

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 4 of this Circular have, where appropriate, been used on this cover page.

If you are in any doubt as to what action to take, please consult your broker, CSDP, banker, accountant, legal advisor or other professional advisor.

### ACTION REQUIRED

If you have disposed of all your SA Corporate Units, then this Circular, together with the attached form of proxy (*blue*), should be handed to the purchaser of such SA Corporate Units or to the broker, CSDP, banker or other agent through whom the disposal was effected.

Beneficial Unitholders who have already Dematerialised their SA Corporate Units through a CSDP or broker who wish to attend the General Meeting must request their CSDP or broker to provide them with the necessary letter of representation to attend the General Meeting or must instruct their CSDP or broker to vote on their behalf in terms of their respective agreements with their CSDP or broker.

SA Corporate Unitholders are referred to page 2 of this Circular, which sets out the detailed action required of them in respect of the Transaction set out in this Circular. If you are in any doubt as to the action you should take, please consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

**SA Corporate does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of any holder of Dematerialised Units to notify such Unitholder of the Transaction set out in this Circular.**



Share code: SAC ISIN: ZAE000083614

("SA Corporate" or "the Fund")

(Approved as a CISIP REIT by the JSE)

A portfolio forming part of SA Corporate Real Estate Trust Scheme (the "Scheme"), a Collective Investment Scheme in property registered in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 and managed by

### SA Corporate Real Estate Fund Managers Limited

(Registration number 1994/009895/06)

(Incorporated in the Republic of South Africa)

("the Manager")

## CIRCULAR TO SA CORPORATE UNITHOLDERS

regarding:

- the proposed Transaction whereby SA Corporate will be reconstituted to an internally managed Corporate REIT and listed on the JSE as SA Corporate Real Estate Limited ("Newco"); and
- SA Corporate Unitholders recorded in the SA Corporate register on the Record Date, being Friday, 3 July 2015 will receive one Newco Share for every one SA Corporate Unit held on the Record Date;

and enclosing:

- a notice of General Meeting of SA Corporate Unitholders;
- a form of proxy (*blue*) to vote at the General Meeting of SA Corporate Unitholders to be held on Friday, 29 May 2015 for use by certificated SA Corporate Unitholders and Dematerialised SA Corporate Unitholders who have elected own-name registration only.

### Corporate Advisor and Transaction Sponsor

Out of the Ordinary®



### Independent Reporting Accountants and Auditors



### Attorneys, Tax and Competition Law Advisors



### Trustee of the Scheme



Date of issue: 30 April 2015

This Circular is available in English only. Copies of this Circular may be obtained from the registered office of SA Corporate, the Transfer Secretaries and the Corporate Advisor and Transaction Sponsor, at the addresses set out in the "Corporate Information and Advisors" section of this Circular during normal office hours from 30 April 2015 to 3 July 2015 and on SA Corporate's website at [www.sacorporatefund.co.za](http://www.sacorporatefund.co.za).

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## CORPORATE INFORMATION AND ADVISORS

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### Registered office of SA Corporate

South Wing, First Floor  
Block A, The Forum  
North Bank Lane  
Century City  
7441

### Directors

Independent non-executive Chairman  
Executive directors

Independent non-executive directors

Non-executive director

Jeff Molobela  
Terence Rory Mackey (*Managing Director*)  
Antoinette Margaret Basson (*Financial Director*)  
Robert John Biesman-Simons  
Gugulethu Patricia Dingaan  
Kenneth John Forbes  
Ebrahim Suleman Seedat  
Emily Mauristene Hendricks  
Mabotha Arthur Moloto  
Peter Aston Levett

### Company Secretary

Benjamin Swanepoel  
South Wing, First Floor  
Block A, The Forum  
North Bank Lane  
Century City  
7441

### Independent Reporting Accountants and Auditors

Deloitte & Touche  
27 Somerset Road  
Cape Quarter  
Green Point  
Cape Town  
8005  
(PO Box 578, Cape Town, 8000)

### Corporate Advisor and Transaction Sponsor

Investec Corporate Finance  
(a division of Investec Bank Limited)  
100 Grayston Drive  
Sandown  
Sandton  
2196

### Trustee

FirstRand Bank Limited (acting through RMB Custody and Trustee Services division)  
1st Floor, No 3 First Place, Bank City  
Corner of Jeppe and Simmonds Streets  
Johannesburg  
2001

### Attorneys, Tax and Competition Law Advisors

Cliffe Dekker Hofmeyr Inc.  
1 Protea Place  
Sandown  
Sandton  
2196

### Transfer Secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Ground Floor  
70 Marshall Street  
Johannesburg  
2001

### Date of establishment of SA Corporate

SA Corporate is a collective investment scheme in property established in September 1995 in terms of the Unit Trust Control Act, 54 of 1981, the previous Act regulating property and other unit trusts which has now been substituted by the Collective Investment Schemes Control Act, 45 of 2002.

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## **ACTION REQUIRED BY SA CORPORATE UNITHOLDERS**

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The definitions and interpretations commencing on page 4 of this Circular apply, *mutatis mutandis*, to this section.

### **THE GENERAL MEETING**

The implementation of the Transaction is subject to, *inter alia*, SA Corporate Unitholders passing the requisite resolution at the General Meeting of Unitholders to be held at 11:00 on Friday, 29 May 2015 at the Johannesburg office of Cliffe Dekker Hofmeyr Inc., being 1 Protea Place, Sandown, Sandton.

The record date, to determine who will be eligible to participate in and vote at the General Meeting, is Friday, 22 May 2015. A notice convening the General Meeting to be held at 11:00 on Friday, 29 May 2015 is attached to and forms part of this Circular.

Certificated Unitholders and Dematerialised Unitholders who have elected "own-name" registration in the sub-register of SA Corporate maintained by a CSDP, who are unable to attend the General Meeting but who wish to be represented thereat, are requested to complete and return the relevant attached form of proxy (*blue*) in accordance with the instructions contained therein. The duly completed form of proxy (*blue*) must be received by the Transfer Secretaries by no later than 10:00 on Wednesday, 27 May 2015.

Dematerialised Unitholders who have not elected "own-name" registration in the sub-register of SA Corporate maintained by a CSDP, and who wish to attend the General Meeting, must instruct their CSDP or broker timeously in order that such CSDP or broker may issue them with the necessary letter of representation or equivalent authority to attend the General Meeting.

Dematerialised Unitholders who have not elected "own-name" registration in the sub-register of SA Corporate maintained by a CSDP, and who do not wish to attend the General Meeting, must provide their CSDP or broker with their instruction for voting at the relevant General Meeting in the manner stipulated in the agreement between the SA Corporate Unitholder concerned and the CSDP or broker governing the relationship between such SA Corporate Unitholder and his/her CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.

**SA Corporate does not accept responsibility and will not be held liable for any failure on the part of the CSDP of a Dematerialised Unitholder to notify such SA Corporate Unitholder of the General Meeting or any business to be conducted thereat.**

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## SALIENT DATES AND TIMES

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2015

Last day to trade to receive the Circular and the Pre-listing Statement	Friday, 17 April
Record date to be entitled to receive this Circular and the Pre-listing Statement	Friday, 24 April
Circular and Newco Pre-listing Statement posted to Unitholders on	Thursday, 30 April
Announcement of posting of Circular; notice of General Meeting and abridged Pre-listing Statement on SENS on	Thursday, 30 April
Announcement of posting of Circular; notice of General Meeting and abridged Pre-listing Statement in the press on	Monday, 4 May
Last day to trade to be recorded in the SA Corporate register in order to be eligible to vote at the General Meeting	Friday, 15 May
Record date in order to be eligible to participate in and vote at the General Meeting	Friday, 22 May
Receipt of forms of proxy in respect of the General Meeting of SA Corporate Unitholders by 10:00 on	Wednesday, 27 May
The General Meeting of SA Corporate Unitholders to be held at 11:00 on	Friday, 29 May
Results of the General Meeting released on SENS on	Friday, 29 May
Results of the General Meeting published in the press on	Monday, 1 June
Finalisation announcement released on SENS on	Friday, 19 June
Finalisation announcement published in the press on	Monday, 22 June
Last day to trade in SA Corporate Units on the JSE to participate in the Transaction	Friday, 26 June
Anticipated Listing of Newco on the JSE from the commencement of trade on	Monday, 29 June
SA Corporate Units suspended from the commencement of trade on	Monday, 29 June
Trading in Newco Shares with the JSE share code: SAC and ISIN: ZAE000203238 commences on	Monday, 29 June
Effective Date of the Transaction	Wednesday, 1 July
Record Date to participate in the Delisting and to be entitled to receive Newco Shares	Friday, 3 July
Newco Shares issued to SA Corporate Unitholders pursuant to the Transaction	Monday, 6 July
Accounts at CSDP or broker updated in respect of dematerialised Shareholders	Monday, 6 July
Expected date of posting of Newco Share certificates to certified Shareholders	Monday, 6 July
Delisting of SA Corporate Units from the JSE at commencement of trade on	Monday, 6 July

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### Notes:

1. All dates and times in this Circular are local times in South Africa. The above dates and times are subject to change. Any changes will be released on SENS.
2. SA Corporate Unitholders are referred to page 2 of this Circular for information on the action required to be taken by them.
3. **SA Corporate Units may not be traded after Friday, 26 June 2015.**

