

# CHYS and CPN Creditors Debt Settlement Plan

February 24th , 2024



# Agenda

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1. Recent Updates
2. Debt Settlement Plan
3. Suggested Way Forward
4. Q&A

**The KEY GOAL of this presentation is to persuade investors / creditors that (i) a liquidation is not in the interest of the CHYS / CPN Funds and the Projects because it will take years to realize only 14% of value, and that (ii) the said orders were not obtained with the consent of Creditors hence ought to be set aside. We present an alternative that will deliver 100% of your Principal and the balance in shares. Join the appeals to achieve the objective**

# Recent Updates

## The following have happened since the CHYS / CPN Liquidation Orders on January 6th

1. We met the Official Receiver on 15<sup>th</sup> March 2023 and presented our Debt Settlement Plan. We further made a follow up on the same and the Official Receiver responded on 18<sup>th</sup> September, 2023 directing us to align our presentation with Company Voluntary Arrangements as provided for in the Insolvency Act and formally present the same.
2. We had several clients, totaling about Kes. 366 million seeking to attach assets for themselves so we had to get a Stay application against these efforts – orders gotten on 23<sup>rd</sup> April 2023
3. We still believe that a Debt Settlement Plan, which is targeted to return 100% of Principal compared to Liquidation, which returns 14% of Principal is the best way to go
4. Received unsolicited interest in both Superior Homes and Kilimani Land – demonstrates marketability in the properties

# Legal updates

## Litigation developments & Strategy post the Consent Orders of 30<sup>th</sup> November 2023

1. Various Applications were made before Hon. Justice Alfred Mabeya. Cytonn and its entities made Applications seeking: a) Lifting of the preservation orders on the Alma (Application by CIP LLP) and b) Stay orders on Applicants seeking to enforce the guarantee against CIM PLC.
2. The Official Receiver put in applications seeking to be vested with the Superior Homes Shares, the Kilimani parcel of land and the Riverrun land for valuation and sale.
3. SBM Bank, who is a secured Creditor of The Alma, filed a Consent with the Official Receiver dated 1<sup>st</sup> August 2023. The terms of the Consent were that SBM be allowed to proceed with recovery options for their outstanding loan by CIP or in exercise of the rights available to it under the Charge and Further Charge. CIP filed an affidavit opposing the said Consent.
4. On behalf of the Alma Unit owners, we filed applications dated the 8<sup>th</sup> of October 2023 and 1<sup>st</sup> November 2023, primarily seeking (1) to be enjoined to the insolvency petition as interested parties and (2) to have the preservation orders lifted for the specific units that had been purchased by the 3<sup>rd</sup> Party bona fide purchasers, who we now represent.
5. On the 30<sup>th</sup> of November 2023, the Judge delivered a Ruling on 6 applications only to the exclusion of the applications by the Homeowner. In his Ruling, the Judge adopted the Consent by SBM and the OR as an order of the Court.
6. We have filed a Notice of Appeal on behalf of CIP and the Homeowners. We have also drafted applications for Stay of the Consent Orders at the Court of Appeal pending the intended appeal. **We are happy to report that the court of appeal issued a stay in ALL our applications, hence there will be no further execution of the High Court Ruling Dated November 30<sup>th</sup>, 2023.** We now await dates for the hearing of applications.

# **CHYS & CPN Principal Partner's Debt Settlement Proposal**

**February 2024**



*“The central question is whether or not the company with a redeemable financial position can be successfully restructured. For this, we would need to perform a comparison between the expected going concern value of the company versus its liquidation value. If the liquidation value exceeds the going concern value, then liquidation should be entered immediately to stop the value decline. However, otherwise the most suitable restructuring model must be selected. The choice of the restructuring method must be the best and most appropriate to address the likely restructuring obstacles. Any other thinking is futile.”*

***Bakertilly, 2019***

**On the back of this; The Principal Partner believes the SPVs hold viable assets with the potential to deliver significant value if they are given an opportunity to execute their respective Business Plans to completion. Therefore, in our opinion, restructuring offer investors better value on their investments than any of the other options available under the current circumstances.**

# Why the CIM Stay Application was critical – 366million worth seeking preference

Successful Legal action creditors against CIM would have them treated preferentially

