



ACORN
PRIVATE EQUITY (PTY) LTD

PLACEMENT MEMORANDUM

ACORN
EQUITY
FUND

ACORN

ACORN EQUITY: FUND ONE

THE ACORN GENERAL FUND ONE EN COMMANDITE PARTNERSHIP

Name of intended partner

Number

CONFIDENTIAL INFORMATION AND PLACEMENT MEMORANDUM

Private Offering of Interests in:

THE ACORN GENERAL FUND ONE EN COMMANDITE PARTNERSHIP

A closed-end Limited Liability Partnership established under the laws of South Africa (The Partnership)

General Partner

Acorn Equity General Manager (Proprietary) Limited
(Registration No 2009/017585/07)

Fund Manager

Acorn Equity (Proprietary) Limited
(Registration No 2009/017511/07)

Further copies of this Memorandum may be obtained from Acorn Equity (Pty) Ltd or Introducer.

This Memorandum must not be copied,
reproduced or distributed to any other person
by the recipient or any other unauthorised
person at any time.

THE INVESTMENT OBJECTIVE OF THE PARTNERSHIP IS TO SEEK LONG-TERM CAPITAL APPRECIATION AND SUPERIOR IRR'S THROUGH ITS INVESTMENTS IN SUSTAINABLE AND PROFITABLE SMALL TO MEDIUM-SIZED ENTERPRISES IN SOUTHERN AFRICA.

PREAMBLE

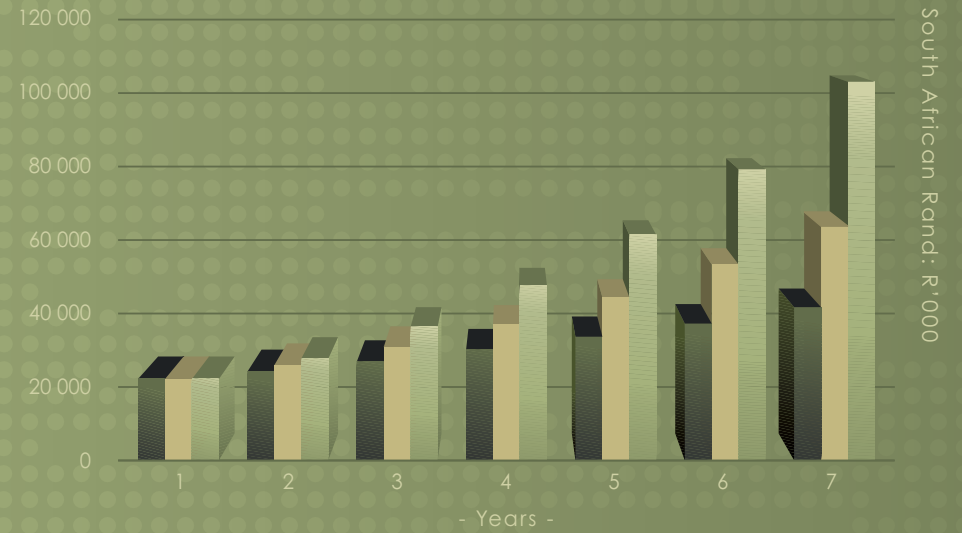
- Acorn Equity (Pty) Ltd ("Acorn") was founded by Pierre Malan in June 2009 after his tenure as the CEO of the recently listed Paladin Capital.
- Acorn will act as the Fund Manager of The Partnership's private equity investments.
- Profitable medium-sized enterprises in Southern Africa will be the main focus area of investment:
 - Acorn believes that this is a relatively untapped private equity market.
 - Most of the larger South African private equity houses only focus on deals over R100m. This has created an opportunity for Acorn to take advantage of the deals that fall outside the scope of these investment mandates.
- All the targeted enterprises will have scope for significant and sustainable growth in order to provide exceptional returns to the partners.
- Acorn will target an IRR of 35% per Portfolio Company.
- Acorn has a well-balanced, dynamic and energetic team with expert market knowledge and excellent track records.
- Acorn is well positioned to take maximum advantage of acquiring equity stakes in profitable and growing entities, given the attractive pricing in the current markets.
- Pierre achieved an average IRR on invested capital in excess of 70% over the last 7 years.*
- Acorn has access to strong deal flow and will focus on sectors active in infrastructure development, agriculture, healthcare and engineering.
- Acorn has a modest fee structure and charges fees that are materially lower than most competitors.
- Acorn has applied to be licensed as an investment manager. Although this is not a requirement, it ensures superior governance and peace of mind to investors.

