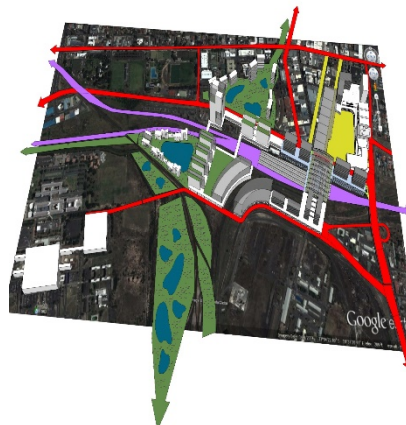
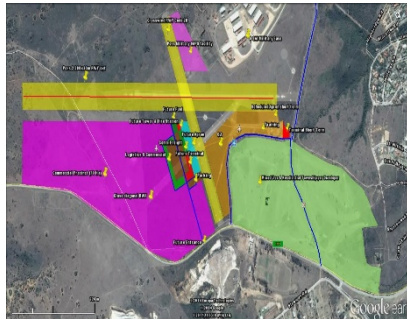
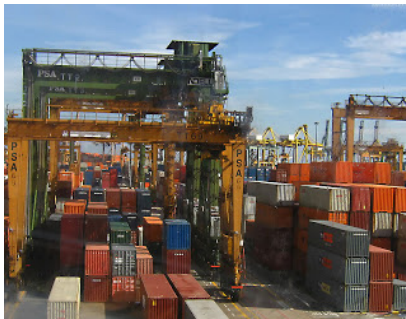
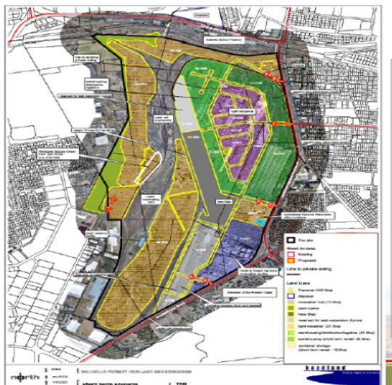


Info Memo

PROPERTY AND INFRASTRUCTURE BOUTIQUE



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In a nutshell

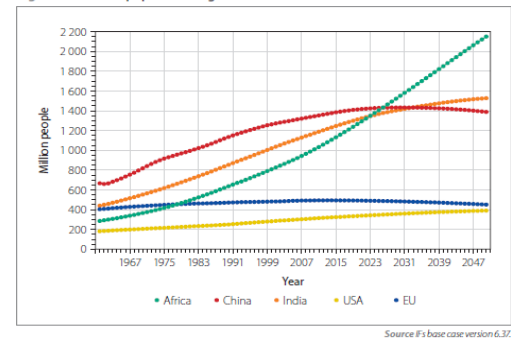
This is an unfolding story...

- African Century
- The Robust South African Property Market
- The Twin Opportunity of Valorisation and Infrastructure Development
- The Rain Maker
- The Grahamstown Story
- Up-scaling the Value Proposition
- Our Partnership Invitation

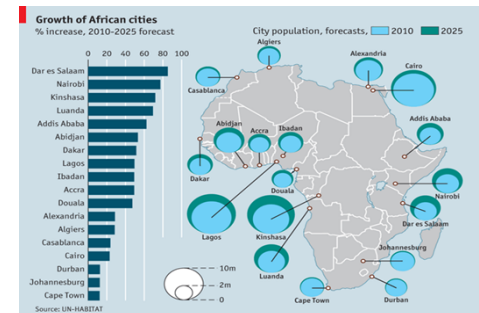
The African Century

- Africa's economic output has almost tripled since 2003, and the IMF forecasts that ten of the 15 fastest growing economies in the world over the next five years will be African. But the story is not just about economic growth. It is also about a long-term process of political, regulatory and social reform.
- Africa will increase in size from 900 million to 2,1 billion people by 2050, when Africa's economic output will be the equivalent of that of the EU today

Figure 2.1 African population in global context



- George Soros, one of the world's savviest investors, describes Africa as "one of the few bright spots on the gloomy global economy...."
- "African flights are so full, they are among our most profitable," says Virgin boss Richard Branson.
- CEO of LONRHO, Geoffrey White says, Africa is the "last frontier" and "where Asia was 30 years ago", has minerals and agriculture and a young population.
- Some 1,3 billion Africans will live in cities by the middle of the century
- The International Monetary Fund (IMF) expects Africa to grow by nearly 6% this year, the same as last year, with average income in economic leaders expected to triple by 2030.



