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GEL/shj/MEMO/103

STRICTLY PRIVATE & CONFIDENTIAL
FOR THE EYES OF THE ADDRESSEES ONLY

CBH INVESTMENTS LIMITED
re: CONSORTIUM AFFAIRS

MEMORANDUM NO.1

3 May 1996

Addressees:

Peter Moss
Jeff Liebesman

Following prior memoranda on Combined Bakery Holdings Limited general affairs and discussions in that regard this series of memoranda deals with the relationship with the remaining Consortium members and the investment in the cash shell generally.

1. Presuming that the Southgo acquisition proceeds and is coupled with the rights issue as contemplated, the initial issue share capital will be approximately (R4m + R16m + R12m) (ie R32m).
2. CBHI's investment is R8m ie 25%. A rand or two consequently determines whether the cash shell will be an affected party. In the public company context I am satisfied that this will not play any part. In any case there will almost certainly within a short space of time be an additional issue of shares.
3. In the circumstances there is no need to construct the CBHI investment through separate entities.
4. It was resolved during the Consortium meeting that there would be no agreement regulating the relationship within the Consortium save for a reciprocal right of pre-emption and commitment to support any transfer of shares required for the purposes of an acquisition, proportionally. Jeff should decide whether there is any need to document this arrangement beyond the minutes of the meeting. This decision should be made after the minutes are at hand.
5. In the same context the Consortium agreed that Jeff would not enjoy any measure of Consortium control and the Consortium would not rely on non-voting shares in order to retain control. It was also agreed that no fundamental principle would be adopted for the purpose of retaining Consortium control over the cash shell and that the possibility of losing control and having only a small interest in the company would be accepted. It was also accepted that in the passage of time based on performance and circumstantial changes it could well be that Jeff would re-approach the Consortium for the purpose of establishing mechanisms to retain control and that this would be treated on merit at the time. Whether this needs any further documentation also depends on how effectively the discussion during the meeting is handled in the minutes.
6. I have arranged with Ariel Kreutner to purchase rands on a gradual basis for the purpose of the investment. For want of any scientific basis and to achieve some form of averaging my broad instruction to him is to turn half of the required amount (R4m) from dollars to rands and to effect that conversion in tranches of more or less 10% at regular, approximately daily, intervals depending on the market. I have instructed him to remit the first R400,000 to

meet the initial financing commitment. If there are excess dollars after completion of the R8m investment I will tell Ariel to distribute the excess to the Trusts in the usual way. (Whilst on the subject, could I have the precise amount of the WPIB management fees paid to CBH for record purposes.)

7. CBI has been established with the same shareholding and other pertinent arrangements as CBH in accordance with my previous memo.
8. It strikes me that CBHI's interest in the shareholding of the Opportunity Trust (initially 5% and thereafter 5% of the increased capital from time to time) must be regulated. Obviously this can only be done in relation to the initial 5% and will have to be addressed periodically with regard to the future 5% allocations. As regards the first, the practical (perhaps only) way to do so is to adjust the shareholding in CBHI. This would mean that instead of 43.75:43.75:12.5 this would be adjusted to 38.75:..... I will instruct Gestinor (Peter Biberstein) and Ariel Kreutner accordingly.
9. There is, it occurs to me, one other way to deal with this and that is to subdivide the rights in the Opportunity Trust but this seems to me to be a complication because of its other activities and generally regarding its regulation. Unless otherwise instructed I will proceed as per 8 above.
10. The question arises -
- 10.1 Should CBHI make its investment in the cash shell through a South African holding company?

This means that at the initial stage of any enquiry the investor will be South African. Clearly this does not survive any deeper an enquiry, nor is it hoped or necessary to do so.

The immediate disadvantage is cost (formation and audit) albeit not significant in relative terms. Future disadvantage may lie in taxation if for example dividend tax is reintroduced but not to residents. Likewise capital gains tax. These would probably not be insurmountable problems but nevertheless a hindrance.

