

## GRIT REAL ESTATE INCOME GROUP LIMITED

(previously known as Mara Delta Property Holdings Limited)

(Registered by continuation in the Republic of Mauritius)

(Registration number: C128881 C1/GBL)

SEM share code: DEL.N0000

JSE share code: GTR

ISIN: MU0473N00036

("Grit" or "the Company")



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## GRIT SUCCESSFULLY CONCLUDES AN EMPOWERMENT RELATED PARTY TRANSACTION

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### 1. The Transaction

- 1.1. Shareholders of the Company are hereby advised that the Company entered into a put option agreement, as amended on 8 September 2017 with the the Government Employees Pension Fund in South Africa represented by Public Investment Corporation Limited ("**PIC**"), in terms of which the Company agreed to provide the PIC with a put option as detailed below ("**Put Option Agreement**").
- 1.2. Shareholders are aware that Grit recently undertook a rights offer in terms of which Drive in Trading Proprietary Limited ("**BEE Co**"), a black economic empowerment consortium, subscribed for 23 250 000 ordinary shares in the issued share capital of Grit ("**Subscription**"). The Subscription was funded by a short term loan in the amount of USD32 550 000 advanced by the PIC to BEE Co ("**Short Term Loan**").
- 1.3. BEE Co has subsequently concluded a senior term loan facility with Bank of America, N.A. ("**BAML**") in terms of which BAML made available to BEE Co an amount of USD33 400 000 ("**Senior Term Loan Facility**"), the proceeds of which was used to settle the Short Term Loan. As security for the Senior Term Loan Facility, the PIC has agreed to enter into a contingent repurchase obligation ("**CRO**") with BAML and BEE Co in terms of which the PIC grants to BAML an irrevocable and unconditional right to require the PIC, on the occurrence of a trigger event under the agreement recording the terms of the CRO, to purchase from BAML all the present and future liabilities and obligations of BEE Co under the Senior Term Loan Facility, limited to USD 35 000 000.
- 1.4. In turn, the PIC and Grit entered into the Put Option Agreement, in terms of which Grit agreed to limit the PIC's exposure under the CRO by granting the PIC an irrevocable and unconditional option ("**Put Option**") to require Grit, on the occurrence of a put option event under the Put Option Agreement, to purchase from the PIC 50% of all amounts due to BAML under the CRO up to a maximum of USD17 500 000 ("**Transaction**").
- 1.5. The Transaction has been deemed to be a related party transaction by the JSE Limited ("**JSE**") and accordingly requires the approval of the shareholders of Grit.
- 1.6. Shareholders are furthermore advised that if the Transaction is not approved, Grit's exposure shall be limited to USD12 500 000, which is equivalent to 4.9% of Grit's USD market capitalisation on the day immediately preceding the date on which the Put Option Agreement was concluded and no further shareholder approvals will be required. The USD12 500 000 will be subject to an independent fairness opinion and JSE approval.
- 1.7. The Company has received irrevocable undertakings to vote in favour of the Transaction from shareholders holding 51.2% of the shares in the Company that are eligible to vote on the Transaction. PIC and Drive in Trading will not be eligible to vote on the Transaction.

### 2. Rationale for the Transaction

- 2.1. Grit is committed to supporting the underlying economies of its operations and to being a responsible corporate citizen of these economies in Africa. As a large portion of Grit's shareholders are based in South Africa, and Grit

is listed on the main board of the JSE, it is imperative that the Company abides by the principles of Black Economic Empowerment (“**BEE**”) in South Africa. Accordingly, in partnership with the PIC, Grit wishes to implement the Transaction in order to ensure a long term sustainable funding solution for its black economic empowerment partner, BEE Co.

- 2.2. The implementation of the BEE strategy, will encourage South African banks and investors to continue to support future capital raises, enabling Grit to grow the Company’s investment base, enhance liquidity and ultimately create value for all shareholders.
- 2.3. In the event of a default under the CRO Agreement, PIC, acting as security agent will have custody of the shares which it can sell to another investor or investors. The Put Option agreement with PIC and Grit ensures the protection of the shareholders’ value as it eliminates the risk of BAML conducting a "firesale" of the secured shares, which would result in a drop in share price if the sale of shares is not conducted in a measured and responsible manner.

### **3. Put Option Price**

The Put Option Price payable by Grit to the PIC is equal to 50% of all amounts due to BAML by BEE Co up to a maximum amount of USD17 500 000 (“**Put Option Price**”). The Put Option Price is to be paid by Grit within 3 business days of the date on which the PIC exercises the put option in terms of the Put Option Agreement. The Put Option Price will be limited to USD12 500 000 to the extent that shareholders do not approve the Transaction.

### **4. Effective Date**

The effective date of the Transaction is 18 August 2017 (“**Effective Date**”).

### **5. Conditions Precedent**

All the conditions precedent to the Transaction have been fulfilled.