The Robust South African Property Market

- South Africa's 20 years achievements post democracy are remarkable by any measure (quote govt 20 year review) and supported by Goldman Sachs (quote GS 20 year review)
- South African growth predicted to outperform leading emerging economies
- South Africa is ranked 23rd out of 81 in Jones Lang LaSalle's World's Most Transparent Real Estate Markets, placing it well ahead of its emerging counterparts and on the African continent.
- South Africa's Real Estate Investment Trusts continue to outperform a buoyant stock market
- With African growth and economic integration the SA property market will flourish due to investment from Africans seeking a developed world lifestyle and investment climate and rising prosperity as South Africa's well-established corporates and financial institutions capitalise on continental economic growth



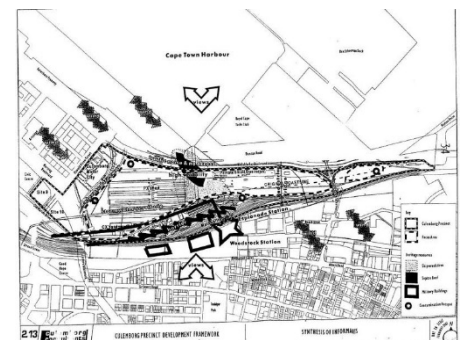
The Twin Opportunity of Valorisation and Infrastructure Development

The valorisation opportunity is created by the forces that are driving rapid growth of African cities and increased pressure for more compact and dense cities are stretching the envelope of development possibility. Large land holdings, property assets and infrastructures that were once in out-of-town locations are now able to anchor inner cities and satellite cities in the new geometry of 21st Century urbanization.



Factories, farms, residential complexes, railway stations, shunting yards, freight terminals, airports, power stations, hospitals, government administrative complexes and depots and military bases which were once in the right place are now often obsolete in regard to the accessibility, land values and socio-economic development opportunities of their location. They require re-location, re-purposing or re-development to release land or airspace for intensive urban development, thereby valorising the property asset.

The processes to develop large scale city regeneration projects and release public assets, land or airspace for alternative development are inevitably complex, time consuming and requiring of in-depth technical studies and consultation. This includes integration with or amendments to city and regional plans and urban nodal and corridor development strategies, undertaking local urban design and land use planning, development feasibility studies, engagement with social housing and other developmental role players, managing proposal call and tendering processes, securing private sector investment and

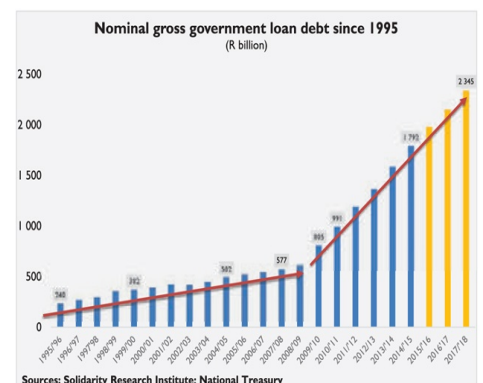


development and operational rationalization and logistical studies to integrate, expand, down-size or re-locate operational infrastructures.

In order to overcome the inequalities that still exist in South Africa, the country needs economic growth. However, due to under-investment, inexperience and mismanagement the infrastructure and service delivery has come under severe pressure. Large sums of money are needed to upgrade the infrastructure and the service delivery, especially for the less privileged. Unlocking the value of government land through valorisation will assist the SA government in making these investments and be a catalyst for the growth necessary to improve the life of many of its citizens.



The valorisation opportunity is twinned with an equally significant **infrastructure opportunity**. The government recently adopted a 2030 National Development Plan (NDP) as a blueprint for future economic and socio-economic development strategy for the country. The plan aims to ensure that all South Africans attain a decent standard of living through the elimination of poverty and the reduction of inequality. It incorporates a R827 billion National Infrastructure Development Plan, with a series of ambitious and far-reaching initiatives envisaged to transform South Africa's economic landscape, virtually eliminate unemployment and improve the delivery of basic services. The NDP sets a target of 10% of GDP to go into the National Infrastructure Development Plan.



