

BILLY GUNDELFINGER

ATTORNEYS

91 Iris Road
Cor. Grant Avenue, Norwood
Johannesburg 2192
P.O. Box 95165, Grant Park 2051
Telephone: 011-728-7571
Telefax: 011-728-7597
E-Mail: billy@gundelfinger.com

E-MAIL TRANSMISSION

6 July 2018

Our Ref: Prof. Billy Gundelfinger/jb

amaBhungane

Per e-mail: susanc@amabhungane.org

Dear Susan

**RE: MY CLIENTS: INTEGRATED CAPITAL MANAGEMENT ("ICM"),
CLIVE ANGEL, STANLEY SHANE AND MARC CHIPKIN**

1. It is correct that I no longer represent either Mark Shaw or Wayne Tichauer.
2. Having regard to the further questions despatched to me under cover of your e-mail of the **28th of June 2018** wherein it appears that you are prejudiced and have clearly displayed a bias adverse to my clients, my clients will not submit themselves to a loaded interrogation, save to state that:
 - 2.1 None of the directors or shareholders of ICM have ever been shareholders in Trillian Capital Partners or any of the other Trillian entities.

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- 2.2 I append hereto a letter from Wayne Tichauer of Tichauer and Bloch dated the 4th of April 2016 confirming that **Aeriom Nominees** held 12% of the shares in Trillian Capital Partners on behalf of Trillian employees – **Annexure 1**.
- 2.3 With regard to **Bex** or any of the entities related to **Bex**:
- 2.3.1 at no stage did ICM or any director of ICM control, hold shares, have an interest in, Bex or any of the entities related to Bex (Fourtime Consultants (Pty) Ltd, Medjoul (Pty) Ltd, Ismer Consultants (Pty) Ltd, Maher Strategy Consultants (Pty) Ltd)- nor were they directors or employees of any of the aforesaid.
- 2.3.2 ICM did not benefit from Bex or from any of the entities related to Bex beyond what has been previously disclosed.
- 2.3.3 My clients had no input whatsoever into the creation of the Bex website.
- 2.4 The only information provided was that which was provided by Wood at the meeting of the 6th of May 2015 which was arranged by Wood of Regiments at their office at which Savides and Scholiades attended. Angel emphatically denies providing Savides with any information either in hard or soft copy.
- 2.5.1 Savides' sworn statement (of which Angel has not had sight of) and which does not apparently detail the considerable work attended to by Savides/Scholiades is false.
- 2.5.2 Savides "***confirms that he was approached by Mr Angel on 6 May 2015 to produce the model and that he did so overnight and delivered it to Mr Angel the following day. Mr Savides maintains that he was explicit with Mr Angel that the model lacked accuracy and had certain limitations due to it being prepared overnight and without the required research that such a project would normally entail***".

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- 2.5.3 Savides' version that he did it in "haste" is nonsense. This was an interactive process and a number of versions were prepared (which were worked on by Savides / Scholiades). See **Annexure 2** for Calc V5 (version 5) submitted by e-mail on the **21st of May 2015** by Scholiades to Savides and then to Angel.
- 2.5.4 **Annexure 2** demonstrates detailed research was undertaken; and that correspondence was still continuing in July (e-mail previously attached from Scholiades on 10 July 2015) regarding model assumptions. Scholiades also attended meetings with CNR during this time to discuss various assumptions in the model.
- 2.6.1 You state that "**Savides states that all communication on the project was with Angel, occasionally using his ICM e-mail address but mostly using the enquiries@bexstructuredproducts.co.za e-mail address. This suggests that, contrary to your client's statement, Angel was one of the controlling hands behind Bex**".
- 2.6.2 If Savides did the project in one night, why on his own version were there the aforesaid communications!
- 2.6.3 The fact that Essa requested Angel to respond to Savides e-mails utilising the Bex e-mail address does not in any way demonstrate that Angel "**was one of the controlling hands behind Bex**"- which he emphatically denies.
- 2.7.1 You state that "**your clients maintain that the relocation project had been approved by the Transnet Board in March 2014 and that Mr Shane therefore had no influence over the contract. As far as we understand this is factually incorrect. In the recent reports on the relocation project, there is no evidence that the board approved any such thing. According to the Werksmans report, Bombardier was officially informed of the request**

for such a contract variation on 26 May 2014. The formal application for a contract variation was only submitted to Acting CEO Siyabonga Gama on 19 May 2015. Negotiations on the relocation only commenced in 2015, meaning that Mr Shane was placed in a conflict, given that a company in which he had an active interest, ICM, was involved in providing services directly related to that transaction and had a direct interest in the size of that transaction, given that a percentage fee was included as part of the remuneration agreement. This took place while he was a non-executive director. At the very least he had a duty to declare this interest to Transnet. Please comment.

