** B Acc, CA(SA) MBA

Gidon served as joint CEO of the listed group, Comair, from 2006 – 2011. Highlights included launching Africa's first low-cost airline, Kulula.com and launching the premium SLOW lounge concept with FNB. He then served as CEO of Discovery Vitality. In June 2015 Gidon founded Lucid Ventures which is focused on building a portfolio of boutique hotels in South Africa's prime nodes. Gidon also launched Lift Airline in 2020.



**Andrew Kuming** Bsc, MSc

Andrew is a 50% member of Kuming & Staples Construction CC. The company specialises in construction, project management, property development & planning, property management, architectural design and interior design. Andrew has had many years of experience and is highly equipped with knowledge of the industry, managing people as well as client relationships.



**Leor Atie Bcom** (Hons), CA (SA)

Leor completed his BCom (Honours) degree at the University of Witwatersrand. He served as Financial Director of Internet Solutions before co-founding the Saicom Group of Companies, of which he is still a non-executive Director. Leor is actively involved in Private Equity with investments in the Logistics, Telecommunications and Education Sectors. Leor has been involved with Lucid from inception both as an advisor and an investor.

### LUCID RETIREMENT FUND (PTY) LIMITED

The Board of Directors of Lucid Retirement Fund (Pty) Limited will be responsible for monitoring the performance of the Fund Manager, corporate governance, risk management and approval of investments. The board of directors of Lucid Retirement Fund (Pty) Limited comprise the members of the Fund Manager as well as:



**Leonard Fine** CA (SA), FCMA (UK)

Fine has nearly 60 years of international management experience of which over 25 years have been in private equity fund management. Fine was co-founder in 1994 of NSA Investments Ltd, a listed Johannesburg Stock Exchange private equity fund. During that time, the funds raised exceeded US\$500 million. Since then, he has been involved in a further 10 private equity funds. During his career Fine has built and run his own business interests in management consultancy, commerce and industry. He has been involved in the floatation of more than 10 companies and held directorships in these and other boards in South Africa and the United Kingdom. Fine is a Chartered Accountant (SA), a Fellow of the Chartered Institute of Management Accounts (UK) and a Fellow of the British Computer society.

**These individuals, have considerable experience in fund management and creating wealth for shareholders. They have worked together for over 5 years. They have invested approximately R40 million of their own capital into the collection of Lucid Funds.**

## CORPORATE STRUCTURE

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### AGED FACILITIES MANAGEMENT TEAM

Lucid's Aged Care facilities will be managed by SilverAge, a reputable and experienced service provider of aged care services. The team at SilverAge is well known to Lucid.

With 30 years of joint experience, the majority spent in the development and management of aged facilities with related expertise in health care and services, the founders of SilverAge, Michael Sieff and Corene Breedt Rammutla are already meeting the demands of this rapidly expanding market by offering modern living space solutions for modern seniors.

Further details on SilverAge can be found at: [www.silverage.co.za](http://www.silverage.co.za)



**Michael Sieff** MBA; Honours in Industrial Psychology; BA Law & Psychology.

Michael has 16 years executive experience, skilled in strategic planning, aged care, operations management, facilities management, turnaround specialisation and organizational change.

Most recently he was the Group CEO of Jewish welfare organisation, Chevrah Kadisha, for 8 years and managed an annual budget of R 280m. He effectively and efficiently managed multiple facilities and was responsible for the implementation of a successful restructuring and turnaround strategy. Michael drove the masterplan for upgrading the entire Sandringham campus part of which involved the planning for long-term sustainable energy implementation. His restructuring involved Sandringham Gardens Aged Home (including frail, high care, independent living, Café and Dining Room); Golden Acres Retirement Village and Our Parents Home. Additional facilities under his control included: Arcadia Children Home; the Selwyn Segal Disabilities Organisation; Jewish Cemeteries and Residential Accommodation. Prior to this, he was National Director of ORT South Africa and before that he headed up HR, Training & Development at Discovery Ltd.



**Corene Breedt Rammutla** Bachelor of Occupational Therapy; Diploma in Project Management.

Prior to starting SILVERAge, Corene was employed as the Chief Operations Officer (COO) of the Chevrah Kadisha Group, caring for over 1000 on-site residents and 1500 families in the community. She was involved in implementing over 200 capital and efficiency improvement projects.