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## DEFINITIONS AND INTERPRETATIONS

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In this Circular and the annexures hereto, unless otherwise indicated, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and *vice versa*, words importing one gender include the other gender and references to a person include references to an entity and *vice versa*:

<b>“Afhco”</b>	Afhco Holdings Proprietary Limited (registration number 1998/017120/07), a private company duly incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of SA Retail, which owns the fixed properties forming part of the Afhco portfolio of companies;
<b>“Amalgamation”</b>	the disposal by SA Corporate of all of its assets comprising of the shares in its Property Companies to Newco and the assumption of all its existing obligations by Newco as at the Effective Date, in consideration for which Shares in Newco will be issued directly to SA Corporate Unitholders on behalf of SA Corporate in the ratio of one Newco Share for every one SA Corporate Unit held on the Record Date whereafter SA Corporate will be wound up;
<b>“Amalgamation Agreement”</b>	the agreement between the Manager, the Trustee and Newco that gives effect to the Amalgamation dated 31 March 2015;
<b>“Annual General Meeting”</b>	the annual general meeting of Unitholders, convened by the notice of annual general meeting dated Wednesday, 15 April 2015, to be held at The Board Room, South Wing, First Floor, Block A, The Forum, North Bank Lane, Century City, 7441 (Cape Town) at 10:30 on Friday, 15 May 2015;
<b>“Board”</b>	the board of Directors of the Manager; the details of which are set out in the Corporate Information and Advisors section of this Circular and in paragraph 2 of the Pre-listing Statement;
<b>“Broll”</b>	Broll Property Group Proprietary Limited (registration number 2008/027519/07), a private company duly incorporated in accordance with the laws of South Africa and registered at the address 27 Fricker Road, Johannesburg, 2196;
<b>“Business Day”</b>	any day other than a Saturday, Sunday or official public holiday in South Africa;
<b>“Certificated Shares”</b>	Shares that have not been Dematerialised, and title to which is represented by a Share certificate or other Document of Title acceptable to the Board;
<b>“CGT”</b>	Capital Gains Tax as levied in terms of the Income Tax Act;
<b>“Circular”</b>	this Circular dated 30 April 2015, which sets out the full terms of the Transaction, including the annexures hereto;
<b>“CISCA”</b>	the Collective Investment Schemes Control Act, No. 45 of 2002, as amended;
<b>“CISIP”</b>	means a collective investment scheme in property in terms of CISCA;
<b>“Common Monetary Area”</b>	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
<b>“Company Secretary”</b>	Benjamin Swanepoel, full details of whom are set out in the Corporate Information and Advisors section of this Circular;

<b>“Competition Act”</b>	the Competition Act, No. 89 of 1998, as amended;
<b>“Corporate Advisor” and “Transaction Sponsor”</b>	Investec Corporate Finance, a division of Investec Bank Limited, full details of which are set out in the Corporate Information and Advisors section of this Circular;
<b>“Corporate REIT”</b>	a public company duly incorporated according to the laws of South Africa, whose shares are listed on the JSE, has been granted REIT status by the JSE and which qualifies for REIT treatment in terms of the Income Tax Act;
<b>“CSDP”</b>	Central Securities Depository Participant as defined in section 1 of the Financial Markets Act;
<b>“Deed”</b>	the deed entered into by the Manager and the Trustee in terms of which the Scheme was established, along with all supplemental deeds to date;
<b>“Delisting”</b>	the delisting of the SA Corporate Units from the Main Board of the JSE;
<b>“Dematerialise” or “Dematerialisation”</b>	the process whereby Certificated Shares are replaced by electronic records of ownership under Strate and recorded in the sub-register of shareholders maintained by a CSDP or broker;
<b>“Dematerialised Units”</b>	Units which have been dematerialised and incorporated into Strate;
<b>“Director”</b>	a director of the Board;
<b>“Documents of Title”</b>	valid share certificates or other documents of title in respect of Certificated Shares, which are acceptable to SA Corporate;
<b>“Effective Date”</b>	the date on which the Amalgamation is effective, which is anticipated to be midnight on 30 June 2015;
<b>“Exchange Control Regulations”</b>	Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended;
<b>“Financial Markets Act”</b>	Financial Markets Act, No. 19 of 2012, as amended;
<b>“Financial Year”</b>	the financial year of SA Corporate and Newco which commences on 1 January of each year and ends on 31 December of the same year;
<b>“General Meeting”</b>	the general meeting of Unitholders, convened by the notice of general meeting contained in this Circular; to be held at the Johannesburg office of Cliffe Dekker Hofmeyr Inc., being 1 Protea Place, Sandown, Sandton at 11:00 on Friday, 29 May 2015;
<b>“Group”</b>	collectively, Newco and all of its Property Companies;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“Income Tax Act” or “ITA”</b>	the Income Tax Act, No. 58 of 1962, as amended;
<b>“Independent Reporting Accountants and Auditors”</b>	Deloitte & Touche, full details of which are set out in the Corporate Information and Advisors section of this Circular;
<b>“Independent Valuers”</b>	the independent property valuers of SA Corporate as at 31 December 2014 being Africa Corporate Real Estate Solutions Proprietary Limited and Quadrant Properties Proprietary Limited;

<b>“Internalisation”</b>	the economic internalisation of the Manager, which resulted in the Manager taking over the asset management function in relation to the assets of the Fund from OMP;
<b>“JSE”</b>	JSE Limited (registration number 2005/022939/06), a public company duly incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
<b>“Last Practicable Date”</b>	Friday, 24 April 2015, being the last practicable date prior to the finalisation of this Circular;
<b>“Listing”</b>	the listing of Newco Shares on the Main Board of the JSE which is expected to take place on Monday, 29 June 2015;
<b>“Listings Requirements”</b>	the Listings Requirements published by the JSE from time to time;
<b>“Manager” or “Manco”</b>	SA Corporate Real Estate Fund Managers Limited (registration number 1994/009895/06), a public company duly incorporated in accordance with the laws of South Africa, and the registered management company of SA Corporate;
<b>“Manco Consideration”</b>	the consideration of R1.00 payable by Newco to MPS for the acquisition of the Manco shares, the purchase consideration having been agreed with Marriott and OMP pursuant to the Internalisation;
<b>“Manco Transaction”</b>	the acquisition by Newco of all the shares in Manco from MPS for the Manco Consideration;
<b>“Marriott” or “MPS”</b>	Marriott Property Services Proprietary Limited (registration number 1982/006032/07), a private company duly incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of OMP;
<b>“MOI”</b>	the memorandum of incorporation of Newco, the salient details of which are set out in <b>Annexure 5</b> to the Pre-listing Statement;
<b>“Newco”</b>	SA Corporate Real Estate Limited (registration number 2015/015578/06), a public company duly incorporated in accordance with the laws of South Africa, the Shares of which will list on the Main Board of the JSE;
<b>“Notice”</b>	Board Notice 42 of 2014 in terms of CISCA titled “Conditions for the winding-up of a Collective Investment Scheme in property under certain conditions”;
<b>“OMP”</b>	Old Mutual Property Proprietary Limited (registration number 1996/011259/07), a private company duly incorporated in accordance with the laws of South Africa, and the 100% shareholder in Marriott;
<b>“Pre-listing Statement”</b>	the Pre-listing Statement, which sets out the full details of Newco, a copy of which accompanies this Circular;



<b>“Properties Companies”</b>	the fixed property companies (as defined in CISCA) owned by the Fund, the shares of which are held by the Trustee in its capacity as custodian of the Fund, in its nominee company, SA Corporate Real Estate Fund Nominees Proprietary Limited, comprising Rock Kestrel Investments Proprietary Limited, Blue Heron Proprietary Limited, Dune Lark Investments Proprietary Limited, Erf 84-85-86 Shakas Head Proprietary Limited, Wood Ibis Investments Proprietary Limited, Grey Heron Investments Proprietary Limited, Jrad Investments Proprietary Limited (to be deregistered), Madison Park Properties 24 Proprietary Limited (to be deregistered), Whirlprops 25 Proprietary Limited (to be deregistered), Stondell Investments Proprietary Limited, Umlazi Mega City Proprietary Limited, SA Retail and Afhco (together with its subsidiaries), and which shares will be transferred to Newco in terms of the Amalgamation, the details of which are set out in <b>Annexure 2</b> to the Pre-Listing Statement;
<b>“Property Management Agreement”</b>	the property management agreement between the Manager and Broll (signed 13 May 2013), which commenced on 1 July 2013 and expires on 30 June 2016;
<b>“Property Portfolio”</b>	the portfolio of properties that Newco will acquire from SA Corporate pursuant to the Amalgamation, the details of which are set out in <b>Annexure 6</b> to the Pre-listing Statement;
<b>“Rand” or “R”</b>	South African Rand, the lawful currency of South Africa;
<b>“Record Date”</b>	Friday, 3 July 2015, being the date on which Unitholders are to be recorded in SA Corporate's register in order to receive Newco Shares;
<b>“Registrar”</b>	the Registrar of Collective Investment Schemes appointed in terms of CISCA;
<b>“REIT”</b>	a Real Estate Investment Trust, which status an applicant issuer may receive on application to the JSE and subject to compliance with the terms of the Listings Requirements and the ITA, of which there are currently two types, a CISIP and a Corporate REIT;
<b>“Relationship Agreement”</b>	the agreement between MPS, OMP and the Manager, dated 31 October 2013, pursuant to which, among other things, Unitholders are entitled to participate in a process by which Unitholders may determine the majority of the Board;
<b>“South Africa” or “SA”</b>	the Republic of South Africa;
<b>“SA Corporate” or “the Fund”</b>	SA Corporate Real Estate Trust Scheme, a CISIP registered in terms of CISCA, and managed by the Manager;
<b>“SA Corporate Units” or “Units”</b>	participatory interests in SA Corporate listed on the JSE;
<b>“SA Corporate Unitholder” or “Unitholder”</b>	the holder of Units in SA Corporate;
<b>“SARB”</b>	the South African Reserve Bank;
<b>“SA Retail”</b>	SA Retail Properties Proprietary Limited (registration number 1999/025764/07), a private company duly incorporated in accordance with the laws of South Africa as a Property Company;
<b>“SARS”</b>	the Commissioner of the South African Revenue Service;
<b>“SENS”</b>	Stock Exchange News Service of the JSE;