1. Misc. App No. E089 of 2022; Margaret Mary Njuquna v CHYS & CIM – **KES. 41,404,959**
  2. HCCC No. E447 of 2020; Dr. Humphrey Muriithi v CHYS & CIM – **KES. 35,147,347**
  3. HCCA/EO27/2020; CIM & CHYS v Kirimi David Muthuku – **KES. 12,654,824**
  4. DR. JOYCE ACHOLA V CHYS & CIM – **KES. 2,984,043**
  5. Skylark Impex Limited v CHYS & CIM – **KES. 25,000,000**
  6. Bungoma HCCC No. 6 of 2020; Masinde & Co., Daniel Masinde v CIM – **KES. 36,931,990**
  7. Joseph Ndaviziye v CIM & CHYS; HCCC E0505 of 2022 – **KES. 14,553,000**
  8. Justin Ojiambo Khaduli (Demand letter) – **KES. 9,037,500**
  9. Lenah Mqhoi Nyambu (Demand letter) – **KES. 44,308,656**
  10. Michael Mwinzi Mutua (Demand letter) – **KES. 13,250,742**
- TOTAL (SO FAR) – KES. 366,251,061**

# Summary of Proposed Restructuring – Rationale

Investors to waive interest accrued in 2020 and 2021 and recover 100% of the balance under restructuring vs orderly liquidation, 14%, and yet both would take about the same time to achieve

1. The Principal Partner - Cytonn Investments Management, PLC (CIM or the Company) gives this proposal recognizing that CIM and the Funds are inextricably linked. Although CIM and certain Real Estate Special Purpose Vehicles (the RSPVs) through which CIM holds various real estate assets continued to receive funding e.g. the SBM Bank Kenya Limited top up facility for The Alma, the overall level of short term debt means that a return to profitability based on the current funding structure is exceptionally challenging and highly unlikely to occur. Consequently, restructuring is inevitably the only option that can maximize value back to investors.



# Summary of Proposed Restructuring – Rationale

Investors to waive interest accrued in 2020 and 2021 and recover 100% of the balance under restructuring vs orderly liquidation, 14%, and yet both would take about the same time to achieve

2) Since the outbreak of the Covid-19 pandemic, operations of the Funds were significantly affected. Inflows reduced by more than 96% in less than 6 months. This had a knock-on effect on the SPVs which had a revolving credit arrangement with the Funds. The Funds had committed to fund each of the SPVs up to a certain limit with the SPVs repaying a portion of the balance in regular intervals. With the Project SPVs access to funding closed, coupled with the impact of Covid-19 on consumer buying power impacting sales and disrupting progress on the projects, the Funds quickly faced significant financial strain which affected their operations.

3) At the same time, the investor funds continued to accrue interest which currently stands at more than KES 3.7 billion with no corresponding economic activity to support the interest accrual.

# Summary of Proposed Restructuring – Rationale

Investors to waive interest accrued in 2020 and 2021 and recover 100% of the balance under restructuring vs orderly liquidation, 14%, and yet both would take about the same time to achieve

4. The restructuring is expected to strengthen the balance sheet of each of the RSPVs to enable them attract funding, enhancing their liquidity and by extension that of the Company. This will also lead to Increase in end buyer confidence which will enhance uptake in the various projects thus enhancing liquidity.

# Summary of Proposed Restructuring – The Basic Steps

Here are the basic steps summarizing the restructuring plan.

- **Step 1: Sell shares in Superior Homes Kenya, immediately pay 50% of the proceeds to creditors and 50% to the Alma**
- **Step 2: Sell Kilimani land, pay 50% of to creditors and 50% to the Ridge**
- **Step 3: Complete the Alma, pay 50% to creditors and the other 50% goes towards Taraji**
- **Step 4: We complete Taraji and 50% to creditors and 50% to RiverRun**
- **Step 5: Complete the Ridge and pay 100% to creditors**

# Summary of Proposed Restructuring - workings

## Investors to waive interest accrued in 2020 and 2021 and recover 100% of the balance under restructuring vs orderly liquidation, 14%, and yet both would take about the same time to achieve

- The Investor's Equity and Debt Entitlement will therefore constitute a release of interest accrued in 2020 and 2021 in the sum of Kshs 3,754,975,696 to adjust for the impact of Covid on the performance of the underlying investments (real estates) and the Funds ability to fund the SPVs.
- Under restructuring, the expensive short-term debt is to be retired and restructured as follows:
  - **50% of the balance to be paid out as payments upon asset sales at SPV, with commitment to make payment upon asset sales**
  - **The balance to issued as ordinary shares in a New Entity (NewCo.) – as was the case with Amana restructuring**

The payments upon asset sales will accelerate the return of the SPVs to profitability, and enable them to return value to the investors faster. Furthermore, by holding shares in NewCo, investors will be able to participate in any upside should the Company return to profitability.

- The payout are projected as structured below: (however, **any early asset sales will lead to early payouts**)
  - i. Year 2025\*: 20% of the residual value
  - ii. Year 2026\*: 20% of the residual value
  - iii. Year 2027\*: 20% of the residual value
  - iv. Year 2028\*: 40% of the residual value

\*Assumes restructuring plan is signed and approved by mid 2024.

