

G.B.LIEBMANN, BEHRMANN & CO.

Your Reference

17 November 1997

Our reference

Mr G B Liebmann/is/131

**STRICTLY PRIVATE & CONFIDENTIAL
FOR THE EYES OF THE ADDRESSEE ONLY**

Peter Moss
JOHANNESBURG

Dear Peter

IBIT / CORPGRO EXIT

Your letter dated 12 November 1997 faxed to me on 14 November 1997 is, in my 20 odd years of practice, the most dishonest, self-serving, misguided and insulting I have had the displeasure of having to address.

As a result I am compelled to say now what I have not said in the past, out of compassion and friendship. I do so with a heavy heart.

For the past 2 years I have defended and protected you from the consequences of your own gross incompetence and mismanagement at virtually every turn. I have made excuses, apologies, explanations and I have begged forgiveness and prevailed on just about everybody with whom you came into contact to exercise compassion and understanding for your shortcomings and restraint in their angry reactions. Against extensive evidence to the contrary I protested that you are not, as were the constant refrains, a "bald liar" and manipulator but rather just misguided but well-intentioned. I did this from a sense of loyalty - obviously misplaced - and, I now realise, because I did not want to believe the evidence against a person of whom I had become fond. My mistake.

ATTORNEYS

PARTNERS: GUSTAV BENJAMIN LIEBMANN, RICHARD MARK BEHRMANN

When you have (repeatedly) been desperate for money - you have placed the burden at my door. Each time your need has been met with enormous effort on my part. The pressures I absorbed in doing so are scars which will not heal. That you should seek to turn this against me is unforgivable.

Your attack on Jeff is equally dishonest, ungrateful and misguided. Although he has frequently been embarrassed and justifiably infuriated by your conduct he has shown enormous forbearance (often at my bidding) and he has always treated you with dignity and helped you when he could. He too has done so despite widespread accusations from just about everybody you have come into contact with about your dishonesty and incompetence which he preferred to excuse from what now also seems to be a misplaced sense of loyalty. Whatever wealth you have has its source in Jeff having given you the opportunity to be a member of the founding consortium of Corpgro and in Jeff's subsequent performance in making that investment valuable beyond your reasonable dreams and, frankly, your just deserts. If you squandered your subsequent investments in Combake SA, that is entirely of your own making.

The fact is that you have destroyed every business you have touched leaving a trail of acrimonious relationships. The further fact is that in each case you have blamed anyone and everyone but yourself whereas you alone should bear the blame. This is another such case.

Your letter does not deserve to be graced with a response to the specific assertions made because they are so devoid of reality and integrity. I am however compelled to put the record straight in certain respects. In this context, I will not deal with each and every statement. I will, if I have to, in due course.

- 1 When you first came to see me you had been fired by your previous employers. Your entire life and future were under a cloud. You had fortuitously found an opportunity to bid for parts of the W & P disinvestment. It was obvious to you and me that you had no ability to exploit this opportunity alone.
- 2 I don't intend recording in this letter a full account of what transpired. It is enough to say that you asked me to help you on the basis that I would participate with you as a principle. I said that I would do so but that I did not have all the expertise required. I told you that I could introduce third parties

who could provide what I could not, especially because much of the transaction required an overseas involvement which I personally could not contribute. I told you that I had clients and connections overseas who could provide these requirements. I also told you that Jeff was a client of mine, that I thought he would be able to give valuable and necessary assistance and that if I were to associate myself with the transactions and promote others to take an interest, I would want Jeff to participate in negotiating and concluding the agreements.

- 3 In the result, as you are well aware, my clients took up their investment on the strength of Jeff's appointment as consultant and my involvement as lawyer and director. There was no suggestion that Jeff was your "business partner" and neither he nor I personally had any interest in CBH. I can only assume that these assertions appear in your letter because you hope to create an ambience of mutual responsibility for your dismal subsequent performance as the chief executive of WPIB and WPSA, compounded as it was by the deceits which were continuously fed by you and your staff to Jeff as your consultant and me as a director of WPSA, as to the true state of the financial affairs of the companies.

