

TO ALL AFFECTED PERSONS

10 JUNE 2013

Dear Sir / Madam

HIGHVELD SYNDICATION 15 - 22 LIMITED (“ALL UNDER BUSINESS RESCUE”) (“THE HS COMPANIES”) UPDATE ON THE BUSINESS RESCUE PROCESS BY THE BUSINESS RESCUE PRACTITIONER (“BRP”)

1. The business rescue process in respect of the HS Companies is ongoing and it seems necessary to remind affected persons and interested parties of the background to the matter and to clarify certain issues which have been addressed in communications over many months.
2. It is apparent that certain individuals who purport to be “experts” continuously spread deliberate falsehoods (often perpetuated by the media) in what appears to be an attempt to promote their own hidden agendas.
3. The HS Companies were placed under Business Rescue in September 2011 following a dispute between Zephan Properties Proprietary Limited (“Zephan”) and Bosman & Visser Proprietary Limited (“B&V”), after the South African Reserve Bank (“SARB”) appointed inspectors to investigate the activities of Pickvest Syndications Proprietary Limited (“Pickvest”) in September 2008. Zephan cancelled the agreements with B&V and consequently the head lease agreement between them and the HS Companies following a dispute between B&V and Zephan regarding the payment for properties and allegations that B&V were conducting the “business of a bank”.
4. Investors should keep in mind that the cloud of the SARB investigations over this group and the entire property syndication industry had existed for approximately 3 years before the business rescue of The HS Companies.
5. As a consequence of the B&V dispute and other problematic issues in Pickvest, the HS Companies found themselves in a position where they were unable to service interest to their investors since the early part of 2011.
6. As a result a very real risk emerged that B&V and in turn the HS companies might be liquidated which would have had catastrophic results for the investors in the HS Companies.
7. In March 2011, some six months before this writer got involved in the affairs of the HS Companies as the Business Rescue Practitioner (“BRP”), a meeting was held between all the stakeholders and a solution was reached. In terms of this plan, investors were to receive

interest at a reduced rate, and receive their full capital at the end of a 5 year period through a new entity, Orthotouch Limited (“Orthotouch”). The plan was subject to the consent of the shareholders.

8. The Agreement did not materialise due to delays which hindered the process of getting shareholder consent. An application was brought to liquidate HS19, and since the whole HS Group was under threat of liquidation, the HS Companies were placed under Business Rescue with this writer as the duly appointed BRP.
9. In terms of the relevant provisions of the Companies Act 71 of 2008 (“The Companies Act”) pertaining to business rescue proceedings, the BRP was afforded a very short period of time within which to investigate the matter and to submit a Business Rescue Plan (“the Plan”).
10. To this end the writer harnessed the assistance of the attorney representing the HS Companies, Mr Connie Myburgh, the Non-Executive Directors Messrs Des Hudson and FP van Outshoorn, the Executive Directors Messrs Morkel Steyn and Ben Van Der Linde and a Creditors’ Committee comprised of financial advisors and investors.
11. With the assistance of these parties the writer managed to renegotiate an agreement with Orthotouch and to publish the Plan on 30 November 2011. The Plan was adopted by an overwhelming majority of shareholders in all the HS Companies on 14 December 2011.
12. Although a number of problems have been experienced, interest payments to date have been maintained not only since the implementation of the Plan, but since the original conclusion of the Orthotouch Deal in March 2011. Save for HS22, interest payments are only 1 (one) month in arrears and every effort is being made to eradicate even that in the near future.
13. In addition, the asset value of the HS Companies has been improved despite said difficulties, and Orthotouch is working towards its objective which is to service interest and repay capital.
14. From the time that the writer became involved in the affairs of the HS Companies, it became apparent that there had been sustained efforts by various persons to liquidate the HS Companies long before the original Orthotouch transaction. The intent of those individuals is clearly to lay their hands on the assets of the HS Companies through liquidators by any means and without any care or consideration for the devastating loss and effect it would have on investors.
15. Whilst one had hoped that the formal adoption of the Plan would have thwarted the efforts of those individuals, it has not done so, In fact, the closer Orthotouch gets to resolving the problems of the HS investors, the more intense and underhanded their efforts become.
16. It is trite in our law that a director serves the best interests of a company and its stakeholders as a whole and not necessarily the singular objectives of the shareholder/s who appoint him. There have been accusations that the writer has a conflict of interest, since he serves both as a director of Orthotouch and as the BRP. Nothing could be further from the truth, as the

objectives of Orthotouch are directly aligned with the objectives outlined in the Plan. Suggestions in this regard emanate from the very people referred to above who seek to derail the Plan to suit their own ends.

17. What has become of particular concern lately, is that certain people who were involved in engaging with the BRP and Mr Connie Myburgh initially have now surfaced in the ranks of those making threats and seeking to derail the process. Some of these people seem credible, due to the position they might have held or the role they might have played in the past. We do not think they are credible at all!

18. The purpose of this letter is to:

- 18.1. reassure investors that everything is being done to best serve their interests and to realise the objectives of the Plan as adopted;
- 18.2. caution investors against taking advice from the individuals referred to above who (despite what they may say) have no concern for the well-being of investors, but seek to enrich themselves instead; and
- 18.3. suggest to investors that they enquire from these individuals (if they are approached by them) why they make allegations and allude to issues which they must have known about prior to the Business Rescue.

19. Investors are kindly requested to communicate any queries regarding the above in writing.

Yours faithfully,

J F KLOPPER

Business Rescue Practitioner: Highveld Syndication Companies