



Arrowhead Properties Limited

("Arrowhead")

FIRM INTENTION BY ARROWHEAD TO ACQUIRE THE REMAINDER OF VIVIDEND INCOME FUND LIMITED

Tuesday, 1 April 2014. Arrowhead Properties Limited (Arrowhead), the JSE-listed SA REIT (Real Estate Investment Trust), announced its firm intention to acquire all the issued units in Vividend Income Fund (Vividend) that it does not already own.

In a firm intention announcement on the JSE's SENS today, unitholders were informed of the terms of the scheme of arrangement and, if the scheme is passed, Arrowhead proposes to acquire all the issued linked units in Vividend for a consideration of not less than 0.374 Arrowhead A and 0.374 Arrowhead B units for every Vividend unit.

Stanlib, which controls about 60.2 million Vividend units (representing about 22% of Vividend's issued units), has irrevocably undertaken to vote in favour of all resolutions necessary to approve the scheme.

The consideration offered in terms of the general offer, if it is made, will be the same as that offered under the Scheme.

If supported by Vividend unitholders, this transaction will increase Arrowhead's market capitalisation to around R5,5 billion and its portfolio to around R6 billion.

Gerald Leissner, Arrowhead CEO, says, " *We are pleased that the Vividend transaction has had the support of the Vividend management and board. The transaction is expected to create certainty and unlock significant value for Vividend shareholders by providing them with access to a larger more liquid fund with faster growing distributions.* "

-Ends-

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TO EDITORS:
Arrowhead Properties

Arrowhead Properties the JSE-listed SA REIT (Real Estate Investment Trust). It holds a diverse portfolio of retail, industrial, commercial and residential buildings in secondary locations throughout South Africa. It was established through an unbundling of a portfolio of 98 properties from Redefine Properties in November 2011 and subsequently listed on the JSE main board on Friday, 9 December 2011.

Secondary properties bring additional business risk. This is managed by having a growing portfolio, as diversified as possible in terms of the number of properties, a spread of tenants, a spread of locations throughout South Africa and a spread of properties over the retail, office, industrial and residential sectors of the property market.

Arrowhead's main focus is to pay growing income returns to its investors. This will be achieved through escalating rentals in terms of leases with tenants, satisfactory renewal of leases with existing tenants, renting of vacant space within the portfolio, managing and reducing, where possible, costs associated with the portfolio and by acquiring revenue-enhancing properties.

Assets are managed internally by Arrowhead's executive and asset managers with property management provided by JHI.

Leadership and Management Team

- Arrowhead is led by an experienced management team, with strong credentials, who manage the fund internally and who have extensive experience of the sector and the asset portfolio. Executive directors include Chief Executive Officer Gerald Leissner, Chief Operating Officer Mark Kaplan and Imraan Suleman as Chief Financial Officer:
- **Leissner** brings with him 50 years' worth of experience in the listed property sector. He was previously CEO of ApexHi Properties Limited for eight years until its merger with Redefine
- **Kaplan** was managing director of Aengus Property Holdings which controlled a portfolio of assets with a value in excess of R300 million
- **Suleman** is a Chartered Accountant previously with Java Capital and has significant experience on a wide range of transactions including listings, mergers and acquisitions, capital raisings and empowerment transactions.

Non-Executive Directors

- Taffy Adler Independent non-executive chairman
- Elize Stroebel Independent non-executive director
- Matthew Nell Independent non-executive director
- Selwyn Noik Independent non-executive director



ARROWHEAD PROPERTIES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2011/000308/06)
JSE share code: AWA ISIN: ZAE000158101
JSE share code: AWB ISIN: ZAE000158119
(Approved as a REIT by the JSE)
("Arrowhead")



VIVIDEND INCOME FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 2010/003232/06)
JSE share code: VIF ISIN: ZAE000150918
(Approved as a REIT by the JSE)
("Vividend")

JOINT ANNOUNCEMENT REGARDING:

- **A FIRM INTENTION BY ARROWHEAD TO MAKE AN OFFER TO ACQUIRE ALL THE LINKED UNITS IN THE CAPITAL OF VIVIDEND NOT ALREADY HELD BY ARROWHEAD ("FIRM INTENTION ANNOUNCEMENT");**
 - **A GENERAL OFFER; AND**
 - **WITHDRAWAL OF VIVIDEND CAUTIONARY ANNOUNCEMENT**
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1. INTRODUCTION

Further to the joint announcement made on 24 February 2014, the respective boards of directors of Vividend and Arrowhead are pleased to announce that, on 31 March 2014, Vividend and Arrowhead (the "**Parties**") entered into an implementation agreement (the "**Implementation Agreement**") in terms of which Arrowhead confirmed its firm intention to make an offer to acquire all the issued linked units in Vividend ("**Vividend Linked Units**"), which it does not already hold (the "**Offer**") –

- by means of one or more indivisibly linked schemes of arrangement (the "**Scheme**") in terms of section 114 of the Companies Act 71 of 2008, as amended, (the "**Companies Act**"), to be proposed by the independent board of directors of Vividend (the "**Vividend Independent Board**"), appointed in terms of the Takeover Regulations, between Vividend and the holders of Vividend Linked Units ("**Vividend Linked Unitholders**"); or
- if the conditions to which the Scheme is subject are not fulfilled, or where applicable waived, (as described more fully below), by means of a voluntary general offer extended to all Vividend Linked Unitholders (the "**General Offer**").

In terms of the Scheme, Vividend Linked Unitholders will, if the Scheme becomes operative, receive 0,374 of an Arrowhead A linked unit ("**Arrowhead A Linked Unit**") and 0,374 of an Arrowhead B linked unit ("**Arrowhead B Linked Unit**") for every 1 Vividend Linked Unit ("**Scheme Consideration**") held by them on the Scheme Consideration record date (the "**Scheme Record Date**"). Arrowhead will not offer any cash alternative unless (as is more fully described below) the Takeover Regulation Panel ("**TRP**") determines that the Scheme Consideration should include a cash amount per Vividend Linked Unit equivalent to the option premium of R4,461,500 (four million four hundred and sixty one thousand and five hundred Rand) paid by Arrowhead to Stanlib Asset Management ("**Stanlib**") (being an amount of 7 cents per Vividend Linked Unit), in which case the Scheme Consideration shall be increased to include an additional cash consideration of R0.07 cents per Vividend Linked Unit.

The consideration offered in terms of the General Offer ("**Offer Consideration**"), if it is made, will be the same as that offered under the Scheme.

Based on the volume weighted average price ("**VWAP**") of Arrowhead A Linked Units and Arrowhead B Linked Units on the securities exchange operated by the JSE Limited ("**JSE**") for the 30 days up to and including Friday, 28 March 2014, being the last practical date for finalisation of the figures prior to the date of this Firm Intention Announcement (the "**Publication Date**"), the Scheme Consideration implies a Rand value of 506.11 cents per Vividend Linked Unit and represents a premium of 5% to the VWAP of Vividend Linked Units over the same period of 481.77 cents per Vividend Linked Unit.

As announced on SENS on 6 December 2013, Arrowhead concluded an agreement with Coronation Fund Managers ("**Coronation**") pursuant to which Arrowhead acquired 31.7% of the issued Vividend Linked Units from Coronation ("**Coronation Acquisition**"). The purchase consideration under the Coronation Acquisition was discharged by Arrowhead through the allotment and issue of Arrowhead A Linked Units and Arrowhead B Linked Units to Coronation pursuant to which Coronation received 0,374 of an Arrowhead A Linked Unit and 0,374 of an Arrowhead B Linked Unit for every 1 Vividend Linked Unit ("**Coronation Consideration**") held by Coronation. Based on the VWAP of Arrowhead A Linked Units and Arrowhead B Linked Units for the 30 days up to and including 5 December 2013 (the day prior to the announcement of the Coronation Acquisition, the implied Rand value of the Coronation Consideration was 522.18 cents per Vividend Linked Unit, a 6% premium to the VWAP of Vividend Linked Units over the same period of 492.50 cents per Vividend Linked Unit. .