Prior to 2013 she was the Hospital Manager of a mining hospital in the North West Province, and was tasked with repositioning this mining hospital into a private hospital. She was employed by Healthshare International UK with responsibility for migrating a public hospital into a private one in Libya. Corene was responsible for managing the finances of a \$41 million project. When Healthshare SA took over the management contract of two mining hospitals, Corene was responsible for marketing the facilities in the community as private hospitals and increased revenue at both facilities by 83%.



## HOSPITALITY INDUSTRY EXPERTISE

The Lucid group of companies and funds are experienced operators in the hospitality industry, much of it gained in difficult times due to Covid-19. A brief history of the group is as follows:

- Began investing in hotels run by external operators from 2017 - The Radisson (Triangle House), The Regency (Menlyn), The Onyx (CT CBD)
- Conceived, developed, and launched the Home Suite Hotels brand with first hotel in Rosebank, Johannesburg in May 2019
- Home Suite Hotels Bristol (Rosebank) rated #1 hotel in Johannesburg on Tripadvisor
- Home Suites The Quarter opened in December 2020
- Home Suites Sea Point set to open in September 2021

## PROPERTY DEVELOPMENT EXPERTISE

- Kuming and Staples Construction CC ("KS"), (CK No: 921692823) are Lucid's construction and development partners.
- KS was founded in 1993 by Andrew Kuming and John Staples. KS are long standing members of the Master Builders Association and National Home Builders Registration Council, are fully licenced and insured.
- KS specializes in the residential, commercial and property development market in the northern Johannesburg region.
- KS are experts in Project Management, Project Engineering and Construction Management and developed the Home Suite Hotel project in Rosebank for the Lucid Hotel Fund. They have worked extensively in the past with Julian Katz, the architect to the Retirement Living Fund.



## 8. THE REVENUE MODEL

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THERE ARE THREE POSSIBLE REVENUE MODELS AVAILABLE TO LUCID:

**SECTIONAL TITLE:**

A scheme where individuals purchase their units from Lucid and transfer of ownership takes place.

**LIFE RIGHTS:**

A Life Right is a way of purchasing the right to live in a unit in a retirement facility. The buyer has the security of tenure for the remainder of his/her life. The buyer is essentially providing a loan to the owner of the property. This loan is what entitles them to stay in the property for the balance of their life. Most of this loan is generally repayable to the buyer's estate on their death. An advantage of a Life Right purchase is that it is not a property transfer so major costs are avoided - no bond registration fees, no transfer duties and no VAT are payable.

**RENTAL:**

A scheme in which no transfer of ownership takes place and a tenant rents the property from Lucid.

Lucid will focus on the sale of Life Rights to clients, as it recoups capital quickly while retaining ownership of the property. Lucid benefits from the growth in the value of the Life Rights. The attraction of the Life Rights model is the alignment of Lucid with the owners of the Life Rights. Lucid continues to be involved in the ongoing maintenance and running of the retirement facility and earns returns by ensuring the quality of the offering and the growth in the value of the Life Rights.

## 9. EXIT STRATEGY

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INVESTORS HAVE A CHOICE OF EXIT OPPORTUNITIES:

1. The fund can buy back the investors' shares. Liquidity for this will be created via the initial sale of Life Rights.
2. Each investor (who has invested at least R1 million) has the option to convert shares to Life Rights. Sellers will then be placed on the waiting list for projects. The shares and Life Rights will be valued at the time of exit based on market dynamics. Any difference between these values will either be paid to the investor (if the shares are valued at more than the Life Right) or will need to be settled by the shareholder (if the Life Right is valued at more than the shares). This will entitle the owner of the Life Right to reside in the property for the balance of their life.
3. Investors can choose to hold onto their shares and participate in the long-term growth of the company.

In the case of both 1 and 2 above, shares will be independently valued, under the supervision of the Board of Directors of Lucid Retirement Fund (Pty) Limited.

## 10. FINANCIAL INFORMATION AND FORECAST RETURNS TO INVESTORS

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The Fund Manager has carried out detailed financial projections for the fund, based on supportable assumptions. Based on these projections the Fund Manager is targeting an IRR in excess of 20% on an investment in the fund, assuming that the investor is an individual and takes advantage of the tax benefits of Section 12J. Interested parties are reminded that the benefits of Section 12J expire on 30 June 2021. The IRR target for investors who cannot make use of the benefits of Section 12J is approximately 15%.

