

MONEYWEB HOLDINGS

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BDO
22 Wellington Road
Parktown
Johannesburg
7 November 2018

Dear Mr. Hans Klopper

I am writing this letter to you in your capacities as the business rescue practitioner of the Highveld Syndication companies and as a former director of Orthotouch.

In recent months I have studied the title deeds of all the properties listed in the original Highveld Syndications prospectuses and analysed the transfer of the properties between 2002 and 2018. I have also studied the Business Rescue Plan.

You have been involved with this failed investment scheme since 2011 as the business rescue practitioner and as a director of Orthotouch, until your resignation on 30 October 2018.

I am planning to write a series of articles based on this research. However, this is a complicated undertaking and I have several questions to which I hope you could provide some clear and contextual answers.

Questions related to properties that Accelerate acquired via Orthotouch

When Accelerate listed on the JSE in 2013 a significant number of properties were sold by companies owned or related to Mr. Nic Georgiou to Accelerate via Orthotouch. In virtually all cases this resulted in significant losses for Orthotouch.

The details of these companies are listed in Annexure 16 of the Accelerate Prelisting Statement and I refer to these properties as the "Orthotouch properties". (I have attached a copy of the Prelisting Statement for your convenience.)

Although I have analysed the title deeds of all the properties sold to Accelerate, I only provide summaries of three properties below, as I refer to them in the questions that follow.

These three properties are Glen Gables, Leaping Frog and 1 Charles Crescent. The transactions are summarised as follows:

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Glen Gables		
Year	Company	Purchase price
2006	Zelphy 2095/Zephan	R 59 000 000
2013	Orthotouch	R123 304 205
2013	Accelerate	R32 556 543
Loss to Orthotouch		-R90 747 662
Original BRP valuation		R59 613 263

Leaping Frog		
Year	Company	Purchase price
2006	Fourways Precinct	R135 000 000
2013	Orthotouch	R231 888 362
2013	Accelerate	R147 121 010
Loss to Orthotouch		-R84 767 352
Original BRP valuation		R140 330 188

1 Charles Crescent (HS22)		
Year	Company	Purchase price
2006	Zelphy 2095/Zephan	R41 040 000
2013	Orthotouch	R216 434 338
2013	Accelerate	R110 805 516
Loss to Orthotouch		-R105 628 822
Original BRP valuation		R107 044 630

I have the following questions regarding the transactions:

1. Why were the properties sold by Zephan/Zelphy/Fourways Precinct to Accelerate channelled via Orthotouch? These transactions resulted in Orthotouch suffering significant losses with no apparent benefit. Why were these properties not sold from the Georgiou companies directly to Accelerate?
2. How, and by whom, were the prices Orthotouch paid for the properties calculated?

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3. Paragraph 4.10 of the BRP, which was implemented in 2011, states the following:
“All the properties referred to in 4.1 to 4.9 above will be transferred at the values reflected in Appendix II being the current value, notwithstanding that the amount to be paid will be the syndication amounts as reflected above.”
Why were the properties sold to Orthotouch at prices in excess of the valuations reflected in the BRP?
4. How were these transactions financed through which Orthotouch procured properties from companies related to Mr. Georgiou, i.e. Zephan/Zelphy/NGT/Fourways Precinct?
5. The Accelerate Prelisting Statement shows Accelerate acquired the properties from Orthotouch at a discount to the independent valuations contained in the statement. Why did Orthotouch sell the properties to Accelerate at prices below the independent valuations?
6. Was Mr. Klopper aware that the properties were sold at a discount to the independent valuations?
7. Did Orthotouch, or Mr. Klopper as BRP, commission its own independent valuations prior to selling the properties to Accelerate? If so, please provide a copy or a summary of the valuations.
8. How did these transactions, which saw the properties sold from entities owned, or related to Mr Nic Georgiou, to Accelerate via Orthotouch, benefit investors?
9. Why were the properties listed in Annexure II of the BRP not transferred to Orthotouch immediately when business rescue proceedings commenced?

The Orthotouch Sale Agreements

In terms of the sales agreements, Accelerate paid the Orthotouch properties in cash and shares. (Refer to paragraphs 1.1 to 1.6 of Annexure 12 of the Accelerate Prelisting Statement for the details of the agreement.)

