

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, please consult your stockbroker, banker, attorney, accountant or other professional adviser.

Action required:

1. If you are a participatory interest holder in the Fountainhead Property Trust, please complete the attached ballot and return it in the enclosed postage paid envelope addressed to the auditors of the Fountainhead Property Trust, KPMG Inc. at Private Bag 9, Parkview, 2122, or deliver it by hand to KPMG Inc. at KPMG Crescent, 85 Empire Road, Parktown, 2193, marked for the attention of Marcelle Fouche, to be received by 3 September 2010.
2. If you have disposed of your interest in the Fountainhead Property Trust, this memorandum and ballot should be handed to the purchaser of such interest or to the stockbroker or other agent through whom you disposed of such interest.

FOUNTAINHEAD

Property Trust ■■■■■■■■

FOUNTAINHEAD PROPERTY TRUST

("the Portfolio")

a portfolio forming part of the Fountainhead Property Trust Scheme ("the Scheme"), a collective investment scheme in property established in terms of the Collective Investment Schemes Control Act, 45 of 2002 and managed by:

FOUNTAINHEAD PROPERTY TRUST MANAGEMENT LIMITED

(Registration number 1983/003324/06)

("the Manager")

Memorandum to participatory interest holders in the Portfolio regarding the proposed amendments to the deed which established the Scheme, in terms of which:

- the limit of borrowing by the Scheme is increased from the current limit of 30% to 40% of the value of the underlying assets comprising the relevant portfolio,

and incorporating:

- a ballot for completion by certificated participatory interest holders and participatory interest holders who have dematerialised their participatory interests with "own name" registration.

Trustee of the Scheme



ABSA Bank Limited/Beperk, Reg No 1986/004794/06 ("Absa")

Attorneys



(Registration No 2006/018200/21)

Auditors of the Portfolio



(Registration No 1999/021543/21)

Date of issue: 22 July 2010

CORPORATE INFORMATION

Manager

Fountainhead Property Trust Management Limited

c/o Broll Property Group (Proprietary) Limited
2nd Floor, Broll House
27 Fricker Road
Illovo
2196
Johannesburg

Directors

Chairman

W M Kirchmann

Managing Director

A E Raubenheimer

Non-executive Directors

J D Rainier, S Shaw-Taylor, D S Ogbu and S J Segar

Independent Non-executive Directors

V A Christian and H Y Laher

Trustee

ABSA Bank Limited

11 Diagonal Street
Newtown
Johannesburg
2001
(PO Box 42010, Fordsburg, 2033)

Auditors

KPMG Inc.

KPMG Crescent
85 Empire Road
Parktown
2193
(Private Bag 9, Parkview, 2122)

Attorneys

Edward Nathan Sonnenbergs Inc.

1 North Wharf Square
Loop Street
Foreshore
Cape Town
8001
(PO Box 2293, Cape Town, 8000)

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1. DEFINITIONS AND INTERPRETATION

In this document, unless the context indicates otherwise, the words in the first column have the meanings stated alongside them in the second column, references to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons and *vice versa* and cognate expressions shall bear corresponding meanings:

“Act”	the Collective Investment Schemes Control Act, 45 of 2002;
“Association”	the Association of Property Unit Trust Management Companies;
“Auditors”	the auditors of the Scheme as at the date of this document, namely KPMG Inc.;
“ballot”	the blue ballot form enclosed with this document, to be returned to the Auditors in accordance with the instructions contained herein;
“CISP”	a collective investment scheme in property;
“Deed”	the deed entered into by the Manager and the Trustee and approved by the Registrar on 1 April 2003, which deed provided for the replacement of the scheme that was originally established under the Old Act and formerly known as “Standard Bank Property Trust Scheme”;
“document”	this information memorandum to PI Holders of the Portfolio dated 22 July 2010, and enclosing the ballot;
“Manager”	Fountainhead Property Trust Management Limited (Registration number 1983/003324/06), a company duly incorporated in accordance with the laws of the Republic of South Africa, and the manager of the Scheme;
“Old Act”	Unit Trusts Control Act, 54 of 1981 (repealed by the Act);
“PI”	participatory interest;
“PI Holder”	participatory interest holder in the Portfolio;
“Portfolio”	the Fountainhead Property Trust, a portfolio established under the Scheme;
“Proposed Amendment”	the proposed amendments to the Deed contained in the Third Supplementary Deed, which proposed amendments are summarised in paragraph 2.5 and explained in detail in the remainder of this document;
“Registrar”	the Registrar of Collective Investment Schemes;
“Scheme”	the Fountainhead Property Trust Scheme, a CISP established in terms of the Act;
“Third Supplemental Deed”	the proposed third supplemental deed to the Deed which provides for the Proposed Amendment; and
“Trustee”	ABSA Bank Limited (Registration number 1986/004794/06), a public company duly incorporated and registered as a bank in accordance with the laws of the Republic of South Africa, and the trustee of the Scheme.