<b>“Share” or “Shares”</b>	a no par value ordinary share or no par value ordinary shares in the issued share capital of Newco;
<b>“Shareholder” or “Shareholders”</b>	the holder or holders of Shares in Newco;
<b>“Share Incentive Scheme”</b>	the share incentive scheme for the employees of the Manager and other participants;
<b>“Strate”</b>	Strate Proprietary Limited (registration number 1998/022242/07), a private company duly incorporated in accordance with the laws of South Africa, which is a registered central securities depository and which is responsible for the electronic settlement system used by the JSE;
<b>“Transaction”</b>	collectively, the Amalgamation, the Listing, the Delisting and the winding up of the Fund;
<b>“Transfer Secretaries”</b>	Computershare Investor Services Proprietary Limited, a company duly incorporated in accordance with the laws of the Republic of South Africa, full details of which are set out in the Corporate Information section of this Circular;
<b>“Trustee”</b>	FirstRand Bank Limited (acting through its RMB Custody and Trustee Services divisions) (in its capacity as Trustee for the Scheme), a company duly incorporated in accordance with the laws of South Africa and registered as a bank in terms of the Banks Act, No 94 of 1990, as amended; and
<b>“VAT”</b>	Value Added Tax as defined in the Value Added Tax Act, 89 of 1991, as amended.



Share code: SAC ISIN: ZAE000083614

("SA Corporate" or "the Fund")

(Approved as a CISIP REIT by the JSE)

A portfolio forming part of SA Corporate Real Estate Trust Scheme (the "Scheme"),  
a Collective Investment Scheme in property registered in terms of the  
Collective Investment Schemes Control Act, No. 45 of 2002 and managed by

**SA Corporate Real Estate Fund Managers Limited**

(Registration number 1994/009895/06)

(Incorporated in the Republic of South Africa)

("the Manager")

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## CIRCULAR TO SA CORPORATE UNITHOLDERS

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### I. INTRODUCTION AND RATIONALE

- 1.1 In line with SA Corporate's four pillar strategy, which includes aligning investor and management interests, the Fund concluded the Internalisation on 1 May 2014 which had the effect of the Manager taking over from OMP the asset management function in relation to the assets of the Fund.
- 1.2 The existing service charge arrangement in respect of the Fund was changed from a monthly charge based on a value of one 12th of 0.4% of the aggregate market capitalisation of the Fund plus borrowings, to a monthly charge equal to the actual operating costs incurred by the Manager in administering the Fund as well as scrapping the initial charge of 5% on the value of any new Units issued. A lump sum of R185 million plus VAT was paid by the Fund to the Manager, which was settled through cash resources.
- 1.3 The rationale for SA Corporate in executing the Internalisation was to align the interests of the Manager with those of its Unitholders and eliminate any real and perceived conflicts. In order to achieve a complete Internalisation, which results in Unitholders having control over management and the Board and ownership of the Manager, a two-phased approach was proposed, with the Internalisation comprising phase I.
- 1.4 Phase II involves the conversion of the Scheme and the Fund from a CISIP to a Corporate REIT, as soon as the appropriate regulatory framework is in place to achieve this.
- 1.5 On 28 March 2014 the Registrar issued the Notice, which sets out the framework for converting the Scheme to a Corporate REIT and the subsequent winding up of the CISIP concerned. Subject to the approval of Unitholders, the Transaction will be given effect to in accordance with the provisions of the Notice.
- 1.6 In this regard, the Board believes that it is the appropriate time for SA Corporate to convert from a CISIP to a Corporate REIT, which will further align the interests of the Manager with Unitholders. Furthermore, with the introduction of the REIT regime, it has resulted in the alignment of the fiscal consequences of investing in a CISIP and a property loan stock company, and thus the key rationale for investing in a CISIP no longer exists. There is also an investor preference for Corporate REITs as a result of institutional investors having a better understanding of the regulatory environment of Corporate REITs when compared to a CISIP.
- 1.7 The Registrar has given its approval to the convening of the General Meeting in order to obtain the requisite Unitholder approval for the conversion of SA Corporate to a Corporate REIT as contemplated in the Notice.
- 1.8 This Circular sets out the terms of the Transaction and contains the notice convening the General Meeting at which Unitholders will be asked to consider the proposed resolution to implement the Transaction and to vote thereon. The Transaction will result in Unitholders receiving one Newco Share listed on the JSE for every one SA Corporate Unit held on the Record Date, being Friday, 3 July 2015. A copy of the Pre-listing Statement has been posted to Unitholders together with a copy of this Circular and should be read in conjunction with this Circular as it contains important information for Unitholders about Newco, as required in terms of the Listings Requirements.

## 2. NATURE OF BUSINESS

### 2.1 Overview of SA Corporate

- 2.1.1 SA Corporate is a CISIP registered as a REIT and listed on the JSE, which invests in direct real estate, for the purpose of generating sustainable income and capital growth for its Unitholders.
- 2.1.2 SA Corporate's Property Portfolio consists of 166 properties, spread across the following sectors:

<b>Sectoral profile</b>	<b>By market value</b>	<b>By lettable area</b>	<b>By revenue</b>
Industrial	40.3%	57.2%	37.6%
Retail	40.9%	27.1%	46.9%
Offices and other	10.4%	6.1%	10.4%
Afhco	8.4%	9.6%	5.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

- 2.1.3 Further details of the Property Portfolio are set out in paragraph 8 and **Annexure 6** of the Pre-listing Statement, as well as SA Corporate's year-end results for the 12 months ended 31 December 2014.

### 2.2 Overview of the Manager

- 2.2.1 The Manco, the registered manager in terms of CISCA and currently owned by Marriott, was appointed the Manager of SA Corporate in terms of the Deed entered into between the Trustee of SA Corporate and Manco.
- 2.2.2 Manco has incorporated Newco and will be the sole Shareholder of Newco prior to the Listing. Newco will purchase the Manco shares from Marriott for a nominal sum of R1.00 with effect from the completion of the Transaction, whereafter Manco will be a wholly-owned subsidiary of Newco.
- 2.2.3 Post the Transaction, Manco will be the management company and a subsidiary of Newco and the manager of SA Corporate until SA Corporate is wound up.
- 2.2.4 The Board of Manco is also the board of directors of Newco, with the exception of Peter Levett, but after the Effective Date, the Board of Manco will be reconstituted as a subsidiary board, with only the two executive Directors and two independent non-executive Directors, subject to the Registrar's approval.
- 2.2.5 All the Manco staff will be employed directly by Manco post the Transaction.