(It bears mention that the deceits have subsequently proved to be motivated not only by an attempt to obscure mismanagement but also to obscure the personal unauthorised, unjustified, unlawful benefits which you personally extracted whenever the opportunity arose.)

- 4 You do not seem to appreciate the enormous privilege you were given when you joined the consortium investment in Corpgro. There was no obligation to give you this opportunity. It was given to you in no small part because I prevailed on Jeff to include you, thinking at the time that there would be wider opportunities for mutual benefit arising out of what was at that early stage seen as good prospects for WPIB and Combake SA, based on your glowing reports on world strategy, etc. - none of which has borne fruit. Many influential investors wanted to take up the Corpgro opportunity but my will and Jeff's loyalty prevailed in your favour (causing Jeff much embarrassment and damage to other friendships and relationships).

(You knew and completely supported that Jeff's involvement in Corpgro would be all-consuming. Having regard to the size and value of your interest you no doubt hoped for no less.

Perhaps you would like to review the value which Jeff's efforts have added to your patrimony and compare it to that which your efforts have engendered. This will give a better perspective to your harebrained conclusions.)

5 The professional input you received from Jeff and me repeatedly saved you from imminent disaster. It was also central to the successful conclusion of the agreements. Without it there was no prospect that you could have achieved this. Unfortunately the value of our input was thereafter virtually entirely undermined by:

- your presentation of misleading financial and other information about the status and prospects of the companies;
- your appointment of friends and relations to positions within the companies at exorbitant salaries, having regard to their complete inability to meet the tasks required of them;
- your unlawful use of the companies' financial and other resources (for example but not limited to your very substantial misuse of company credit cards) to fuel and support your personal profligate spending;
- your conclusion of secret underhand arrangements with staff (for example but not limited to Shaun Ellis) to use company money and resources to advance your personal ends in flagrant breach of your fiduciary duties, resulting in enormous financial loss and badwill suffered by the companies;
- your gross mismanagement and lack of attention to the business at hand;
- your playboy lifestyle, funded by you from the companies on the pretext of "travel and entertainment";

- your inability to maintain good business relationships with employees, bankers, and other important business associates for any appreciable length of time.

It is entirely false to suggest that the companies were managed by "*the three of us*". Jeff was no more than a part-time consultant and I was a non-executive director until I resigned in or about February/March 1997 (even though you still seek to mislead people by representing me to be a director). (You promised me last week that in fact I had been properly removed at the time I resigned. I have since seen a letterhead bearing my name. I will address this separately.)

- 6 You "*emigrated*" to Germany of your own will. You said that as the chief executive of WPIB and Combake SA this was the best place from which to exercise your functions. Every report from Germany is that you did not make a single positive long-term contribution to the well-being of that company, but that you used it as an opportunity to live the life of Reilly, spending the company's money at will for the benefit of you, your wife, your children, your wider family and wantonly spending on unnecessary and useless entertainment, travel, and "*world-wide strategies*", none of which had any prospects and all of which came to nothing. These vast expenses served nothing but your ego.

You did not do what your fiduciary obligations as chief executive required you to do, namely, run the business. These are the unequivocal views of the German management who were employed at the time and those who have succeeded you.

- 7 As regards the running of WPSA during this period, you were its chief executive. Jeff's presence in the Denver premises was entirely co-incidental. Even though he had his hands full establishing Corpgro at that time, (as you well know), as consultant to Combake SA he said that he would be available to be consulted by the management of Combake SA and fortunately he was, because by doing so he came to discover that you had run that company into the ground. It became apparent that you had an unholy relationship with Shaun Ellis and that the financial information which you and she had been feeding to us from time to time was hopelessly inaccurate and, in many cases,

knowingly false. She says you always knew this. You say you didn't. Either way it was your responsibility to produce reliable information.

- 8 Shaun Ellis was your appointee. Both Jeff and I felt, and said, that she was not up to the job. You did nothing about it. The only time you questioned Shaun Ellis' capability was if she dared present facts or figures which did not portray a glowing, over-optimistic account of the situation. It subsequently appeared that if any of your staff presented information which was negative or less optimistic than you wished you screamed at them and pressurised them to re-arrange the information to meet your expectations - regardless of the facts.