The Scheme will be subject to the fulfilment of the conditions precedent referred to in paragraph 5 below. The making of the General Offer will be subject to the conditions referred to in paragraph 6.1 below.

As previously announced –

- Arrowhead has, during early December 2013, acquired 31.7% of the Vividend Linked Units in issue from Coronation;
- Arrowhead has, with effect from 1 March 2014, acquired the equity in Vividend Management Group Proprietary Limited ("**Vividend Manco**"), the external asset manager of Vividend, for a purchase price of R88.6 million. As a result of the change in control of Vividend Manco, M Jacobson, G Rabinowitz, M Sandak-Lewin and A Witt, have resigned from the Vividend board. Ari Jacobson, Robert Amoils and Bruce Rubenstein have agreed to remain on the Vividend board (as CEO, Financial Director and non-executive director respectively) for a three month period from 1 March 2014;
- Arrowhead has concluded an agreement with Stanlib, in respect of the approximately 60.2 million Vividend Linked Units controlled by Stanlib (representing approximately 22% of the issued Vividend Linked Units), in terms of which–
 - Stanlib has irrevocably undertaken that, if Arrowhead proposes the Scheme, Stanlib will vote in favour of all Vividend Linked Unitholder resolutions necessary to approve the Scheme; and
 - Stanlib has granted Arrowhead an option (the "**Stanlib Option**") to require Stanlib to accept the General Offer (if it is to be made). As consideration for the granting of the Stanlib Option, Arrowhead has paid Stanlib an option premium of R4,461,500 ("**Option Premium**"), equivalent to R0.07 per Vividend Linked Unit.

Vividend and Arrowhead will make an application to the TRP for a formal ruling as to whether or not the Scheme Consideration should be increased by the Option Premium paid by Arrowhead to Stanlib. Vividend and Arrowhead linked unitholders will be advised of the TRP's ruling on SENS and in the circular to Vividend Linked Unitholders in relation to the Scheme ("**Scheme Circular**").

2. INFORMATION ABOUT ARROWHEAD

Arrowhead is a listed REIT that holds a diverse portfolio of retail, industrial and commercial buildings, valued at approximately R4.5 billion together with a 31.7% interest in Vividend.

3. RATIONALE FOR THE PROPOSED TRANSACTION

Rationale for Arrowhead

The transaction contemplated in the Scheme (or the General Offer, should it become applicable) (the "**Proposed Transaction**") is in line with Arrowhead's investment strategy of only making distribution enhancing acquisitions and will allow Arrowhead to acquire control of Vividend's portfolio of commercial, industrial and retail properties, valued at approximately R2 billion, that is complimentary to its own portfolio.

Rationale for Vividend

Vividend did not solicit the Proposed Transaction and was approached by Arrowhead following its acquisition of Vividend Manco, the acquisition by Arrowhead of a strategic stake in Vividend, and Arrowhead's securing of key Vividend Linked Unitholder support for a possible transaction.

Vividend management have advised the Vividend Independent Board of certain structural changes in the listed property sector recently which have negatively impacted investor sentiment, specifically towards small-mid cap, illiquid property stocks and as a consequence the ability of Vividend to continue to acquire property on a non-dilutive basis. The aforementioned structural changes in the sector include, *inter alia*:

- increase in bond yields and cost of capital (both debt and equity);
- limited liquidity in capital markets to fund acquisitions;
- increase in the discount applied by investors to illiquid small-mid cap property stocks;
- scarcity of potential acquisitions and competition for stock is driving yields to levels unachievable for Vividend to transact without significant dilution; and
- increased market volatility and reluctance of vendors to bear execution risk.

Given those factors, the Vividend Independent Board believes that it is in the interests of Vividend and Vividend Linked Unitholders that they be given the opportunity to consider the Proposed Transaction.