# Computed demonstration of the DSP

## Cash Installments are to run from 2025-2028

### Demonstration of DSP using a principal of Kshs.1m

Balance as at 31st August 2021	1,360,000.00	
Accrued Interest 2020-2021	(360,000.00)	
<b>Amount to be repaid</b>	<b>1,000,000.00</b>	
50% to be converted to equity	500,000.00	<b>*To be paid out as projects are completed and sold</b>
50% to be paid in cash	500,000.00	<b>*To be paid in Installments from 2025</b>

### Schedule for the cash installments

Year	Percentage	Amount (Kshs)
2025	20%	100,000.00
2026	20%	100,000.00
2027	20%	100,000.00
2028	40%	200,000.00

(\*\*\*)This assumes restructuring proposal will be signed off by mid 2024)

# Comparison between Debt Settlement Plan and Liquidation

**Investors to waive interest accrued in 2020 and 2021 and recover 100% of their principal investment under restructuring vs orderly liquidation, 14%, and yet both would take about the same time to achieve**

- Under liquidation, investors would get an 86% haircut and are estimated to recover only 14% of their investment value in at least 5 years.
  - Liquidation of ARM took more than four years, and in the end investors recovered 6.78% of their value
- However, under Restructuring, the investors should get at least 100% of their investments and as the company stabilizes and does well, the equity securities will enable them to participate in the upside of the Company. The ability to share in profits may even reverse the impact of the interest waiver.
- In our opinion, restructuring offers investors better value on their investments under the current circumstances.

**Percentage recovery under Debt Settlement Vs under Liquidation**



# Liquidation Assumptions

At Liquidation the Portfolio will Realize Kshs 2.1bn to CHYS/CPN against a Current Liability value of Kshs 14.2bn

Project	Value upon Liquidation Kshs	Assumptions
The Alma	-	Alma incomplete, has SBM loan. Liquidated incomplete, all proceeds go SBM and secured lenders. None to CHYS/CPN.
Applewood	-	Applewood has been sold out 95% plus, and has pending liabilities. Nothing is expected from liquidation.
Newtown	-	This is a 1,000 acre JVA that has to go through litigation process to get value out. At liquidation, nothing is expected.
Ridge	-	The Ridge has a TTA loan of Kshs 3bn and pending liabilities. At liquidation, nothing is expected.
Riverrun	318,000,000	This is a JVA. At liquidation, we expect about 13 unsold acres of land. The land to be subdivided into 7 eighths/acre sold at Kshs 3.5mn each - no development value assumed.
Taraji	385,000,000	Taraji is valued at cost (Kshs 550mn) all discounted at 30%
Kilimani	980,000,000	Kilimani valued at Kshs 350mn/acre, a 30% discount for 4 acres
Superior Homes	250,000,000	Based on discussions between the Official Receiver and Superior Homes (Mkt Value is 750 to 800m)
CySuites	250,000,000	1 billion valuation, 30% discount gets to 700m minus 450m loan to KCB.
<b>Total</b>	<b>2,183,000,000</b>	<b>Less 5% liquidation costs gets to 2,073,850,000 is 14.6% of 14.2 billion.</b>
Less 5% liquidation costs	109,150,000	Payments to liquidators, transaction costs
<b>Net Realisable Value</b>	<b>2,073,850,000</b>	<b>This is the realizable value which will represent 14.6% of 14.2 billion.</b>

# Summary of Possible ramifications of Liquidation

## Liquidation directly impacts value generation from the projects

If the Proposed Restructuring fails, we expect that the various individual creditors who intend to file or who have filed insolvency petitions against CIM or any other SPV will proceed with those petitions. Should they be successful we expect that:

- i. **The Alma** - CIM has acted as guarantor for the Alma SPV, an insolvency event at the Company level may lead to an acceleration of the bank debt at the Alma SPV, which would mean that the Alma might not proceed to completion. The Bank may also exercise its power of sale over the Property. Completion is necessary in order to sell units and return value to investors while an exercise by the Bank of its power of sale significantly diminishes or extinguishes any return to the investors;
- ii. **CySuites** - CIM has acted as guarantor to various funders of the CySuites SPV and continues to fund the existing bank debt secured by a charge over the Cysuites Property. If the CySuites SPV ability to meet obligations under the bank debt is curtailed, the Bank may proceed to exercise its rights of sale to over the CySuites property significantly diminishing or extinguishing any return to the investors. A restructuring enables the Company to continue enhancing the property's value and service the Bank debt, and return value to investors for example as at today, Block C has been fully renovated using funds from converting investors;
- iii. **Riverrun and the Newtown** - These projects are Joint Venture Agreements (JVAs). An insolvency event at the Company level means the JVA partners may call the CIM for a default and seek to exit the JVA. If this happens, CIM as the defaulting party is unlikely to extract anything from these JVAs funded by the Funds; and
- iv. **The Ridge and Taraji Heights** - They are incomplete projects with CIM as the main partner. An insolvency event at the CIM level means they would not be able to attract funding significantly diminishing or extinguishing any return to the investors.