2.7.2 This is blatantly false and incorrect.

2.7.3 Pursuant to Annexure A of the Werksmans report being Professor Harvey Wainer's report titled "Transnet SOC Limited Procurement of 1064 Locomotives" on page 71, in section titled Relocation cost:

"Relocation cost

"5.70 The May 2014 Memorandum to the Board identified under the topic of Contingencies that Transnet decided that two of the OEMs would be relocated from Koedoespoort to Durban and that these costs had not yet been quantified but "this cost is included in the additional 10%" i.e. included in the contingency factor of R4.9 billion".

"5.71 It was agreed through negotiation between Transnet and CNR, and between Transnet and BT, that a total amount of approximately R1.2 billion would be paid to the OEMs for the relocation."

"5.72 In a letter dated 23 July 2015 from Mr Gama (then acting Group Chief Executive) to the CNR local entity (CNR Rolling Stock South Africa (Pty) Limited) it was confirmed that there would be a "variation order" for an amount of R647.181m, and that 50% (R323.590m)

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would be payable within 14 days and the balance would be payable over 24 equal instalments.” (This variation order was, according to Shane, never placed before the Board).

- 2.7.4 The aforesaid conclusively proves that the relocation of the OEM's from Koedoespoort to Durban was effected in the **May 2014** Memorandum to the Board at which date Shane had not been appointed! Shane was appointed in December 2014, more than 6 months after which the 10% contingency referred to in 5.70 for the move was provided by the Board.
- 3.1 Accordingly it is completely outrageous to state that “***rather it appears that this was masterminded by Essa in conjunction with Angel and Shane***”.
- 3.2 Angel and Shane vehemently deny having masterminded the aforesaid.
- 3.3 ICM provided delivery of a financial model as per Wood's briefing on the 6th of May 2015.
4. At no time did my clients believe or suspect that funds coming from CNR (a reputable Chinese multinational company) were not as a result of a legitimate contract and services provided by Bex to CNR's satisfaction.
5. CNR were clearly satisfied with the services provided by Bex since they effected payment in terms of the agreement.
- 6 Your enquiry should, with respect, be focused on:-
- 6.1 what Bex / Essa /Hasware did with the balance of the funds Bex received (R66 122 231) and what CNR did with the balance of the funds they retained, and
- 6.2 What Essa's relationship was with Wood and CNR regarding this and other transactions.
7. I respond to your e-mail of the 4th instant as follows:

7.1 To confirm, do your clients recall the CSR project being discussed at the meeting of 6 May 2015 meeting?

7.1.1 Wood and Regiments (and McKinsey) had a long standing relationship with Transnet as well as CNR and CSR as evidenced from the Werksmans report on this subject, and were intimately involved in the 1064 locomotive project. Wood is purposefully distorting and clouding the facts for his own agenda and accusing ICM of being the one that is confused between CSR and CNR.

7.1.2 ICM are not at all confused - CSR was not discussed at the meeting of 6 May 2015. Shane was certainly not present at this meeting. As previously stated present at the above-mentioned meeting were Wood, Angel, Chipkin, Savides and Scholiades. The purpose of the 6th May 2015 meeting was to receive Wood's detailed briefing on the CNR model as required by Essa. This can be evidenced by:

7.1.2.1 the fact that Wood only sent the CSR email a full 5 months later on 6 October 2015. There is no correspondence with ICM of any sort in this regard between 6 May 2015 and the receipt of this email from Wood.

7.1.2.2 Savides and Scholiades' version is congruent with the fact that there was information presented to them at a meeting on 6 May 2015 as well as a pressing need to get a model done – as per previous correspondence, they did work on the CNR model from May until July 2015.

7.1.2.3 the 6 May 2015 meeting confirmation sent from Wood does not include Shane.

7.1.3 Clearly, CNR was the subject of the meeting and not CSR and any attempt by Wood to obfuscate is highly disingenuous.