In paragraph 1.6.1 of Annexure 12 of the Prelisting Statement, the following is stated:

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“Accelerate will procure that the Shares forming part of the Share portion of the Orthotouch Purchase Price are issued in the name of Orthotouch in unlisted “certificated form”, or its renounee. Orthotouch has renounced the Shares to the Michael Family Trust. Accelerate will deliver the Shares to Ironwood Trustees to hold the unlisted Shares in escrow pending the Orthotouch Transfer. On the date of the Orthotouch Transfer, Ironwood Trustees will release the Shares to the Michael Family Trust.” (My emphasis)

10. Who authorised this renouncement of shares to the Michael Family Trust?
11. Was Mr. Klopper aware of this renouncement of shares to the Michael Family Trust?
12. Why were the shares issued as payment for the Orthotouch properties renounced to the Michael Family Trust and not retained by Orthotouch?
13. How many shares were renounced to the Michael Family Trust?
14. What are the terms of the renouncement of the shares to the Michael Family Trust?
15. Was this renouncement ever communicated to Orthotouch investors? If so, please provide me with the relevant communication.
16. Please provide me with the agreement/document through which Orthotouch renounced the shares to the Michael Family Trust.
17. How did the renouncement of the shares benefit investors?

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Questions related to the sale of properties after the commencement of business rescue proceedings.

The tables below summarise transactions and valuations related to a few individual properties which were sold to third parties after the commencement of business rescue proceedings.

Panorama	HS16	
Valuations	Date	Valuation
Syndication Value as per HS Prospectus	2006	R35 925 000
Property transactions as per the title deed		
Company	Year	Price
Bosman & Visser	2006	R43 000 000
Highveld Syndications 16	2006	R51 877 008
Zephan	2011	R35 989 536
Oaktree INV PTY LTD	2014	R101 000 000

18. Who authorised the sale of the property from HS16 to Zephan in 2011?
19. How was the selling price of R35 989 536 to Zephan calculated?
20. Was the property developed further before it was sold to Oaktree in 2014 for R101 million? If so, to what extent and by whom?
21. Why was the property not sold directly from HS16 to Oaktree?
22. These transactions resulted in a loss of R15.8 million for HS 16, and a profit of R65 010 464 for Zephan. From the BRP’s point of view, please explain the business rationale of this transaction and how this benefitted investors?

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Rock Cottage	HS16	
Valuations	Date	Valuation
Syndication Value as per HS Prospectus	2006	R48 135 000
Value as per BRP	Dec 2011	R67 908 760
Valuation by Accelerate PLS	Oct 2013	R64 000 000
Property transactions as per the title deed		
Company	Year	Price
Bosman & Visser	2006	R44 270 833
Highveld Syndication 16	2006	R48 086 412
Zephan	2011	R48 086 412
Accelerate	2013	R63 000 000
Vresthena PTY LTD	2015	R65 000 000

23. Who authorised the sale of the property by HS16 to Zephan for R48 086 412?
24. From this sequence of transactions, Zephan earned a profit of R14 913 588. From the BRP's point of view, please explain the business rationale of this transaction and how the transaction benefitted investors?

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Southdale	HS17	
Valuations	Date	Valuation
Syndication Value as per HS Prospectus	2007	R205 560 000
Value as per BRP	Dec 2011	R164 192 090
Transactions		
Company	Year	Price
Zelphy 2094	2004	R53 700 000
Bosman & Visser	2006	R139 000 000
Highveld Syndication 17	2008	R205 560 000
Orthotouch	2012	R232 200 000
Zephan	2012	R175 000 000
Serica Inv PTY LTD	2012	R208 000 000

25. Who authorised the sale of the property by Orthotouch to Zephan in 2012?
26. Was Mr. Klopper involved in the decision to sell the property to Zephan?
27. Why did Orthotouch pay R26.6 million more for the property than value disclosed in Annexure II of the BRP?
28. Why was the property not sold directly from Orthotouch to Serica?
29. The transactions resulted in a loss of R57.2 million for Orthotouch, and a profit of R12 928 914 for Mr. Georgiou. From the BRP's point of view, please explain the business rationale of this transaction and how the transaction benefitted investors?

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The Piazza	HS16	
Valuations	Date	Valuation
Syndication Value as per HS Prospectus		
Value as per BRP	Dec 2011	R105 000 000
Transactions		
Company	Year	Price
Zephan	2008	R96 456 198
Highveld Syndication 16	2010	R103 000 000
Orthotouch	2013	R160 928 914
Zephan	2013	R105 000 000
Moxicorp (Mr. N Georgiou is director and owns the property.)	2013	R148 000 000

30. Who authorised the sale of the property by Orthotouch to Zephan?
31. Why did Orthotouch pay nearly R55 million more for the property than the BRP value disclosed in Annexure II of the BRP?
32. Why was the property not sold directly from Orthotouch to Moxicorp?
33. Is Mr. Klopper, as BRP, aware that Mr. Georgiou is the sole shareholder of Moxicorp? Was the sale of the Piazza to Zephan and Moxicorp communicated to investors? If so, please provide me with the communication.
34. The transactions resulted in a loss of R55 928 914 million for Orthotouch, and a net profit of R12 928 914 for companies owned by Mr. Georgiou. From the BRP's point of view, please explain the business rationale of this transaction and how the transaction benefitted investors?