*Calculations are available on request. The +70% IRR was calculated independently of Acorn on a mark-to-market basis for the 7 years ending 28 Feb 2009. Acorn cannot guarantee similar returns and will not attempt to achieve similar returns if this would necessitate taking a high-risk position on any of their investments.

ACORN PRIVATE EQUITY

COMPARITIVE RETURNS ON R25 MILLION INVESTMENT OVER 7 YEARS

WORK



Private Equity investments have outperformed the JSE All Share Index over the last seven years. Acorn's principal has significantly outperformed the Private Equity industry over the last seven years.

The returns have been smoothed over the period for ease of interpretation. Acorn will endeavour to; but cannot guarantee similar returns.

EXECUTIVE SUMMARY

Fund structure	En Commandite Partnership
General partner investment	Minimum R10 million
Targeted fund size	R500 million
Investment size	R10m - R50m (guideline per transaction)
Targeted companies	
- Value	R40m - R200m
- Pre-tax profit	R5m - R50m
- Stage of investment	Established; family or entrepreneurial enterprises
Profit target per investment	35% IRR with significant growth prospects
Annual management fees	2% p.a. on the first R200m of Committed Capital and 0% thereafter Once invested capital exceeds R200m; 2% p.a. on total invested capital
Preferred return	12% compounded annually
Investment period	24 months to invest all committed capital (target) Harvesting planned within 5-7 years after closing
Gearing	Will avoid high leveraging
Risk management	Acorn will aim to take relatively conservative positions to limit risk without materially affecting potential returns on investments
Geography	Southern Africa, mainly South Africa

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“SOUTH AFRICA, BY COMPARISON

TO SOME OF THE MORE MATURE

MARKETS, HAS SOME OPTIMISTIC

NEWS IN THE FORM OF

INFRASTRUCTURE SPEND, LIMITED

CREDIT CRUNCH EXPOSURE,

INTEREST RATE HEAD ROOM AND

THE FIFA 2010 SOCCER WORLD CUP

TO LOOK FORWARD TO. I REMAIN

POSITIVE WITH REGARDS TO THE

PRIVATE EQUITY INDUSTRY IN

THE MEDIUM TO LONG-TERM. ”

WARREN WATKINS:
KPMG DIRECTOR
HEAD OF PRIVATE EQUITY MARKETS 2009

A BRIEF INTRODUCTION TO PRIVATE EQUITY IN SOUTH AFRICA

Private equity is an all encompassing term that is used to describe the holding of shares in unlisted businesses. Private equity has grown over the years into an established and exciting asset class delivering high returns for investors. Based on representative studies done by KPMG and the South African Venture Capital Association, the average gross IRR for **private equity funds** included in the survey was **circa 35%** since the inception of the funds. These studies have shown that **private equity** investments have **outperformed the FTSE/JSE All Share Index by 18%** per year over the last 13 years.

Pierre's track record far **exceeds these results** and we believe this is due to several key factors that Acorn will continue to apply and pursue in future investments. (See *Acorn's recipe for success.*) Acorn will make private equity investments on behalf of The Partnership and will focus on taking up shareholding in profitable unlisted businesses. We will focus on the relatively untapped medium-sized deals that fall outside the scope of larger private equity investors. Our focus on medium-sized enterprises allows for more substantial deal flow and materially higher returns within the 5-7 year harvesting period.

PRIVATE EQUITY HAS GROWN OVER THE YEARS INTO AN ESTABLISHED AND EXCITING ASSET



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“THE STRONG GROWTH IN PRIVATE
EQUITY IS PREDOMINANTLY
SPURRED BY THE SUPERIOR
RISK-ADJUSTED RETURNS AND THE
PORTFOLIO DIVERSIFICATION
BENEFITS THE ASSET CLASS [PRIVATE
EQUITY] OFFERS.”

JR VAN NIEKERK:
DECEMBER 2008: ANALYSIS OF THE SOURCES OF
RETURN IN SOUTH AFRICAN PRIVATE EQUITY

WHY IS PRIVATE EQUITY A GOOD INVESTMENT CLASS?

