



TRUSTCO GROUP HOLDINGS LIMITED

Incorporated in the Republic of Namibia

(Registration number 2003/058)

Registered as an external company in South Africa

(External registration number 2009/002634/10)

NSX share code: TUC

JSE share code: TTO

OTCQX share code: TSCHY

ISIN Number: NA000A0RF067

("Trustco" or "the Company")

DISPOSAL OF LEGAL SHIELD HOLDINGS LIMITED BY TRUSTCO GROUP HOLDINGS LIMITED TO CONDUIT CAPITAL LIMITED, OBTAINING MAJORITY INTEREST IN CONDUIT CAPITAL LIMITED AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. Introduction

Trustco shareholders ("**Shareholders**") are referred to the announcement released on SENS on Monday, 9 December 2019 in respect of the acquisition by Legal Shield Holdings Limited ("**LSH**") of Constantia Risk and Insurance Holdings Limited ("**Constantia**") and Conduit Ventures Proprietary Limited from Conduit Capital Limited ("**Conduit**") ("**Constantia Transaction**").

Shareholders are further referred to the cautionary announcement released on SENS on Tuesday, 11 February 2020 and the renewal of such cautionary announcement released on Monday, 16 March 2020 wherein Shareholders were advised that the structure of the Constantia Transaction was being reviewed.

The review of the structure of the Constantia Transaction has been completed and Shareholders are hereby advised that the parties have entered into a binding term sheet ("**Term Sheet**") in terms of which Conduit shall acquire 100% of the issued ordinary share capital ("**LSH Ordinary Shares**") of LSH from Trustco and Riskowitz Value Fund LLP ("**RVF**") (collectively "**the Sellers**") for a total consideration of R10 437 484 200 ("**Purchase Consideration**") ("**LSH Disposal**").

Subsequent to the proposed acquisition of the Banking and Finance segment by the Insurance and its Investments segment as announced on SENS on 28 October 2019, Trustco would own 83.5% of the LSH Ordinary Shares, with the balance of 16.5% being owned by RVF.



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As per the Term Sheet, upon fulfilment or waiver of the conditions precedent, as defined in paragraph 8 below (“**Conditions Precedent**”), the binding term sheet entered into in respect of the Constantia Transaction will be deemed to have been cancelled and terminated and accordingly will be incapable of being implemented.

2. Description of the business conducted by LSH

LSH is a diversified financial services provider in Namibia with a client base of more than 280,000 clients comprising of individuals and small businesses. Subsidiaries of LSH currently hold both a short and long term insurance licence, and a commercial banking licence which (subject to regulatory approval, refer to the announcement released on 28 October 2019 regarding the proposed acquisition of the Banking and Finance segment by the Insurance and its Investments segment) which will enable the subsidiaries of LSH to provide a full spectrum of services across the financial services value chain in Namibia. The subsidiaries of LSH also owns over 4,000 hectares of high-quality real estate assets in Namibia (before the disposal of the Herboth's development as announced on SENS on 11 February 2020).

3. Net Assets and Profits of LSH

The book value of the consolidated net assets of LSH at 30 September 2019 was NAD 2.0 billion. The loss after tax attributable to the net assets of LSH for the six months ended 30 September 2019 was NAD 84.8 million.

The above financial information has been extracted from the unaudited results of LSH for the six months ended 30 September 2019 which were prepared in terms of International Financial Reporting Standards.

4. Rationale for the LSH Disposal

The rationale for the LSH Disposal is that:

- Trustco will increase its customer base and market presence in South Africa, whilst expanding its product offerings in both Namibia as well as South Africa;
- The combined asset base of LSH and Conduit will facilitate new growth opportunities and strengthen the financial position of the combined group;
- The nature of LSH and Conduit's business is such that significant cross-skilling and product synergies exist that can be leveraged by the combined group to have a competitive advantage over its competitors.



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5. Settlement of the Purchase Consideration and nomination by Sellers

The Purchase Consideration shall be settled via the issuance of 20 874 968 400 ordinary shares in Conduit (“**Consideration Shares**”) at a price of R0.50 per Consideration Share which represents the Conduit share price as at 5 March 2020. Trustco will receive 83.5% of such Consideration Shares.

