



ABN 22 055 136 564

ASX CODE: RHG

For immediate release to market

9 September 2013

RHG receives further Competing Proposal – urges caution

Further Competing Proposal received from Pepper / CDM

RHG Limited (“**RHG**”) has received a further proposal from Pepper Australia Pty Limited (“**Pepper**”) and Cadence Capital Limited (“**CDM**”) for an acquisition of 100% of the ordinary shares in RHG.

The proposal offers combinations of cash and CDM ordinary shares (for shareholders other than CDM, and \$0.50 cash per RHG Share for CDM), with an increased cash component (“**Revised Pepper CDM Proposal**”). A copy of the offer letter (without enclosures) that provides an overview of the Revised Pepper CDM Proposal, is attached. CDM is a significant shareholder of RHG.

The RHG directors are assessing the Revised Pepper CDM Proposal.

Status of the Resimac Syndicate Scheme

As announced to the Australian Securities Exchange (“**ASX**”) on 29 August 2013, RHG Limited (“**RHG**”) is party to an amended Merger Implementation Deed (“**Syndicate Deed**”) for a Scheme of Arrangement (“**Scheme**”) under which it is proposed that Resimac Limited (“**Resimac**”) and Australian Mortgage Acquisition Company Pty Limited (“**AMAC**”) (together the “**Resimac Syndicate**”), will acquire 100% of the ordinary shares in RHG.

RHG has filed an Originating Process in the Registry of the Federal Court of Australia, in connection with the Court process for seeking approval of the Scheme, and has been progressing preparation of a scheme booklet which was lodged with Australian Securities and Investments Commission (“**ASIC**”) as announced on 19 August 2013 and 4 September 2013 for review in accordance with section 411 of the *Corporations Act 2001* (Cth).

Process under Syndicate Deed – counter proposal opportunity

As previously disclosed to ASX, the Syndicate deed contains exclusivity provisions. Amongst other things, these provide that RHG must give the Resimac Syndicate 3 business days to provide a counterproposal.

The RHG directors have provided the material terms of the Pepper CDM Proposal to the Resimac Syndicate, as required by the Syndicate Deed.

In the meantime, the RHG directors note that both the Resimac Syndicate Scheme and the Pepper CDM Proposal involve schemes of arrangement, which are subject to shareholder approval at a scheme meeting. Accordingly, shareholders need not take any steps at this time in response to the proposals.

Media enquiries

For media enquiries, please contact:
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6 September 2013

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**REVISED BINDING AND SUPERIOR OFFER TO ACQUIRE
RHG LIMITED IN A PART-CASH, PART SCRIP TRANSACTION**

Dear Jimmy

Pepper Australia Pty Limited ("**Pepper**") and Cadence Capital Limited ("**CDM**" and together with Pepper, "**we**") refer to our letter of 15 August 2013 by which Pepper made a binding offer (the "**15 August Offer**") to acquire 100% of the issued share capital of RHG Limited ("**RHG**" or the "**Company**"). We also refer to the press release issued by the Company on 29 August 2013 announcing that the board of the Company had unanimously agreed to accept the terms of a counterproposal (the "**Resimac Counterproposal**") submitted by the syndicate comprising Resimac Limited and Australian Mortgage Acquisition Company Pty Limited (the "**Resimac Syndicate**"). The Resimac Counterproposal was for the Resimac Syndicate to acquire the Company at a purchase price of **\$0.495** cash per share.

We are pleased to submit a further revised binding offer on the terms of this letter for Pepper to acquire the Company for consideration comprising \$0.36 per share cash and shares in CDM at the ratio of one fully paid up ordinary share in CDM for every 10 ordinary shares in RHG held (rounded where the number of shares a shareholder owns is not a multiple of 10). The closing price of CDM shares on 6 September 2013 was \$1.48. Based on that price, the total value of the consideration offered under this offer is **\$0.508** per share, or **\$0.013** higher than the price offered in the Resimac Counterproposal. The value at implementation of the Scheme will depend on the price of CDM shares at that time.

As in the 15 August Offer, the form of consideration we propose will require CDM to issue shares to RHG shareholders (the "**New CDM Shares**"). As previously advised, the issue of New CDM Shares to facilitate a 1 for 10 conversion ratio would result in the total number of shares issued by CDM in a 12 month period exceeding the 15% threshold in Listing Rule 7.1 of the ASX Listing Rules. The board of CDM has resolved not to make an application to the ASX to seek confirmation that an exception in Listing Rule 7.2 would apply to the issue of New CDM Shares or to seek a waiver of Listing Rule 7.1 but instead to proceed to seek shareholder approval to the issue of CDM Shares. Approval will be sought at the Annual General Meeting of CDM which is due to be held prior to 30 November 2013. In the unlikely event that CDM does not obtain shareholder approval to issue the New CDM Shares, then the composition of the consideration will adjust to be \$0.43 per share cash and shares in CDM at the ratio of one fully paid up ordinary share in CDM for every 20 ordinary shares in RHG held (rounded where the number of shares a shareholder owns is not a multiple of 20). We note that the resulting number of New CDM Shares at this conversion rate would not result in CDM exceeding the 15% threshold referred to above.