This is, however set against the backdrop of a spiralling budget deficit since the GFC. The combined net borrowing requirement in nominal terms of jumped from R16,1bn to R 694,2bn for the 5 year period 2004/5 – 2008/9 compared to 2009/10 – 2013/4. With a weak economy, a narrow tax base and the ending of the commodity super cycle which previously led growth, the Infrastructure Development Plan is not affordable with traditional government borrowing. In a recent report titled “Mind the Gap”, senior KPMG economist Lullu Krugel estimates that the infrastructure spending gap will amount to more than R297-billion between 2013/14 and 2015/16 which will steadily increase to more than R6-trillion for the period 2016/17 to 2029/30. More than half of this capital will need to come from non-government sources.

This creates a globally significant opportunity for infrastructure-linked private equity investment in South Africa. Although technically the Public Private Partnership route is well-established, authorities often lack the technical capacity to manage the processes and feasibility studies required, creating an immense need for capable intermediaries.

The Rain Maker

David Davies is a South African property developer who has risen to the twin challenge of the South African valorisation and infrastructure opportunities.

Combining his broad vision with a dynamic team and a shrewd eye for value, he is quietly assembling a value proposition that is certain to disrupt the way property value is created in South Africa.



David read Law at Rhodes & Durban Universities before starting his career in asset management in 1988. He invested in high growth opportunities in South Africa and these opportunities were converted to cash up until the formation of Izenzo in 2004 when his focus shifted to empowering black entrepreneurs. Over time he has developed a process of unlocking the value of under-utilized assets that he calls “valorisation”.

The Grahamstown Story

On arrival in Grahamstown in 2007, David presented his credential to the then Mayor of Grahamstown, Mr Kate, with an offer of his services, based on his involvement in policy think-tanking while in Cape Town, more particularly on the 2030 National Development Plan (NDP). The offer was accepted and the challenge was the efficient distribution of infrastructure services to the township. This entailed growing the town through the existing golf course (NW of town) and down the Belmont Valley (SE of town).

In order to allow the town to expand and embrace the township periphery it needed to cut through the existing golf course. David met with and proposed to the existing Golf Club members an offer to build a new golf course in the valley (at the edge of the circle) that would allow development on and through the existing golf course in exchange for the transfer of the existing golf course to the NewCo (Belmont DevCo). A deal was struck and R68m in equity funding was raised abroad for the construction of the new golf course and clubhouse. The *raison d'être* for the investors was the value of the existing golf course on rezoning, circa R325m. This area has subsequently been rezoned to accommodate a 25 000m² retail centre, 650 affordable housing units and 250 affordable apartments.



However, the RoD (record of decision) that was granted was subject to a condition that the municipality upgrade the sewerage waste water treatment works at a cost of R240m. The municipality did not have the funds. Consequently, Izenzo constructed an outsourced BOT sewerage upgrade with further land swaps attached. This deal was subsequently authorised by the municipality in 2012. The land swaps envisage further deal flow for Izenzo.



In order to ‘grow’ Grahamstown and accommodate these development initiatives various growth strategies have been implemented; namely, the following projects have been initiated by Izenzo:

- opening the airport with direct flights from Grahamstown to OR Tambo (Johannesburg) and Cape Town International return; Phase 11 – development of the airport enhancing further deal flow;
- opening the railway link from Alicedale through Grahamstown to Port Alfred and the concomitant valorisation of the stations as well as the development of a rail trail along the length of the line (+/- 130km);
- expanding on the tourist theme and the development of logistical transport systems, a 200 hectare Marina Lagoon



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Directors: D.Davies; S.Mabandla

- 100 hectares of prime beach front land is also in the same process of development.

In all instances, affordable units dominate the investment outlook. This footprint in Grahamstown (Makana) and Port Alfred (Ndlambe) *unlock a development opportunity of some R25bn.*



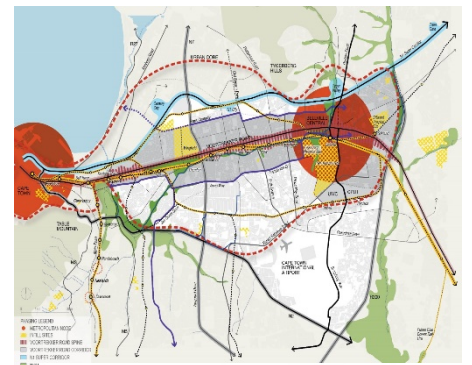
Upscaling the Value Proposition

The skills sets, networks and broad-based city development capabilities that are required to manage these infrastructure and asset valorisation processes are rarely available at sufficient capacity and/or state of readiness within the public sector or the private sector. In order to upscale his development capability beyond the Eastern Cape, David has therefore established a second company, Civitas that will complement and extend the capability of Izenzo

Izenzo will focus itself as a private equity investment facilitator with interests in African infrastructure, property leverage and technology

The two companies together provide core **enablement** that focuses on providing equity raising, financial, project management and transaction management services and **procurement** for generating deal flow with the capability of managing large scale city regeneration planning projects and enabling the optimal development of well-located private and state property.

