

# Mucky, mucky Corpcapital

**NIC FRANGOS\***

WHY does Corpcapital still matter? And for whom? It matters because the evidence suggests that serious irregularities took place at Corpcapital, and that Jeff Liebesman, the CEO, and certain executives benefited enormously while shareholders were prejudiced.

The Corpcapital saga began clandestinely in 1996 with the purchase of a cash shell, Southgo Ltd, from Brett Kebble, by secret offshore entities.

The transaction was godfathered by Eric Ellerine to give Jeff Liebesman a second chance. Liebesman was then still embroiled in fraud allegations in the aftermath of the W&A debacle.

Southgo was quickly transformed into Corpgro and ultimately, through a series of complex transactions, into Corpcapital.

Liebesman was joined by a close circle of friends – his W&A legal counsel, and lawyer, Benji Liebmann, his advocate, Neil Lazarus, and by Errol Grolman and Martin Sacks. Corpcapital was liquidated in 2007, but, like a phoenix rising from the ashes, the company con-

**EXPOSED:** *In full, a Kebble/Liebesman/ Ellerine scheme guaranteed to rip off*

tinues today in a new guise through a novel mirror listing, run by Liebesman's closest associate, Liebmann, with the mastermind nowhere to be seen.

The Liebesman plan was to acquire companies, generate fast growth, and rapidly increase the price at which the Corpgro shares traded. But the true ownership and control was to be hidden from public view in a series of secret offshore companies set up by Liebesman and Liebmann in Caribbean tax havens to hide the extent of their real involvement, leaving the holders of the shares free to trade without restriction.

When Corpgro listed, the share was quoted on the JSE at 44c on the first day and the offshore companies' secret investment had a market value of R185m, an investment that was to become worth an estimated R3bn as the share price

rose to a peak of 770c.

In 2000, Corpcapital, then a subsidiary of Corpgro, faced disaster with falling earnings. An unknown offshore entity called Cytech, in which Corpcapital had a 47,5% interest, was revalued unilaterally by the executives and the revaluation surplus taken as revenue to bolster Corpcapital's profits.

This avoided a catastrophe at Corpcapital. Cytech's value soared from zero to almost R500m in its first two years and then down to almost nothing in the next two.

The executives were paid handsome bonuses and other benefits on the back of the Cytech façade. The mechanism could be argued to be a mirror image of the methods used at Enron.

A merger of three entities, Corpgro, Corpcapital and Corpcapital Bank, in 2001 made it difficult to track performance and make com-

parisons. For a while this bought time. The merger was massively influenced, unbeknown to investors, by the revaluations of Cytech in 2000, which contributed over 60% of Corpcapital's profits.

Then Liebesman became mired in controversy in a challenge by a minority shareholder over the integrity of the swap ratios used for the merger.

The investing public lost confidence and the share price plummeted.

At mid-term in 2002, the accounting policy was changed, in my view, to disguise the inevitable collapse of the contrived valuations of Cytech, and a consequent major decline in earnings. I objected and began my own investigation of the matter, much to the consternation of Liebesman.

Under siege, sagging confidence in the market and a collapsing

share price the executives persuaded the board to dismantle the company early in 2003.

Investigations spawned. The "whitewash" of the events by accountant Nigel Payne, employed and paid for by Corpcapital, was, in hindsight, predictable. The findings of the state's investigation by John Myburgh SC and accounting Professor Keith Prinsloo were more difficult to explain.

After the release of the inspectors' report my attorneys, WWB, briefed and mandated six separate and independent forensic investigations of the evidence examined by the inspectors.

The findings? An emphatic confirmation that there was substance to my allegations, that serial irregularities appear to have taken place, and that the executives had benefited hugely at the expense of shareholders, conclusions which differed materially from those of the state investigation. The Corpcapital saga is not over.

\* Nic Frangos, a leading entrepreneur, is a former non-executive director of Corpcapital.