



24 November 2015

Term Sheet

Stellar Capital Partners Limited

Redeemable Preference Shares due [31 May 2019] Convertible into Ordinary Shares of Stellar Capital Partners

Transaction Summary	
Issuer	Stellar Capital Partners Limited ("Stellar" or the "Issuer"), registration number 1998/015580/06, a company incorporated in accordance with the laws of South Africa.
Current Listing of Issuer	JSE Limited
Country	South Africa
Industry	Investment Company
Primary Exchange / BB Ticker / ISIN	JSE / SCP:SJ / ZAE000198586
Number of shares outstanding	925,456,305 post the completion of the proposed rights issue of ZAR400,000,000
Current Price	ZAR2.32
Instrument	<p>Cumulative redeemable floating rate preference share, convertible into ordinary shares in Stellar ("CI").</p> <p>The holder of a CI ("Holder") can elect to convert the CI at any time post 42 days from the Issue Date.</p> <p>To convert, the Holder will complete and submit a conversion notice to the Issuer (or the Conversion Agent) upon which the Holder will receive ordinary shares Stellar based on the Conversion Price.</p>
Overview of Transaction	Issuance of CIs due 31 May 2019 (3.5 year tenor) with an accelerated bookbuild offering of up to ZAR600,000,000. This forms part of the larger ZAR1,000,000,000 capital raise by Stellar, with the residual capital coming from the issuance of ZAR400,000,000 of ordinary shares by way of a rights offer.
Use of Proceeds	<p>The proceeds from the CI issue will primarily be applied towards Stellar's immediate pipeline of investments which includes:</p> <ul style="list-style-type: none"> • investment in certain proprietary high-yielding credit funds; • follow-on equity investment in established investment platforms; and • further large strategic investments targeted for 2016 that will enhance the scale and quality of the Company's portfolio.
Required Authority:	Specific authority for the issuance of the CIs was obtained at a meeting of shareholders held on 19 November 2015.

Subscription Amount:	ZAR600 million
Status of the CI:	Unsecured
Listing of the CI:	Unlisted
Pricing Date (T+0):	25 November 2015
Issue Date (T+3)	30 November 2015, subject to the amendments to Stellar's MOI being processed and filed in the Company Register by the Companies and Intellectual Property Commission.
Currency:	ZAR
Issue Price:	100% of the Subscription Amount
Maturity Date:	31 May 2019
Denomination of the CI:	The CIs will be issued in denominations of R1,000,000 and will not be offered for subscription to a single addressee for an amount less than R10,000,000.
Redemption Price:	100% of the Subscription Amount
Settlement upon Conversion:	Share settlement
Dividend Rate:	[90% to 95%] of FNB Prime
Arrear Dividend Rate:	On a Redemption Event the Dividend Rate will be [90% to 95%] of Prime plus 200 basis points.
Dividend Dates:	Declared and payable semi-annually in arrears on 30 November and 31 May of each year.
Reference Share Price:	R2.32
Conversion Price:	R2.78, which is 20 percent above the Reference Share Price.
Conversion Ratio:	The number of ordinary shares underlying the CIs is 215,827,338, which equates to 1 CI converting into 359,712 ordinary shares, subject to any Conversion Price adjustments.
Soft Redemption:	The Issuer may at its option grant a soft redemption option to the Holders. If the Issuer grants a soft redemption option, then if the current market price of an ordinary share on the last day of the Conversion Period is less than the prevailing Conversion Price, a Holder will have the election to convert its CIs into the number of ordinary shares that it would be entitled to using the prevailing Conversion Price, with the Issuer making a cash payment to the Holder calculated as the amount by which the Redemption Amount of each CI exceeds the product of (i) the number of ordinary shares into which the CI is convertible and (ii) the average daily VWAP of an ordinary share on the JSE on each of the 15 consecutive dealing days commencing on the last day of the Conversion Period.

