

Stellar Capital Partners Limited - Terms Announcement Re Acquisition Additional Interest In Tellumat And Friedshelf

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STELLAR CAPITAL PARTNERS LIMITED
Incorporated in the Republic of South Africa
(Registration number 1998/015580/06)
Share code: Stellar ISIN: ZAE000198586
("Stellar Capital" or "the Company")

TERMS ANNOUNCEMENT REGARDING THE ACQUISITION OF ADDITIONAL INTERESTS IN TELLUMAT (PTY) LTD ("TELLUMAT") AND FRIEDSHELF 1678 LIMITED, THE HOLDING COMPANY OF CADIZ HOLDINGS LTD ("CADIZ")

1. The Tellumat Acquisition

1.1. Introduction

Stellar Capital currently holds a non-controlling 30% interest in Tellumat, a diversified electronics and communications company.

1.2. The Tellumat Acquisition

Stellar Capital has entered into agreements to acquire an additional 63.14% of the ordinary issued shares of Tellumat for an aggregate purchase consideration of R166,716,494 ("Tellumat Acquisition"). This will increase Stellar Capital's interest in Tellumat to a total of 93.14%.

The vendors in the Tellumat Acquisition are Asgard Capital Assets Ltd ("Asgard") as to 58,056 ordinary shares representing 29.89% of Tellumat, and Makana Component Holdings (Pty) Ltd ("MCH") as to 64,583 ordinary shares representing 33.25% of Tellumat.

The consideration payable by Stellar Capital is to be effected in the following manner;

- 1.2.1. Payment of R95,000,000 in cash by Stellar Capital to Asgard by no later than 3 May 2016;
- 1.2.2. Payment of R71,716,494 in cash by Stellar Capital on behalf of MCH to third parties by no later than 3 August 2016;

The effective date of the Tellumat Acquisition is immediately, with fulfilment of conditions precedent expected to occur no later than 30 April 2016, unless the parties agree otherwise.

1.3. Conditions Precedent

Outstanding conditions precedent to the Tellumat Acquisition are the following:

- 1.3.1. the rights, preferences and limitations of the "B" ordinary shares in the Tellumat ("B" Shares) are

- amended as may be acceptable to the Company;
- 1.3.2. the "B" Shares are issued to all the ordinary shareholders of Tellumat (other than to Stellar Capital) pro rata to their shareholding in Tellumat;
 - 1.3.3. Tellumat to repurchase shares in Tellumat held by the non-employees of Tellumat on terms approved by the Company;
 - 1.3.4. a revised memorandum of incorporation of Tellumat is adopted by shareholders incorporating the changes contemplated in clause 1.3.1 and lodged with CIPC;
 - 1.3.5. the Company enters into agreement with Makana Financial Services (Pty) Ltd ("MFS") to acquire the balance of the ordinary shares in Bidco (defined below) which it does not already own from MFS and that such agreement becomes unconditional;
 - 1.3.6. the individual sale agreements with each vendor become unconditional;
 - 1.3.7. approval from the boards of directors of the vendors;
 - 1.3.8. the Company completes a due diligence investigation in respect of the Tellumat share incentive trust;
 - 1.3.9. the Takeover Panel exempts Asgard and MCH in terms of the provisions of section 119(6) of the Companies Act from compliance with Parts B and C of Chapter 5 of the Companies Act and the Takeover Regulations; and
 - 1.3.10. all approvals for the sale having been obtained from the JSE, the South African competition authorities, the South African Reserve Bank and the Takeover Regulations Panel to the extent required.

Other than those conditions above that are of a regulatory nature and cannot be waived, the parties may extend the time period of the fulfilment of any of the aforementioned conditions or waive the conditions.

1.4. Warranties in relation to the Tellumat Acquisition

Asgard and MCH have provided standard warranties in respect of the Tellumat Acquisition.

1.5. Small Related Party Transaction

The purchase of Tellumat shares by Stellar Capital from Asgard will constitute a transaction with a material shareholder in Stellar Capital as per the JSE Listings Requirements and as such renders the acquisition from Asgard a small related party transaction as defined ("Related Party Transaction"). Under the provisions of the JSE Listings Requirements:

- 1.5.1. the JSE has been informed in writing of the Related Party Acquisition;
- 1.5.2. the JSE has been provided with written confirmation by an independent professional expert acceptable to the JSE that the terms of the Related Party Acquisition are fair insofar as the shareholders of Stellar Capital as concerned; and
- 1.5.3. a copy of the aforementioned fairness opinion is available at Stellar Capital's registered office, as well as at the office of the sponsor of Stellar Capital for a period of 28 days as from the date of this announcement.

1.6. Nature of the business of Tellumat

Tellumat provides innovative technology solutions and services in the ICT, defence, energy and transport sectors. Tellumat has offices in Cape Town and Gauteng, with core capabilities in the following 4 areas:

- Integrated ICT solutions;
- Defence and security;
- Air traffic management; and
- Advanced manufacturing.

1.7. Rationale for the Tellumat Acquisition

Stellar Capital is seeking to increase its shareholding in Tellumat as it believes that the business has significant potential and will benefit from a shareholder of reference that is able to support its expansion plans.

1.8. Net Assets and Profits of Tellumat

The value of the net assets of Tellumat which are the subject of the Tellumat Acquisition as at 30 September 2015 are R251 538 000. As at the signing of the agreements effecting the Tellumat Acquisition, there are no profits attributable to the sale shares that are subject to the transaction.