The Sellers will in proportion to their LSH Shareholding nominate Conduit shareholders (“**Nominated Shareholders**”), which hold Conduit shares as at a future record date which date is still to be determined (“**Nomination Record Date**”) to subscribe for 1 974 463 276 Consideration Shares (“**Nominated Consideration Shares**”) in the Sellers’ place. No consideration will be payable by the Nominated Shareholders to the Sellers for such Nominated Consideration Shares.

This is being done so that, immediately pursuant to implementation of the LSH Disposal and, on the assumption that all Nominated Shareholders accept the nomination, the Nominated Shareholders will hold 12.7% of the issued Conduit Capital ordinary shares, which would be the position were the Nominated Consideration Shares to have been issued at a deemed price of R0.87 (eighty seven cents) per Conduit Capital ordinary share, which represents a 10% discount to the 30 day volume weighted average price of a Conduit Capital ordinary share as at 9 December 2019. Any Nominated Consideration Shares in relation to which the nomination is not accepted will be retained by the Sellers.

The number of Nominated Consideration Shares each Nominated Shareholder will be eligible to subscribe for will be determined based on their shareholding in Conduit as at the Nomination Record Date.

Should a Nominated Shareholder elect to not subscribe for or not provide a response as to whether they wish to take up the nomination provided by the Sellers in respect of their portion of the Nominated Consideration Shares, such Nominated Consideration Shares will be issued to the Sellers in proportion to their shareholding in LSH.

Pursuant to the above and on the assumption, all Nominated Consideration Shares are subscribed for by the Nominated Shareholders, Trustco will own 72.9% of Conduit.

Trustco will have the right to convert any of its loan accounts in LSH (held, in LSH or by any subsidiary of LSH) to equity in Conduit Capital at a conversion price of R0.50 (fifty cents) per Conduit Capital ordinary share at their discretion. Trustco shall be entitled to exercise this right within 24 (twenty-four) months after fulfilment of the Conditions Precedent.



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6. Effective date and closing date

The effective date of the LSH Disposal shall be 1 April 2020 or the soonest practical date thereafter.

The closing date (“**Closing Date**”) of the LSH Disposal shall be the 3rd business day after the fulfilment of the Conditions Precedent set out in paragraph 8 below.

7. Application of the Purchase Consideration

The Purchase Consideration shall be settled entirely by the issuance of the Consideration Shares. Such Consideration Shares will be retained by the Sellers.

8. Conditions Precedent

The LSH Disposal is subject to the fulfilment of the following Conditions Precedent:

- by 31 August 2020, all regulatory approvals which are necessary for the implementation of the Transaction shall have been obtained, either unconditionally or subject to such conditions as may have been approved in writing by the Parties. This includes *inter alia* all and any necessary approvals from the JSE, Competition Commission/Tribunal, Takeover Regulation Panel, Financial Surveillance Department of SARB, Financial Sector Conduct Authority, Prudential Authority, Bank of Namibia and other Namibian Regulatory approvals.
- by 30 June 2020, Conduit having obtained all requisite shareholder approvals in general meeting to proceed with the Transaction (“**Conduit Shareholder Approvals CP**”).
- by 30 June 2020, TGH having obtained all requisite Shareholder approvals in general meeting to proceed with the Transaction (“**TGH Shareholder Approvals CP**”).
- by 30 June 2020, the independent holders of more than 50% of the voting rights attaching to all issued Conduit ordinary shares agree, by way of an ordinary resolution, to waive the benefit of, and entitlement to, a mandatory offer for their Conduit ordinary shares from each Seller and its concert parties;
- by 30 April 2020, neither TGH nor Conduit, each having conducted its legal, accounting and operational due diligence on the other party, has notified the other party in writing that the



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results thereof are unsatisfactory; provided that each shall only be entitled to deliver notice in writing that the results thereof are unsatisfactory if it uncovers any of the following in relation to the other party on or after the date on which this Term Sheet is entered into:

- material accounting irregularities or misstatements;
- material non-compliance with laws or regulatory requirements not disclosed to the other party prior to the date on which this Term Sheet is entered into;
- material litigation or arbitration proceedings not disclosed to the other party prior to the date on which this Term Sheet is entered into; and/or
- material tax liabilities incurred, but not disclosed to the other party, prior to the date on which this Term Sheet is entered into.