As captured in the previous slide, the net effect of the actions above will result into about 14% recovery over a 5 to 6 year period for investors in the funds as opposed to an estimated 100% (the Investors' Principal amount) recovery for investors over the same period.



# General Restructuring Assumptions

**Three projects are going to be run to completion**

- For a portfolio with many incomplete projects, the best avenue in terms of value and timing is to complete the projects, otherwise it would lead into significant conflicts and litigation with the contractors, the buyers and the funding arrangements in place. In this regard, we assume that the three projects; Taraji Heights, Alma and The Ridge to be completed.

**Restructuring would take between six to seven years**

- The projects require time to complete. While Alma is likely to be completed by 2024, Taraji and Ridge will require time to complete, sell and exit, which we estimate to be not less than six years. Furthermore, the developer would require some time to mobilize funds to complete the remaining parts of the projects, in phases. Not to mention the many litigations in place

**Movement of the existing clients to CIM/NewCo**

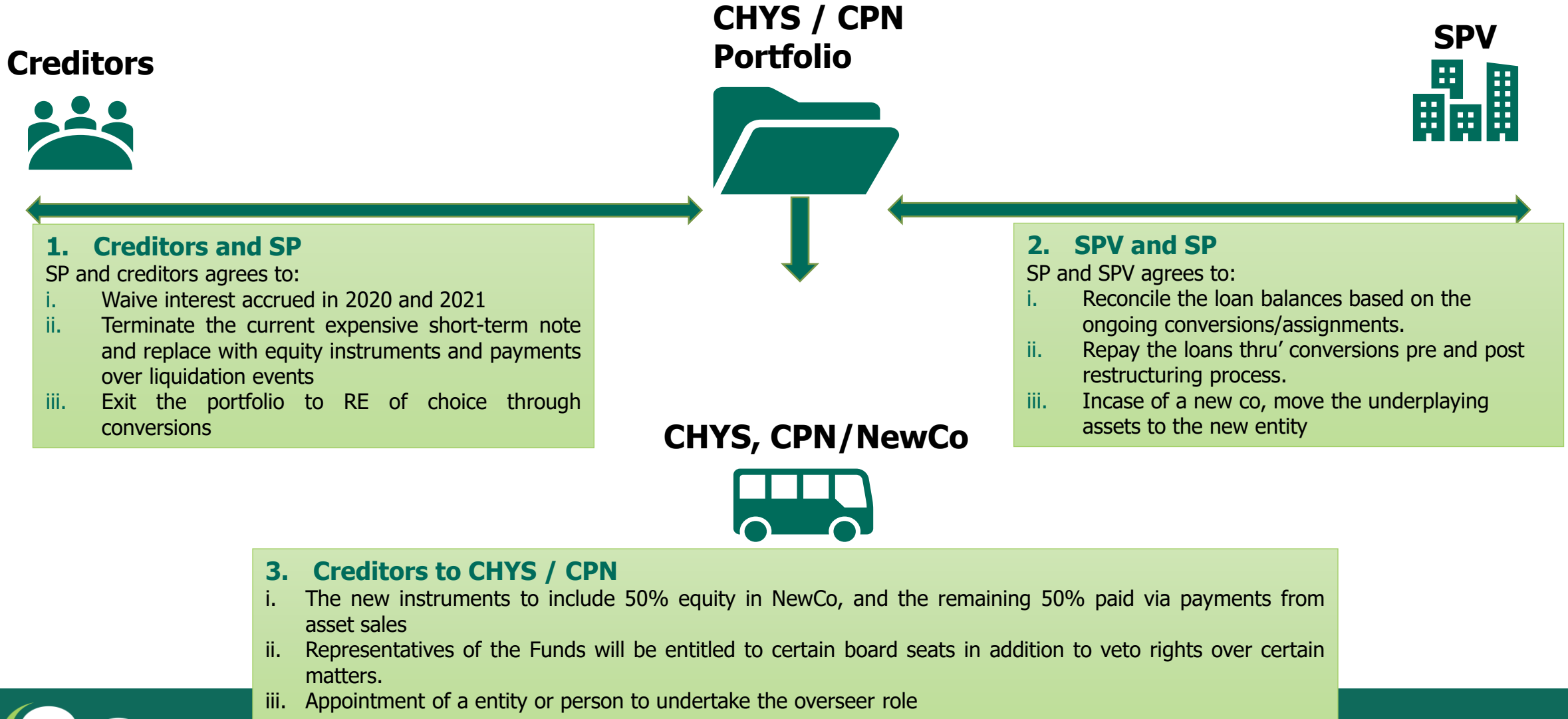
- We assume that the short-term notes would be discontinued and creditors to be moved to NewCo as equity holders.

