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## **ACQUISITION BY SETSO HOLDCO PROPRIETARY LIMITED OF SHARES IN SETSO PROPERTY FUND**

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### **INTRODUCTION AND RATIONALE**

Pivotal shareholders are referred to the announcement released on the Stock Exchange News Services ("**SENS**") of the JSE Limited ("**JSE**") on 30 August 2016 relating to the proposed acquisition by Redefine Properties Limited ("**Redefine**") of the entire issued share capital of Pivotal by way of a scheme of arrangement in terms of section 114 of the Companies Act, No. 71 of 2008, as amended ("**Companies Act**"), to be proposed by the board of directors of Pivotal between Pivotal and the Pivotal shareholders ("**scheme**") and the posting of the circular incorporating the notice of the general meeting announcement ("**the circular**") released on SENS on 31 October 2016.

Pivotal had previously resolved to implement a broad-based black economic empowerment ("**B-BBEE**") transaction in respect of the properties described in the property portfolio details below ("**the Setso portfolio**"), with a view to facilitating the establishment of a substantial B-BBEE-owned property fund ("**the Setso B-BBEE transaction**").

Consequently, it was agreed with Redefine that the conclusion of the Setso B-BBEE transaction would be a condition precedent to the scheme.

Pivotal shareholders are advised that Pivotal has concluded a transaction with Setso Holdco Proprietary Limited ("**Setso Holdco**") in terms of which Setso Holdco has acquired 100% of the issued share capital of Setso Property Fund Proprietary Limited ("**Setso**"), a subsidiary of Pivotal ("**the Setso transaction**").

### **ARC REAL ESTATE**

Setso Holdco is being acquired by African Rainbow Capital Proprietary Limited and Signature Investment Holdings Proprietary Limited whom have recently entered into a joint venture, ARC Real Estate, with a specific investment mandate relating to empowerment linked property transactions.

### **SALIENT TERMS OF THE SETSO TRANSACTION**

In terms of the Setso transaction, Setso Holdco has acquired 100% of Setso's issued share capital with effect from 1 December 2016 (the "**effective date**").

Setso Holdco has secured capital of approximately R1.207 billion ("**Setso capital**"), which includes R410 million of long-term debt funding from Pivotal ("**Pivotal loan**"). Setso Holdco will utilise the Setso capital to capitalise Setso through a combination of subscribing for new equity in Setso as well as advancing debt funding to Setso. Setso will utilise the Setso capital to discharge its obligations to Pivotal and Pivotal group entities of approximately R1.207 billion in cash. The cash proceeds of R1.207 billion received by Pivotal will be used to advance the Pivotal loan and the balance, being approximately R797 million, will be used by Pivotal to pay down existing debt facilities.

The Setso transaction remains conditional upon the conclusion of administrative arrangements and procedural statutory requirements necessary to give effect to the Setso transaction.

The Setso transaction includes warranties, undertakings and indemnities which are normal for an acquisition of this nature.

## DETAILS OF THE SETSO PORTFOLIO

Details of the properties in the Setso portfolio, including property name, address, geographical location, sector, gross lettable area, weighted average rental per square metre, the net property income for the period 1 September 2015 to 31 August 2016 and the Setso transaction values as at 1 December 2016 attributed to the properties are as follows:

Property name (% ownership)	Address and geographical location	Total GLA (m <sup>2</sup> )	Gross rental per m <sup>2</sup>	Attributable net property income (R)	Setso transaction values (R)
<b>OFFICES</b>					
55 Hyde Park (100%)	55 Sixth Road, Hyde Park, Gauteng	2 191	125	2 872 490	40 879 941
Avanti Office (100%)	35 Carl Cronje Drive, Tyger Valley, Cape Town	8 600	170	12 011 446	152 336 714
Carnation Place (100%)	Constantia Boulevard, Roodepoort, Gauteng	4 541	143	8 818 952	78 954 618
Detnet (66%)	Centenary Road, Modderfontein, Gauteng	2 074	135	2 714 760	30 179 357
GM Hatfield (25%)	Cnr Francis, Baard and Jan Shoba Street, Hatfield	2 958	204	1 021 499	12 991 834
Hertford (A – E) (33%)	Bekker Road, Vorna Valley, Midrand, Gauteng	28 852	117	5 886 450	59 661 883
Monte Circle (18%)	Monte Circle Office Park, Fourways, Gauteng	5 095	150	1 764 430	18 925 342
Valley View Office Park (100%)	680 Joseph Lister Street, Roodepoort, Gauteng	6 943	111	9 280 560	65 779 032
Wanderers Office Park, The Oval (100%)	52 Corlett Drive, Illovo, Gauteng	7 771	123	12 483 208	140 656 917
Wanderers Office Park, The Pavillion (100%)	52 Corlett Drive, Illovo, Gauteng	4 444	146	8 880 504	102 224 032
<b>Total Office</b>		<b>73 469</b>	<b>-</b>	<b>65 734 299</b>	<b>702 589 671</b>
<b>RETAIL</b>					
Chilli Lane Shopping Centre (100%)	Cnr Rivonia and Leeuwkop Roads, Sunninghill, Gauteng	13 318	138	20 397 699	183 103 711
Chilli on Top Shopping Centre (100%)	Cnr Rivonia and Leeuwkop Roads, Sunninghill, Gauteng	5 140	112	4 505 942	74 251 068
The Square @ Farrarmere (100%)	Cnr Klei & Klip Roads, Farrarmere, Benoni, Gauteng	6 521	158	10 596 242	116 273 694
<b>Total Retail</b>		<b>11 661</b>	<b>-</b>	<b>35 499 883</b>	<b>373 628 474</b>
<b>DEVELOPMENTS</b>					
Hertford Office Park (33%) Buildings F & G	Bekkers Road, Vorna Valley, Midrand	12 606	-	-	41 681 346
Monte Circle Office Park (18%) – Building B	Montecasino Boulevard, Fourways	4 435	-	-	10 461 860
<b>Total Developments</b>		<b>17 041</b>	<b>-</b>	<b>-</b>	<b>52 143 206</b>
<b>VACANT LAND</b>					
Constantia Corner (100%)	William Nicol Road North, Constantia Kloof, Roodepoort	-	-	-	7 100 000
Hertford Office Park (33%)	Bekkers Road, Vorna Valley, Midrand	-	-	-	21 473 833
Monte Circle Office Park (18%)	Montecasino Boulevard, Fourways	-	-	-	24 965 669
Monte Place (Signature Square) (20%)	Cnr Montecasino Boulevard, William Nicol Road, Fourways	-	-	-	25 384 233
<b>Total Vacant Land</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>78 923 735</b>
<b>Total</b>		<b>102 171</b>	<b>-</b>	<b>101 234 182</b>	<b>1 207 285 086</b>

## VALUATION

The board of directors of Pivotal is satisfied that the aggregate value attributed to the Setso portfolio, and the individual values attributed to each of the properties forming part of the Setso portfolio, for purposes of the

determination of the amounts payable in terms of the Setso B-BBEE transaction, as summarised above, are in line with the directors own assessment of the aggregate value of the Setso portfolio and the individual values of each of the properties forming part of the Setso portfolio. The directors of the company are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000.

## **CATEGORISATION**

The Setso transaction is classified as a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require the approval of Pivotal shareholders.

22 December 2016

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Sponsor

JAVACAPITAL

Legal advisor

**CDH**  
CLIFFE DEKKER HOFMEYR