- Fund Managers have more control in determining the success of investments and can actively manage these investments as opposed to listed security investments.
- Management of Portfolio Companies are not hampered by short-term performance requirements and can take a longer-term position to grow and expand the businesses.
- Management of listed entities are often driven by short-term share price performances that can negatively affect the performance in the longer-term.
- Private equity is generally seen to be better at aligning the interests of management, shareholders and the business itself, than the public markets.
- Investors will experience less volatility than the current equity markets. Investors must note however that private equity is less liquid than listed investments.
- The Partnership will have a defined investment plan that is assessed and managed regularly.
- Private equity is affected by different influences and drivers to the public equity markets - and has historically provided superior returns compared to listed portfolios.
- Lower compliance costs in the Portfolio Companies due to fewer regulatory requirements, generally equate to higher returns.
- Already profitable medium-sized enterprises can show incredible exponential growth when a strong management team and strategic advice from directors are put into place.
- It provides an alternative asset class to the traditional publicly listed equities and is important in diversifying investment portfolios, as well as providing exposure to several industries and markets in Southern Africa.
- All Management Fees that were paid to Acorn by investors are refunded through distribution of gains (before the General Partner shares in gains - see Waterfall).



VISION

ACORN: THE VISION

- I. It is Acorn's vision to create an exclusive investment platform for investors that will:
 - provide an alternative investment platform to listed equity portfolios;
 - with less volatility and;
 - a defined 5-7 year investment plan that will:
 - generate long-term capital appreciation, and
 - accrue superior internal rates of return.
- II. Acorn will aim to provide investors with diversified exposure to:
 - sustainable and profitable medium-sized enterprises,
 - in fast growing industries in Southern Africa,
 - that have scalable business models to allow for exponential growth.
- III. Acorn will endeavour to outperform similar investment funds through the applications of:
 - selective deal making;
 - superior corporate governance;
 - strict risk management;
 - active and diligent pursuit of leads in growing and profitable sectors that will provide exceptional returns while limiting risk, and
 - alignment with key players in these growing and profitable industries to ensure constant deal flow of a high calibre.
- IV. Acorn will allow active involvement from investors in the management of the partnership (through investor participation on the Advisory Board) and the underlying investments.
- V. Acorn will actively continue aligning the team with key players in the private equity industry to ensure sustainable and strong deal flow is maintained.
- VI. Acorn will maximise the gain from current low pricing and opportunities in the markets.
- VII. Acorn will provide accurate and relevant reporting and investment analysis of the highest standard to the investors on a quarterly basis.



ACORN'S RECIPE FOR SUCCESS

Acorn's team members have historically applied specific business principles in private equity investments that have contributed to exceptional returns and consistent outperformance of most competitors. Acorn will apply similar principles to the investments of The Partnership.

THESE PRINCIPLES INCLUDE:

- Allowing management of Portfolio Companies to acquire shareholding in the companies they manage.
 - This better aligns management to the goals of all the shareholders and also serves as the strongest motivation for management to improve their business's performance in the medium to long-term.
- Focusing on growing and profitable sectors.
 - Investing in profitable enterprises that are operating in the growth sectors in South Africa allows for substantial organic growth without the need to apply aggressive restructuring or cost-cutting policies to the current operations.
- Ensuring that strong, dynamic and innovative managers run the daily operations of the Portfolio Companies.
- Ensuring that a strong and proactive Board of Directors is able to provide insight and guidance to the managers.
- Focusing on businesses with significant scalability.
 - This allows for exponential growth and exceptional rates of return for The Partnership.
- Being price sensitive and not entering into a transaction if the pricing is not right.

ACORN EQUITY FUND

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INVESTMENT SIZE

DEAL FLOW

INVESTMENT TRACK RECORD
OF THE MANAGERS

POSITIONING AND TIMING

MARKET KNOWLEDGE

SUPERIOR GOVERNANCE

SELECTIVE DEAL MAKING

STRICT RISK MANAGEMENT

COMMON GOAL

CREATIVE APPROACH TO
ACQUISITIONS AND
OPERATIONAL EXPERTISE

WHY ACORN EQUITY?

INVESTMENT SIZE

Acorn has identified the opportunity to invest in very promising enterprises that fall outside the mandates of the larger institutional private equity investors. This relatively untapped market has arisen due to the targeted deal sizes of these private equity investors. Most of the private equity houses in South Africa are currently focusing on the larger transactions (in excess of R100m). Acorn will focus on deals below R100 million and, as a result will have limited competitors and will be more likely to negotiate favourable prices with target companies. This also bodes well for deal flow.

DEAL FLOW

Acorn has endeavoured to align itself with several key players in the targeted investment markets to ensure ongoing deal flow and a competitive edge. These strategic alliances will also provide invaluable insight into a wide spectrum of promising industries. Acorn is also focusing on the relatively untapped market of medium-sized enterprises that fall out of the scope of the larger private equity institutions.

