

METROPOLITAN HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
Registration number 2000/031756/06
ISIN: ZAE000050456 JSE share code: MET
NSX share code: MTD
("Metropolitan" or "the Company")



TERMS OF THE PROPOSED THIRD PHASE OF METROPOLITAN'S BLACK ECONOMIC EMPOWERMENT ("BEE") TRANSACTION ("the proposed phase III transaction")

1. INTRODUCTION

During 2004 Metropolitan and Kagiso Trust Investments (Proprietary) Limited ("KTI") entered into a relationship agreement whereby KTI acquired a 10.25% equity stake in Metropolitan with effect from 1 October 2004. In 2005 Metropolitan and KTI extended this relationship to include the Metropolitan Empowerment Trust ("the Trust") and KTI and the Trust increased their combined shareholding in Metropolitan to 17.3% ("the BEE transactions").

The BEE transactions have been successful. To give effect to the stated intentions of Metropolitan and KTI that their relationship should be long term and for the further reasons set out in this announcement, Metropolitan and KTI have entered into a phase III relationship agreement and will enter into phase III financing agreements in order to facilitate the proposed phase III transaction.

2. KAGISO TRUST AND KTI

KTI's major shareholder is Kagiso Trust, which is a leading non-governmental organisation devoted to the development of a large number of disadvantaged communities in South Africa and which is generally recognised as one of South Africa's leading broad-based BEE groups.

3. RATIONALE AND BENEFITS OF THE PROPOSED PHASE III TRANSACTION

Metropolitan's BEE ownership strategy involving KTI and the Trust was implemented in order to facilitate meaningful participation by black South Africans as envisaged by the Financial Sector Charter.

Over the past five years, KTI and the Trust have increased their strategic interest in Metropolitan and at present their combined, direct and indirect, beneficial shareholding in Metropolitan is approximately 24%.

KTI has proven to be a good and effective BEE partner to Metropolitan over the years and both parties have received a number of benefits from this association.

The A1 Metropolitan preference shares were issued with a five-year term, while the A2 Metropolitan preference shares had a four-year term. In both instances, failure to refinance the BEE transactions would result in the dilution of BEE ownership of Metropolitan, to the detriment of Metropolitan, its BEE ownership objectives and, in the case of KTI, KTI's long-term investment objectives.

KTI and Metropolitan have explored alternatives to refinance the BEE transactions and, subject to fulfilment of the suspensive conditions, have agreed to enter into the proposed phase III transaction.

The benefits of the proposed phase III transaction would include the following:

- KTI and the Trust would maintain a meaningful economic shareholding in Metropolitan;
- the reduction of the coupon rate of the dividend payable on the A1 Metropolitan preference shares and A2 Metropolitan preference shares would reduce the Company's cost of capital;
- Metropolitan would continue to realise its BEE ownership strategy; and
- the impact on the Metropolitan share price caused by a substantial Metropolitan share conversion or redemption of Metropolitan preference shares in a volatile market would be mitigated.

4. SALIENT TERMS OF THE PROPOSED PHASE III TRANSACTION

4.1 Introduction

In order to refinance the BEE transactions KTI, Metropolitan and a consortium of banks will enter into the phase III financing agreements in order to extend the external funding. KTI and Metropolitan have entered into the phase III relationship agreement in order to regulate and implement the proposed phase III transaction. The salient changes to this phase III relationship agreement are to align it with the new financing structure.

4.2 In order to facilitate the implementation of the proposed phase III transaction, 22 842 650 of the A1 Metropolitan preference shares will be converted while the terms of the remaining 53 000 000 A1 Metropolitan preference shares will be amended as set out in paragraphs 4.2.1 and 4.2.2 below. Save for these amendments, the material terms of the A1 Metropolitan preference shares will remain unchanged.

4.2.1 Duration

The A1 Metropolitan preference shares are convertible into Metropolitan ordinary shares on a one-for-one basis at any time until the A1 extension date and if not converted, are compulsorily redeemable at the issue price of the A1 Metropolitan preference shares, currently R5.12 per share. The A1 extension date is being extended from 30 September 2009 to 30 October 2012.