(This attitude was the root of the misinformation fed to us and, no doubt, the bank, and was in evidence as recently as the negotiations with Corpgro which were aborted by Corpgro shortly after they started their due diligence because they found that they could not rely on the information which you gave to them. In fact it was your own staff who could not believe or support your financial "information" and projections saying that there was no factual basis for what you had represented to Corpgro.)

- 9 As chief executive it was your responsibility to find competent management including the head of finance. When you failed to do so, Jeff said that he would try to help but unfortunately the dismal reputation of WPSA and growing concerns about the reliability of its financial information made it impossible to attract anybody of quality. Graham Boake was your auditor and your recommendation with which we went along because Graham was qualified and knew the business. That Graham failed was again attributable to your bullying him into not recognising and exposing the continuing losses and general mismanagement - the same bullying which you bestowed on Greg Shankland and Shaun Ellis. Once again, the only time you showed dissatisfaction with Graham was when he failed to produce the figures you wanted in order to portray false optimism.
- 10 To blame anyone but yourself for the employment of sub-standard staff is outrageous. This practice is a hallmark of your management style. You employ on criteria of convenience, family, friendship, acquaintance, but never

the tried and tested principles of experience, qualification and reference. There are countless examples.

- 11 The Shaun Ellis "*debacle*" and the dismal financial state of WPSA resulting in cheques being returned by the bank was the unequivocal and direct result of your false optimism, your mismanagement, your overspending for your personal benefit, your gross breaches of fiduciary duties and your use of the company as a source for supporting your family. The WS Plant transaction was the only conceivable way to avoid a liquidation which, had it occurred and on the facts now available, would have resulted in you personally being held entirely liable for all of the debts of that company and exposed to criminal sanction. You were at the time immensely grateful that the company was saved by this transaction. Your thanks were profuse and completely justified.

- 12 When all is said and done, the disaster in the WS Plant deal lay materially in the fact that the financial information made available by you and your staff as the basis for the deal was grossly mis-stated (despite repeated contrary assurances), causing enormous embarrassment. This was the beginning of the breakdown in the relationship. I don't mean to say that Schumann and Geboers are angels, but the more I learn of your conduct and your personality (not the least your letter under reply) the more I begin to give credence to their version of the events involving you, particularly those concerning subsequent "*discoveries*" about an even worse financial position than was originally uncovered and your knowledge of the purpose to which the funding was put.

Although it would have been completely justified for you to have been put under pressure to sort out the WPSA debacle, it was entirely as a result of your own instigation and suggestions that you disposed of your interests in Germany, returned to South Africa, and made all of the financial arrangements in that regard. You showed at the time a complete appreciation of the fact that you had failed dismally in Germany and South Africa and it was this contrition that contributed materially to my continuing support for you as I have previously mentioned in this letter.

Nobody put you under any pressure to do this. You telephoned me from Germany entirely of your own will and you told me what your proposal was and I said that in the circumstances it was the proper thing to do. That is still

my opinion. You conveniently omit that you were facing intense pressure from Sheryl to return to SA, that your failure in Germany had caught up with you and couldn't be disguised any more, that Combake SA was looking like it had good future prospects and that you personally wanted to restore your self-esteem by making a success of it. You said that you had full confidence in its future.)

- 13 Nothing but your own incompetence, vast personal financial needs and your own decisions caused you to dispose of your shares in Corpgro. Each time you turned to me to get you out of the financial mess you were in. Each time shares in great volume had to be sold in great haste. This was a source of enormous embarrassment and concern to all of the consortium members. Your actions as a director selling shares in such volume and under such circumstances has depressed the value of Corpgro shares and still has a material detrimental effect on their value.

You are the only consortium member to have "encashed" his investment. Vast amounts of the proceeds have been used to give you an opulent lifestyle overnight. Vast amounts have been invested by you in Combake SA on the strength of your optimism, oft repeated, about its future. Now you suggest that this was a bad investment and you blame anyone but yourself for the decision. That is contemptible.