2. INTRODUCTION AND BACKGROUND

- 2.1 On 31 March 2003, the Manager and the Trustee signed and executed the Deed, in terms of which the deed that established the Scheme in 1983 in terms of the Old Act was replaced. The Deed was approved by the Registrar on 1 April 2003.
- 2.2 The Portfolio was originally established under the Old Act by a supplemental deed approved by the Registrar on 25 April 1983 under the name Standard Bank Property Fund, which name was later changed to the Allan Gray Property Trust. On 21 and 26 November 2003 respectively, the Manager and the Trustee signed and executed supplemental deed number 1 which provided for the continuation of such Portfolio under the Act, which supplemental deed was approved by the Registrar on 30 January 2004.
- 2.3 On 9 and 11 May 2007 respectively, the Manager and the Trustee signed and executed supplemental deed number 2 to amend the Deed and supplemental deed number 1 to provide for the change of the name of the Scheme, the Manager, the Portfolio, and the abbreviated name of the Portfolio to their current names, which supplemental deed was approved by the Registrar on 14 May 2007.
- 2.4 The Portfolio's PIs were listed on the JSE's main board in 1983 in the "Real Estate – Real Estate Investment Trusts" sector and remain listed today.
- 2.5 The Manager and the Trustee have agreed to enter into the Third Supplemental Deed in order to increase the limit of borrowing by the Scheme, from the current limit of 30% to 40% of the value of the underlying assets comprising the relevant portfolio, and to provide for certain matters ancillary thereto.
- 2.6 The Trustee and the Registrar have consented in principle to the proposed Third Supplemental Deed, subject to obtaining the consent of PI Holders holding a majority in value of the total number of PIs held by the PI Holders who participate in the ballot process described in paragraph 6 below. The rationale for the Proposed Amendment is set out in paragraph 3.1.3 of this document.
- 2.7 The Manager is of the opinion that the Proposed Amendment to the Deed, as contained in the Third Supplemental Deed, will be beneficial to PI Holders and hence recommends that PI Holders vote in favour of the proposed Third Supplemental Deed.
- 2.8 Enclosed with this document is a ballot and a postage paid, self-addressed envelope. PI Holders are requested to complete the ballot in the manner indicated after considering the contents of this document, and to return the ballot to the Auditors in the enclosed postage paid, self-addressed envelope or deliver it by hand to the Auditors at 85 Empire Road, Parktown, 2193, marked for the attention of Marcelle Fouche, to be received by the Auditors by no later than 3 September 2010 and counted by the Auditors in accordance with the Deed.
- 2.9 This document, which is addressed to all PI Holders, contains the salient features of the Proposed Amendment and the procedure to be adopted in order to approve and implement the Proposed Amendment. The exact terms of the Proposed Amendment appear from the draft of the Third Supplemental Deed which has been submitted to and approved in principle by the Registrar (subject to obtaining the necessary consent of PI Holders) and will be made available with the Deed for inspection by PI Holders during normal business hours at the registered office of the Manager's administrators, Fountainhead Property Trust, c/o Broll Property Group (Proprietary) Limited, 2nd Floor, Broll House, 27 Fricker Road, Illovo, 2196, Johannesburg from 22 July 2010 until 3 September 2010.

2. INTRODUCTION AND BACKGROUND (continued)

- 2.10 In the circumstances, PI Holders are called upon to consider and vote in respect of the Proposed Amendment, which is subject to the consent of PI Holders holding a majority in value of the total number of PIs held by all PI Holders, excluding the manager, who reply to the ballot. In order for the ballot to be properly conducted, the replies of PI Holders holding not less than 25% of the total number of PIs in issue, excluding the PIs held by the Manager, must be received in writing.

3. PROPOSED AMENDMENT

3.1 INCREASE TO THE BORROWING LIMIT

3.1.1 Current position:

3.1.1.1 The Deed currently restricts the Portfolio to borrowing up to 30% of the value of the underlying assets comprising the Portfolio.