INVESTMENT TRACK RECORD OF THE MANAGERS

The Acorn managers have proven track records of delivery and performance in the industry. It is worth mentioning that the principal of Acorn has shown historic annualised returns in excess of 70% for the 7 years ending February 2009.* Although Acorn will not attempt to match these exceptional returns, it is an indication of the ability of the key individuals to achieve superior returns over the long-term.

POSITIONING AND TIMING

"History shows that the best private equity funds are born after the ends of recessions." David Snow

Acorn has positioned itself to take advantage of the current pricing in the markets and is able to enter into transactions on very favourable terms. The current economic situation has created opportunities to build a very profitable portfolio at substantially discounted prices. Acorn will also apply appropriate exit strategies to take advantage of the market cycles and maximise partners' returns once the markets and economies have stabilised.

MARKET KNOWLEDGE

The key individuals of Acorn Equity have in-depth private equity experience and a strong understanding of the Southern African markets.

ACORN EQUITY FUND



WHY

“ACORN PROVIDES THE IDEAL PLATFORM FOR INVESTORS TO DIVERSIFY THEIR PORTFOLIOS INTO THE PRIVATE EQUITY SECTOR. OUR VISION TO ACHIEVE SUSTAINABLE AND LONG TERM GROWTH BODES WELL FOR THE PATIENT INVESTOR WHO IS LOOKING FOR AN ALTERNATIVE TO THE JSE.”

CARL NEETHLING
EXECUTIVE DIRECTOR OF ACORN EQUITY,
OCTOBER 2009

WHY ACORN EQUITY?

SUPERIOR GOVERNANCE

Acorn has chosen to be FSB registered as an investment manager. This is not a requirement for Acorn but serves as a strong governance process to provide comfort and security to all investors. Acorn is absolutely committed to doing business in an ethical way, and will act honestly and ethically in all respects of its dealings and negotiations with business partners. In addition, Acorn has also opted to outsource its compliance function to Moonstone Compliance (Pty) Ltd - an independent provider.

SELECTIVE DEAL MAKING

Acorn will be very selective in the transactions that it enters into. Acorn's strong deal flow potential will allow us the luxury of being selective about the investments we will undertake. Up to two seats on the investment committee will be made available to Partners invited at the discretion of Acorn. This will allow selected partners to contribute and partake in the management and decision making processes at a strategic level. Acorn will also appoint independent non-executive members to the investment committee.

STRICT RISK MANAGEMENT

Acorn will endeavour to achieve returns superior to the industry standard without assuming additional or unnecessary risk through its investments. Acorn will not enter into potential high-return transactions if the risk is deemed to outweigh the potential returns of the transaction. All partners need to accept that a higher degree of risk is inherent to the industry but that Acorn will strictly manage and limit risk, within reason.

COMMON GOAL

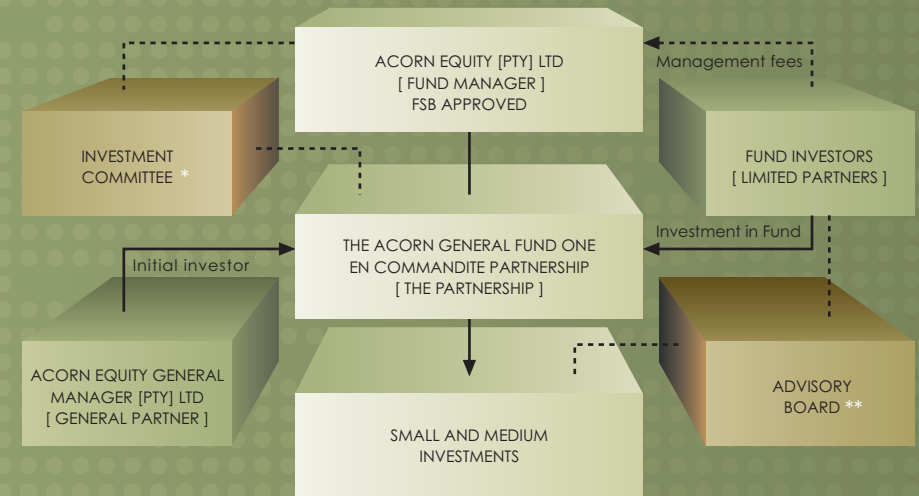
Acorn will be a significant investor into The Partnership and will therefore have the same interests at heart as our fellow investors. The Partnership agreement has been structured to provide the investors (limited partners) with maximum protection. As General Partner, Acorn Equity General Manager (Pty) Ltd does not have the benefit of limited liability.

