SALT Share and Time Purchase
November 2015

Summary

New shares issued for purchase:	US$1.75 (base date) per share
2016/17 time purchase by existing shareholders: (no minimum purchase)	17127 ZAR per hour
2016/17 time purchase by non-shareholders: (25 hours minimum purchase)	25690 ZAR per hour
2016/17 premium time purchase by non-shareholders: (25 hours minimum purchase)	34253 ZAR per hour

Purchase of newly issued SALT Shares

Using the same basis for setting the cost that we used when AMNH and IUCAA were admitted: the base cost of US$1.00/share (March 1999$) plus the accumulated operations contributions per share during the period that no science data were being produced. We charged AMNH US$1.20 (base date$) per share in April 2007. From April 2007 until Sept 2011 (start of regular science operations), the partners' further operations contributions resulted in no science returns, so should be added to the share price. Total operations contributions per share, in base date US$, from April 2007 until Sept. 2011 were US$0.2954 So the base date value of a share should be US$1.50 Since partners have been receiving science data in return for operations contributions since September 2011, there should be no further increase in the share price in base date dollars (but in current dollars the price will continue to escalate, of course).

In addition to the capital cost of the telescope and instruments, additional shares must include a full pro-rata contribution to the development fund. The NRF contributed 24,800,000 ZAR to the development fund in March 2012, or US$0.2537/share (base date). So the total cost of a newly-issued share should be US$1.75/share (base date).

For example, the US CPI-U for September 2015 is 237.945; the March 1999 base date value was 165.000, so the September 2015 share price would be:

US$1.75 x (237.945 / 165.000) = US$2.52 (in September 2015 US dollars).

Purchase of SALT Observing Time

Since several partners have indicated that they will have difficulty in paying their operations levys in 2016/17, there is a concern that the company may face a shortfall in operations funds, and should consider offering observing time for sale to outside parties. Article 37 of the Shareholders Agreement governs the sale of such time. Time must first be offered to existing shareholders for purchase. Any remaining observing time may then be offered to non-shareholders.

While the operations shortfall is not certain and will not be formalized until the end of 2015, it is likely that the entire Göttingen share of 3.47% and half the Canterbury share of 3.10%, or a total of 5.02% may be available. The Board has not yet considered the price for such observing time. A proposal is:

1) Current shareholders may purchase observing time on the same basis as their current allocation of time. The proposed total operations levy for 2016/17 is 35.469 million ZAR. There are 2071 hours of science observing time allocated, divided into 26.1% P0+P1 time, 34.8% P2 time, and 39.1% P3 time. If the shortfall in operations levy payments described above does occur, then 58.88 hours of observing time in

semester 1 and 45.08 hours in semester 2, divided proportionally into P0-P3 priorities, will be offered for sale to partners at the cost of 17127 ZAR per hour. This time will be made available to the partner TAC for assignment. Observations using this purchased time will be carried out on the same basis as the partner's normal allocation, with a best effort to observe the properly submitted and approved proposals on the basis of the TAC-assigned priorities, but there will be no guarantee that any particular proposal will be observed or that the total number of purchased hours will be observed. Unobserved purchased time at the end of the semester will be lost.

2) If partners do not purchase all the available extra observing time, the remainder of the available time will be offered sale to non-partners. The sale price will be 150% of the price offered to partners as described above, or 25690 ZAR per hour, on the same terms and conditions as for partners. The minimum purchase will be 25 hours.

3) Some purchasers of observing time may desire that time purchased will definitely result in observing hours on SALT (unlike the arrangement proposed above). We should consider offering guaranteed observing time at an additional premium. I suggest 200% of the price offered to existing partners, or 34,253 ZAR per hour. These proposals would then go to the head of the queue and thus be assured of being observed during the semester. The minimum purchase will be 25 hours.

4) The price for the purchase of observing time in future years (2017/18 and beyond) will be set by a similar calculation based on the annual operations levy and number of assignable hours.

Sale of Existing Shares or Observing Time by a SALT Partner

The SALT Shareholders Agreement articles 30 and 54 govern the sale of existing shares and observing time, respectively, to third parties. The price of such sales is set by agreement between buyer and seller. Approval of the SALT Board is required for all such transactions. We propose that if the selling partner has not paid its required contribution to the development fund, then the SALT Board require payment of the development fund contribution of US$0.25 (base date) per share transferred as a condition for its approval of the transaction. The seller of the shares would presumably build this requirement into the purchase price of the shares