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7.1.4 As can be gleaned from the attached **Annexure 3**, the CSR working (version 4) appears to be detailed and was worked on by Wood / Regiments – See **Annexure 4** which is an e-mail to Ashok Narayan of the **24th of July 2015** which was over two months after the 6th of May 2015 meeting with Wood.

7.1.5 Angel did not respond to Wood as he was of the persuasion that the e-mail had been sent in error and no further correspondence ensued between Wood and ICM relating to the CSR project.

7.2 To clarify, was Mr. Shane present at the meeting on 6 May 2015?

We reiterate that Shane was not present at the meeting of 6 May 2015, as evidenced by the meeting confirmation sent by Wood himself which only included himself and Angel and Chipkin. Savides was invited by ICM to meet with Wood for the CNR briefing and he brought Scholiades to the meeting.

7.3 If so, were the Cyst experts also tasked with working on this project or did they only attend to discuss the China North Rail (CNR) project?

See previous answer- CSR was definitely not discussed or even alluded to at the 6 May 2015 meeting. The Cyst experts only worked on the CNR project which was the subject of Wood's briefing at that meeting.

7.4 To clarify, what did the project for CSR entail and what was Integrated Capital Management (ICM) tasked with doing?

To be clear ICM had no knowledge of details of this or any other CSR project, ICM never worked on the project and ICM earned no fees or benefits from this project.

The document sent by Wood is titled version 4 evidencing that significant work had been done by Wood / Regiments in this regard.

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- 7.5 **It would appear that ICM was once again conflicted by working on this project when Mr. Shane was a director of Transnet. Please comment.**

Refer previous answer. Other than this email sent by Wood, ICM had no knowledge of and did no work on the CSR project. Therefore, no conflict existed.

- 7.6 **Did ICM receive payment for the work performed on the CSR project? If so, from which entity?**

Refer previous answer. ICM did no work on the CSR project and thus received no fee thereon.

- 7.7 **Was Business Expansion Structured Products once again used as the entity to perform this work?**

Since ICM had no interest or control over Bex, and had no involvement in the CSR project, ICM cannot comment if Bex was used as the entity to perform work on **any** other project, save for the CNR project referred to above. This question should be directed to Essa and Wood / Regiments.

- 7.8 **Was Mr. Essa involved in the CSR project?**

See **Annexure 4** hereof which shows the trail of e-mails and that Wood despatched an e-mail to Ashok Narayan on the **24th of July 2015**.

8. No further correspondence relating to this matter will be entertained as the matter will be fully ventilated in the appropriate forum and you are cautioned not to publish your biased unsubstantiated theory for the purpose of sensationalism and my client's rights against you should you do so are strictly reserved.

Yours faithfully

BILLY GUNDELFINGER

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long diagonal stroke, is written over the typed name and extends across the page.



Wayne Tichauer
Tichauer and Bloch
21 7th Street
Parktown North
2121

4 April 2106

Dear Sir

RE: SHAREHOLDING IN TRILLIAN CAPITAL PARTNERS (PTY) LTD ("TRILLIAN CAPITAL PARTNERS")

This letter serves to confirm that 12% of Trillian Capital Partners is to be kept in Aeriom Nominees for key employees and staff. please could you make the required changes to reflect this on the Companies and Intellectual Property Commission system.

Yours sincerely

A handwritten signature in black ink, appearing to read "Tebogolo Leballo".

TEBOGO LEBALLO

CFO

Annexure 2

Subject: Fwd: update
Date: Thursday, 21 May 2015 at 19:39:56 South Africa Standard Time
From: Clive Angel <clive@integratedcapital.co.za>
To: Chipkin Marc <marc@integratedcapital.co.za>
Attachments: Calcs v5.xlsx

Sent by iPhone.

Begin forwarded message:

From: Tony Savides <tony.savides@gmail.com>
Date: 21 May 2015 at 7:32:00 PM SAST
To: Clive Angel <clive@integratedcapital.co.za>
Subject: Fwd: update

----- Forwarded message -----

From: Michail Scholiadis <m.scholiadis@gmail.com>
Date: Thursday, May 21, 2015
Subject: update
To: Tony Savides <tony.savides@gmail.com>

Regards,

Michail Scholiadis
+27 84 759 9065 (SA)