4. THE SCHEME CONSIDERATION

- 4.1 The Scheme, if implemented, will entitle those persons who are recorded in the securities register of Vividend on the Scheme Record Date ("**Scheme Participants**"), to receive the Scheme Consideration.
- 4.2 The Scheme Consideration will be issued ex entitlement to the Arrowhead income distribution for the 6 month period ended 31 March 2014. Vividend Linked Unitholders will become entitled, pursuant to the Scheme, to the Arrowhead income distribution for the period commencing 1 April 2014 and its future income distributions.
- 4.3 The Vividend Linked Units held by Scheme Participants on the Scheme Record Date will be acquired by Arrowhead ex entitlement to the Vividend income distribution for the 6 month distribution period ending 28 February 2014 ("**Vividend February Distribution**") and for the 1 month period ending 31 March 2014 ("**Vividend March Distribution**"). This shall be achieved by Vividend paying to Vividend Linked Unitholders, prior to the implementation of the Scheme, both the Vividend February Distribution in accordance with its normal distribution timetable, and the Vividend March Distribution in the form of a special distribution (the "**Special Distribution**"). The Special Distribution is expected to be paid before the date of implementation of the Scheme ("**Operative Date**").

5. CONDITIONS PRECEDENT TO IMPLEMENTATION OF THE SCHEME

The Scheme will be subject to the fulfilment or (where applicable) waiver of the following conditions precedent (the "**Scheme Conditions**") -

- 5.1 as at 17h00 on the fifth business day before the date on which the last of the scheme meetings (or any adjourned scheme meeting) ("**Scheme Meetings**") is to be held, a material adverse change, as defined below ("**Material Adverse Change**") has not occurred (and for clarity, Arrowhead may, on written notice given to Vividend at any time prior to such time, require the Scheme and the Implementation Agreement to lapse, if it has knowledge that a Material Adverse Change has occurred and is occurring at the relevant time and same is not proved otherwise by Vividend), it being agreed that this condition shall be regarded as having been fulfilled unless Arrowhead has informed Vividend by 17h00 on the fifth business day before the date on which the last of the Scheme Meetings is to be held (or any adjournment thereof) that this condition has not been fulfilled;
- 5.2 by not later than 17h00 on 31 July 2014, the approval of the requisite resolutions in respect of the Scheme ("**the Scheme Resolutions**") and the Special Distribution by the requisite majority of Vividend Linked Unitholders (in their capacities as holders of Vividend Shares and Vividend Debentures) is obtained at the relevant meetings;
- 5.3 by not later than 17h00 on 31 July 2014, to the extent required under the listings requirements of the JSE ("**JSE Listings Requirements**"), the requisite approvals of Arrowhead Linked Unitholders for the acquisition of the Vividend Linked Units pursuant to the Scheme and/or the General Offer and/or the issue of the Scheme Consideration, are obtained at the relevant meeting;
- 5.4 by not later than 17h00 on 31 August 2014, to the extent required under section 115(3) of the Companies Act, approval of the implementation of the Scheme Resolutions by the court is obtained and, if applicable, Vividend not having treated the Scheme Resolutions as a nullity (which it may not do unless it is instructed to do so by Arrowhead), as contemplated in section 115(5)(b) of the Companies Act;

- 5.5 as at 17h00 on the 2nd (second) business day after the date of conclusion of the last of the Scheme Meetings, Vividend Linked Unitholders holding more than 5% (five percent) of all the issued Vividend Linked Units not having given, in terms of section 164(3) of the Companies Act, valid notice of objection to the Scheme Resolution taken at either Scheme Meeting and those objecting Vividend Linked Unitholders not having voted against the Scheme Resolution in respect of more than 5% (five percent) of the issued Vividend Linked Units at the relevant Scheme Meeting;
- 5.6 by not later than 17h00 on 31 August 2014, the receipt of all regulatory approvals that may be required in connection with the Offer, including the unconditional approval in writing of the relevant South African competition authority/ies, to the extent required in terms of the Competition Act, of the transactions contemplated by the Offer, or if such approval is conditional, such conditions being acceptable to the party or parties upon whom they are imposed or upon whom they have an impact, in their sole and absolute discretion;
- 5.7 as at 17h00 on the date on which the last of the conditions in clauses 5.2 to 5.6 has been fulfilled or, where appropriate, waived, none of the following events shall have occurred in respect of Vividend or Arrowhead –
- 5.7.1 any corporate action, legal proceedings or other procedure or other step (including an application to court, proposal of a resolution or convening of a meeting of shareholders, members, directors or other officers) is taken by any person with a view to –
- 5.7.1.1 a moratorium, compromise, composition, business rescue or similar arrangement with any of its creditors;
- 5.7.1.2 its winding-up, dissolution or commencement of business rescue proceedings, or for the seeking of relief under any applicable bankruptcy, insolvency, company or similar law, or any such resolution; or
- 5.7.2 the value of its assets is less than its liabilities (taking into account of contingent and prospective liabilities) or it is unable to pay its debts as they fall due,
- it being agreed that this condition shall be regarded as having been fulfilled unless either Vividend or Arrowhead has informed the other by no later than 17h00 on the date on which the last of the conditions in clauses 5.2 to 5.6 has been fulfilled or, where appropriate, waived, that it has knowledge that this condition has not been fulfilled; and
- 5.8 by not later than 17h00 on 31 August 2014, the TRP has issued a compliance certificate in relation to the Scheme.