1.9. Adherence to the JSE Listings Requirements

The memorandum of incorporation of Tellumat and any group subsidiaries will not frustrate Stellar Capital in terms of its compliance with its obligations under the JSE Listings Requirements and the provisions of paragraph 10.21 of Schedule 10 will be complied with.

2. The Cadiz Acquisition

2.1. Introduction

Shareholders are referred to the finalization announcement published on SENS on 15 October 2015 and the combined circular to Cadiz shareholders dated 31 August 2015 regarding the 100% acquisition of Cadiz by Stellar Capital, acting through Friedshelf 1678 Limited ("Bidco"), by way of a scheme of arrangement as per section 114(1)(c) of the Companies Act No. 71 of 2008 ("the Scheme Transaction"). Following the Scheme Transaction, Stellar Capital holds a non-controlling 45.99% interest in Bidco, which in turn holds the entire ordinary shareholding of Cadiz.

2.2. The Cadiz Acquisition

Stellar Capital has entered into agreements to acquire an additional 39.04% of the ordinary issued shares of Bidco not already owned by Stellar Capital for an aggregate purchase consideration of R114,057,643 ("Cadiz Consideration") increasing Stellar Capital's interest in Bidco to a total of 85.03% ("Cadiz Acquisition").

The vendors in the Cadiz Acquisition are Friedshelf 1638 (Pty) Ltd ("Friedshelf") as to 56,829,612 ordinary shares representing 24.32% of Bidco, and Makana Financial Services

(Pty) Ltd ("Makana"), as to 34,416,502 ordinary shares representing 14.72% of Bidco, representing a total additional purchase by Stellar Capital of 39.04% of Bidco.

The Cadiz Consideration will be settled via a combination of cash and the delivery of certain non-core assets held by Cadiz.

The effective date of the Cadiz Acquisition is immediately with fulfilment of conditions precedent expected to occur no later than 30 April 2016, unless the parties agree otherwise.

2.3. Conditions Precedent

Conditions precedent to the Cadiz Acquisition are the following:

- 2.3.1. approval by the Board of Stellar Capital and Cadiz;
- 2.3.2. the shareholders of Friedshelf, Makana and Cadiz Corporate Solutions (Pty) Ltd ("CCS") respectively having passed a special resolution required in terms of section 112 read with 115 of the Companies Act;
- 2.3.3. Section 44 and/or 45 approvals are obtained from shareholders and boards of directors of CCS, Cadiz and Cadiz Special Projects (Pty) Ltd;
- 2.3.4. Cadiz Investment Holdings (Pty) Ltd ("CIH") distributes in specie certain assets to CCS as sole shareholder of CIH;
- 2.3.5. Makana, Cadiz and Friedshelf have entered into a pre-emptive agreement in terms of which Cadiz grants Makana a right of first refusal to participate in a black economic empowerment ("BEE") ownership transaction in Cadiz, on terms no worse than those offered to any other BEE investor in Cadiz, provided that neither Makana nor any of its affiliates have invested in, or agreed to invest in, any company which competes with or operates in the same industry as Cadiz; and
- 2.3.6. all approvals for the sale having been obtained from the JSE, the South African competition authorities, the Financial Services Board and the South African Reserve Bank, to the extent required.

Other than those conditions above that are of a regulatory nature and cannot be waived, the parties may extend the time period of the fulfilment of any of the aforementioned conditions or waive the conditions.

2.4. Warranties in relation to the Cadiz Acquisition

Friedshelf and Makana have provided standard warranties in respect of the Cadiz Acquisition.

2.5. Nature of the business of Bidco

Bidco is a newly incorporated company which was established specifically for purposes of acquiring and holding Cadiz as a wholly-owned subsidiary pursuant to the aforementioned Scheme Transaction.

Cadiz is a financial services group that is focused on institutional and personal investments through its wholly-owned

subsidiary, Cadiz Asset Management (Pty) Ltd. Cadiz also provides corporate finance advisory services through subsidiary CCS.

2.6. Rationale for the Cadiz Acquisition

Stellar Capital believes that there is considerable upside in a successful turnaround of Cadiz and the Cadiz Acquisition provides the opportunity to increase the Company's exposure to this upside, while at the same time affording the opportunity to dispose of various non-core assets at attractive valuations.

2.7. Categorisation of the Cadiz Acquisition

The Cadiz Acquisition is classified as a category 2 transaction on an aggregated basis in terms of section 9 of the JSE Listing Requirements.

2.8. Net Assets and Profits of Bidco

The value of the net assets of Cadiz which are the subject of the Cadiz Acquisition as at 31 March 2015 are R396 505 000. As at the signing of the agreements effecting the Cadiz Acquisition, there are no profits attributable to the sale shares that are subject to the transaction.

2.9. Indemnities by Friedshelf and Makana

Friedshelf and Makana have agreed to indemnify and hold Stellar Capital harmless from any adverse consequences which may arise relating from, inter alia, the litigation proceedings instituted by Hudaco Industries Limited ("Hudaco") (and its group companies) against, inter alia, Cadiz, Cadiz group companies and others as detailed in the SENS announcement released by Hudaco on 10 November 2015.

2.10. Adherence to the JSE Listings Requirements

The memorandum of incorporation of Bidco, Cadiz and any group subsidiaries will not frustrate Stellar Capital in terms of its compliance with its obligations under the JSE Listings Requirements and the provisions of paragraph 10.21 of Schedule 10 will be complied with.

Rosebank, Johannesburg
30 November 2015

Sponsor: Stellar Advisers (Pty) Ltd

Independent Expert: Questco (Pty) Ltd

Legal Adviser: Cliffe Dekker Hofmeyr Incorporated

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