3.1.1.2 The Registrar has, in terms of a letter addressed to the Association dated 16 July 2007, approved the increase in the limit of borrowing by a portfolio from the limit of 30% of the value of the underlying assets comprising the portfolio to 60% of the value of the underlying assets comprising the portfolio, provided that managers who wish to avail themselves of this increased limit shall submit a supplemental deed to the Registrar to amend the existing deed.

3.1.2 Proposed Amendment:

Having considered the matter, the Manager and the Trustee propose increasing the borrowing capacity of a portfolio under the Scheme from the current limit of 30% of the value of the underlying assets comprising the portfolio to 40% of such value.

3.1.3 Rationale for Proposed Amendment:

3.1.3.1 In 2007, the Association petitioned the Registrar to increase the permissible level of borrowing in a scheme to market related levels. Prior to this, the debt financing capacity of South African CISPs was restricted to 30% of the fair market value of the underlying assets in the CISP.

3.1.3.2 One of the reasons for the proposed change was the apparent discrepancy between the South African borrowing limitation of 30% debt to assets in contrast to the other international markets. The South African borrowing limitation, if one excluded Korea (where long-term debt financing was only allowed in exceptional circumstances), was the lowest in the world. First world markets, such as the European and Australian markets had borrowing limits of between 50% and 75%, while the Canadian, Japanese and the United States markets had no limitations on debt whatsoever.

3.1.3.3 A local survey conducted at the time also indicated that investors in listed property funds believed that the 30% limitation on CISPs should be raised significantly, or that the limit should be removed altogether.

3.1.3.4 The Registrar agreed to allow South African CISPs to increase the level of borrowing from 30% to 60% of the fair market value of the underlying assets in the CISP, provided that the PI Holders of the relevant portfolios of the CISP consented to such increase.

3. PROPOSED AMENDMENT (continued)

3.1 INCREASE TO THE BORROWING LIMIT (continued)

3.1.3 Rationale for Proposed Amendment: (continued)

- 3.1.3.5 The nature of fixed property, as an asset class, as well as long-term, escalating leases of such fixed property, make it ideal for long-term debt financing. Through prudent long-term debt financing, returns to investors can be significantly enhanced without incurring unnecessary risk.
- 3.1.3.6 The current limitation restricts the Manager's ability to raise funding to redevelop existing properties and acquire suitable properties for the Portfolio, since once the 30% limit is reached, the Manager can only raise funding by way of rights issues and issues for cash (which are costly and time consuming), and issues of new PIs in exchange for property (which may not be attractive to property vendors, especially if such properties are already geared).
- 3.1.3.7 The increased borrowing capacity will enable the Manager to more regularly take advantage of investment opportunities when they arise.
- 3.1.3.8 The Manager believes that the Proposed Amendment of increasing the borrowing ratio to 40% will positively affect the value of the PIs, while keeping the borrowing limits within a sensible range.
- 3.1.3.9 The interests of PI Holders will continue to be protected as the Deed still requires the Trustee to approve all borrowings in accordance with its terms. The general obligation on the Trustee and the Manager imposed in terms of the Act to act in the best interests of the PI Holders at all times, will further serve to protect the interests of PI Holders.
- 3.1.3.10 Accordingly, the directors of the Manager have resolved to propose the Proposed Amendment to the Deed so as to allow the Portfolio to pursue property acquisitions on a competitive basis with other CISPs and property loan stock companies.

3.1.4 Suggested change to the Deed:

- 3.1.4.1 In order to reflect the aforesaid Proposed Amendment, the Manager and the Trustee propose replacing the existing sub-clauses of clause 21 of the Deed with the following:

"21.1 Upon request by the manager and subject to the provisions of clauses 6 and 15 the fixed property company shall:

21.1.7 contract loans with persons, including banks or other financial institutions, but not with a portfolio, for the purpose of financing extensions, additions or alterations to existing immovable properties and/or for the purpose of financing the acquisition of additional immovable properties subject, however, always to the memorandum and articles of association of the fixed property company, to this deed and to the Act, as well as to the following further conditions:

3. PROPOSED AMENDMENT (continued)

3.1 INCREASE TO THE BORROWING LIMIT (continued)

3.1.4 Suggested change to the Deed: (continued)

21.1.7.2 *the maximum amount of the aggregate indebtedness of all fixed property companies, alternatively, the aggregate indebtedness incurred in connection with immovable properties included directly in the portfolio in respect of loans contracted in accordance with the provisions of this clause 21 shall not at any time exceed an amount equal to 40% (forty per cent) of the value of the underlying assets comprising the portfolio, determined on the last published valuation for such portfolio in the most recent audited financial statements of the portfolio adjusted for any subsequent changes in the value of such asset portfolio in accordance with generally accepted accounting principles and taking into account the value of any property to be acquired utilising a loan. However, in respect of any additional portfolio established in terms of the scheme, the amount of such borrowings shall be restricted to 40% (forty per cent) of the aggregate value of the underlying assets comprising such portfolio as at the date of approval thereof by the Registrar and confirmed by the trustee until the first published valuation of the underlying assets comprising such portfolio in the audited financial statements of such portfolio, adjusted for any subsequent changes in the value of such assets in accordance with generally accepted accounting principles and taking into account the value of any property to be acquired utilising the loan;*

21.2 *Where, for the purpose of contracting loans in terms of clause 21.1.7, the value of the underlying assets is determined by taking into account the value of any immovable property to be acquired by utilising such loan, the following additional conditions shall apply:*

21.2.1 *the manager must, prior to the signature of a purchase agreement in respect of the immovable property to be acquired, provide the Registrar, in writing, with the following information:*

21.2.1.3 *the amount by which the aggregate indebtedness in clause 21.1.7.2 would exceed the 40% (forty per cent) maximum referred to in that clause if such immovable property were not to be taken into account in determining the aggregate value of the underlying assets.*

21.3 *In the event that, for any reason whatsoever, the sale of the immovable property does not become final and unconditional, the loan procured in terms of this clause 21 shall immediately be cancelled to the extent that the amount of such loan causes the aggregate indebtedness of the fixed property companies concerned, alternatively, the aggregate indebtedness incurred in connection with immovable property included directly in the portfolio, to exceed the 40% (forty per cent) maximum referred to in clause 21.1.7.2 if such immovable property were not to be taken into account in determining the aggregate value of the underlying assets. Any powers or competencies conferred upon a fixed property company in terms of this deed, including but not limited to those contained in clause 21, shall, insofar as it is applicable, be construed as conferring the same competencies and powers upon a trust."*

4. IMPLEMENTATION DATE OF THE PROPOSED AMENDMENT

Subject to obtaining the consent of PI Holders holding a majority in value of the total number of PIs held by all PI Holders, excluding the Manager, who reply to the ballot, in which the replies of PI Holders holding not less than 25% in value of the total number of PIs in issue, excluding the PIs held by the Manager, have been received in writing, the Proposed Amendment to the Deed will be implemented by way of the adoption of the Third Supplemental Deed, with effect from 1 October 2010.

5. TERMS OF THE PROPOSED AMENDMENT

The wording of the Proposed Amendment and a reference to the clauses of the Deed which it seeks to amend appear from the Third Supplemental Deed, which is available for inspection during normal business hours at the registered office of the Portfolio's administrators, Fountainhead Property Trust, c/o Broll Property Group (Proprietary) Limited, 2nd Floor, Broll House, 27 Fricker Road, Illovo, Johannesburg, 2196 from 22 July 2010 until 3 September 2010.

6. BALLOT

- 6.1. Enclosed is a ballot for completion by certificated PI Holders and PI Holders who have dematerialised their PIs with "own name" registration. The ballot form is not for use by PI Holders who have dematerialised their PIs and whose PI holding is not recorded in their own name in the sub-register maintained by their Central Securities Depository Participant ("**CSDP**"). Such PI Holders should advise their CSDP or broker as to what action they wish such CSDP or broker to take on their behalf.
- 6.2. Certificated PI Holders and PI Holders who have dematerialised their PIs with "own name" registration should complete, sign and return the ballot in the enclosed postage paid, self-addressed envelope or deliver it by hand to the Auditors at 85 Empire Road, Parktown, 2193, marked for the attention of Marcelle Fouche, to reach the Auditors by not later than 3 September 2010.
- 6.3. The Auditors shall count the ballot papers received and their findings shall be conveyed in writing to the Manager as soon as reasonably possible after 3 September 2010. The report of the Auditors shall be final and binding on all parties concerned.

7. RECOMMENDATION

The Manager recommends, and has been authorised by the Trustee to state that the Trustee supports such recommendation, that PI Holders vote in favour of the Proposed Amendment.