In relation to paragraph 5.1, Material Adverse Change means –

- any circumstance, fact or event, actual or which has arisen or might reasonably be expected to arise which, alone or together with any other circumstance, fact or event, which has arisen or which might reasonably be expected to arise has, or is reasonably be expected to have, the effect of a reduction of 10% (ten percent) or more of Vividend's net property income and/or a reduction of 10% (ten percent) or more of the value of the Vividend property portfolio (other than a reduction in value resulting from macro-economic factors, including but not limited to changes in interest rates or changes to applicable

discount rates used for valuing properties, which are not related to the specific factors of the property/ies concerned); or

- Vividend having committed a material breach of any of its material undertakings referred to in paragraphs 7.1 and 7.3 below (and as more fully described in the Implementation Agreement).

The conditions set out in paragraphs 5.1, 5.5 and 5.7 above can be waived by Arrowhead. Save where any of the remainder of the conditions are of a regulatory nature, they can be waived by agreement in writing between Arrowhead and Vividend. Arrowhead and Vividend may by agreement in writing and with the prior approval of the TRP (where required) extend the date for fulfilment of any of the conditions.

6. THE OFFER

6.1 The General Offer is subject to the parties having announced through SENS and the press, as required, that any of the following Scheme Conditions has not been fulfilled (and, where applicable, has not been waived by Arrowhead) and that the Scheme has therefore failed:

- 6.1.1 the approval by Vividend Linked Unitholders of the Scheme (as referred to in paragraph 5.2 above);
- 6.1.2 to the extent required under section 115(3) of the Companies Act, the approval of the implementation of the Scheme Resolutions by the court is obtained and, if applicable, Vividend not having treated the Scheme Resolutions as a nullity (as referred to in paragraph 5.4 above); and
- 6.1.3 as at 17h00 on the second business day after the date of conclusion of the last of the Scheme Meetings, Vividend Linked Unitholders holding more than 5% of all the issued Vividend Linked Units not having given, in terms of section 164(3) of the Companies Act, valid notice of objection to the Scheme Resolutions taken at either of the Scheme Meetings and those objecting Vividend Linked Unitholders not having voted against the Scheme Resolutions in respect of more than 5% of the issued Vividend Linked Units at the relevant Scheme Meeting (as referred to in paragraph 5.5 above),

(such conditions being the "**Offer Trigger Conditions**").

6.2 The General Offer will become effective, and be open for acceptances, once such announcement is made via SENS and the press. Vividend Linked Unitholders will be advised in such announcement of the relevant dates and timetable for implementation of the General Offer.

6.3 The General Offer will also be subject to the fulfilment or waiver of all the remaining Scheme Conditions (i.e. those other than the Offer Trigger Conditions). Accordingly, if the General Offer has become effective and open for acceptances, but any of the remaining Scheme Conditions have not yet been fulfilled or waived, the sale of Vividend Linked Units resulting from any acceptances of the General Offer shall remain subject to the fulfilment or waiver of those remaining Scheme Conditions. Any such conditions which are not of a regulatory nature can be waived or relaxed by Arrowhead.