**Creditors to waive interest accrued in 2020 and 2021**

- Since the outbreak of the Covid-19 pandemic, the real estate project stalled and there were little activity in terms of development. We propose that clients to waive interest accrued in the years 2020 and 2021

# Relationships to resolve under restructuring

We will need to restructure 3 relations, between: CHYS / CPN and Creditors; CHYS / CPN and SPVs; & CHYS / CPN and Cytonn Investments Management Plc.



# Summary at Fair Value as of today

## The net book value of the portfolio as of today is Kshs 8.7 bn

- The book/fair market value is the total value of the project today at fair market value as per the external valuers report. The net book value (NBV) is the book value minus expenses. The instruments issued under this restructuring are based on the NBV. All values are in Kenya Shillings.

#	SPV	Fair Market Value	Less Expenses & Other Costs	Net Book Value
1	Superior Homes	855,000,000	(20,513,578)	834,486,422
2	Taraji Heights	1,508,000,000	(340,010,807)	1,167,989,193
3	Cysuites	950,000,000	(470,058,330)	479,941,670
4	The Ridge	2,802,000,000	(2,656,635,754)	145,364,246
5	Kilimani	1,693,000,000	(138,103,495)	1,554,896,505
6	The Alma	2,455,452,488	(1,126,738,583)	1,328,713,906
7	Newtown	1,750,000,000	(4,700,727)	1,745,299,274
8	Riverrun	1,490,675,658	(106,688,189)	1,383,987,469
9	Applewood	146,000,000	(80,135,572)	65,864,429
	<b>Total</b>	<b>13,650,128,146</b>	<b>(4,943,585,032)</b>	<b>8,706,543,114</b>

# Summary Based on Future Value

## To net future value of the projects upon completion is Kshs 11.2 bn

- The estimated value is the gross project value upon completion, which will need new funds. The net future value is the estimated future value of the project minus the cost to completion and all other expenses.

#	ENTITY	Estimated Future Value Kshs	Cost to Completion	Other Costs	Net Future Value
1	Superior Homes	1,000,000,000	-	(20,513,578)	979,486,422
2	Taraji Heights	5,379,759,520	(3,041,711,402)	(340,010,807)	1,998,037,311
3	Cysuites	1,100,000,000	-	(470,058,330)	629,941,670
4	The Ridge	13,268,650,000	(8,061,352,904)	(2,656,635,754)	2,550,661,343
5	Kilimani	1,693,000,000	-	(138,103,495)	1,554,896,505
6	The Alma	3,229,505,097	(774,052,609)	(1,126,738,583)	1,328,713,906
7	Newtown	1,750,000,000	(399,269,898)	(4,700,727)	1,346,029,376
8	Riverrun	1,490,675,658	(571,193,353)	(106,688,189)	812,794,116
9	Applewood	146,000,000	(83,772,600)	(80,135,572)	(17,908,172)
	<b>Total</b>	<b>29,057,590,275</b>	<b>(12,931,352,766)</b>	<b>(4,943,585,032)</b>	<b>11,182,652,477</b>

# Total Liabilities

The total liability is Kshs 10.5 bn having factored in 2020/2021 interest waiver

Entity	Amount in Kshs
Client Balances-CHYS	(10,286,563,333)
Client Balances-CPN	(3,932,633,493)
Interest accrued in 2020/2021*	3,754,975,696
<b>Total Liabilities</b>	<b>(10,451,831,130)</b>

\* Estimated Interest

## Note:

- The total clients liability as at 31<sup>st</sup> December 2022 is Kshs 14.2 bn.
- We have proposed waiver of interest accrued in 2020 and 2021, totaling to approximately Kshs 3.8 bn.
- The total pending liability of Kshs 10.5 bn to be settled as shown in the subsequent slides.