CREATIVE APPROACH TO ACQUISITIONS AND OPERATIONAL EXPERTISE

The Acorn team has proven their abilities and experience in being creative and innovative when it comes to the structuring of acquisitions, the disposals of investments and the closing of transactions.

HOW WE WORK

ACORN EQUITY STRUCTURE AND GOVERNANCE



* Approval required prior to investment made by fund.

** The Advisory Board has an important oversight function and will act as a sounding board for Acorn and the Portfolio Companies.

THE ACORN PROCESS

STEPPING FROM PROCUREMENT TO INVESTMENT



- I. Acorn Equity will be the Fund Manager and will act on behalf of The Partnership on all aspects relating to its investments.
- II. Acorn will actively pursue and procure deals that fall within The Partnership's investment mandate.
- III. We will then present these potential deals to the Investment Committee for review and approval.
- IV. Once the Investment Committee has reviewed and approved a transaction, Acorn will perform or outsource the due diligence processes to an expert financial service provider.
- V. Upon the completion of a successful due diligence analysis, Acorn will present the transaction to the Investment Committee again and a mandate on pricing and structuring will be discussed.
- VI. Once approval is obtained, Acorn will be entitled to engage in the negotiation processes and enter into the transaction.
- VII. Acorn will issue a Drawdown notice to the Investors to fund the approved transaction.
- VIII. Investors will not be required to make any Capital Contributions unless a transaction is successfully negotiated by Acorn.
- IX. Upon successful completion of the deal, it will be Acorn and the Investment Committee's responsibility to review the investment monthly and provide guidance to the Portfolio Company.

INVESTMENT COMMITTEE

The investment committee will scrutinise all potential transactions and will have the authority to accept or reject any potential deal at its sole discretion. The committee will consist of experienced third party industry experts and key individuals from Acorn.

Member count	Maximum six
Meetings	Monthly or as deemed necessary
Purpose	Assess and approve, or reject potential deals Advise on the management of current investments Act as a sounding board to the Acorn team

SELECTION TO THE INVESTMENT COMMITTEE

- The General Partner will appoint an independent, non-executive Chairman to the committee.
- The General Partner will appoint independent, non-executive members to the committee.
- Acorn will fill up to two of the six positions on the Investment Committee.

ADVISORY BOARD

The Advisory Board will consist of investors into The Partnership and key individuals of Acorn. The Advisory Board has an important oversight function and will act as a sounding board for Acorn and the Portfolio Companies. It will also have the authority to amend certain aspects of The Partnership Agreement if it is required.

Member count	A maximum of six members and a minimum of two.
Purpose	Review from time to time The Partnership's adherence to its investment objectives and strategy. Review valuations of investments; Determine and review valuation methodologies; Resolve conflicts of interest between the General Partner (and its Associates on the one hand) and The Partnership; Advise on any matter referred to by the Fund Manager.

SELECTION TO ADVISORY BOARD

- Each Limited Partner having Committed Capital of R50m or more shall automatically be entitled to appoint one member.
- The Limited Partners may, by agreement, nominate two further persons of their choice to be represented on the Advisory Board.
- The General Partner shall be entitled to appoint one additional person.

ACORN'S FSB
APPROVED
TEAM MEMBERS

PIERRE MALAN CHIEF EXECUTIVE OFFICER

Pierre is a qualified chartered accountant and is undoubtedly one of the most successful private equity specialists in South Africa. His excellent track record, along with his contacts and relationships within the industry are unrivalled and a priceless quality that very few private equity funds can boast of.

BRIEF HISTORY: Pierre specialized in taxation with Arthur Andersen in 1992 and during this time became involved in structured and project finance. In 1994 he joined stockbrokers SMK Securities. In April 1996 he moved to Corporate Finance where he was involved in mergers and acquisitions, new listings, structured finance, rights issues and management buyouts. In January 1998 he was promoted to Director: Corporate Finance of BOE Securities. In September 1998 Pierre started the Corporate Finance function in PSG Investment Bank and worked on new listings, mergers and acquisitions, capital raisings, restructurings and general advice. After the disposal of PSG Investment Bank in June 2002, Pierre assisted in the set-up and creation of PSG Capital as an Executive Director tasked with private equity and corporate finance. In 2006 he joined the PSG Group main board and started PSG's dedicated private equity investment vehicle, Paladin Capital Ltd. as CEO. Under his guidance the company grew from R280m of assets under management to a value in excess of R800m in February 2009, when he resigned to start Acorn Private Equity.