- 14 You do not seem to understand how fortunate you are that it was possible to place these volumes of shares without causing much greater adverse pressure on the shares. Your shares were never sold at a "discount". Your statement reflects a complete lack of appreciation of the share market. Your shares were sold at the market price for those volumes at those times. Had you put those volumes of shares onto the open market through a stockbroker in the ordinary course the price you would have received would have been materially less and the permanent effect on the remaining shares would have been devastating. I am astonished that you do not understand that. On reflection, I conclude that you do understand but that you choose (as seems to be your style) to ignore what does not suit you and to portray matters to serve your personal purpose "of the moment".

- 15 Your reference to Corpgro share prices being "*temporarily down*" and "*artificially low*" are either, again, misguided or, more likely, self-serving mis-statements. You have never been forced into doing anything that you did not willingly contract to do.
- 16 Your financial contributions to WPIB were made because you recognised your responsibility for causing its dire financial circumstances at the time, notwithstanding that you had continuously been feeding false hope to everybody concerned. Your falsehoods had been found out and you could no longer disguise the fact that your mismanagement had brought WPIB to its knees. You did nothing more in the way of payments to WPIB than you undertook to do and you undertook to do no more than was your rightful responsibility.
- 17 You complain that Jeff and I were (indirectly) part of a consortium who purchased certain shares. We did this because it was the only way that your cash demands could be met without destroying the share price. In order to do it we borrowed from a bank the full amount required because we did not have the resources and as a consequence of the interest burden and the price paid we have suffered a significant loss on the transaction. It is aggravating beyond words that you have the audacity to suggest some sort of impropriety in relation to a transaction which had as its driving force the resolution of your problems.
- 18 On similar footing, your complaint that other Corpgro directors/shareholders have bought your shares. Of this you should be imminently pleased, particularly having regard to the subsequent turn in the market the possibility of which was very much in your mind at the time of selling. If you wanted to sell this volume of shares in the current market and you did not have parties interested in supporting their share, you would have a very serious problem. Be that as it may, nobody asked you to sell those shares. You telephoned me out of the blue and asked me if I would find a buyer.
- 19 The primary reason for late payment was that having concluded the transaction you did not have the shares to deliver. You were accommodated in every way possible.

- 20 Nothing was ever "hi-jacked" and in fact you were finally paid even though you were not entitled to the money. For months I asked you to resolve your dispute with Germany so that I would not have to withhold payment as it was agreed I would. You not only failed to make any effort to resolve the dispute, but also continuously said you had paid them when you knew you had not. As ever, the "dispute", was resolved on the basis that you were in the wrong even though you were making vociferous objections to me until the last minute. The fact is, you again embarrassed and harassed me beyond description. I am sickened that you should now twist this to suit your new-found complaint.
- 21 As you are well aware the sum of R5 million to which you refer is not currently payable to you by WPIB or the shareholders of WPIB. There is also no interest due. This is a subject which they will deal with fully in due course. I have no doubt they will do so properly and fairly. Whilst I have always been willing to help you as much as possible to get this resolved as quickly as possible, you will appreciate that in the light of your letter I can be of no further assistance.

It is difficult to imagine what has motivated your letter. Only last week (a day before you wrote your letter and well after the events which you say led to your writing it) you asked me to be your trustee and to take care of your dependents / children / affairs after your death. The previous week you offered and I accepted over R150 000 as remuneration and thanks for my efforts in transacting matters for you which are now the butt of your overwhelming and unfounded criticism. I can only suspect that you are under more pressure than you are able to cope with.

In fact what this all adds up to is that your letter reveals a deceitful, ungrateful Walter Mitty, without an ounce of integrity but an over-abundance of ability to disguise, mislead, manipulate and make shameless unfounded accusations and demands.

The only redress that needs to be made is your unequivocal apology and withdrawal of your utterly spurious letter.

Yours faithfully


BENJAMIN LIEBMANN