Anti-dilution Provisions:	Standard anti-dilution provisions at Stellar dealing with, <i>inter alia</i> , share consolidations, share splits, capital distributions, extraordinary dividends, rights issues and bonus issues, share repurchases, mergers, spinoffs, etc. The above will result in an adjustment to the Conversion Price
Extraordinary Dividend Protection:	Dividend protection by Stellar in the form of: <ul style="list-style-type: none"> • an adjustment to the Conversion Price, or • a cash pass through payment to Holders. The dividend threshold level is set at 0% p.a.
Financial Covenants:	<ul style="list-style-type: none"> • Asset Cover Ratio >3.25x • Net Asset Value > ZAR1.5bn • Look Through Asset Cover Ratio > 2.25x The Covenants will be measured as at 30 May and 30 November of each year, or any such other date as requested by a Holder.
Limitation on Debt:	No additional debt permitted in the Issuer without the consent of the Holders by way of an Extraordinary Resolution, subject to permitted carve-outs.
Limitation on Distributions:	No distributions are permitted by the Issuer, unless agreed to in advance by the Holders by way of an Extraordinary Resolution
Negative Pledge:	Assets and revenue streams of the Issuer may not be encumbered in favour of any other party without the consent of the Holders by way of an Extraordinary Resolution.
Change of Control:	A Change of Control event will occur under the following circumstances: <ul style="list-style-type: none"> • The Issuer, in a single transaction or through a combination of transactions, disposes of assets which exceed 20% of the total value of assets held by the Issuer, unless those proceeds are invested in a similar or better quality asset within 270 days; • A Current Major Shareholder which owns 20% or more of the issued share capital of the Issuer on the Issue Date increases its shareholding to greater than 70% in the Issuer; • Any party other than a Current Major Shareholder, acquires or controls more than 50% of the issued ordinary share capital of the Issuer; and • Other standard corporate action protections, for a transaction of this nature, to apply.
Change of Control Protection:	If there is a Change of Control, Holders will, for a period of 60 days, have the right to convert the CIs into ordinary shares of Stellar at a lower Conversion Price calculated on a pre-determined formula or to request redemption of the CIs at the Subscription Amount together with accrued dividends on the next Dividend Date.

Redemption Events:	<p>A Redemption Event will occur as a result of:</p> <ul style="list-style-type: none"> • a failure by the Issuer to declare and pay all or any part of any dividend on the CIs on an applicable Dividend Date; • a failure by the Issuer to redeem the CIs on the Maturity Date, Mandatory Redemption Date and/or a Conversion Date; • a change of the memorandum of incorporation (“MOI”) relating to the CIs without approval of the Holders; • a breach of the Valuation Covenants, Limitation on Debt and Limitation on Distributions or any other terms and conditions of the CIs; • a breach of any of the events of default including the Cross Default defined below.
Increase in Indebtedness:	Not permitted, unless agreed to in advance by the Holders by way of an Extraordinary Resolution, subject to a carve out of ZAR50,000,000.
Cross Default:	In respect of the Issuer only, subject to an aggregate threshold of ZAR25,000,000.
Lock-up:	A lock-up of 90 days from the Pricing Date, in respect of the disposal or issuance of ordinary shares in the Issuer will apply to Material Shareholders and related parties, subject to specific carve outs.
Modification of Rights:	Amendments can only be made if approved by Holders by way of an Extraordinary Resolution.
Taxation:	<p>Should there be a change of tax law prior to the redemption of the CIs, which is applicable to South African resident companies (“Adjustment Event”) and that results in the after-tax return for a Holder, or Holders collectively, holding 35% or more of the CIs decreasing, then the Issuer shall pay an additional dividend or increase the Dividend Rate by such margin as will result in the Holders receiving a net after-tax amount equal to the amount which they would otherwise have received in the absence of the occurrence of the Adjustment Event. Thereafter, as a result of the additional dividend, the Issuer shall have the election to voluntarily redeem the CIs at the Subscription Amount, should the cost of the CIs no longer be commercially viable for the Issuer.</p> <p>If an Adjustment Event occurs in relation to the CIs after the redemption of the CIs, the Issuer shall pay to the Holder such amount as may be required to place that Holder in the same after-tax position as it would have been in had the Adjustment Event not occurred</p> <p>These provisions terminate, in relation to each Holder, 3 (three) years after the year of assessment in which the Holder is finally assessed for tax in respect of all receipts and accruals pertaining to all or any CIs at any time held by that Holder.</p> <p>All securities transfer tax to be for the account of the Issuer.</p>

Form:	Registered form whereby ownership is reflected in the underlying certificates.
Governing Law:	South Africa
Clearing/Settlement:	Settlement will take place over the counter.
Joint Lead Managers:	Rand Merchant Bank, a division of FirstRand Bank Limited and Stellar Capital Advisers Proprietary Limited.
Bookrunner:	Rand Merchant Bank, a division of FirstRand Bank Limited.
Calculation, Transfer, Settlement and Conversion Agent:	Rand Merchant Bank, a division of FirstRand Bank Limited.

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