## 3. THE TRANSACTION

### 3.1 Mechanics of the Transaction

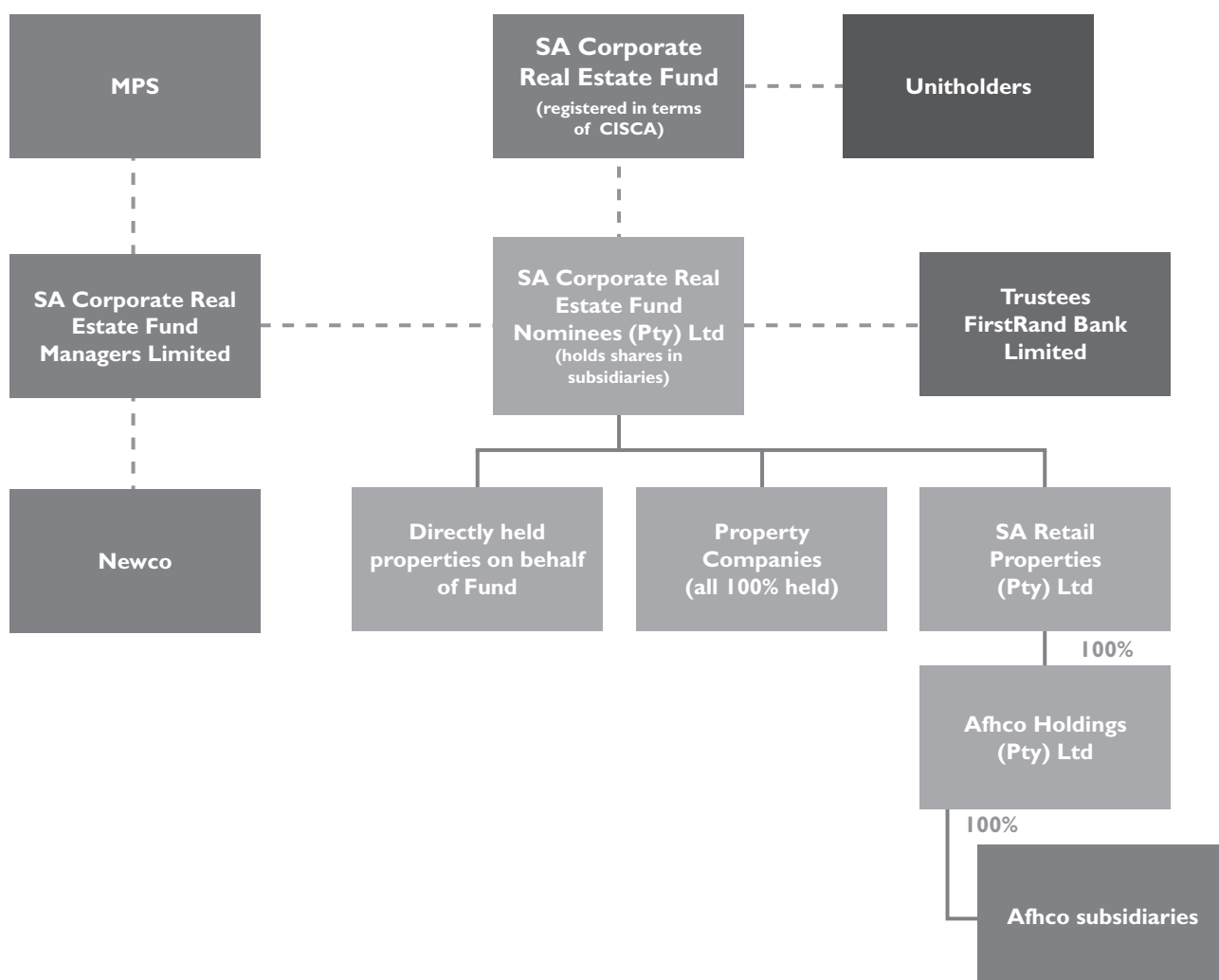
- 3.1.1 Prior to the implementation of the Transaction, SA Corporate has undertaken an internal restructure in terms of which SA Corporate has disposed of its directly held properties to its wholly-owned Property Company, SA Retail.
- 3.1.2 In terms of the Transaction and with effect from the Effective Date, SA Corporate will dispose of all its assets to Newco in consideration for:
- 3.1.2.1 the assumption by Newco of SA Corporate's liabilities; and
  - 3.1.2.2 Shares in Newco, which Shares will be issued directly to SA Corporate's Unitholders on behalf of SA Corporate.

In addition, Newco has indemnified the Manager, SA Corporate and the Trustee against any claims which may be brought against any of them in respect of any claim arising out of or in connection with any contractual or delictual claim of any nature incurred by SA Corporate.

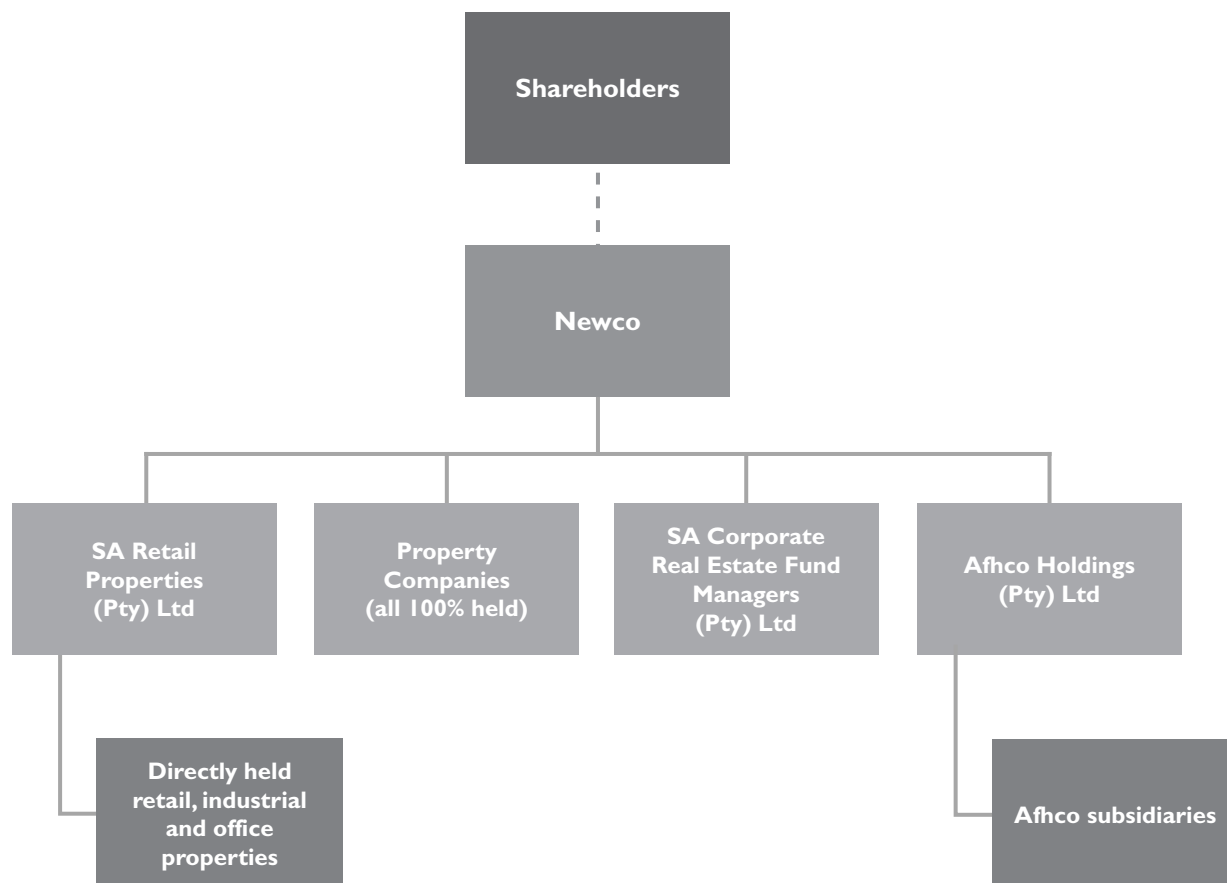
- 3.1.3 Unitholders recorded in the SA Corporate register on the Record Date, being Friday, 3 July 2015, will receive Newco Shares on a *pro rata* basis in the ratio of one Newco Share for every one SA Corporate Unit held on the Record Date.

- 3.1.4 Current Unitholders in SA Corporate will become direct Shareholders in Newco. They will therefore continue to be invested in the same base of assets in which they are currently invested via their holding of SA Corporate Units, namely all of the immovable properties held directly by SA Corporate and shares in SA Corporate's wholly-owned Property Companies.
- 3.1.5 Newco has secured a Listing by way of an introduction in the Real Estate, Diversified REITs, sector of the JSE, in terms of the FTSE classification, under the abbreviated name: "SA Corp", JSE share code: SAC and ISIN: ZAE000203238 with effect from the commencement of trade on Monday, 29 June 2015.
- 3.1.6 On or before 30 June 2015, SA Corporate will declare a distribution in respect of its half year ended 30 June 2015, which distribution shall be equal to the distributable income of SA Corporate in respect of the half year ended 30 June 2015 (after taking into consideration any other distributions previously made in respect of such financial period), as determined as soon as practicable after the finalisation of the interim results for the period ending 30 June 2015. In terms of the Transaction, Newco will undertake (as part of its assumption of the SA Corporate's liabilities) to pay such final distribution to Shareholders as at the relevant record date determined by the board of Newco.
- 3.1.7 Following the implementation of the Transaction, SA Corporate will no longer be the beneficial owner of the Property Portfolio and will no longer qualify for a listing on the JSE in terms of the Listings Requirements. Accordingly, the listing of SA Corporate on the Main Board of the JSE will be terminated with effect from Monday, 6 July 2015.
- 3.1.8 The net effect of the above will be to transform SA Corporate from a CISIP to a Corporate REIT. The current SA Corporate structure before implementation of the Transaction and the proposed Group structure after implementation of the Transaction is disclosed below.