JOHAN DU PREEZ EXECUTIVE DIRECTOR (TURN-AROUND SPECIALIST) (M PHARM, MBA)

Johan has a proven track record with start-ups and turnarounds and is the founder of the private equity investment vehicle, SAAD Investment Holdings (2006).

BRIEF HISTORY: Johan began his career in the USA (California, 1991) where he specialised in the turnaround of large retail "drug" stores (for a retail group that owned more than 700 stores). He then moved to the area of managed healthcare (medical insurance and risk management) and was part of a core team that created a national claims system allowing pharmacies to submit their claims to medical insurers online and in real-time (via a satellite link). He also founded and still owns International Healthcare Consultants in San Diego, USA. Upon his return to South Africa he was instrumental in the turnaround of Sanlam Health (CEO 1999 - 2001), Glacier by Sanlam (CEO 2002 - 2004, previously branded Innofin) and the start-up of the financing company ADATO Capital (CEO 2006 - 2009). During his involvement with the Sanlam group he served on the Executive committee of Sanlam Life. Johan has a wealth of general management experience in various industries and is often consulted by CEO's of medium-sized companies.

CARL NEETHLING EXECUTIVE DIRECTOR

Carl is a qualified chartered accountant with strong private equity and investment experience at international level. His background in entrepreneurial enterprises and family businesses, together with his experience in fund management and deal structuring, complements the team's skill set.

BRIEF HISTORY: After his traineeship at Grant Thornton in Cape Town, Carl accepted a position in Miami, USA where he was part of the core team that provided valuation and investment advice to clients of Grant Thornton, Miami (e.g. Whitehall, Trump Group, Berkshire Hathaway). Carl was subsequently recruited to the head-offices of the Westmont Group in London where he was the global investment controller on their private equity ventures. Westmont is one of the largest privately owned investors in private equity in the world with several billion US dollars under management. Carl had extensive dealings with Goldman Sachs/Whitehall, Blackstone, Cypress Grove and The Carlyle Group. Westmont was the General Partner on all co-investments. Carl resigned from Westmont to join Pierre in heading up Acorn Private Equity.

MANAGEMENT FEES AND PLACEMENT FEES

COMPARATIVE TABLE OF ACORN MANAGEMENT FEES VS. THE INDUSTRY STANDARD

	ACORN FEES	ESTIMATED INDUSTRY STANDARD
Committed capital	0.8% - 2.0%*	1.5% - 2.5%
Preferred return	12%	8% - 12%
Carried interest	20%	20%
Establishment fee	0.5%	0.5% - 3%
Catch-up	No	Often
Clawback	Yes	Infrequent
Investment period	30 months	24 - 48 months
FSB approval	Yes	Seldom

*The aggregate percentage of fees charged by Acorn is dependent on the size of the Fund and the extent to which committed capital has been invested.

- The industry standard in South Africa is to charge 200bps annually on committed capital.
- Acorn will only charge an annual management fee of 200bps on the first R200 million of Committed Capital. Once invested capital exceeds R200 million, Acorn will charge the 200bps on Invested Capital.
- Before the General Partner can share in the gains after the successful harvesting of investments, investors will be reimbursed for management fees that were charged during the life of The Partnership.
- A once-off 50bps establishment fee, to cover the costs of documentation and legal consultations to establish the Fund, will be charged.
- Carried interest to Acorn General Manager (the General Partner) is 20% after all investors achieved compounded annual returns of 12% and after management fees have been reimbursed to the investors. These fee structures are explained in Schedule 2 of the Fund Management Agreement.

THE WATERFALL

Once Acorn starts exiting the investments that were made by The Partnership, the cash will be distributed as follows:

CASH DISTRIBUTIONS

	WATERFALL	LIMITED PARTNERS	GENERAL PARTNER
Tier One	100% of Capital invested	100% of Capital invested	
Tier Two	Management fees	No distribution	
Tier Three	Preferred return (12%)	Preferred return (12%)	
Tier Four	80% of all profits*	20% of all profits	

*The general partner will share in this distribution in proportion to its investment.

Cash distributions are made once Acorn has harvested the investments made on behalf of The Partnerships. The split in these distributions (The Waterfall) is to be governed by The Partnership Agreement.

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“ACORN IS WELL POSITIONED TO TAKE MAXIMUM ADVANTAGE OF ACQUIRING EQUITY STAKES IN PROFITABLE AND GROWING ENTITIES, GIVEN THE ATTRACTIVE PRICING IN THE CURRENT MARKETS.”