Questions related to the selloff of properties following the commencement of business rescue proceedings:

In paragraph 2.3 of Annexure 1 of the Business Rescue Plan the following is stated:

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The objective of Orthotouch is to maximize the investment return of shareholders and all stakeholders in Orthotouch by selling off the non-performing properties and utilizing the proceeds to redevelop primary shopping centres, such as Southdale in Johannesburg South, Piazza in Randburg, Forum in Sasolburg, Saveways in Witbank and Lyttleton Manor in Centurion. In addition Orthotouch will retain certain retail and commercial properties such as those in Charles Crescent in Sandton, Cell C in Sandton and Ethos in Parktown. (My emphasis)

Despite this commitment in the BRP, the majority of these “primary” shopping centres referred to above were never transferred to Orthotouch or were sold shortly after the adoption of the BRP at the end of 2011. They include:

- Southdale was sold back to Zephan, who in turn sold it to Serica (See table above);
- The Charles Crescent properties were sold in 2012 and 2013;
- Piazza was sold back to Zephan who in turn sold it to Moxicorp. Both companies are owned by Mr. Georgiou;
- Lyttleton Manor was sold in 2012 to Rapfund;
- Primemovie Park was sold to Accelerate;
- Cell C (This property was never transferred to Orthotouch);
- Ethos (This property was never transferred to Orthotouch);
- Forum (This property was never transferred to Orthotouch);
- Saveways Witbank (This property was never transferred to Orthotouch)

35. How does Mr. Klopper justify these transactions as they seem to be in contravention of the BRP?
36. Did Mr. Klopper authorise the transactions?
37. Did Mr. Klopper take steps against Zephan, or related entities, to enforce the condition that the properties be transferred to Orthotouch?
38. Given the representations and undertakings regarding these properties, when compared to what actually happened to them, it is arguable that there were significant misrepresentations that were intended to cause scheme participants to act to their prejudice. Please explain the commercial motive of these transactions.

Questions related to the dispute between Bosman & Visser and Zephan:

In the Business Rescue Plan, drafted by Mr. Klopper, the following is stated regarding the dispute between Zephan and Bosman & Visser:

Paragraph 5.1.2.2. B&V however denies the indebtedness and persists to allege that it paid the full purchase consideration in respect of the properties. The BRP does not express an opinion about this denial.

Paragraph 5.1.2.3. The consequence of investors adopting a confrontational approach with regard to a claim that HS 19 - HS 22 may have against B&V and the consequent legal action that will ensue should action be instituted against B&V and in turn by B&V against Zephan may, in the opinion of the BRP, have the effect of an ultimate liquidation of HS 19 - HS 22 as the only realistic forum for conducting enquiries would be in terms of the Laws of Insolvency read with the provisions of the Companies Act , 61 of 1973.

Paragraph 5.1.2.4 This will however have the devastating effect of a complete destruction of value and loss most of or almost all the investments by investors who have invested the sum of approximately R3 463 550 000,00 (Three Billion Four Hundred And Sixty Three Million Five Hundred and Fifty Thousand Rand) in HS 19 - HS 22.

Paragraph 5.1.2.5: In summary, HS19-HS22 will, in a liquidation scenario, have mere concurrent claims against B&V or a claim against B&V to give transfer of the relevant properties which has been paid in full by HS19-22 to B&V.

Paragraph 5.1.2.6: Under the circumstances the plan proposed herein is to procure that the affairs of the companies be orderly restructured by entering into the agreement with Orthotouch.

39. This dispute is material to the collapse of the whole scheme. Why did Mr. Klopper, as the Business Rescue Practitioner, not investigate the dispute between Zephan and Bosman & Visser pertaining to the alleged short payment of R883 million?
40. In Paragraph 5.1.2.3. Mr. Klopper states that he is of the opinion that a legal challenge by HS19 to HS22 investors against Bosman & Visser, and in turn between Bosman & Visser against Zephan, would lead to the liquidation of these

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- syndication companies. How can Mr. Klopper voice this opinion if he did not investigate the veracity of the dispute and the legal standing of the investors?
41. The properties procured by HS15 to HS18 were transferred into the respective syndication companies, while the properties procured by HS19 to HS22 were not transferred, despite the investors having paid the full syndication values of the properties. Why did Mr. Klopper not demand that the properties be transferred into the respective syndication companies HS19 to H22 or demand that the monies invested be repaid to investors?
 42. Why does Mr. Klopper not regard his appointment as director of Orthotouch as a conflict of interest to his role as business rescue practitioner?
 43. Why did Mr. Klopper resign as an Orthotouch director?

Kind regards

A handwritten signature in black ink that reads "Ryk van Niekerk". The signature is written in a cursive style.

Ryk van Niekerk
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