**Figure 1: Current SA Corporate structure before the Transaction**



**Figure 2: Group structure post the Transaction**



### 3.2 Related party considerations

- 3.2.1 As Manco is the manager of SA Corporate, and the sole Shareholder of Newco, the Manco Transaction is (in normal circumstances under the Listings Requirements) a related party transaction.
- 3.2.2 SA Corporate paid a lump sum of R185 million plus VAT to the Manager for the Internalisation, and the parties to the Internalisation agreed that at the time of the Transaction, Newco would purchase, for a nominal sum, pursuant to the provisions of the Relationship Agreement, the Manager's shares from Marriott. The R185 million less withholdings for taxation, was distributed to Manco's shareholders. Marriott has also indemnified Manco against any additional tax liabilities that may arise out of the R185 million payment.
- 3.2.3 Accordingly, as the percentage ratio of the Manco Consideration to SA Corporate's market capitalisation is less than 0.25%, the Manco Transaction in terms of paragraph 10.6 of the Listings Requirements is not regarded as a related party transaction.
- 3.2.4 Grant Thornton provided an opinion, dated 2 October 2013, on the fairness of the Internalisation with a conclusion that the terms of the Internalisation were fair as far as SA Corporate Unitholders were concerned.
- 3.2.5 Manco and its Directors will be excluded from voting at the General Meeting.

### 3.3 Conditions precedent

The Transaction is subject to the fulfilment of the following conditions precedent by Friday, 26 June 2015:

- 3.3.1 the approval by SA Corporate Unitholders of the resolution proposed in the notice of General Meeting;
- 3.3.2 the Competition Authorities having approved the Transaction to the extent required;

- 3.3.3 the approval by SA Corporate's lenders regarding a syndicated loan to SA Retail, secured by guarantees by SA Corporate and some of its Property Companies;
- 3.3.4 the Registrar having approved the Transaction (which is subject to the requisite majority of Unitholders voting in favour of the Transaction at the General Meeting); and
- 3.3.5 suitable rulings being obtained from the Advance Tax Ruling Unit of SARS relating to certain aspects of the Transaction, including in respect of roll-over relief in terms of sections 42 and 44 of the Income Tax Act. The Manager shall have the discretion to waive the requirements in relation to the obtaining of such rulings or any part thereof, should it determine that such ruling or part thereof is no longer required.

#### 3.4 **Particulars of the issue of Newco Shares**

- 3.4.1 Unitholders holding certificated Units will be issued their Newco Shares in certificated form and Share certificates will be posted at the risk of the SA Corporate Unitholder concerned, by registered post, to the address reflected in the SA Corporate register on or about Monday, 6 July 2015. Certificated Unitholders are encouraged to Dematerialise their holdings. In respect of certificated Unitholders, Documents of Title in respect of SA Corporate Units are not required to be surrendered in order to receive Newco Shares.
- 3.4.2 Unitholders holding certificated Units are advised that they will have to Dematerialise the Newco Shares received by them in certificated form, prior to trading in such Shares on the exchange operated by the JSE.
- 3.4.3 Unitholders holding Dematerialised Units will have their Newco Shares credited to their accounts maintained by their CSDP or broker, as the case may be.

#### 3.5 **Taxation considerations relating to the Transaction**

- 3.5.1 The Transaction will be implemented consistent with the provisions of section 44 of the Income Tax Act governing rollover relief in the case of amalgamation transactions. Unitholders are referred to **Annexure I** of this Circular for the taxation considerations relating to the Transaction.
- 3.5.2 As set out in paragraph 3.8 of **Annexure I** of this Circular, in order for the Transaction to qualify as an amalgamation transaction it is a requirement that the Fund must have taken such steps as necessary within a period of 36 months after the date of the Amalgamation to liquidate, wind up or deregister SA Corporate.
- 3.5.3 The Manager intends taking all such necessary steps for the winding up of SA Corporate within that timeframe including effecting transfer of properties from SA Corporate to SA Retail, however, it should be noted that delays could be experienced in issuing rates clearance certificates from certain municipalities necessary to give effect to the transfer of properties and accordingly the timing of these transfers remains uncertain.

#### 3.6 **Exchange Control Regulations for SA Corporate Unitholders whose registered addresses are outside the Common Monetary Area**

Currency and Shares are not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations of the SARB. The Exchange Control Regulations also regulate the purchase by former residents and non-residents of Shares in Newco. Applicants who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an acquisition of Shares in Newco. The following summary is intended as a guide and is, therefore, not comprehensive. If you are in any doubt hereto, please consult your professional advisor.

##### 3.6.1 **Emigrants from the Common Monetary Area**

- A former resident of the Common Monetary Area who has emigrated from South Africa may use blocked Rand to purchase Shares in Newco.
- All payments in respect of Shares acquired by emigrants using blocked Rand must be made through an authorised dealer in foreign exchange.
- Any Shares issued pursuant to the use of emigrant block Rand will be credited to investors' blocked accounts at the CSDP controlling their blocked portfolios.

- Share certificates issued in respect of Shares purchased with blocked Rand will be endorsed “non-resident” in accordance with the Exchange Control Regulations. Share certificates will be placed under the control of the authorised dealer through whom the payment was made.

#### 3.6.2 **Applicants resident outside the Common Monetary Area**

- A person who is not resident in the Common Monetary Area should obtain advice as to whether any government and/or other legal consent is required and/or whether any other formality must be observed to enable an acquisition of Shares in Newco.
- All Share certificates issued to non-residents will be endorsed “non-resident” in terms of the Exchange Control Regulations. Statements issued to dematerialised Shareholders will be restrictively endorsed as “NON-RESIDENT”.

### 3.7 **Implication of the Transaction for foreign Unitholders**

3.7.1 The issue of Newco Shares is governed by the laws of South Africa and is subject to all applicable laws and regulations including Exchange Control Regulations.

3.7.2 Foreign Unitholders should inform themselves about and observe any applicable legal requirements of such jurisdictions in relation to all aspects of this Circular that may affect them.

3.7.3 It is the responsibility of each foreign Unitholder to satisfy himself as to the full observation of the laws and regulatory requirements of the relevant foreign jurisdiction in connection with the issue of Newco Shares, including the obtaining of any governmental, exchange or other consents or the making of any filings which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction.

3.7.4 Any foreign Unitholder who is in doubt as to his position with respect to the issue of Newco Shares and the substitution for the SA Corporate Units held by such person in any jurisdiction, including, without limitation, his tax status, should consult an appropriate professional advisor in the relevant jurisdiction without delay. Foreign Unitholders are reminded that they may dispose of their SA Corporate Units on the exchange operated by the JSE on or prior to Friday, 26 June 2015, in which case they will not receive Newco Shares.



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## GENERAL

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### 4. FINANCIAL INFORMATION

- 4.1 In terms of the Manco Transaction, Newco will purchase the shares of the Manager from Marriott for R1.00 and the Manager will become a wholly-owned subsidiary of Newco. The Internalisation was effective from 1 May 2014, therefore the Manco Transaction will have no further material financial effect on Unitholders.
- 4.2 The Transaction will result in once-off costs being incurred by SA Corporate of approximately R2 million, in addition to internal restructuring costs of approximately R3.76 million (as further detailed in paragraph 14 of this Circular), which will be settled by Newco in cash. After the Effective Date, the capital adequacy reserves ("CAR") required to be held by the Manager in terms of CISCA as a result of the reduced scope of the Manager's functions in relation to the Fund, essentially the winding-up of SA Corporate, will be reduced and a portion of the amount available will be applied towards the discharge of these transaction costs. As the CAR was approximately R8.6 million as at the Last Practicable Date, and it is anticipated that the CAR after the Effective Date will be approximately R600 000, the full amount of the Transaction costs will be funded from the balance of approximately R8 million. Furthermore the Transaction is considered to be a capital reorganisation in terms of IFRS and the Transaction costs will be netted off against the capital of Newco.
- 4.3 Accordingly, the net effect of the Transaction on SA Corporate's earnings per Unit, headline earnings per Unit, net asset value per Unit and distribution per Unit for the 12 months ended 31 December 2014 will be insignificant, as defined in the Listings Requirements.

### 5. MAJOR AND CONTROLLING UNITHOLDERS

Details of SA Corporate's major and controlling Unitholders are set out in paragraph 5 of the Pre-listing Statement.

### 6. HISTORICAL FINANCIAL INFORMATION OF NEWCO

- 6.1 The historical information of Newco from 19 January 2015 (date of incorporation) to 31 March 2015 is set out in **Annexure 8** of the Pre-listing Statement.
- 6.2 Currently there is no general authority to issue Shares in Newco. An ordinary resolution will be passed by Manco and incorporated by Newco by the date of the Annual General Meeting of the Fund, being 15 May 2015, for the authorised but unissued ordinary Shares of no par value to be placed under the control of the Directors, provided that the number of Shares issued (excluding the Shares relating to the Listing) hereunder in aggregate in any one Financial Year, will not exceed 202 416 241 ordinary Shares which number will represent 10% of the number of Shares in issue (excluding treasury Shares) post the Listing, being 2 024 162 410 ordinary Shares.
- 6.3 The preparation of the historical information is the responsibility of the Directors. The Independent Reporting Accountants and Audit's report thereon is contained in **Annexure 9** of the Pre-listing Statement.
- 6.4 The accounting policies of SA Corporate, which post implementation of the Transaction will be adopted by Newco, are set out in **Annexure 10** of the Pre-listing Statement.

### 7. DIRECTORS' INTERESTS

Details of Directors' interests in SA Corporate Units are set out in paragraph 2.3 of the Pre-listing Statement.

### 8. MATERIAL CHANGES

Details of material changes are set out in paragraph 22 of the Pre-listing Statement.