# Key Assumptions on Cashflow

- i. Equity Sales:** We assume that we will complete restructuring before the end of 2024, since the process has gone slowly as unexpected – this will depend on CHYS / CPN investors and court process. Once restructuring is completed, for the next two years, CIM as Investment Manager will arrange funding primarily through asset sales for NewCo to complete Alma, Taraji and the Ridge, and therefore. During this time, NewCo will float its shares on a Unlisted Security Platform (USP). As projects get completed and also pays down debt obligations, NewCo will buyback its shares from its cash proceeds at an estimated rate of Kshs 1.5 bn per year from NewCo equity holders who seek to exit early. It is also possible that outsiders may be interested in NewCo shares.
  
- ii. Sales Based:**
  - Kilimani land remains in the market for sale at a good price. Under this restructuring we are assuming that we will not get any concrete offer for the land between now and 2024 and that a complete sale will be done in 2025. However, should we make any sale, regardless of the time, we will disburse around Kshs 500 mn of the total sale value to investors as early principal repayments.
  - Other potential sales-based payments include the sale of Superior Homes Kenya stakes, Newtown and Riverrun, which for the purpose of this cash flow, is estimated to be Kshs 500 mn by 2027
  - Alma is set to be completed in 8 months from when preservation orders are lifted. Note that the preservation orders have hampered the attainment of this, with the contractor abandoning the site. We assume that we will sell half of the remaining Alma units, which will resolve about Kshs 1.2 bn. For this cashflow, we assume that only KShs 500 mn will have been paid by Alma by 2025 as a sales-based payment.
  
- iii. Payments upon asset sales-** Investors will receive cash payments upon any asset sales

# Cashflow Summary

Investors to recover their full investments by end of 2028\*\*\*\*

Year	Asset Sales Based payment**	Equity Buybacks	Asset Sales Based Payments***	Percentage	Cumulative Total
2023			-	0%	-
2024****			-	0%	-
2025	500,000,000**	1,306,478,891	1,045,183,113	20%	2,351,662,004
2026	500,000,000**	1,306,478,891	1,045,183,113	20%	4,703,324,009
2027	500,000,000**	1,306,478,891	1,045,183,113	20%	7,054,986,013
2028		1,306,478,891	2,090,366,226	40%	10,451,831,130

## Notes:

- \*\*We expect to sell the entire Kilimani land by year 2025, and pay back Kshs 500.0 mn of the sale value to investors, We expect that through post-restructuring conversions, we'll be able to resolve Kshs 500 mn by end of 2026. And another 500,000 from the Alma sales
- \*\*\*In summary, we suggest to restructure the Funds in to the instruments listed above, and propose to pay back 20% of the funds in the first three years and a bullet payment of the remaining 40% at the end of the term.
- \*\*\*\* assumes restructuring is completed by end of 2024.

# Senior Lenders

## A liquidation will call for the senior lenders to exercise their right of sale over the properties

- The various SPVs have various senior lenders in place, which include two banks: KCB on the CySuites and SBM on the Alma, CHYF on the Alma, Applewood, Ridge and Taraji, and TTA on the Ridge, with a total loaning amount of Kshs 5.4 bn, as shown on the appendix for loan ranking to the SPVs. Notably, any insolvent event shall allow the senior creditors to exercise their rights over the sale of the property, and therefore restructuring remains the best option. The following is the proposed restructuring plan to the senior lenders;
  - SBM-** With a total loan balance of Kshs 0.7 bn to the Alma, the loan agreement was on a sale pay basis. Therefore, the preservation orders affect the completion of the projects, a detriment to the contractors and sub contractors in place. The Principal Partner seeks to appeal to lift the preservation orders, to allow sales to continue, and this will ensure servicing the debt,
  - KCB-**The total pending liability for KCB is Kshs 0.3 bn, which in USD. The loan should be restructured to a long term loan in the Kenyan shilling, and this will cushion the Company against the continued local currency depreciation, and also give the Hospitality business time to optimize the yield,
  - CHYF-** It ranks senior to CHYS / CPN with 320 million across four real estate projects, and,
  - TTA-** With a cumulative investment of Kshs 4.1 bn to the Ridge, negotiations are ongoing to reach on an agreement on how to restructure the loans, as the court ruled for a mandatory arbitration. The first meeting was held on 19<sup>th</sup> December 2022, and we expect such discussions to continue toward reaching an amicable agreement. We are targeting a shave down of the amount to remove interest when the project was not live, just as we have done for CHYS / CPN investors

As noted in the earlier slides, it is not only the two privately offered funds that had invested on the various SPVs, there are other senior lenders in place, and any insolvent event would lead to the secured creditors exercising their rights of sale over the properties, dwindling any recovery to unsecured lenders