THE ACORN TEAM:
OCTOBER 2009,
ACORN EQUITY PLACEMENT MEMORANDUM

ANTICIPATED TIMELINE

ACTIVITY	DATE
Opening of the Fund	1 November 2009
First close of the Fund	30 November 2009
Commencement of the Fund	On closing
Notification to successful investors	7 days after closing
Establishment fee due	14 days after closing
First management fee due	90 days after closing (payable quarterly in arrears)
Drawdown of funds for investment	Approximately 21 days after each Investment is approved by the Investment Committee and Partners are notified by the Fund Manager.
Winding up of the Fund	Once every Fund investment has been exited and the activities of the Fund have been satisfactorily wound up.

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“ACORN HAS A WELL-BALANCED,
DYNAMIC AND ENERGETIC TEAM
WITH EXPERT MARKET
KNOWLEDGE AND EXCELLENT
TRACK RECORDS.”

THE ACORN TEAM:
OCTOBER 2009,
ACORN EQUITY PLACEMENT MEMORANDUM

INVESTMENT STRATEGY: A RECAP

- Acorn Equity will select and evaluate investment opportunities, which will be pursued at Acorn Equity's discretion. Such opportunities will be presented to the Investment Committee for approval.
- Acorn's performance objective is to earn an IRR on each investment in excess of 35% before costs, though there can be no assurance that this objective will be achieved.
- We will not focus on early stage or start-up companies and will primarily seek to invest in established family-owned and entrepreneurial companies.
- We would prefer to provide expansion capital, but will also provide replacement capital.
- Acorn will primarily focus on the infrastructure development, healthcare, agriculture (food) and engineering sectors.
- The Investment Committee will give the final approval whether a transaction should be effected or not.
- The investment mandate is governed by The Partnership Agreement.

EXIT STRATEGY

Acorn will always enter into a transaction with specific exit strategies in mind and will structure deals to allow for easy and swift exits at the best pricing possible. The Investment Committee will also be consulted on methods and timing of exits. Acorn will, however not guarantee a specific time or method of exit from any of its underlying investments.

Acorn will rather assess the opportunities for exiting an investment at the best price on an ongoing basis. This principle will allow Acorn to take advantage of the cyclical nature of the South African economy and employ various different methods of exit.

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“MOST OF THE LARGER SOUTH
AFRICAN PRIVATE EQUITY HOUSES
ONLY FOCUS ON DEALS OVER
R100M. THIS HAS CREATED AN
OPPORTUNITY FOR ACORN TO
TAKE ADVANTAGE OF THE DEALS
THAT FALL OUTSIDE THE SCOPE OF
THESE INVESTMENT MANDATES.”

THE ACORN TEAM:
OCTOBER 2009.
ACORN EQUITY PLACEMENT MEMORANDUM

DEFINITION OF TERMS

Acorn :	The Fund Manager or any other Acorn affiliate as assigned by Acorn Equity (Pty) Ltd
Carried Interest:	The performance fee due to the General Partner when exceeding the preferred return.
Catch-up:	A clause that allows the general partner to take, for a limited period of time, a greater share of the carried interest than would normally be allowed. This continues until the time when the carried interest allocation, as agreed in the limited partnership, has been reached. (The Acorn fee structure does not provide for such a catch-up).
Clawback:	A clawback obligation represents the General Partner's promise that, over the life of the fund, the managers will not receive a greater share of the fund's distributions than they are entitled to as per The Partnership agreement.
Committed Capital:	In respect of each Partner, means the total amount committed to the capital of The Partnership by such Partner, as specified in The Partnership agreement or in that Partner's Deed of Adherence.
FSB:	Financial Services Board
Fund:	Acorn General Fund One, a private equity fund comprising The Partnership.
Investor:	Any person or entity that is admitted as an en commandite partner of The Partnership (also defined as a Limited Partner).
IRR:	Internal Rate of Return
Limited Partner:	See Investor
Partnership:	Acorn General Fund One En Commandite Partnership
Partnership Agreement:	Acorn General Fund One En Commandite Partnership Agreement
Portfolio Companies:	A company, body corporate or other entity or en commandite partnership in which The Partnership owns an Investment.