## 9. MATERIAL CONTRACTS

- 9.1 Details of material contracts are set out in paragraph 24 of the Pre-listing Statement.
- 9.2 Save for the service contracts of the executive Directors (as disclosed in **Annexure 4** of the Pre-listing Statement), SA Corporate has not entered into any contracts relating to the Directors' and managerial remuneration, secretarial and technical fees and restraint payments.

## 10. INFORMATION REQUIRED TO BE DISCLOSED IN RESPECT OF PROPERTY ENTITIES

- 10.1 Details of the Property Management Agreement are set out in paragraph 4 of the Pre-listing Statement.
- 10.2 Details of the analysis of the Property Portfolio are set out in paragraph 8 of the Pre-listing Statement.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given on the Corporate Information and Advisors section of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by law and the Listings Requirements.

## 12. LITIGATION STATEMENT

Other than noted in paragraph 19.1.4 of the Pre-listing Statement, there are no legal or arbitration proceedings nor are the Directors aware of any proceedings which are pending or threatened which may have or have had, in the 12-month period preceding the date of this Circular, a material effect on the financial position of Newco, SA Corporate, or any of their subsidiaries.

## 13. CONSENTS

The Corporate Advisor and Transaction Sponsor, Attorneys, Tax and Competition Law Advisors, Independent Reporting Accountants and Auditors, and Transfer Secretaries have consented in writing to act in the capacities stated and to their names being included in this Circular and have not withdrawn their consents prior to the publication of this Circular and, if applicable, have consented to the inclusion of their respective reports in this Circular in the form and context in which they appear and had not withdrawn their written consent prior to publication of this Circular.

## 14. PRELIMINARY EXPENSES AND ISSUE EXPENSES

The preliminary and issue expenses (excluding VAT) relating to the Transaction which have been incurred or that are expected to be incurred by SA Corporate, and which will be settled by Newco are presented in the table below:

	<b>Rand</b>
Corporate Advisor and Transaction Sponsor – Investec Corporate Finance	500 000
Independent Auditors and Reporting Accountants – Deloitte & Touche	170 000
Attorney, tax, competition advisory and competition filing fees – Cliffe Dekker Hofmeyr Inc.	920 000
Tax ruling fees – SARS	100 000
FSB fees	32 000
Transfer secretaries – Computershare	50 000
Documentation fees – JSE	35 161
Printing and publishing fees – Ince	250 000
Sundry and administrative expenses	10 000
<b>Total</b>	<b>2 067 161</b>

As set out in paragraph 4.2 of this Circular, SA Corporate will utilise the CAR in discharging these expenses.

As part of the internal restructure of SA Corporate (i.e. the transfer of the directly held properties of the Fund to SA Retail), conveyancing and bond registration costs of approximately R3.76 million are expected to be incurred by the Group, which costs will also be settled by utilising the CAR.

## 15. GENERAL MEETING

- 15.1 A General Meeting of SA Corporate Unitholders will be held on Friday, 29 May 2015 at the Johannesburg office of Cliffe Dekker Hofmeyr Inc. being 1 Protea Place, Sandown, Sandton, to consider and, if deemed fit, pass with or without modification the proposed resolution necessary to implement the Transaction.
- 15.2 Details of the action required by Unitholders are set out on page 2 of this Circular.

## 16. DOCUMENTS AVAILABLE FOR INSPECTION

- 16.1 The documents listed below will be available for inspection during normal office hours on Business Days from 30 April 2015 until 3 July 2015 at the registered office of SA Corporate at South Wing, First Floor, Block A, The Forum, North Bank Lane, Century City, 7441, as well as the Johannesburg office at 7th Floor, World Trade Centre, Corner West Road South and Lower Road, Morningside, Sandton.
- 16.2 The documents available for inspection are as follows:
- 16.2.1 the MOI of Newco and its subsidiaries;
  - 16.2.2 copies of all material contracts;
  - 16.2.3 copies of service agreements with Directors, entered into during the last three years;
  - 16.2.4 a signed copy of the Pre-listing Statement;
  - 16.2.5 a signed copy of this Circular;
  - 16.2.6 a copy of the Share Incentive Scheme;
  - 16.2.7 the audited financial statements of Newco for the period from incorporation to 31 March 2015;
  - 16.2.8 the valuation reports prepared by the Independent Valuers as at 31 December 2014;
  - 16.2.9 the Independent Reporting Accountant and Auditor's report on the historical financial statements, as set out in **Annexure 9** of the Pre-listing Statement;
  - 16.2.10 the audited annual financial statements of SA Corporate for the preceding three years; and
  - 16.2.11 the written consents of the experts.

Signed in Sandton by Terence Rory Mackey on his behalf and on behalf of all the Directors of SA Corporate on 24 April 2015 in terms of the authorisation by way of a Directors' resolution passed on Wednesday, 1 April 2015.

**Terence Rory Mackey**

By order of the Board

**SA Corporate Real Estate Fund Managers Limited**

**Registered office**

South Wing, First Floor  
Block A, The Forum  
North Bank Lane  
Century City  
7441

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## TAXATION CONSIDERATIONS RELATING TO THE TRANSACTION

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### 1. INTRODUCTION

- 1.1 The following summary relating to the South African fiscal position pursuant to the implementation of the Transaction is based on advice received by the Fund regarding the law and practice in force in South Africa as at the date of this Circular.
- 1.2 This summary is only intended to be a brief and general guide dealing with the main fiscal consequences of the implementation of the Transaction for Unitholders. It is not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. Unitholders are advised to seek professional tax advice in respect of the Transaction, including the substitution of their SA Corporate Units for Newco Shares.
- 1.3 This summary is based on an interpretation of the relevant fiscal legislation as known to the Fund as at the date hereof. Unitholders are advised that fiscal laws and their interpretation may change from time to time.

### 2. THE REIT SYSTEM

- 2.1 With effect from 1 April 2013 a unified system was created for taxing REITs. This follows from submissions that were made to the relevant authorities so as to align the fiscal consequences for investing in both a CISIP and a property loan stock company ("**PLS**"), being companies listed on the JSE, with a share capital comprising shares linked to debentures as linked units ("**linked units**"). The new legislation has thus been drafted in line with international norms on the basis that the objective of a REIT is to provide investors with a steady income stream based on the rental received, whilst also providing capital growth following from the investment in the underlying properties.
- 2.2 In order to qualify as a REIT for tax purposes, the entity must, amongst other things, be a South African tax resident and its securities must be listed on the JSE as securities in a REIT.
- 2.3 Pursuant to being recognised as a REIT for tax purposes, the traditional usage of so-called linked units in a PLS is no longer required. A REIT is entitled to claim a deduction in respect of all qualifying distributions made by it either in the form of dividends or as interest on the debenture portion of a linked unit (which is not relevant in the case of Newco). The deduction does not apply to any dividends in the form of share buybacks. In order to become a qualifying distribution, at least 75% of the gross income received by or accrued to a REIT until the date of declaration of the dividend must consist of rental income, where the REIT has been incorporated, formed or established during the year of assessment (as in the case of Newco). In any other case, at least 75% of the gross income received by or accrued to a REIT in the preceding year of assessment must consist of rental income. The concept of rental income is not only defined with reference to amounts received or accrued in respect of the use of immovable property such as rental, but also:
  - 2.3.1 a penalty or interest in respect of late payment of these amounts;
  - 2.3.2 a dividend from a company that is a REIT at the time of distribution of the dividend;
  - 2.3.3 a qualifying distribution from a controlled company at the time of the distribution; or
  - 2.3.4 a dividend or foreign dividend from a company that is a property company at the time of the distribution.
- 2.4 By being able to claim a deduction in respect of these qualifying distributions, the tax liability of a REIT is expected to be minimal in this regard.
- 2.5 The consequences of being able to claim a deduction in respect of qualifying distributions is that the dividends distributed by a REIT to resident shareholders will be subject to normal tax and will not be exempt. However, no additional dividend withholding tax will be payable in respect of these distributions which are subject to income tax. With effect from 1 January 2014, dividends that are distributed by a REIT to foreign shareholders are subject to dividends tax of 15%.
- 2.6 The tax dispensation that applies to REITs also applies to so-called controlled companies. A controlled company is a company that is a subsidiary of a REIT as defined in terms of IFRS. In other words, the requirement is to be determined from an IFRS perspective and not from a company law perspective. For instance, a company can

be a subsidiary of a trust in certain circumstances. The effect is that a controlled company can make deductible distributions to the REIT for so long as the 75% rental test is satisfied.

- 2.7 A second category of companies that is relevant for a REIT is that of a property company. This is a company in which 20% or more of the equity shares or linked units are held by a REIT or a controlled company and of which at the end of the previous year of assessment 80% or more of the value of the assets, as reflected in the annual financial statements of such property company for the previous year of assessment is, directly or indirectly, attributable to immovable property. Even though this type of entity is not entitled to deduct any distributions, the distributions so received by a REIT from a property company will qualify as rental income if the property company has made distributions in circumstances where it satisfies the 75% rental test.
- 2.8 Pursuant to being classified as a REIT for tax purposes, capital gains or losses that arise in respect of the disposal by a REIT or a controlled company of the following assets are to be ignored for CGT purposes:
  - 2.8.1 immovable property;
  - 2.8.2 a share or a linked unit in a company that is a REIT at the time of the disposal; or
  - 2.8.3 a share or a linked unit in a company that is a property company at the time of the disposal.