## 11. MANAGEMENT INVESTMENT AND FEES

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### INVESTMENT BY THE FUND MANAGER IN THE FUND

The Fund Manager has the right to subscribe for shares in the company on the basis that the Fund Manager, if the right is exercised, will own 15% of the shares in the company after all capital raises. The subscription price for the rights will be at the same after-tax cost as the investors, assuming the maximum marginal tax rate for individuals applies. The manager will settle the subscription price within 5 years of the subscription date. Interest will accrue at the prime overdraft rate on any outstanding balances from the date that the rights are granted and will compound monthly. Interest will be capitalised and will be paid at the same time as the capital. In the event that the manager fails to settle the loan, the shares in question will be cancelled.

### MANAGEMENT FEES

The Fund Manager is entitled to an annual fee of 2% of the Assets Under Management, to be paid by the Fund. In addition, the Fund Manager is entitled to a Carried Interest of 20% on any value realised for an investor over and above the initial gross capital invested, as follows:

- i. If the Investor exits the fund during or at the completion of the 5-year period, the Carry (if any) will be set off against any payment made to the Investor when repurchasing the shares. The Investor's shares will be valued at their date of exit and the valuation of the Company will be performed at fair market value by an external valuer. In determining the value of the Company and the Investor's share of the fair market value, the valuer will ignore the shares issued to the Manager and any Carry fee to be charged. Thus, shares issued to the Manager will not dilute the exiting Investor's valuation in the Company.
- ii. Should the Investor not exit within 5 years, Lucid will be liable to settle this Carry (if any) on behalf of the Investor, at the commencement of year 6, after setting off any outstanding amounts owed by the Manager. The calculation of the Carry will be based on the fair market value of the Company as determined by the external valuer. In determining the Investor's share of the fair market value, the shares issued to the Manager will be considered. For clarity, the Manager will not be entitled to any further Carry after year 5.

Any capital raising fees may be paid by the fund out of the proceeds of the capital raise.

## 12. THE RISK OF THE INVESTMENT IS MITIGATED

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- The Fund has a real estate underpin
- The Fund has an experienced team in fund management, property development & aged facility operations
- There will be a pre-sale of life rights pre-development
- Pre-sale of life rights via investor share conversion
- Bank finance will be secured prior to development which will only be received after the bank completes a thorough due diligence on the project.

## 13. AVAILABLE FINANCE

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The fund has secured short term finance for Investors to match any invested capital from a reputable financial institution. This finance will be secured by the Investors' shares in the Fund. Interest will be charged at prime plus one percent and will be repayable by 15 February 2022.

## 14. CORPORATE INFORMATION

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### THE FUND MANAGER

Stone Case Land 47 (Pty) Limited

Registration number: 2017/459406/07

Directors: Gidon Novick, Andrew Kuming, Leor Atie

### THE LUCID FUND

Lucid Retirement Fund (Pty) Limited

Registration number: 2017/019740/07

VCC License number: VCC-0058

Directors: Gidon Novick, Andrew Kuming, Leor Atie, Leonard Fine

**AUDITORS:** BDO Cape Town

**BANKERS:** Investec Bank Limited

**ATTORNEYS:** Cliffe Dekker Hofmeyr

**ARCHITECT:** Julian Katz

## 14. HOW TO INVEST IN THE FUND

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If you would like more information on the fund please contact Sara Reynolds – [sara@lucidventures.co.za](mailto:sara@lucidventures.co.za).

An investor will be required to sign:

- (1) **Mandate application form**
- (2) **Subscription for shares agreement**

The investment must then be made by no later than 30 June 2021 to ensure compliance with SARS regulations. FICA documents will be requested. Investors will receive a tax certificate and share certificate within 6 weeks of subscribing.

## DISCLAIMER & DISCLOSURES

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This publication is not investment advice or an offer or solicitation for the purchase or sale of any financial instrument.

This memorandum includes certain statements, estimates and projections with respect to the anticipated future performance of Lucid Retirement Fund (Pty) Limited. Such statements, estimates and projections reflect various assumptions made concerning anticipated results, which assumptions may or may not prove to be correct. No representation or warranty is made as to the accuracy or completeness of such statements, estimates or projections.

Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors.

The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates, the economic climate and the political climate. Past performance is not indicative of future results. Investors should make their own investment decisions without relying on this publication. Only investors with sufficient knowledge and experience of financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this publication.