### **6. Conditions Subsequent**

- 6.1. The Transaction is subject to the following conditions subsequent that, by no later than:
  - 6.1.1. 120 business days following the Effective Date, the Company procures that an independent expert approved by the JSE prepares a fairness opinion on entering into the Put Option subject to a maximum liability of USD12 500 000, being equal to or less than 4.9% of the Company’s USD market capitalisation on the day immediately preceding the date on which the Put Option Agreement was concluded, confirming that the aforementioned is fair and such opinion is approved by the JSE; and
  - 6.1.2. 120 business days following the Effective Date, the Company shall procure unconditional shareholder approval of the Transaction.
- 6.2. If the condition in paragraph 6.1.1 is fulfilled and the condition in 6.1.2 remains unfulfilled, then the Put Option Agreement will remain in full force and effect, save that:
  - 6.2.1. the Company’s maximum liability in terms of the Put Option will be limited to USD12 500 000, being equal to or less than 4.9% of Grit’s USD market capitalization on the day immediately preceding the date on which the Put Option Agreement was concluded;
  - 6.2.2. any security granted to the Company in relation to or as a result of the Put Option Agreement shall be limited to 4.9% of Grit’s shares in issue on the day immediately preceding the date on which the Put Option Agreement was concluded.
- 6.3. If both conditions subsequent are fulfilled or only the condition subsequent in paragraph 6.1.2 is fulfilled, the Put Option Agreement will remain in full force and effect.

- 6.4. In the event that both the conditions subsequent in paragraphs 6.1.1 and 6.1.2 are not fulfilled within the prescribed timeframe, then the Put Option Agreement will resolve and cease to be of any force or effect.
- 6.5. The Put Option Agreement does not impose any financial obligation on the Company prior to the fulfilment or waiver of the conditions subsequent.

## 7. Other Material Terms of the Transaction

- 7.1 The Put Option Agreement shall remain in full force and effect for a period of 3 years from the date of signature thereof and for an additional 2 year period to the extent that the Senior Term Loan Facility is extended.
- 7.2 The PIC may only exercise the Put Option following the occurrence of a put option event under the Put Option Agreement, which put option event will be triggered by the occurrence of a trigger event under the agreement recording the terms of the CRO.

## 8. Financial Effects

There will be no financial impact on the Company unless a put option trigger event occurs.

Should a trigger event occur, the impact of the Transaction on the net assets of the Company on the Transaction date (excluding ancillary Transaction costs of USD 112,035 after tax) will be nil, as the Company will recognise an asset in the form of a loan to BEE Co, and settle the Put Option Price through the Company's debt revolver facility.

Post the implementation of the Transaction, the impact of the Transaction on the profits attributable to the Company are as follows:

- Interest income will be recognised at a rate of 5.85% per annum on the outstanding loan balance from Drive in Trading;
- Interest expenses will increase by a rate of the 3-month Libor plus 5% per annum on the Put Option Price paid to PIC; and
- Assuming that the full Put Option Price of USD 17 500 000 is payable, the Company will incur an additional net interest cost of USD 7,313 per month, after adjusting for the tax benefit thereof.

The costs incurred in entering into the Put Option Agreement are regarded as sunk costs and as such have not been included in the above analysis. These costs are expected to be c. USD 115 000 (USD 112,0235 after tax) and relate to professional services.

The full pro forma financial effects of the Transaction will be contained in the circular that will be distributed to shareholders in due course.

## 9. Categorisation of the Transaction

The Transaction has been deemed to be a related party transaction by the JSE and accordingly requires the approval of the shareholders of Grit.

The Transaction is also deemed to be a related party transaction by the Stock Exchange of Mauritius Ltd ("**SEM**") requiring no shareholders' approval. Following representations made by Grit, the Listing Executive Committee of the SEM had approved the related party transaction amounting to USD17 500 000 (which was more than 5% but less than 15% of Grit's USD market capitalisation) on 19 July 2017, subject to the Company filing a copy of the relevant signed agreements relating to the Transaction upon execution and also including details of the Transaction in Grit's next published Annual Report, including identities of the related parties and the value of the consideration for the Transaction.

By order of the Board

12 September 2017

JSE sponsor and transaction advisor to

Grit



SEM authorised representative & sponsor and Mauritian  
transaction advisor to Grit



**Directors:** Sandile Nomvete (chairman), Bronwyn Corbett\*, Peter Todd (lead independent), Maheshwar Doorgakant#, Chandra Gujadhur, Ian Macleod, Leon van de Moortele\*, Jacqueline van Niekerk and Matshepo More (\*executive director) (#alternate to Mr Gujadhur)

**Company secretary:** Intercontinental Fund Services Limited

**Registered address:** c/o Intercontinental Fund Services Limited, Level 5, Alexander House, 35 Cybercity, Ebene 72201, Mauritius

**Transfer secretary (South Africa):** Computershare Investor Services Proprietary Limited

**Registrar and transfer agent (Mauritius):** Intercontinental Secretarial Services Limited

**Transaction advisor and JSE sponsor:** PSG Capital Proprietary Limited

**Sponsoring Broker:** Axy's Stockbroking Limited

**SEM authorised representative & sponsor and Mauritian transaction advisor:** Perigeum Capital Ltd

This notice is issued pursuant to the JSE Listings Requirements, SEM Listing Rule 11.3 and Rule 5(1) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007. The board of directors of the Company accepts full responsibility for the accuracy of the information contained in this communiqué.