It is important to note that speculative transactions are still taxable.

- 2.9 Following from not being liable to account for CGT on the disposal of immovable properties held by a REIT, it has also been indicated that a REIT or a controlled company cannot claim allowances in respect of immovable property in terms of sections 11(g), 13, 13bis, 13ter, 13quat, or 13sex of the ITA.
- 2.10 The aggregate amount of the deductions that can be claimed by a REIT in respect of a qualifying distribution may not exceed the taxable income for that year of assessment of that REIT or the relevant controlled company, before taking into account:
  - 2.10.1 any deduction of an amount as envisaged in section 25BB of the ITA;
  - 2.10.2 any assessed loss brought forward in terms of section 20 of the ITA; and
  - 2.10.3 the amount of taxable capital gain included in taxable income in terms of section 26A of the ITA.
- 2.11 Any amount received by or accrued to a REIT or a controlled company in respect of a financial instrument must now be included in the income of the relevant company, whether or not the financial instrument may have been held on capital account. However, this deeming provision does not apply to the disposal of a share or a linked unit in a company that is a REIT, a controlled company, or a property company on the date of disposal.
- 2.12 The acquisition and disposal of shares in a REIT are exempt from the payment of securities transfer tax. In other words, a REIT is taxed similar to the transfer of an interest in a collective investment scheme in securities.

### 3. THE AMALGAMATION TRANSACTION

- 3.1 The Fund has entered into an amalgamation transaction with Newco on the basis that it will dispose of all its assets to Newco in return for the issue of ordinary Shares by Newco and assuming all liabilities. In particular, the ordinary Shares will be issued directly to Unitholders on behalf of the Fund in the ratio of one Newco Share for every one SA Corporate Unit held on the Record Date.
- 3.2 The Transaction between SA Corporate and Newco will take place as an amalgamation transaction governed by section 44 of the ITA. An amalgamation transaction is defined as a transaction in terms of which an amalgamated company which is a resident disposes of all of its assets (other than assets it elects to use to settle any debts incurred by it in the ordinary course of its trade) to a resultant company which is a resident, by means of an amalgamation, as a result of which the existence of the amalgamated company will be terminated. In the case of the Transaction, SA Corporate will dispose of all its assets to Newco on the basis that both are resident for tax purposes, by means of an amalgamation as a result of which the existence of SA Corporate will be terminated.
- 3.3 Previously, the legislation did not provide for the effective conversion of a portfolio of a CISIP into a Corporate REIT. Pursuant to submissions that have been made, the fiscal legislation now provided for such conversion after the promulgation of the Taxation Laws Amendment Act, No. 31 of 2013.

- 3.4 In particular, the Fund, even though it is a portfolio of a CISIP, is deemed to be a company for tax purposes and the Units are deemed to be equity shares. The Fund, as the amalgamated company, will thus dispose of all of its assets to Newco on the basis that both are South African tax residents. Pursuant to such Transaction, the existence of the Fund must be terminated.
- 3.5 It should be appreciated that the consideration payable by Newco for the acquisition of the assets in the Fund will be effectively discharged through means of the issue of equity Shares by Newco to SA Corporate Unitholders directly on behalf of the Fund. On this basis rollover relief is obtained and no taxes will be payable by either SA Corporate Unitholders, Newco or the Fund pursuant to the Transaction. Effectively, Newco will acquire the assets of the Fund at their effective base cost or tax cost for tax purposes. To the extent that the Fund held the assets on capital account, Newco will continue to hold those assets on capital account.
- 3.6 In order to determine the contributed tax capital of Newco, it is effectively the price at which Units were originally issued by the Fund.
- 3.7 The Fund will act as a conduit pursuant to the issue of the Newco Shares to SA Corporate Unitholders and no separate tax will be leviable in the hands of the Fund. In particular, the Fund is not deemed to have declared any dividend to Unitholders. Furthermore, the Newco Shares are not deemed to be an amount that is transferred or applied by the Fund for the benefit on behalf of any SA Corporate Unitholder in respect of the Units so held in the Fund.
- 3.8 In order to qualify as an amalgamation transaction, it is a requirement that the Fund must have taken such steps as necessary within a period of 36 months after the date of the amalgamation to liquidate, wind up or deregister.

#### 4. **THE TAX POSITION OF SA CORPORATE UNITHOLDERS**

The effect of complying with the amalgamation provisions contained in section 44 of the ITA is that SA Corporate Unitholders are not deemed to have disposed of their Units in the Fund. Effectively rollover relief is provided on the basis that the Newco Shares are deemed to have been acquired for a cost equal to the base cost of the Units or the cost taken into account for trading stock purposes, as the case may be. In other words, a tax liability will arise only whenever the Newco Shares are disposed of and not pursuant to the disposal of the SA Corporate Units as part of the Amalgamation. SA Corporate Unitholders are also deemed to have acquired the Newco Shares on the date upon which they acquired the SA Corporate Units in the Fund for a cost equal to the expenditure incurred by them originally. No securities transfer tax is payable pursuant to the substitution of the SA Corporate Units for the Newco Shares.

#### 5. **THE POSITION GOING FORWARD**

- 5.1 As indicated above, distributions made by Newco going forward:
  - 5.1.1 will be deemed to be a taxable dividend in the hands of the resident Shareholders; and
  - 5.1.2 will be subject to dividends tax in the case of non-resident Shareholders.

The current dividends tax rate is equal to 15%, but it is reduced to the extent that the non-resident Shareholder is a resident of a country with whom South Africa has concluded a double taxation convention (a "**Treaty**"). The effective dividends tax rate is often reduced in terms of the Treaties to either 5% or 10%, as the case may be.

- 5.2 Dividends tax is a final tax that is levied on the shareholder who becomes entitled to the dividends as opposed to the company that declares the dividend. However, the paying company is required to withhold the dividends tax for the benefit of the recipient. To the extent that a dividend is paid to the regulated intermediary (which will be the case with Newco), this receipt is exempt, but the regulated intermediary is liable to withhold the dividends tax when it is on-distributed to non-resident shareholders. A dividend is deemed to have been paid on the date upon which the dividend is paid by a listed company. The dividends tax is payable by the regulated intermediary to SARS by the last day of the month following the month during which the dividend has been paid.
- 5.3 A juristic person is a resident of South Africa for tax purposes if it is incorporated, established or formed in South Africa or if it has its place of effective management in South Africa. However, ultimate residency would be determined according to so-called tie-breaker rules in the relevant Treaty. Such tie-breaker rules generally utilise the place of effective management as the definitive test.

- 5.4 The income tax rate that is applicable to a South African resident company is 28%, whereas individuals pay income tax on a sliding scale up to a maximum of 41%. The disposal of Newco Shares can either be on revenue or capital account, depending on the intention of the Newco Shareholder. The proceeds will be on revenue account if they are not fortuitous, but designedly sought for and worked for. Equally, they will be deemed to be on revenue account if the Newco Shares are disposed of as part of a business in carrying out a scheme for profit making. However, to the extent that the Newco Shares have been held for a continuous period of at least three years, the proceeds are automatically deemed to be on capital account. In the context of South African resident Newco Shareholders, the effective CGT rate in the case of:
- 5.4.1 individuals is 13.65%;
  - 5.4.2 corporate is 18.6%; and
  - 5.4.3 trusts is 27.31%.
- 5.5 REIT dividends will otherwise be taxable in the hands of South African resident Newco Shareholders at normal income tax rates, being:
- 5.5.1 a sliding scale up to 41% in the case of an individual;
  - 5.5.2 28% in the case of a corporate; and
  - 5.5.3 41% in the case of a trust.
- 5.6 Non-residents are generally not subject to tax in respect of the sale of shares in South African companies, except to the extent that, in this particular instance, they hold at least 20% of the equity Shares in Newco.

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# SA CORPORATE REAL ESTATE FUND

Share code: SAC ISIN: ZAE000083614

("SA Corporate" or "the Fund")

(Approved as a CISIP REIT by the JSE)

A portfolio forming part of SA Corporate Real Estate Trust Scheme (the "Scheme"),  
a Collective Investment Scheme in property registered in terms of the  
Collective Investment Schemes Control Act, No. 45 of 2002 and managed by

## SA Corporate Real Estate Fund Managers Limited

(Registration number 1994/009895/06)

(Incorporated in the Republic of South Africa)

("the Manager")

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### Directors of SA Corporate

J Molobela (*Independent non-executive Chairman*)

TR Mackey\* (*Managing Director*)

AM Basson\* (*Financial Director*)

RJ Biesman-Simons

GP Dingaam

KJ Forbes

ES Seedat

EM Hendricks

MA Moloto

PA Levett

\* *Executive Director*

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## NOTICE OF GENERAL MEETING OF SA CORPORATE UNITHOLDERS

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Notice is hereby given that a general meeting of unitholders ("Unitholders") of SA Corporate will be held at the Johannesburg office of Cliffe Dekker Hofmeyr Inc., being 1 Protea Place, Sandown, Sandton, at 11:00 on Friday, 29 May 2015 (the "General Meeting"), for the purpose of considering and, if deemed fit, passing with or without modification, the resolution set out below.