The offer would be implemented by a scheme of arrangement proposed by RHG ("**Scheme**").

We note that CDM, together with its associates, currently hold 52,742,961 or 17.10% of the shares in the Company.

We attach a draft Merger Implementation Agreement ("**MIA**") for this revised offer. There are two marked up versions of the document as follows:

1. mark up from the MIA Pepper originally submitted on 20 June and which includes the mark ups contained in the version of the MIA Pepper attached to its revised offer on 10 July and its further revised offer of 15 August; and
2. mark up from the version of the MIA Pepper attached to its most recent revised offer on 15 August.

We also attach a clean copy of the MIA. Where used in this letter, capitalised terms have the meaning given to them in the MIA unless the contrary intention appears.

As a consequence of this revised binding offer, CDM does not support the Resimac Counterproposal. Specifically, CDM confirms that it (together with its associates):

1. does not support the Resimac Counterproposal and on that basis intends to vote all of the shares it owns and controls against the Resimac Counterproposal at any Scheme meeting held to consider it; and
2. supports the revised offer as reflected in this letter and the attached MIA and intends to vote all of the shares it owns and controls in favour of this revised offer at any Scheme meeting held to consider it (in the absence of a superior proposal), noting that the votes of CDM and its associates would likely be treated as a separate class of shareholders to other RHG shareholders.

Each of Pepper and CDM consider that the proposal set out in this letter is superior to that of the Resimac Syndicate. We note that the press release issued by the Company set out a number of reasons the board of the Company had given for accepting the Resimac Counterproposal over the 15 August Offer and we wish to address some of the points raised therein.

Relative Value of Consideration

We note that the consideration we are now offering has a value of **\$0.508** per share, which is **\$0.013** higher than the consideration offered under the Resimac Counterproposal. The value of the consideration we are offering at implementation of the Scheme will depend on the price of CDM shares at that time.

Liquidity Risk

We note that the RHG board had raised a concern that the issue of New CDM Shares as part of the Scheme may result in some liquidity risk if a large number of new CDM shareholders wished to sell their New CDM Shares in the short term after the Implementation Date. We advise that the board of CDM has resolved to approve a buyback program for CDM shareholders of up to 10% of the total shares on issue (including the New CDM Shares) and may implement the buy back should CDM's stock price trade materially below net tangible assets.

Legal Documentation and Regulatory Risks

We note that the RHG board had raised further concerns that the terms of our 15 August Offer added complexity to the execution of the proposed transaction. In this regard we comment as follows:

- Transfer of Residual Capital Units prior to implementation – since our letter of 28 June 2013 it has been a term of our offer to you that the transfer of certain Residual Capital Units has been a best endeavours obligation and not a condition precedent to implementation. We are unclear as to why this is now being cited as a reason our proposed transaction involves execution complexity.
- Obtaining 3rd party consents as a condition to implementation – we note that the draft of the merger implementation agreement originally provided by your lawyers to us contained a condition precedent relating to obtaining 3rd party consents (paragraph 4 of Schedule 2) and that the wording we have proposed in all versions of the MIA since then (including in the MIA attached to this offer) is substantially the same. We are surprised that you would cite this as an example of how the legal documentation relating to our proposal added complexity to the transaction given the derivation of the relevant clause in the MIA.
- Material Adverse Change triggers definition – we note we have proposed amendments in the definition of "Target Material Adverse Change" in the attached MIA from that contained in the document attached to our 15 August Offer and which should address any concerns in relation to the date by which movements in Net Assets are to be measured and also the amount of Transaction Costs the Company will incur.

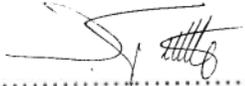
We would be pleased to meet with you to discuss any aspect of the MIA in respect of which you may have ongoing issues. As you will be aware, we have committed considerable resources to this transaction and are prepared to negotiate in good faith to reach a commercially acceptable position to both parties on any outstanding points.

Subject to the inclusion of the schedules and confirmation from you that no adverse developments have occurred with respect to the Company, its subsidiaries or their respective businesses since our offer letter of 28 June 2013, we confirm that we are ready and willing to enter into the attached Merger Implementation Agreement as soon as the Company is able to do so.

We note that each of Pepper and CDM proposes to make an announcement to the market that we have submitted this offer.

We look forward to your response.

Yours sincerely,



.....
Patrick Tuttle

Group Managing Director and
Chief Executive Officer

Pepper Australia Pty Limited



.....
Karl Siegling

Chairman

Cadence Capital Limited