- 6.4 The Offer Consideration will be the same as the Scheme Consideration. However, although Vividend Linked Units purchased pursuant to the General Offer will be acquired ex the entitlement to the Vividend February Distribution, there will be no Vividend March Distribution (i.e. Special Distribution) in the context of the General Offer.
- 6.5 Arrowhead is currently giving consideration to a possible termination of the listing of the Vividend Linked Units on the JSE in the event that the Scheme fails and the General Offer is made. Any such termination would, in terms of the listings requirements of the JSE, require the approval of Vividend Linked Unitholders in general meeting. Arrowhead shall, prior to the finalisation of the Circular referred to below, inform Vividend whether or not it requires such a resolution to be placed before a general meeting of Vividend Linked Unitholders, and in such event the Circular shall include the requisite information regarding the proposed termination of listing and a notice of general meeting at which the requisite resolution will be considered and voted on. For the avoidance of doubt, the making of the General Offer shall not be subject to the passing of the aforementioned resolution

7. IMPLEMENTATION AGREEMENT

The Implementation Agreement provides, *inter alia*, for the following:

- 7.1 Between the date of signing of the Implementation Agreement and the later of the Operative Date and the date upon which the Offer is implemented (“**Interim Period**”), Vividend shall not directly or indirectly solicit any alternative proposal to the Proposed Transaction and is further precluded from approving or recommending any alternative proposal or the entering of any agreement in respect of any alternative proposal, save for any *bona fide* unsolicited offer that is on terms that are more favourable to Vividend Linked Unitholders than the Offer.
- 7.2 Notwithstanding the foregoing, Vividend and the Vividend Independent Board will not be prevented from complying with any requirements imposed by law or the rules of any regulatory body in respect of any alternative proposal.
- 7.3 Vividend undertakes that during the Interim Period, it shall carry on its business in the ordinary and regular course.
- 7.4 Arrowhead undertakes that, during the Interim Period, it shall not effect any subdivisions of its linked unit capital or any capital distributions without first having agreed an appropriate amendment to the Scheme Consideration with Vividend.
- 7.5 Between the date of signing of the Implementation Agreement and the fifth business day before the date of the Scheme Meetings, Arrowhead and Vividend are obliged to advise the other party of any Material Adverse Change relating to them.

8. FUNDING OF THE PROPOSED TRANSACTION

Arrowhead has an authorised share capital of 2,000,000,000 ordinary shares which translates into an authorised linked unit capital of 1,000,000,000 Arrowhead A Linked Units and 1,000,000,000 Arrowhead B Linked Units, respectively, and an issued share capital of 617,559,182 ordinary shares, which translates into 308,779,591 Arrowhead A Linked Units and Arrowhead B Linked Units, respectively, as at the date of this Firm Intention Announcement.

The Scheme, if implemented, will entitle the Scheme Participants to receive a consideration of 0,374 of an Arrowhead A Linked Unit and 0,374 of an Arrowhead B Linked Unit for every Vividend Linked Unit disposed of pursuant to the Scheme.

If the aggregate number of Arrowhead Linked Units of either class deliverable to a Vividend Linked Unitholder yields a fractional result then the number of Arrowhead linked units of that class shall be rounded up to the nearest whole number if the fraction equals 0.5 or more, and the number shall be rounded down to the nearest whole number if the fraction equals less than 0.5 (“**Rounding Convention**”).

If the Scheme is implemented, a total of 68,578,661 Arrowhead A Linked Units and 68,578,661 Arrowhead B Linked Units (subject to the Rounding Convention) will be issued to Vividend Linked Unitholders in consideration for all the Scheme Linked Units (being 183,365,403 Vividend Linked Units).

Consequently, Arrowhead has sufficient authorised but unissued linked units in order to issue the full consideration in terms of the Scheme to Vividend Linked Unitholders if the Scheme is approved and implemented, or in terms of the General Offer if all Vividend Linked Unitholders accept the General Offer.