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PARTNERS' COMMITMENTS

- **Partners' commitments will be governed by The Partnership agreement.**

- All Partners shall be entitled to communicate directly with the Auditors and Advisory Board with respect to Partnership matters.
- All partners will be obliged to contribute (pro rata to their investment in the Fund) to the transaction amount in an investment approved by the Investment Committee. The Fund Manager will advise partners of this amount at least 14 days before it is due.
- By the due date, Investors shall pay over to the Fund Manager their investment contributions. The Fund Manager will advance such funds for investing in the opportunity on terms and conditions set out in the relevant legal agreements concluded by the Fund Manager. All legal arrangements regarding the opportunity shall be made by the Fund Manager and the General Partner.
- Drawdowns of the management fee shall take place quarterly in arrears, and shall be payable by Investors upon the Fund Manager giving notice to Investors of the amount they are to pay and the date on which such payment is due.

- **Default by a Partner will be governed by The Partnership agreement and could ultimately lead to his/her constructive withdrawal as a partner.**

GENERAL PARTNER COMMITMENTS AND RESPONSIBILITIES

The General Partner shall have full authority to act on behalf of The Partnership. The General Partner shall be required to:

- Monitor and, where appropriate, participate in the management and control of Portfolio Companies;
- Accept applications, require The Partnership to admit prospective Limited Partners and to issue Drawdown Notices;
- To give security and to mortgage, pledge or provide security over any assets of The Partnership;
- Maintain The Partnership's records and books of account, at The Partnership's or its own principal place of business, and to allow any Limited Partner and its representatives reasonable access thereto;
- Make distributions to the Partners in accordance with the terms of The Partnership Agreement;
- Carry out periodic reports and valuations of The Partnership Assets and to furnish such reports and valuations to the Limited Partners.

The role and functions of the General Partner in relation to the making of Investments, is to ensure that the Investments are made in terms of The Partnership Agreement.

REPORTING REQUIREMENTS

- The Fund Manager shall prepare **quarterly financial statements for The Partnership**, within 30 days after the Fund's quarter end, and present them to the Partners.
- Financial statements shall be prepared according to International Financial Reporting Standards, applicable to private equity funds. The financial year of the Fund shall end on 28 February of every year. **Audited annual financial statements** shall be tabled at an annual general meeting of Partners within 90 days of each financial year end.
- The appointed auditors of the Fund will be PriceWaterhouseCoopers Inc.

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RISKS

A private equity investment entails risks that differ from, and are often higher, than the risks associated with investing in other equity-based investments. These include, but are not limited to:

- Illiquidity - Prospective investors should note that the investment is a long-term investment with very limited liquidity.
 - Capital commitments - Investors commit to having the required capital available when a drawdown notice is issued. Inability to comply with a drawdown notice can lead to serious financial losses, including the forfeiture of capital invested.
 - Governance of portfolio companies - The regulatory regime to which unlisted companies are subject is not as strict as that relating to listed entities. This increases the potential for higher returns, but also increases risk.
 - Concentration of investments - Acorn will target investment in specific sectors, and investments will be made into a limited number of portfolio companies.
- The results of a single portfolio company can therefore have a significant impact on overall results.
- Exchange rate risk - To the extent that the fund invests outside South Africa, South African investors will be exposed to exchange rate risk. Foreign investors should note their exposure to the South African currency.
 - Tax - in most tax jurisdictions the tax results of The Partnership's activities (e.g. buying and selling of investments) will flow through to the Partners as if the Partner entered into the transaction. The tax implications are not the responsibility of Acorn or The Partnership.
 - Capital risk - the investment does not provide any capital guarantees and investors may lose some or all of the capital invested.

The investment is intended for sophisticated and financially astute investors. Neither Acorn, nor the General Partner (or any of their directors, officers, contractors or employees) has provided or will provide the prospective investor with financial advice in respect of the decision whether or not to invest.

It is the investor's duty to ascertain whether the investment is suitable for his/her investment goals, circumstances and risk profile. Prospective investors are urged to seek independent financial and tax advice before investing.

IMPORTANT INFORMATION

This Memorandum is furnished only to a limited number of prospective Investors for the purpose of providing certain information about a possible investment in The Partnership. It does not constitute an invitation to invest in The Partnership other than to the recipient to whom it has been addressed. It relates to a private placement of interests in The Partnership and it is not a general offer or invitation to the public. The matters and explanations set out in this Memorandum do not purport to be complete. The content of this Memorandum is subject to and qualified in its entirety by The Acorn General Fund One En Commandite Partnership Agreement. The Partner's Capital Accounts will be denominated in South African Rand (R). The information included in this memorandum is intended for sophisticated and financially astute investors. The questions, answers and factual statements hereto will provide an outline and cover the basic fundamentals of Fund One. This document should be read and understood in conjunction with the Fund One Partnership Agreement.

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