# Other Stakeholders

## There are various other stakeholders to be considered during the whole process

- Other than the secured and unsecured lenders in place, other stakeholders are also affected by the restructuring process, which include the home owners at the Alma, various contractors and subcontractors in place as well as the clients that had converted;
  - i. **Home Owners-** The current number of homeowners 262 at the Alma. The Company has already called for a meeting which was held on 24<sup>th</sup> January 2023 with all the homeowners at the Alma as part of the communication strategy, to inform them in-depth of the possible ramifications of the ruling and the way forward especially towards the processing of the various ownership documents, and they have been enjoined.
  - ii. **The Ridge Contractor-**The total pending liability for the Ridge Contractor is Kshs 72.9 mn, and the Proposal is to pursue a similar strategy to the Taraji Contractor, to pay through taking up of units or plots to any Projects of their choice
  - iii. **Riverrun Contractor-**The total pending liability for the Riverrun Contractor is Kshs 1.5 mn, and the Proposal is to pursue a similar strategy to the Taraji Contractor, to pay through taking up of units or plots to any Projects of their choice,
  - iv. **Alma Contractor-**Totalling to a current liability of Kshs 96.8 mn, and the settlement of the contractor would run concurrently with settlement of the SBM loan in place, and,
- Especially to the contractors and subcontractors, any liquidation at the company level would lead to the stoppage of any construction work ongoing to the various projects, and as such, completion of the projects is necessary to enable selling of the units and return value to the investors.

# Issues to Consider

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## 1. Time is of the Essence

- The more the real estates projects stay underdeveloped, the more expenses they accumulate, such as contractor claims. The faster we do the restructuring the better.
- The funds continues accruing additional expenses associated with the administration.

## 2. Possibility of a buyout investor

- For those who cannot wait, we are working on procuring an investor who can buy them out at a discount on terms that will be established and communicated later.

## 3. Litigation

- Most of the client litigation attempting to put themselves ahead of others have not succeeded so far, as it has been ruled that all clients need to be treated the same.

## 4. In person group sessions with investors

- We shall be hosting group sessions with investors to discuss the way forward, promote transparency of the restructuring process and educate the creditors on the most viable alternatives regarding their investments.

## 5. Negativity in the public hurts the whole process

# Options for Investors

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## 1. Restructuring plan

- You can wait out during the plan, and get returns based on the projections
- Subject to CIM shareholders approval, converting investors with small amounts or the elderly or the sickly will have the opportunity, under certain conditions; to sell back their parcels of shares in NewCo should they choose not to retain their holdings moving forward.

## 2. Assignment

- You can assign part of your debt to one of the projects, but a top up will be required to go into completion of the projects, subject to court approval
- For those with amounts less than the cost of a unit or plot, we can put you into groups.

## 3. Buyout Plan

- We are trying to source for an investor who can buyout current investors willing to sell their interest. Should it materialize, you can exit through this plan.

# Way Forward

# Suggested Way Forward

## We Suggest Investors Support Restructuring Through the Debt Settlement Plan

1. The Debt Settlement Plan is structured to realize 100% of Principal as assets get sold, **Every Asset Sale will result in cash distribution to investors**
2. Any shortfall after asset sales we will issue equity so that there is long term future value
3. We will need to appeal the liquidation and asset preservation ruling (We already appealed the asset preservation ruling)
4. For CHYS / CPN should sign the Debt Settlement Proposal Support Letter(DSP letter) to join the Application and / or Appeal filing – send an email to [clientservices@cytonn.com](mailto:clientservices@cytonn.com)
5. For those with units in any of the projects we recommend joining the Mali Appeal at 30k per unit so that they file the appeal for you through signing the Real Estate Litigation Letter (RELL) by contacting [info@maliadvocates.com](mailto:info@maliadvocates.com)

# Q & A

# Appendix

# Examples of Debt Restructurings – More Details ...

## 1. Kenya Airways Plc

- Kenya Airways restructured Kshs 59.0 bn debt owed to the Government and several banks
- The debt was converted to equity – shares in the company
- Some key elements of the transaction include:
  - i. Kshs 24.0 bn was owed to the government – after the debt-to-equity conversion, government's shareholding in Kenya Airways increased to 48.9% from 29.8%;
  - ii. Kshs 35.0 bn owed to several banks – a consortium with the banks' representatives was formed and jointly saw them receive a 35.7% stake in Kenya Airways in lieu of the debt

## 2. KCB Bank Debt to National Bank of Kenya (NBK)

- National Bank converted the subordinated debt it owes KCB, of Kshs 3.5 bn, to equity in December 2021
- This increased KCB's equity in National Bank to Kshs 8.5 bn in 2021 from Kshs 5.0 bn in 2019