Unless the TRP rules that the Option Premium of R0.07 per Vividend Linked Unit must be offered to all of the Scheme Participants, there is no cash consideration payable under the Scheme. If the TRP rules that the Option Premium must be extended to all of the Scheme Participants, then this will result in the Scheme Participants receiving an additional cash consideration equivalent to R0.07 per Vividend Linked Unit (the “**Additional Cash Consideration**”). The details of the TRP’s ruling in this regard will be published in SENS and contained in the circular to Vividend Linked Unitholders. Arrowhead has provided the requisite guarantees to the TRP in relation to its ability to discharge the Additional Cash Consideration should this become applicable.

9. UNITHOLDING OF ARROWHEAD IN VIVIDEND AND CONCERT PARTIES

- 9.1 As at the date of this Firm Intention Announcement, Arrowhead holds 84,966,285 (31.7%) of the Vividend Linked Units in issue. Arrowhead does not hold or control (directly or indirectly) any other Vividend Linked Units and does not have any arrangements to acquire Vividend Linked Units, other than the Stanlib option.
- 9.2 As at the date of this Firm Intention Announcement, the directors of Vividend hold or control (directly or indirectly) 2,131,360 Vividend Linked Units, representing 1.2% of the Scheme Linked Units.
- 9.3 With the exception of the Implementation Agreement and the Stanlib Option, no arrangements, agreements or understandings which have any connection with or dependence on the Proposed Transaction existed between Vividend, the Vividend Linked Unitholders, Arrowhead or any person acting in concert with it, or any director of Vividend or any person who was a director of Vividend within the period commencing 12 months prior to the date of this Firm Intention Announcement, or any person who is or was a Vividend Linked Unitholder within the abovementioned period.

10. IRREVOCABLE UNDERTAKINGS

As indicated above, Arrowhead has received an irrevocable undertaking from Stanlib, which controls 60.2 million Vividend Linked Units (representing approximately 22% of the issued

Vividend Linked Units, and approximately 32% of the issued Vividend Linked Units which Arrowhead does not already own) to vote in favour of the Scheme Resolutions.

11. INDEPENDENT BOARD AND FAIR AND REASONABLE OPINION

The Vividend Independent Board, comprising Solomon Slom, Zithulele Luke Combi and Brian Bank, has appointed Questco Proprietary Limited, an independent adviser acceptable to the TRP, as the independent expert (the “**Independent Expert**”) in terms of section 114(2) of the Companies Act and the regulations published in terms of section 120 of the Companies Act and set out in Chapter 5 of the Companies Regulations, 2011 (“**Takeover Regulations**”), to provide it with external advice in relation to the Scheme and to make appropriate recommendations to the Independent Board in the form of a fair and reasonable opinion in terms of section 114(3) of the Companies Act and Takeover Regulation 110.

The substance of the external advice received from the Independent Expert and the views of the Vividend Independent Board will be detailed in the Scheme Circular.

12. CIRCULARS

Details of the Scheme will be included in the Scheme Circular, which will contain, *inter alia*, the terms of the Scheme, a notice convening each of the Scheme Meetings, forms of proxy in connection with the Scheme Meetings, and a form of acceptance, surrender and transfer in respect of Vividend Linked Units. Subject to the requisite approvals being received from the JSE, the TRP, and the Financial Surveillance Department of the South African Reserve Bank for the posting of the Scheme Circular, the Scheme Circular is expected to be posted to Vividend Linked Unitholders during May 2014 in accordance with the parties’ obligations in terms of the Takeover Regulations.

The Proposed Transaction will, in terms of the JSE Listings Requirements, be categorised as a category 1 transaction for Arrowhead, and accordingly requires the approval of Arrowhead Linked Unitholders in general meeting. A circular to Arrowhead Linked Unitholders, providing the requisite details of the Proposed Transaction and convening a meeting of Arrowhead Linked Unitholders to consider and vote on the Proposed Transaction and the requisite resolutions, will be issued as soon as practicable. Subject to the requisite approvals being received from the JSE, for the posting of such circular, the circular is expected to be posted to Arrowhead Linked Unitholders during May 2014.