4.2.2 Dividends

- the dividend rate per annum payable by Metropolitan on the A1 Metropolitan preference shares will be amended

to 85% of the prime rate as charged by First National Bank, a division of FirstRand Bank Limited (currently the dividend rate is approximately 120%); and

- an initial dividend of approximately R2 713 600 will be paid.

4.3 In order to facilitate the implementation of the proposed phase III transaction, the terms of the A2 Metropolitan preference shares will be amended as set out in paragraphs 4.3.1 and 4.3.2 below. Save for these amendments, the material terms of the A2 Metropolitan preference shares will remain unchanged.

4.3.1 Duration

The A2 Metropolitan preference shares are convertible into Metropolitan ordinary shares on a one-for-one basis at any time until the A2 extension date and if not converted, are compulsorily redeemable at the issue price of the A2 Metropolitan preference shares, currently being R9.18 per share. The A2 extension date is being extended from 5 December 2009 to 5 December 2012.

4.3.2 Dividends

- the dividend rate per annum payable by Metropolitan on the A2 Metropolitan preference shares will be amended to 85% of the prime rate as charged by First National Bank, a division of FirstRand Bank Limited. The dividend rate currently is equal to the dividends declared and paid by Metropolitan on its ordinary shares; and
- an initial dividend of approximately R1 165 900 will be paid.

5. SUSPENSIVE CONDITIONS

The proposed phase III transaction is subject to, *inter alia*, the fulfilment of the following suspensive conditions:

- 5.1 the necessary approval of the boards of KTI and Metropolitan;
- 5.2 the signing of the phase III financing agreements and those agreements becoming unconditional;
- 5.3 the necessary regulatory approvals, including that of the JSE Limited ("JSE") and the Namibian Stock Exchange, being granted;
- 5.4 the passing of all necessary resolutions by the requisite majority of shareholders at a general meeting of shareholders; and
- 5.5 the registration of such resolutions by the Registrar where applicable, by 30 September 2009.

6. AMENDMENT TO THE ARTICLES OF ASSOCIATION

The terms governing the A1 Metropolitan preference shares and A2 Metropolitan preference shares are contained in articles 135 and 136 of the articles of association of the Company. In order to give effect to the amendments as envisaged in terms of the proposed phase III transaction, these articles of association have to be amended and such amendments approved by shareholders.

7. FINANCIAL EFFECTS

The directors have considered the *pro forma* financial effects of the proposed phase III transaction and are of the view that they are not material.

8. RELATED PARTY INFORMATION

The proposed phase III transaction constitutes a related party transaction in terms of the JSE Listings Requirements by virtue of the fact that KTI is a material shareholder of Metropolitan.

9. OPINIONS AND RECOMMENDATIONS

Given that the proposed phase III transaction is a related party transaction, a fairness opinion by an independent professional expert is required. Ernst & Young has been appointed by the board to advise whether the terms and conditions of the proposed phase III transaction are fair to shareholders.

The board of Metropolitan has formed a separate independent committee made up of independent directors to ensure appropriate governance throughout this process.

The opinion of Ernst & Young and the Metropolitan board's recommendation to Metropolitan shareholders regarding the proposed phase III transaction will be contained in the circular to Metropolitan shareholders referred to in paragraph 10 below.

10. GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

A general meeting of Metropolitan shareholders will be held for the purpose of considering and, if deemed fit, passing with or without modification, the resolutions required to implement the proposed phase III transaction.

A circular containing the full details of the proposed phase III transaction as well as the notice of general meeting will be posted to Metropolitan shareholders in due course.

Cape Town
1 July 2009

Sponsor in South Africa
to Metropolitan



Independent Professional Expert
to Metropolitan



Sponsor in Namibia
to Metropolitan



BEE partner to Metropolitan



Attorneys to Metropolitan



Attorneys to Kagiso Trust
Investments (Pty) Limited



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