With a combined capacity of 10 highly seasoned business, property, development and planning professionals, the Izenzo and Civitas joint venture with David at the helm, is poised to undertake valorisation and infrastructure development for a multi-billion rand African project portfolio.



This platform is ready and capable to fill the gap in national government capability through:

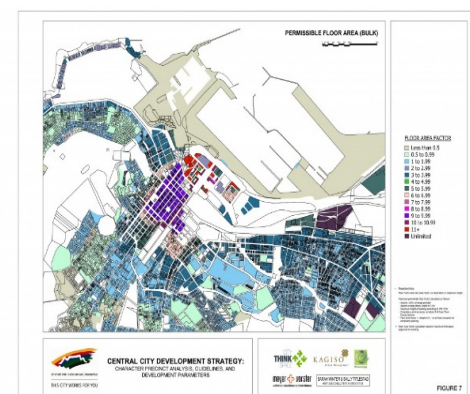
- **Securing opportunities and local & international capital across the African continent in infrastructure & valorisation:**
 - *Matching cash flow & deal flow to reduce the cost of capital and providing risk adjusted returns;*
 - *Single entry point access through Izenzo to underlying unlisted companies and opportunities not previously available;*
 - *Proven ability to procure investments that will provide extraordinary future gains;*
- **Crafting financially viable mega projects** through capability in package of plans, precinct development and planning, development feasibility studies, structured finance packaging and fund raising, negotiating inter-agency accords and land development frameworks, designing partnerships and special purpose vehicles and project management
- **Achieving developmental benefits and impacts** in land development through capability in Local Economic Development, BBBEE, land restoration and restitution, social housing, enterprise development and community trusts and cooperatives.
- **Crafting synergy between property asset Valorisation and core business performance** through capability in assembling and developing public land and airspace parcels, managing cadastral and airspace alienation and proposal call and tender processes, providing transaction advice, developing infrastructure master plans and frameworks, business modelling and operational planning for infrastructural services
- **Securing city development and planning integration and approvals** with capability in urban strategy, corridor and node planning, city design, planning legislation, place making and urban design, transport planning and engineering, city development and economic strategy, settlement planning, land use management and environmental impact management.



The Civitas team brings together a high level suite of city development planning and design, property development and revalorization capability that is able to conceptualise, design, negotiate and implement large scale city regeneration and the optimal development of well-located private and state property. They are tenacious and seasoned practitioners accustomed to working in inter-disciplinary team leadership positions that have developed a high level of rapport and synergy with each other through working together in various capacities and settings over many years.

Some of their most relevant projects include:

- The Gauteng 2055 Strategy and
- The Gauteng Spatial Development Framework and Accelerated Shared Growth Initiative
- The OR Tambo Industrial Development Zone
- The Ekurhuleni 2055 Growth and Development Strategy and 2030 Strategy Implementation Programme
- The Voortrekker Road Corridor and Cape Town Second Node regeneration projects
- **The Cape Town Station Redevelopment**
- **The Cape Town International Airport Redevelopment**
- **The V& A Waterfront**



Our Partnership Invitation

The Izenzo/Civitas business model is to partner with private sector and government, and leverage the synergies and development opportunities created through these partnerships. Each project is managed in a separate corporate entity, with the shareholding in each entity being held by Izenzo and its project partners. The unique characteristics of each project will generally dictate the projects capital structure.



Generally, asset valorisation and development application projects usually generate revenue after completion of the rezoning and development application process. After the requisite approvals have been received, Izenzo and its partners have a number of exit options, including (1) selling the development to a property developer (2) completing the development and (3) entering a partnership with a property developer. Izenzo generally require their partners in an asset valorisation project to have a meaningful equity interest, in order to align stakeholders' interests to maximize project returns, in particular with regard to evaluating exit options.

Infrastructure development partnerships with government and municipalities (i.e. the upgrade to the Belmont Valley Waste water Treatment facility) have predictable revenue streams over the term of the project and allow a combined capital structure of debt, equity and project finance.

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