BY ORDER OF THE BOARD

Anton Raubenheimer

Managing director

Fountainhead Property Trust Management Limited

22 July 2010

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

FOUNTAINHEAD

Property Trust ■■■■■■■■

FOUNTAINHEAD PROPERTY TRUST ("the Portfolio")

a portfolio forming part of the Fountainhead Property Trust Scheme ("**the Scheme**"), a collective investment scheme in property established in terms of the Collective Investment Schemes Control Act, 45 of 2002 and managed by:

FOUNTAINHEAD PROPERTY TRUST MANAGEMENT LIMITED

(Registration number 1983/003324/06)

("the Manager")

PORTFOLIO BALLOT FORM

Please return this ballot in the enclosed postage paid, self-addressed envelope or deliver it by hand to KPMG Inc. at 85 Empire Road, Parktown, 2193, marked for the attention of Marcelle Fouche, to be received by KPMG Inc. by no later than 3 September 2010.

For completion only by participatory interest holders of the Portfolio ("**PI Holders**") holding participatory interest ("**PI**") certificates and PI Holders who have dematerialised their PIs and whose PI holding is recorded in their own name in the sub-register maintained by their Central Securities Depository Participant ("**CSDP**").

This ballot form is not for use by PI Holders who have dematerialised their PIs and whose PI holding is not recorded in their own name in the sub-register maintained by their CSDP. Such PI Holders should advise their CSDP or broker as to what action they wish such CSDP or broker to take on their behalf (see note 4 overleaf).

I/We _____

(Please print full names)

Of _____

(Please print address)

vote as follows (see notes overleaf):

	Number of votes participatory interest holder is entitled to exercise:	Number of votes for:	Number of votes against:
Proposed Amendment (Increase the borrowing capacity from 30% to 40%)			

(Insert number of votes in the blocks provided)

Signed at _____ on _____ 2010

Signature _____

Capacity (see note 5 overleaf) _____

Assisted by me (where applicable) _____

Please read the notes overleaf.

NOTES

1. Every PI Holder shall have one vote for every PI held in the Portfolio by such PI Holder.
2. A PI Holder's instructions to the Manager in respect of the ballot must be indicated by inserting the number of votes the PI Holder is entitled to exercise and the number of votes cast for and/or against the proposed amendment in the relevant box(es) provided.
3. Where a PI Holder is holding PIs as a nominee or person duly appointed to act on behalf of the beneficial owners of the PIs, the PI Holder must obtain written instructions from such beneficial owners as to how to respond to the Proposed Amendment. If some of the beneficial owners are in favour of the Proposed Amendment and others are against it, the PI Holder must respond by indicating the number of votes for and against the Proposed Amendment in the relevant box(es) provided above.
4. PI Holders who have dematerialised their PIs without "own name" registration, should take note of the following:
 - (a) If your CSDP or broker has not contacted you, you should contact your CSDP or broker and furnish them, by the date stipulated in the custody agreement entered into between you and your CSDP or broker, with your voting instructions as to how you wish to cast your vote required in respect of the ballot;
 - (b) If your CSDP or broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker;
 - (c) You must **not** complete the ballot form.
5. If you are signing this ballot in a representative capacity, please insert your own name and the name of the person, trust, deceased estate, company, close corporation or institution on whose behalf you are signing.
6. Documentary evidence establishing the authority of a person signing this ballot in a representative or other legal capacity must be attached to this ballot. For example, where this ballot is submitted on behalf of a company, pension fund or other institution, it must be supported by a resolution of its board of directors, trustees or other governing body. By way of further example, where this ballot is submitted on behalf of a natural person, a power of attorney indicating the authority of the party completing the ballot on behalf of such natural person must be attached to the ballot.
7. Any alteration or correction made to this ballot must be initialled by the signatory/ies.
8. Ballots must be posted in the enclosed postage paid, self-addressed envelope to KPMG Inc. at Private Bag 9, Parkview, 2122 or delivered by hand to KPMG Inc. at 85 Empire Road, Parktown, 2193, marked for the attention of Marcelle Fouche, to reach KPMG Inc. by not later than 3 September 2010.
9. Where there are joint PI Holders:
 - (a) any one holder may sign the ballot; and
 - (b) the vote of the senior holder who tenders a vote by ballot will be accepted to the exclusion of the vote(s) of the other joint PI Holders and, for the purpose of the ballot, seniority will be determined by the order in which the names of PI Holders appear in the Portfolio's register of PI Holders.