I suppose another (small) advantage is the simplification of certain administration but this cannot really count for anything.

This South African holding company can be interceded within the next few weeks, without difficulty but thereafter it becomes a bit of a mess to do so.

CBH INVESTMENTS LIMITED
(the COMPANY)

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
OF THE COMPANY HELD AT 10, GENERAL-WILLE STRASSE,
8027 ZURICH ON 19 APRIL 1996 AT 10 AM

PRESENT:

Corpnomin Limited represented by its director Peter Biberstein

IN ATTENDANCE:

Marc Ruffi

- 1 The meeting was convened by Peter Biberstein in accordance with Article 87 of the Articles of Association of the COMPANY.
- 2 Pursuant to Section 317 of the Companies Act 1995 Peter Biberstein declared his interest in the arrangements to be discussed.
- 3 Peter Biberstein declared the meeting quorate.
- 4 The members of the COMPANY having agreed to invest in the COMPANY the requisite funds, it was resolved by the COMPANY that -
 - 4.1 It will be a member of the Consortium established amongst the COMPANY, Citizens Corp (Pty) Limited, Global Equities (Pty) Limited, Global Capital Limited and The Opportunity Trust ("Consortium") for the purpose of assuming control of and investing in South East Rand Gold Holdings Limited (to be renamed Corpgro Limited) ("Corpgro") upon and subject to such terms and conditions and with such rights and such obligations as may be determined on behalf of the COMPANY by **Peter Stone Moss** and **Gustav Benjamin Liebmann** who are hereby duly authorised thereto.
 - 4.2 The COMPANY will subscribe for or purchase, as the case may be, such new ordinary shares in Corpgro as it may become entitled to by virtue of its participation in the Consortium.

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FOR THE EYES OF THE ADDRESSEES ONLY

IBIT / WELBAKE AFFAIRS

MEMORANDUM NO.3

16 July 1996

Addressees:

Peter Moss
Glen Unterhalter
Ariel Kreutner

1. The necessary arrangements must be made to adjust the shareholding in Combined Bakery Holdings Limited as to:

- IBIT - 43.75% - *new entity 60%*
- WELBAKE - 56.25% - *" " 40%*

2. For the sake of better understanding 12.5% of the WELBAKE shareholding is held for the benefit of the Form A party. This is based on its agreed 25% of the WELBAKE interest and, in turn, a recent agreement to equalise the interests of IBIT and WELBAKE. Because of the Form A party's 12.5% interest held through WELBAKE, the effective split is 43.75, 43.75 and 12.5.

3. Subject to the aforementioned adjustment, Glen to fulfil the outstanding items referred to in paragraph 3 of Memorandum No.1. In this regard -

ss H.R.
3.1 I do not believe that I have received copies of the memorandum and articles of association of Combined or the trust deeds of IBIT and WELBAKE.

3.2 The letters of wishes remain for me to complete.

3.3 The letters of resignation should likewise be delivered to me.

3.4 The memorandum agreement referred to in 3.11 is deemed amended to accommodate the share adjustment above.

3.5 The New Republic banking facilities are operational.

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Approximately DM3,000,000, currently held by Republic for CBH, is soon to be used to acquire, directly or indirectly, shares in a listed South African company. It is not intended to make the investment in the name of CBH but rather to distribute the funds, firstly (by way of accounting entries) to IBIT and WELBAKE, then to a new entity and then indirectly through recognised Swiss bank or Dutch nominee holders, into the SA listed company. *RIEL OR GS TO DEAL WITH?*

5. The following are some of the issues to be considered:

- The holding will represent approximately 40% of the South African company's total share capital in the initial stages thereby creating local borrowing restrictions unless local bankers are satisfied that the foreign shareholding is not all in one or a few hands ie represents a spread of investors.

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- Typically a bank nominee holding with an accompanying confirmation that the holding is on behalf of numerous independent clients, suffices.

