

CONTEMPORANEOUS NOTE

Meeting held on Wednesday, 6 August 2003 with Neil Lazarus in the Hibiscus Room of the Sandton Sun at 07h30

The meeting opened in a friendly and respectful manner, in contrast to the last time we met on 25 October 2002 at the Saxon Hotel.

I opened the discussion with two observations :

1. Neil had spoken to Francois Baird about a settlement and he had met with Mervyn King to see whether he could act as a facilitator to achieve this. In addition discussions had taken place between Cedric Puckrin and Schalk Burger. These discussions had resulted in the meeting taking place.
2. It was my view that the discussions should be confined solely to Neil Lazarus and myself. Neil had been cast in the role of spokesman for Corpcapital, its executives and himself. I also believed that the discussions should be on the record so that either party would be free to consult with whoever they desired. Furthermore, I advised Neil that if we were to reach agreement on any matters, I would not hold him to them and he could change his view without providing reasons at any time.

Neil opened by stating that he had not engaged the services of AIN and he wanted me to know that. He explained that he knew a lot about the way in which AIN and Warren Goldblatt operated. He said that they frequently opened preliminary investigations on individuals where there was some public controversy in order to sell their services. He said that Warren Goldblatt was a dangerous person and that the nature of AIN was that it frequently operated outside of the law. My response was that I would not comment upon the merits of the litigation and that we should rather address the question of whether there was a desire on the part of the parties to settle the litigation and on what terms.

1. The litigation discussions

Neil expressed the view that it was never in the interests of parties to litigate and that his experience is that it was always preferable to settle. He believed that if the litigation was to go ahead, he would win both the Anton Piller case and the Invasion of Privacy case. He said that I did not know whether or not he did contract with AIN, but he knew the answer. He believed that he would win because he did not do it and their case was strong. My reply to him, without being drawn, was that however strong he felt about his chances, he could be sure that I felt no less strong. I also said that regardless of the course of our discussions, my advice to him was that he should prepare for the court cases as I would, on the basis that the discussions may fail.

Neil's conditions to a settlement of the litigation were as follows :

- a. It would have to decisively deal with his reputation. He believed his reputation had been severely tarnished and would never recover to its previous level. He began proposing how the matter should be addressed, but I cut him short stating that we should deal only with "what" the conditions were and not "how" they were to be resolved.
- b. All of the parties, namely Warren Goldblatt, AIN, Corpcapital, Jeff Liebesman, Neil Lazarus and myself, had to be part of the settlement.
- c. The settlement would have to be all encompassing and included what he termed corporate governance. I was immediately negative and told him that this was not an issue I was willing to discuss. He put forward the following logic to back up his case for an all inclusive settlement. He and the other respondents were very strong on the two litigation matters, but weak on "corporate governance". Therefore they would not be willing to give up their best bargaining chip, namely, the litigation. I was interested to find out why he had taken such a strong line on the matter because he clearly did not have the same interests as some of his colleagues. After some discussion, it became clear to me that there is a fear amongst Corpcapital directors that I and others will institute legal action and claims against the directors of Corpcapital. In other words he said it did not make sense for them to concede one type of litigation only to find themselves in another.

We then turned to my conditions. I had two :

- i. I would want my costs covered. Neil was extremely negative on this saying that any agreement to pay costs would be read as an admission of guilt.
- ii. The wording of an announcement.

2. **The "corporate governance"/fiduciary conduct discussions**

Neil started this discussion, based on my negativity in even getting into to it, by stating his case as to why it should form part of the settlement. He made the following points :

- In his opinion I had achieved my objectives. Shareholders were far better off because of my actions and his opinion was that my actions had been correct.
- The market was becoming increasingly negative that the matter had dragged on so long, particularly since the Board had now approved the total dismantling of the company. All of the directors at Corpcapital had been badly damaged by what had happened and his opinion was that it had also not reflected well on me.
- The matter had now become externalised and he accepted that it was largely out of my hands. Many agencies, which he did not name, were now investigating the company and many of the individuals and they were being treated like common criminals. He said he personally was being investigated by a number of agencies.

- The adverse media publicity was clearly not letting up on Corpcapital and he specifically mentioned the latest article in Finance Week.
- The Board had stripped Jeff Liebesman of all power and the sole reason for him still being there was because he had the best skills at selling off the assets.
- He was fully aware that I commissioned independent reports which were predominantly focussed on the Payne report.
- He referred on a few occasions to Payne, giving the impression that he was trying to protect him.
- Wim Trengove was now extremely concerned about the situation and was going to become more involved.

My response to the above was :

- Neil missed the movie totally by terming the issue as a dispute and as corporate governance. Corporate governance is a microcosm of fiduciary duties, responsibilities and conduct and the legal obligations that flow from this. The issues that had manifested over a three year period had nothing to do with a dispute and everything to do with fiduciary conduct.
- He was incorrectly categorising part of the “dispute” in the context of Jeff Liebesman. I again reminded him that while it may have suited parties to label it thus, factually that was not so. I also offered my opinion that they continued to make the same mistakes by putting a monetary value on the difference between right and wrong by retaining Jeff Liebesman. It was my view that there were many people within Corpcapital, and externally, who could sell the assets equally well or better.
- Mervyn King had made a fatal error in taking input only from one side in putting forward his settlement proposals. If I were to consider discussing the fiduciary side, Neil Lazarus would have to have a perspective of the landscape. As long as he had a narrow view based on corporate governance issues, he would never be able to understand what a settlement in this area would entail.
- Matters had now externalised and if there were to a settlement, he would have to accept that there were many matters which were outside of my control.