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### Important dates to note

**2015**

Record date to be entitled to receive this Circular	Friday, 24 April
Last day to trade to be recorded in the SA Corporate register on the record date in order to be eligible to vote at the General Meeting	Friday, 15 May
Record date in order to be eligible to participate in and vote at the General Meeting	Friday, 22 May
Last day for receipt of forms of proxy by no later than 10:00 on	Wednesday, 27 May

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Where appropriate and applicable the terms defined in the Circular to which this notice of meeting is attached and forms part bear the same meaning in this notice of General Meeting, and in particular in the resolution set out below.



## **RESOLUTION I – Approval of the Transaction**

“**RESOLVED THAT** the series of transactions whereby SA Corporate will be reconstituted as a Corporate REIT, which transactions comprise:

- the disposal by SA Corporate of all the shares and claims held in its Property Companies to Newco in consideration for which Shares in Newco will be issued directly to Unitholders in the ratio of one Newco Share for every one SA Corporate Unit held on the Record Date;
- the Amalgamation of SA Corporate and Newco, per the Amalgamation Agreement in terms of the requirements of section 44 of the Income Tax Act;
- the Listing of Newco in the “Real Estate”, “Diversified REITs” sector of the JSE, in terms of the FTSE classification, under the abbreviated name: “SA Corp”, JSE share code: SAC and ISIN: ZAE000203238 with effect from the commencement of trade on Monday, 29 June 2015;
- the termination of the listing of SA Corporate from the Main Board of the JSE with effect from Monday, 29 June 2015; and
- the winding up of SA Corporate,

and in terms of which:

- RI will be paid by Newco to the shareholder of the Manager; and
- the Group will incur Transaction costs of approximately R2 million as further detailed in paragraph 14 of the Circular;

all on the terms and conditions contained in the Circular to Unitholders to which a copy of this notice of General Meeting is attached be and are hereby approved; and any Director of the Manager be and is hereby authorised to do all things and sign all documents required to give effect to and implement this resolution.”

### **Requirements of the Notice**

1. The General Meeting may be postponed or adjourned by agreement between the Trustee and the Manager, or as determined by Unitholders in terms of a resolution passed in terms of the Listings Requirements at such General Meeting, to another date and time, not being more than 120 days after the date on which the General Meeting was first convened. Details of the date and time of the postponed or adjourned General Meeting and the reasons therefor, must be given to the Registrar and the Trustee and published on SENS and in the press.
2. Prior to the Manager proceeding with the implementation of the Transaction after the resolution has been passed at the General Meeting, the Trustee must furnish to the Registrar a statement confirming that:
  - a. the General Meeting was specially called to consider the resolution;
  - b. proper notice of the General Meeting was given to Unitholders; and
  - c. Unitholders at the General Meeting passed the resolution with the requisite majorities.

### **Voting requirements in terms of the Collective Investment Schemes Control Act, 2002**

The resolution must be approved by at least 75% of the votes of Unitholders present and voting at the General Meeting. In accordance the Notice, the Manager and any parties which are related parties to the Manager for the purposes of the Listings Requirements will be excluded from both the determination of the quorum for the meeting and the votes to be counted in respect of the resolution, unless otherwise determined by the Registrar.

### **Quorum in terms of the Deed**

In accordance with the provisions of the Deed, a quorum for the purposes of a General Meeting is three Unitholders personally present (or if the Unitholder is a body corporate, the body corporate must be present) and entitled to vote.

### **FORM OF PROXY**

A form of proxy (*blue*) is attached for the convenience of any Unitholder holding certificated Units who cannot attend the General Meeting of Unitholders or who wishes to be represented thereat. Forms of proxy may also be obtained on request from SA Corporate’s registered office. The completed forms of proxy must be deposited at or posted to the office of the Transfer Secretaries of SA Corporate to be received by no later than 10:00 on Wednesday, 27 May 2015. Any

SA Corporate Unitholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the General Meeting should the Unitholder subsequently decide to do so.

Dematerialised Unitholders who have elected "own name" registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the General Meeting should complete and return the attached form of proxy (*blue*) in accordance with the instructions contained therein and lodge it with the Transfer Secretaries, by 10:00 on Wednesday, 27 May 2015.

Dematerialised Unitholders who have not elected "own name" registration in the sub-register through a CSDP and who wish to attend the General Meeting must instruct their CSDP or broker to issue them with a letter of representation.

Dematerialised Unitholders who have not elected "own name" registration in the sub-register through a CSDP and who are unable to attend but who wish to vote at the General Meeting should ensure that the person or entity (such as a nominee) whose name has been entered into the sub-register maintained by a CSDP or broker completes and returns the attached form of proxy (*blue*) in terms of which they appoint a proxy to vote at the General Meeting.

By order of the Board

**SA Corporate Real Estate Fund Managers Limited**

30 April 2015

**SA Corporate Real Estate Fund Managers Limited**

South Wing, First Floor  
Block A, The Forum  
North Bank Lane  
Century City  
7441

**Transfer Secretaries**

Hand deliveries to:

**Computershare Investor Services Proprietary Limited**

(Registration number 2004/003647/07)

Ground floor  
70 Marshall Street  
Johannesburg  
2001

Postal deliveries to:

PO Box 61051, Marshalltown, 2107



Share code: SAC ISIN: ZAE000083614

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(Approved as a CISIP REIT by the JSE)

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**Directors of SA Corporate**

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AM Basson\* (*Financial Director*)

RJ Biesman-Simons

GP Dingaen

KJ Forbes

ES Seedat

EM Hendricks

MA Moloto

PA Levett

\* *Executive Director*

**FORM OF PROXY – GENERAL MEETING OF SA CORPORATE UNITHOLDERS**

For use by unitholders, who were registered as unitholders on Friday, 15 May 2015, holding certificated SA Corporate Units, dematerialised unitholders who have elected "own name" registration, nominee companies of CSDP and brokers nominee companies ("Unitholders"), at the general meeting of Unitholders to be held at 11:00 on Friday, 29 May 2015 at the Johannesburg office of Cliffe Dekker Hofmeyr Inc., being 1 Protea Place, Sandown, Sandton (the "General Meeting").

Not for use by dematerialised Unitholders who have not elected "own name" registration. Such Unitholders must contact their CSDP or broker timeously if they wish to attend and vote at the General Meeting and request that they be issued with the necessary letter of representation to do so, or provide the CSDP or broker timeously with their voting instruction should they not wish to attend the General Meeting in order for the CSDP or broker to vote in accordance with their instructions at the General Meeting.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

of (ADDRESS)

Telephone number

Cell phone number

Email address

being the holder/s of  SA Corporate Units, hereby appoint:

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. the chairman of the General Meeting of Unitholders,

as my/proxy to attend and speak and vote for me/us and on my/our behalf at the General Meeting of Unitholders and at any adjournment thereof, in the following manner:

	Number of votes		
	*For	*Against	*Abstain
<b>Resolution I – Approval of the Transaction</b>			

\*Mark "For", "Against" or "Abstain" as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Unless otherwise instructed, my/our proxy may vote or abstain from voting as he/she thinks fit.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2015

Signature

Assisted by (where applicable)

(Indicate instruction to proxy in the spaces provided above).

A SA Corporate Unitholder entitled to attend and vote at the abovementioned General Meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a Unitholder of SA Corporate.

Forms of proxy must be deposited at Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, or posted to PO Box 61051, Marshalltown, 2107 so as to be received by no later than 10:00 on Wednesday, 27 May 2015.

**Notes:**

1. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
2. Unitholders that are certified or own-name dematerialised Unitholders, entitled to attend and vote at the General Meeting may insert the name of a proxy or the names of two alternative proxies of the unitholder's choice in the space/s provided, with or without deleting "the chairman of the General Meeting", but any such deletion must be initialled by the Unitholder(s). Such proxy/ies may participate in, speak and vote at the General Meeting in the place of that Unitholder at the General Meeting. The person whose name stands first on this form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy the chairperson shall be deemed to be appointed as the proxy.
3. A Unitholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Unitholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy in the case of any proxy other than the chairman, to vote or abstain from voting as deemed fit and in the case of the chairman to vote in favour of the resolution.
4. A Unitholder or his/her proxy is not obliged to use all the votes exercisable by the Unitholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the Units held by the Unitholder.
5. A Unitholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to SA Corporate. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Unitholder as at the later of the date stated in the revocation instrument, if any; or on the date on which the revocation instrument was delivered in the required manner.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the General Meeting, notwithstanding the death of the person granting it or the transfer of the Units in respect of which the vote is given, unless an intimation in writing of such death or transfer is received by the Transfer Secretaries not less than 48 hours before the commencement of the General Meeting.
7. The chairman of the General Meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in compliance with these notes, provided that, in respect of acceptances, the chairman is satisfied as to the manner in which the Unitholder concerned wishes to vote.
8. The completion and lodging of this form of proxy will not preclude the relevant Unitholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Unitholder wish to do so.
9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by SA Corporate or the Transfer Secretaries or waived by the chairman of the General Meeting.
10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by SA Corporate or the Transfer Secretaries.
11. Where there are joint holders of Units, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of Unitholders, will be accepted and only that holder whose name appears first in the register in respect of such Units need to sign this form of proxy.