13. **UNAUDITED PRO FORMA EARNINGS AND NET ASSET VALUE EFFECTS PERTAINING TO THE SCHEME**

In addition to the Scheme Consideration, Vividend Linked Unitholders will receive the Vividend February Distribution as well the Vividend March Distribution (by way of the Special Distribution),.

In terms of Regulation 101(7)(b)(iv) of the Takeover Regulations, a firm intention announcement must contain *inter alia*, the *pro forma* earnings and asset value per offeree regulated company security if the offer consideration consists wholly or partly of offeror securities.

The *pro forma* financial effects of the Scheme for Vividend Linked Unitholders are provided for illustrative purposes only to provide information about how the Scheme may have affected the financial performance and position of Vividend, and because of their nature, may not fairly represent Vividend’s financial performance and position after the Scheme. Only the Vividend

Independent Board is responsible for the preparation of such *pro forma* financial effects.

The *pro forma* adjustments to the statement of comprehensive income have been calculated on the assumption that the operative date of the Scheme was on 1 September 2012, illustrating the effect of 1 Vividend Linked Unit being exchanged for 0,374 of an Arrowhead A Linked Unit and 0,374 of an Arrowhead B Linked Unit, and, for the purposes of the statement of financial position, as if the operative date of the Scheme was on 31 August 2013.

The table below sets out the *pro forma* financial effects of the Scheme based on the 12 months results of Vividend to 31 August 2013:

	Before the Scheme ¹	After the Scheme ²	Change %
Basic earnings per linked unit (cents)	10.97	84.70	672%
Headline earnings per linked unit (cents)	54.22	50.41	(7%)
Distribution per linked unit (cents)	50.00	41.30	(17%)
Net asset value per linked unit (cents)	515	475	(8%)
Tangible net asset value per linked unit (cents)	515	462	(10%)
Weighted average number of linked units in issue ('000)	215,586	80,629	
Number of linked units in issue ('000)	267,678	100,112	

Notes and assumptions:

1. The financial information in the "Before the Scheme" column has been prepared based on the 12 month results for Vividend to 31 August 2013, as extracted from Vividend's audited results for the twelve months ended 31 August 2013.
2. The financial information in the "After the Scheme" column is based on Arrowhead's financial effects pursuant to the Proposed Transaction (for the 12 months ended 30 September 2013) and multiplying these results by 0.374 to provide the *pro forma* financial effects for Vividend Linked Unitholders.

14. WITHDRAWAL OF VIVIDEND CAUTIONARY ANNOUNCEMENT

Following the release of this Firm Intention Announcement, the joint cautionary announcement published by Vividend and Arrowhead on 24 February 2014 is withdrawn and caution is no longer required to be exercised by Vividend Linked Unitholders when dealing in their Vividend Linked Units. Arrowhead Linked Unitholders are referred to the unrelated cautionary announcement released on 19 March 2014 which remains in place.

15. VIVIDEND RESPONSIBILITY STATEMENT

The Vividend Independent Board (to the extent that the information in this Firm Intention Announcement relates to Vividend) accepts responsibility for the information contained in this Firm Intention Announcement and confirms that, to the best of the respective knowledge and belief of the members of the Vividend Independent Board, the information is true and does not omit anything likely to affect the importance of the information included. The financial information contained in this Firm Intention Announcement has not been reviewed or reported on by the external auditors of Vividend.

16. ARROWHEAD RESPONSIBILITY STATEMENT

Arrowhead's board of directors (to the extent that the information in this Firm Intention

Announcement relates to Arrowhead) accepts responsibility for the information contained in this Firm Intention Announcement and confirms that, to the best of the respective knowledge and belief of the members of the Arrowhead board, the information is true and does not omit anything likely to affect the importance of the information included. The financial information contained in this Firm Intention Announcement has not been reviewed or reported on by the external auditors of Arrowhead.

1 April 2014

Sponsor and Corporate Advisor to Arrowhead

Java Capital

Legal Advisor to Arrowhead

DLA Cliffe Dekker Hofmeyr

Sponsor and Corporate Advisor to Vividend

PSG Capital

Legal Advisor to Vividend

Fluxmans Inc