Neil responded by saying that in retrospect, the actions that I had taken were correct. He said that it had been one of the worst decisions of his life to abandon the legal practise and allow himself to be talked into joining Corpcapital by Jeff Liebesman. In his view, Jeff Liebesman was finished and even Benji Liebmann conceded that he had been wrong to support him the way he had. He said that he would very much like to understand the issues better and invited me to describe the situation. My reaction was that we had had a good meeting and did not feel it would be appropriate to extend it any longer. Both he and I should spend time reflecting on the discussions to determine whether or not we wanted to meet again. I reminded Neil of the Chinese proverb that if you don't have the answer, ask the question another time. He agreed but felt that we should definitely meet again and set a date. I said I would be prepared to do it provided that it was not too soon. We agreed to meet next Wednesday, 13 August 2003.

Note

My observation from the meeting is that there are two fears amongst the Board of Corpcapital. Firstly, there is the fear that processes may occur by external agencies, which find that they did not act properly, and that this gives rise to legal action. Secondly, there appears to be a fear about the further loss of reputations. It would be reasonable to assume that the Board of Corpcapital are aware that investigations will take place. They must also know that the investigators will turn to me as the spearhead for their information. It is possible that they believe that a settlement will blunt these actions.

Signed on the 6th day of August 2003 at Woodmead.

N J FRANGOS

Witnesses :

1. _____

2. _____

CONTEMPORANEOUS NOTE

Meeting held on Wednesday, 13 August 2003 with Neil Lazarus at the Sandton Sun at 07h30

I started with a summary of what had been discussed the previous week. The main issues were that Lazarus wanted a total settlement, including corporate governance issues, that he wanted to clear his name, and that he was not part of the cabal. We both agreed this was correct.

I explained to Lazarus that we were not in the same movie with regard to corporate governance. I knew the difference between right and wrong and was acting on that basis. My view was that the directors of Corpcapital were wasting shareholders time and money by protracting matters. My theme was that the issue was fiduciary in nature of which corporate governance was a part. The evidence that I had indicated misconduct across a broad scope and over a long period of time. Certain directors had been directly involved in the misconduct. If Lazarus was representing the entire Board of Directors in these discussions, we could not resolve matters because I could not settle with the cabal (Lazarus' term). I also said that I would have difficulty in settling with Eilerine because he was personally responsible for his unstinting support for the cabal and Liebesman in particular. It was this support that had encouraged Liebesman in particular to behave as he had. Eilerine should have reined him in from the start. With regard to Wixley, I told Lazarus that in my view he had compromised himself as Chairman of the Audit Committee. I said that there was no direct evidence linking him and Trengove into any of the misconduct, but that as members of the Board of Directors they had missed the warnings.

Notwithstanding the above, I said to Lazarus that it was still possible for the Board, even at this late stage, to do the right thing. Lazarus said that if I had any proof of misconduct I should give it to him and he would take it to the Board. I said that I would think about the matter but I did not have a positive view because of the power the cabal exercised over the Board. I suggested that he should bring in Trengove into the next meeting, and he was comfortable that I would bring in John Bellew.

Signed on the 14th day of August 2003 at Woodmead.

N J FRANGOS

Witnesses:

1. _____

2. _____

CONTEMPORANEOUS NOTE

Meeting held on Wednesday, 20 August 2003 with Neil Lazarus, Wim Trengove, John Bellew and Nic Frangos at the Grace Hotel (Rosebank) at 07h30

I opened the meeting with a summary of the first two meetings, which Lazarus confirmed as being correct. The last meeting had ended with me stating that I would consider providing the Corpcapital Board with the evidence of misconduct. I said I had thought about the matter and discussed it with my advisors. We were not inclined to provide the information to the Board because we did not believe that it would be acted on appropriately. However, we were willing to provide Lazarus and Trengove with information on the strict understanding that they were not to make it available to the Board.

John Bellew then gave a background to the Payne Report and our dissatisfaction with it. He outlined the independent reports of Abrahams and Collett, and stated that we had both reports and would give them to them. He then spoke in detail about the submission that I had made to the Minister of Trade and Industry requesting an investigation of Corpcapital under Section 258 (2) of the Companies Act. At this point Lazarus said that in his opinion it was no longer a negotiation of give and take. We were apparently willing to settle the litigation, but in return we expected him and Trengove to support the Ministerial Enquiry. We confirmed that we were not, nor never had been, in a position to settle the fiduciary issues. Once the issues had represented themselves it was for the Board of Directors to act appropriately and settle the issues. Both Lazarus and Trengove said they would read the documents and consider their positions.

After Trengove left the discussions continued and focused around the Payne Report. Lazarus agreed that the report was not very professional, but was satisfied that it favoured Corpcapital. He did not appear to have a good impression of the way in which Payne had gone about his job.

Prior to the compiling of these minutes the following day, a letter was received from the Minister confirming that he had authorised the appointment of inspectors. No further discussions took place.

Signed on the 21st day of August 2003 at Woodmead.

N J FRANGOS

Witnesses:

1. _____

2. _____