For the above purposes, “material” means sufficiently serious (qualitatively and quantitatively) as would lead a reasonable person in the position of TGH or Conduit (as the case may be) to (i) not wish to implement the Transaction or (ii) wish to implement the Transaction on materially different terms and conditions than those set out in this Term Sheet; and

- by 30 June 2020 implementation of the acquisition by LSH of the Financial Services Companies.

Conduit and the Sellers shall be entitled, on one or more occasions, to agree in writing to (i) extend the outside date for fulfilment of any of the Conditions Precedent, or (ii) if and to the extent permissible in law, waive fulfilment of any of the Conditions Precedent. This Term Sheet shall cease to be of force and effect if any Condition Precedent is neither fulfilled nor waived by the outside date allowed for its fulfilment; provided that the provisions of the following paragraphs shall survive such termination: Breakage Fee; Confidentiality; Costs; Governing Law.

9. Breakage Fee

If the Term Sheet ceases to be of force and effect solely by reason of the Conduit Shareholder Approval CP or TGH Shareholders Approval CP not being fulfilled by the outside date allowed for their fulfilment, then the party in breach shall be liable to pay a breakage fee of ZAR50 million plus value-added tax (or similar applicable tax) to the other party, payable within 10 business days of written demand.

The Parties will ensure that the general meetings of TGH and Conduit are convened to be held at the same time and date. If both the Conduit Shareholder Approval CP and the TGH Shareholder Approval CP fail, no breakage fee shall be payable by TGH or Conduit.



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10. Classification of the LSH Disposal

Related party transaction

Sean Riskowitz controls Protea Asset Management (“**Protea**”). Protea is the Investment Advisor to the Riskowitz Value Fund LP and other accounts (“**RVF**”).

RVF and its associates are material shareholders of Trustco owning approximately 24% of the issued share capital of Trustco and thus considered to be a related party to Trustco in terms of paragraph 10.1(b) (i) of the Listings Requirements of the JSE Limited (“**JSE Listings Requirements**”).

RVF, the proposed acquisition of the Banking and Finance segment mentioned above, will own 16.5% of LSH.

Due to the material shareholding of RVF in both Trustco and LSH, LSH is considered to be an associate of RVF.

RVF and its associates jointly manage and control more than 35% of Conduit meaning RVF and its associates are thus considered to be related parties to Conduit in terms of paragraph 10.1(b)(i) of the JSE Listings Requirements as they are a material shareholder of Conduit.

LSH and Conduit are therefore considered to be associates of a material shareholder in terms of 10.1(b)(vi) of the JSE Listings Requirements. Therefore, the LSH Disposal is considered to be a category 1 related party transaction in terms of section 10 and paragraph 9.5(a) of the JSE Listings Requirements requiring a fairness opinion to be prepared by an independent expert and the approval of Shareholders via an ordinary resolution, excluding any related parties. Accordingly, RVF and their associates will be precluded from voting on the Transaction.

A circular containing the full details of the LSH Disposal, incorporating a notice convening the required general meeting of Shareholders, a copy of the fairness opinion and any other required documentation, will be distributed to Shareholders in due course.

The salient dates and times of the LSH Disposal, including the date of the general meeting of Shareholders, will be announced in due course.



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11. Pyramid Structure

Shareholders are further advised that should this Transaction be implemented, Trustco would end up in a pyramid structure as set out in Section 14 of the JSE Listings Requirements. Trustco is currently reviewing alternatives to resolve this pyramid structure.

12. Withdrawal of Cautionary Announcement

As the review of the structure of the Constantia Transaction has been completed and published on SENS, Shareholders are advised that they are no longer required to exercise caution when dealing in the Company's securities.

Converted at the ZAR/NAD exchange rate of 1.00 on 18 March 2020.

27 March 2020

Komada Holdings (Pty) Ltd

Company Secretary

Trustco Group Holdings Limited

JSE Sponsor

Vunani Corporate Finance - Johannesburg

NSX Sponsor

Simonis Storm Securities Proprietary Limited – Windhoek

OTCQX Sponsor

J.P Galda & Co – New York



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