- There will be a dividend flow, hence the Dutch option but it strikes me that this need not be initiated immediately and is in fact enhanced if it is enacted later when the share has performed, thereby increasing loan accounts within the Dutch sandwich, bearing in mind that dividends are not likely for the first year or so.

- Costs should be kept within reason.

- The voting of the shareholder must be controllable.

- The ultimate holding in the company/s making the investment will be the same as that of CBH. *more than one?*

6. *WIP* Very soon CBH will receive into its Republic Bank account management fees ex WPIB at the rate of DM56,000 per month commencing 1 January 1996. There will be an initial payment of DM224,000 (January, February, March, April). Thereafter payments will be made monthly.

Immediately these payments are received by CBH they must be redistributed to IBIT and WELBAKE in their relative shareholding percentages for which purpose IBIT and WELBAKE require independent bank accounts. Arrangements must be made between Gestinor and Republic to facilitate this.

7. From each amount received by WELBAKE an amount equal to 12.5% of the total amount received by CBH must simultaneously be transferred to an account to be established in like fashion in the name of WELDAN. This is an entity established and administered by Schindlers reg. Treuunternehmen. Alex Goodman can provide its exact character and other particularity. I will arrange for him to liaise with Glen and Republic regarding the establishment and operation of the account. This entity will henceforth hold the 12.5% interest.

8. The IBIT Form A party will soon receive from WPIB by way of a restraint of trade payment an amount of DM500,000 during the course of the forthcoming week or two. This should be deposited into the IBIT bank account established as above. The amount is free to be dealt with by the IBIT Form A party acting alone without any reference to others.

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** Does this apply to m/gmill: fruit only
or a transfer of 12-3/4% fruit
WELBAKE to WELDAN of 12-3/4%*

- 1 This memorandum serves firstly as a consolidation of the existing structure as reflected in the Schedule marked "A".
- 2 Secondly this memorandum reviews the salient features of the transactions to date and identifies historical and future regulatory measures.
- 3 The following draft resolutions are annexed -
 - 3.1 By CBH distributing to Welbake and IBIT in their relative percentages (56.25:43.75) the equivalent of R400,000 and the remission of this amount to GBLB&CO in trust in settlement of the distribution, on the instructions of Welbake and IBIT.
 - 3.2 Subsequent similar resolutions by CBH with regard to the distribution of the equivalent of R7,600,000 and R3,200,000 discharged in the same way.
 - 3.3 Resolutions by Welbake and IBIT respectively to invest the proceeds of these distributions in CBHI in exchange for their relative shareholdings in CBHI of 52.68:47.32.
 - 3.4 A resolution by CBHI to invest these amounts (equivalent of R11,2m) in Corpgro.
- 4 The CBH resolution regarding the disposal of WPSA to WPIB should be revised in order to implement the transaction with effect from 1 April 1996. A revised resolution is annexed. The motivational documents applicable as at 1 April 1996 are annexed.
- 5 The difficulties surrounding day to day decisions of CBH and CBHI with specific reference to the due diligence requirements of PB must be resolved. CBH's highest level of comfort lies with Glen assuming these functions, CBH recognising the need for him to undertake reasonable due diligence and Gestinor agreeing a manageable "soft" fee basis.

The preference for Glen centres around the historic connection, accessibility and understanding of South African forms and practices. We are particularly concerned that this is not viewed as an affront to PB. It is not so. We expect him to be involved from time to time as need arises eg as he was in the original WPIB discussions.
- 6 Draft letters of wishes for IBIT and Welbake are annexed.
- 7 When each management fee payment is received by Republic for CBH from WPIB GBL should be told telephonically so that distribution instructions can be given.

- 8 Weldan Bakery Investment Trust is to change its name to Welbake Investment Trust, to avoid confusion.
- 9 The letters of resignation envisaged in previous memoranda must be delivered. Copies of the relevant memoranda and articles of association and trust deeds must be delivered.

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