# Examples of Debt Restructurings – More Details ...

## 3. Two Rivers Lifestyle Centre (TRLIC) – partially owned by Centum (effective stake = 29%)

- The total debt amount was Kshs 10.9 bn out of which **Kshs 4.5 bn was converted to zero-interest equity-linked instrument** in December 2021
- TRLIC ownership:
  - i. Two Rivers Development Limited (TRDL) – 50%, and,
  - ii. Old Mutual Properties – 50%,
- Two Rivers Development Limited (TRDL) ownership:
  - i. Centum – 58%,
  - ii. AVIC International – 39%, and,
  - iii. Kenya Development Corporation (KDC) – 3%

## 4. TPS Eastern Africa Plc (Serena Hotel)

- TPS Eastern Africa Plc (Serena Hotel) and Aga Khan Fund for Economic Development (Akfed) have agreed to convert the Kshs 1.7 bn debt owed to the later into equity.
- The transaction, if approved by regulators, will increase Akfed's direct shareholding in TPS Eastern Africa to 64.36 per cent from the current 45.04 per cent.

# Examples of Debt Restructurings – More Details ...

## 5. Housing Finance (HF) Group

- per its 2019 annual report, HF owed Kshs 1.6 bn in Crescent Finco LLP which was transferred to a joint investment fund that primarily invests in property (Kshs 2.4 bn fund; with Kshs 1.8 bn in housing units, Kshs 0.6 bn in land and Kshs 0.06 bn in cash)
- The arrangement amounted to a **debt to assets conversion of the Kshs 1.6 bn owed to Crescent Finco LLP**
- In the arrangement, the creditor, Crescent Finco, would be paid all its investments through cash conversion plus a 12% return over an undisclosed time period

## 6. TransCentury Limited

- TransCentury entered into a convertible loan arrangement with Kuramo Capital, a private equity fund, wherein Kuramo Capital lent TransCentury USD 20.0 mn (Kshs 2.3 bn)
- In April 2017, the loan was converted to equity – Kuramo Capital gained 25.0% in TransCentury consisting of 93.8 mn shares worth USD 13.0 mn (Kshs 1.5 bn) and preference shares worth USD 7.0 mn (Kshs 0.8 bn). The preference shares are redeemable after 7 years at 4.9% coupon and 1.75x the par value

# Examples of Debt Restructurings – More Details ...

## 7. Amana Shilling Fund ( Debt to equity in Amana Capital, the fund manager)

- Amana Capital through its regulated fund, Amana Shilling Fund (ASF) impaired Kshs 255.0 mn (about 59% of the total unit share value of KShs 434 mn), following the collapse of the retail giant, Nakumatt after which the retailer defaulted on its Commercial Paper – eventually being put under voluntary administration
- **The investors' funds were converted into shares at the Amana Capital Ltd (ACL), with a cumulative stake of 30%.** Each investor's fund will be slashed by 59%. The 30 per cent equity shares were issued proportionally to individual holdings of funds lost in the Amana UTS Shilling Fund Class B

## 8. Real People

- Total restructured debt was Kshs 1.3 bn unsecured notes out of the total Kshs 5.0 bn Medium Term Note
- In December 2021, the Kshs 1.3 bn was restructured as follows:
  - i. 70% of the principal amount was waived,
  - ii. The remaining 30% was to be paid in three installments February 2023, February 2024 and February 2025.

# Examples of Debt Restructurings – More Details ...

## 9. Kaluworks ltd

- Kaluworks owed Kshs 9.1 bn secured loans to NCBA (Kshs 4.3 bn) and Coop Bank (Kshs 4.8 bn)
- In May 2021, the two banks appointed an administrator (Pongangipalli Rao) to either bring the firm to profitability or to protect its assets as they tried to recover the debt. However, due to challenges of getting a buyer of the firm, injecting more money to revive the firm or auctioning the assets at a lower bid value than the regulated one, the two banks agreed for a private settlement in August 2022, with the shareholders agreeing to pay the two banks Kshs 1.2 bn to lift the receivership
- In the agreement, the two banks agreed to write off Kshs 6.4 bn with NCBA writing off 88.0% (Kshs 3.8 bn) and Co-op Bank agreeing to 55.0%(Kshs 2.6 bn), taking the cumulative write-off to 70.6% and as a result Kaluworks paying Kshs 580.0 mn (full remaining amount) to NCBA and Kshs 628.4 mn to Co-op Bank

## 10. Wananchi Group

- Wananchi group, an Internet and pay TV provider allowed three international (Triple HoldCo, Liberty Global Europe and Altice Africa) to convert their debt into equity, taking 75.0% stake of the group
- The deal, approved by CAK in August 2022, will have the 3 firms get certain controlling rights and the merged entity will increase their market share to 29.3% from 28.7%

