

## TISO BLACKSTAR GROUP SE

(Incorporated in England and Wales)

(Company number: SE 110)

(registered as an external company with limited liability in the Republic of South Africa under registration number 2011/008274/10)

Share code: TBG

ISIN: GB00BF37LF46

("TBG" or "the Company")

tiso blackstar  
group.

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## SMALL RELATED PARTY AGREEMENT

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### 1. INTRODUCTION

Shareholders are advised that certain members of TBG Management, ("**TBG Management**") have established a special purpose vehicle K2018537321 (South Africa) Proprietary Limited ("**SPV**"), to, inter alia, acquire 9 000 000 ordinary shares in TBG ("**TBG Shares**") using proceeds from a loan advanced by The Standard Bank of South Africa Limited ("**SBSA**") to the SPV in the amount of R28 483 000 ("**Loan**"), ("**the Transaction**").

TBG Management includes Andrew David Bonamour ("**AD Bonamour**"), a director of and a related party to TBG. The SPV is considered to be an associate of AD Bonamour.

The SPV intends to acquire 3 000 000 of the TBG Shares from Tiso Investment Holdings (RF) Proprietary Limited, an associate of David Kwame Tandoh Adomakoh ("**D Adomakoh**") and Nkululeko Leonard Sowazi ("**N Sowazi**"), who are directors of TBG, and 6 000 000 of the TBG Shares from the Tiso Foundation Charitable Trust ("**Trust**"). Whilst the Trust is not an associate of D Adomakoh and N Sowazi, they have been appointed as two out of the seven trustees of the Trust.

As security for the Loan, the SPV will cede and pledge in security the shares held by it in TBG to and in favour of SBSA ("**SPV Security**") and TBG Management will cede and pledge in security the shares held by each of them through separate entities owned by each of them, in the SPV and in TBG, to and in favour of SBSA ("**TBG Management Security**"). The SPV Security and the TBG Management Security will, together, achieve a 2.0x share cover ratio.

In addition to the SPV Security and the TBG Management Security, Shareholders are advised that effective 28 June 2019, the Company, through its wholly-owned subsidiaries Hirt & Carter Group Proprietary Limited ("**H&C Group**") and Hirt & Carter (South Africa) Proprietary Limited ("**H&C**") (together, the ("**Guarantors**"), entered into a guarantee agreement ("**Agreement**") with SBSA. In terms of the Agreement, each Guarantor irrevocably and unconditionally (and jointly and severally) guarantees as a separate, principal and independent obligation to and in favour of SBSA ("**TBG Guarantee**") the payment and performance of the obligations of TBG Management and the SPV arising in connection with the Loan, for a maximum guaranteed amount of R40 000 000.

As consideration for providing the TBG Guarantee, the SPV has agreed to pay the Guarantors a fee of R54 000 being the fair value of the TBG Guarantee as confirmed through an actuarial assessment performed by an independent party to TBG. The SPV will also counter-indemnify the Guarantors against any claims by SBSA against the Guarantors under the TBG Guarantee. Upon the Guarantors becoming liable to pay

SBSA any amount under the TBG Guarantee, the Guarantors shall notify the SPV in writing thereof and demand payment of the amount claimed by SBSA under the TBG Guarantee (“**Notice**”). Upon receipt by the SPV of the Notice, the SPV shall become liable to pay the Guarantors the same amount claimed by SBSA under the TBG Guarantee, together with interest incurred thereon.

## **2. RATIONALE FOR THE GUARANTEE**

The granting of the TBG Guarantee will result in key management significantly increasing their interest in TBG which is beneficial for TBG as it not only ensures retention of key management but it also aligns management’s interest with those of shareholders. With reference to the announcement made on 27 June 2019, the Tiso Blackstar Remuneration Committee intend to cancel and not replace the existing long-term incentive scheme (“Forfeitable Share Plan”) and consider alternative options to incentivise the remaining employees who participated in the Forfeitable Share Plan including reassessing the short-term incentive rules currently in place. As a result of the cancellation of the Forfeitable Share Plan, key management will no longer be awarded TBG shares. However, the Remuneration Committee note that as a result of the Transaction, TBG Management who are considered to be key to the Group, will have an increased interest as shareholders of TBG thereby addressing the objective of aligning their interest with shareholders.

In consideration of the benefit set out above and due to the fact that the SPV provides the SPV Security, TBG Management provides the TBG Management Security, the SPV pays a fee to the Guarantors equivalent to the value of the TBG Guarantee and furthermore that, should the TBG Guarantee be called upon, the Guarantors have a legal right to recover the amount paid with interest from the SPV, the Board is of the view that it is unlikely that financial position of TBG will be impacted in anyway by the issue of such TBG Guarantee.

## **3. CONDITIONS PRECEDENT**

The Guarantee is unconditional and is therefore not subject to the fulfilment of any conditions precedent.

## **4. EFFECTIVE DATE OF THE GUARANTEE**

The Guarantee will become of full force and effect on the date of signature of the Agreement and will expire on the date on which all of the obligations of the SPV and TBG Management in connection with the Loan have been fully and finally discharged to the satisfaction of SBSA and SBSA has no further commitment or liability in connection with the Loan.

## **5. WARRANTIES AND OTHER SIGNIFICANT TERMS OF THE AGREEMENT**

The Agreement contains representations and warranties by the Guarantors in favour of SBSA which are standard for an agreement of this nature.

As a separate and independent obligation from its obligations under the Guarantee, the Guarantors, as principal obligor, irrevocably and unconditionally indemnifies SBSA against any losses, costs, claims, liabilities, damages and expenses suffered or incurred by SBSA in connection with any failure of the SPV or the TBG Management to punctually perform or discharge its payment or performance obligations arising in connection with the Loan or as a result of any of those obligations becoming unenforceable, illegal or

invalid for any reason whatsoever (“**Indemnity**”). The amount payable by the Guarantors under the Indemnity will not exceed the amount the Guarantors would have been obliged to pay under the Guarantee if the amount claimed had been recoverable on the basis of a guarantee.

The Guarantors waive any right it may have to first require SBSA to enforce the SPV Security or the TBG Management Security before claiming from the Guarantors under the Guarantee.

A default by the Guarantors under any existing facilities advanced by SBSA to the Guarantors under a facility agreement dated on or about 15 May 2015 as amended will constitute a default under the Loan, pursuant to which SBSA will be entitled to enforce its rights under the Guarantee.

## **6. CLASSIFICATION OF THE ACQUISITION**

Since the Guarantee will be provided to SBSA for the benefit of TBG Management and the SPV which is an associate of AD Bonamour, a member of TBG Management and a related party to TBG, the Guarantee Agreement constitutes a small related party agreement for the purposes of the JSE Listings Requirements. Accordingly, the Agreement is subject to paragraph 10.7(b) of the JSE Listings Requirements, which requires the appointment of an independent expert to compile a fairness opinion on the Agreement to confirm that the Agreement is fair as to shareholders of the Company.

The directors of the Company have appointed BDO (South Africa) Inc (“**Independent Expert**”) as the independent expert to compile a fairness opinion on the Agreement in terms of paragraph 10.7 of the JSE Limited Listings Requirements. The Independent Expert has considered the terms and conditions of the Agreement and is of the opinion that the terms and conditions of the Agreement are fair to the shareholders of the Company. A copy of the fairness opinion is available for inspection at the Company’s registered office for a period of 28 days from the date of this announcement.

## **7. DEALINGS ANNOUNCEMENTS**

The dealings announcements in respect of the above transaction will be released on SENS in due course.

London  
1 July 2019

Sponsor

PSG Capital



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