Reference Type	Description	Site	Notes
Key References			
3	South African Reserve Bank	www.resbank.co.za	Macro-economic analysis on trends, growth in
4	Stats SA	www.statssa.gov.za	manufacture, currency risk, inflation and interest
5	Fin24	www.fin24.com	movements and general market speculation on
6	JSE News	www.jse.co.za	risk.
Transportation References			
9	Department of Transport	www.transport.gov.za	
10	Durban Cleaning	www.durbancleaning.co.za	
11	Road Freight Logistics	www.rflogistics.co.za	
12	South African Railways	www.southafricanrailways.co.za	
Finance Costs			
14	South African Reserve Bank	www.resbank.co.za	
16	Consulting with various finance experts		consulting
17	Standard Bank		
18	SASFIN		
19	Bidvest Bank		
Labour Related Research			
21	SA Board for People Practices		
22	EVA Solutions	www.evasonline.co.za	
23	Exceed HR Consulting	www.exceed.co.za	
Property Research			
26	Seeff Property Agency	www.seeff.co.za	agency
27	Property24	www.property24.com	non-agency
28	Standard Bank Property		banking portfolio assistance
29	Nedbank Preferred Property Guide		banking portfolio assistance
30	FNB Property		banking portfolio assistance
31	Industrial Listings	www.industrialistings.co.za	
32	SA Commercial Property News	www.sacommercialpropnews.co.za	
Factory & Materials Costs			
35	Industry experts in manufacture		consulting
36	Industry experts in mining & efficiencies		consulting
37	Industry experts in cost-optimisation		consulting
38	Trading Economics	www.tradingeconomics.co.za	
39	Manufacturing Circle	www.manufacturingcircle.co.za	

Additional Costs relating to the delivery of the 95 20E Project

Dear Mr. Singh,

As discussed previously, CSR has incurred significant additional cost for the 95 20E project in order to support TE, and ensure the timely delivery of the particular locomotives to Transnet. As the appointed Subcontractor to build locomotives locally and execute the Catch-up Plan, TE has undertaken to deliver locomotives in terms of the contractual delivery periods, however as a result of the inability of TE to meet these time frames, CSR has had to step in and assist (with unfortunate additional cost implications). CSR understands that the timely delivery of the contracted locomotives is critical to Transnet's achievement of their Market Demand Strategy (MDS), and we feel that the actions taken by CSR were necessary and unavoidable in the light of the above.

Execution of the Catch-up Plan was dependent on CSR incurring significant cost to avail TE with the parts they needed to build the locomotives locally. In addition CSR had to provide detailed technical support and training to TE to assist with the execution of the Catch-up Plan. Apart from the additional cost for overtime work, re-setup and adjusting the production line, CSR had to incur additional funding costs, which were unplanned, in order to manufacture and supply the parts TE required to provide the locomotives to TFR per the Catch-up Plan.

CSR therefore incurred additional costs to the tune of R268.47m in order to ensure the timely delivery of the locomotives in terms of the Catch-up Plan. The detailed breakdown of this additional cost is summarised in the table below, and detailed in the subsequent paragraphs.

#	Description	Amount
1	Overtime and rush to manufacture carbody in China	R25m
2	Overtime and rush to manufacture bogie in China	R18.59m
3	Re-set up and adjustment of production line for carbody and bogie	R15m
4	Higher cost to procure material and components due to tight delivery schedule	R24.625m
5	Additional packing cost for components ordered by TE	R1.8m
6	Additional transportation cost for components ordered by TE (to be included in the cost of components ordered by TE from CSR ZELC)	-
7	Additional custom clearance cost	R0.35m
8	Additional custom duty	R1.05m
9	Additional storage and transferring cost due to the delay of TE production	R3.575m
10	CSR ZELC workers work in TE to support Catch-up Plan	R30.69m
11	Overtime of CSR ZELC workers in TE to support Catch-up Plan	-
12	Additional management cost of the components ordered by TE, CSR ZELC workers and longer stay of project team in TE	R25m
13	Additional financial cost of delay payment for components ordered by TE	R11.56m
14	Additional financial cost due to longer delivery period of locomotives	R38.46m
15	Forex loss due to longer delivery period of locomotives	R40.73m
16	Additional cost for more technical support and training	R28.04m
17	Other management costs	R4m
	Total	R268m

COST BREAKDOWN

Labour Component

Given that CSR's production facilities are already running at capacity, the only basis on which production of the 95 20E's could be accomplished was for the production to take place outside of standard production line times. CSR therefore required its employees to work after hours and during weekends to manufacture the parts required by TE. This overtime pay is based on a double time basis (ie employees are paid at double their standard rates for overtime), and in addition as our employees are paid in Renminbi (CNY), and CNY to ZAR has seen a depreciation of 11.8% over the last 12 months. CSR had to pay those who worked overtime the following amounts (converted to ZAR at current rates of USD/ZAR 12.30 and CNY/ZAR 2.02:

• Overtime work to manufacture carbody in China	Amount R25.00m
• Overtime work to manufacture bogie in China	<u>R18.60m</u>
	<u>R43.60M</u>

Production line set-up for car-body and bogie

Our Chinese production facilities are set up for production runs of particular lines in given time frames in order to ensure efficient economies of scale. Any changes to the production line set up, will have the effect of disrupting the current production work stream, with unfortunate cost implications. The Catch-up Plan to timely deliver locomotives to TFR forced CSR to effect schedule changes to its production line to accommodate TE's request. This causes CSR to incur unplanned costs that would have otherwise been avoided. CSR's cost in relation to changes to production lines is provided below.

• Re-set up and adjustment of production line for car-body and bogie	Amount R15.00m
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Higher cost of materials and components due to tight delivery schedule

Certain components and parts used in the manufacturing of car-body and bogies are out-sourced from other suppliers as part of our production supply chain. The various suppliers of parts and components to CSR impose defined lead times which are a function of timing of order placement, and their respective optimal production schedules. CSR has to pay premium to these suppliers in order to secure the required parts within the tight delivery schedules that contradict suppliers' agreed standard lead times. The amount that CSR incurred as a premium which is reflected as higher cost of materials and components (inclusive of the 11,8% CNY/ZAR currency depreciation) is valued at:

• Higher cost of materials and components due to tight delivery schedule	Amount R24.63m
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Additional packaging cost for components ordered by TE

The tight delivery schedule required the manufactured parts to be packaged and sent to TE on an urgent express freight basis. CSR incurred additional packaging cost shown below.

• Additional packaging and urgent freight cost for components ordered by TE	Amount R1.80m
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CSR ZELC workers were deployed at TE to support the Catch-up Plan

Executing the Catch-up Plan requires CSR to deploy an additional number of employees at TE facilities

The additional CNR employees have to be paid their remuneration in CNY (which is significantly higher than local labour rates- given the technical skill and seniority of the employees and the fact that they are paid in CNY).

	Amount
• CSR ZELC workers were deployed at TE to support the Catch-up Plan	R30.69m

Additional management cost of the components ordered by TE, CSR ZELC workers and longer stay of project team at TE

Executing the Catch-up Plan requires CSR to deploy an additional number of managers at TE facilities

The additional CNR employees have to be paid their remuneration in CNY (which is significantly higher than local labour rates- given the technical skill and seniority of the employees and the fact that they are paid in CNY) .

	Amount
• Management cost of materials ordered by TE	R25.00m

Additional financial cost due to payment delay for components ordered by TE

The additional finance cost incurred by CSR was based on the time period of the delay costed at the ZAR prime rate of 9.25%

	Amount
• Additional financial cost due to payment delay for components order by TE	R11.56m

Additional financial cost due to longer delivery period of locomotives

The additional finance cost incurred by CSR was based on the time period of the delay costed at the ZAR prime rate of 9.25%

	Amount
• Additional financial cost due to longer delivery period of locomotives	R38.46m

FOREX loss due to longer delivery period of locomotives

The additional FOREX cost was calculated in accordance with the 11.8% decline in the ZAR over the last 12 months, with the current USD/ZAR 12.30 and CNY/ZAR 2.02

	Amount
• FOREX loss due to longer delivery period of locomotives	R40.73m

Additional cost for more technical support and training

Executing the Catch-up Plan requires CSR to deploy an additional number of employees and managers at TE facilities to supply the additional required technical support and training

The additional CNR employees have to be paid their remuneration in CNY (which is significantly higher than local labour rates- given the technical skill and seniority of the employees and the fact that they are paid in CNY).

	Amount
• Additional cost for more technical support and training	R28.04m

In addition to the above, CSR has already absorbed significant costs as a result of the significant depreciation of the Rand from 17 March 2014, i.e. the date the locomotive supply agreement was signed. As indicated in Figure 1 below, from the beginning of the 2014 calendar year to the end of June 2015, the Rand has depreciated by about 13%. This translates to a foreign exchange loss of about USD 199 million on the entire 359 locomotives to be acquired from CSR at a unit price of R50,480,000.

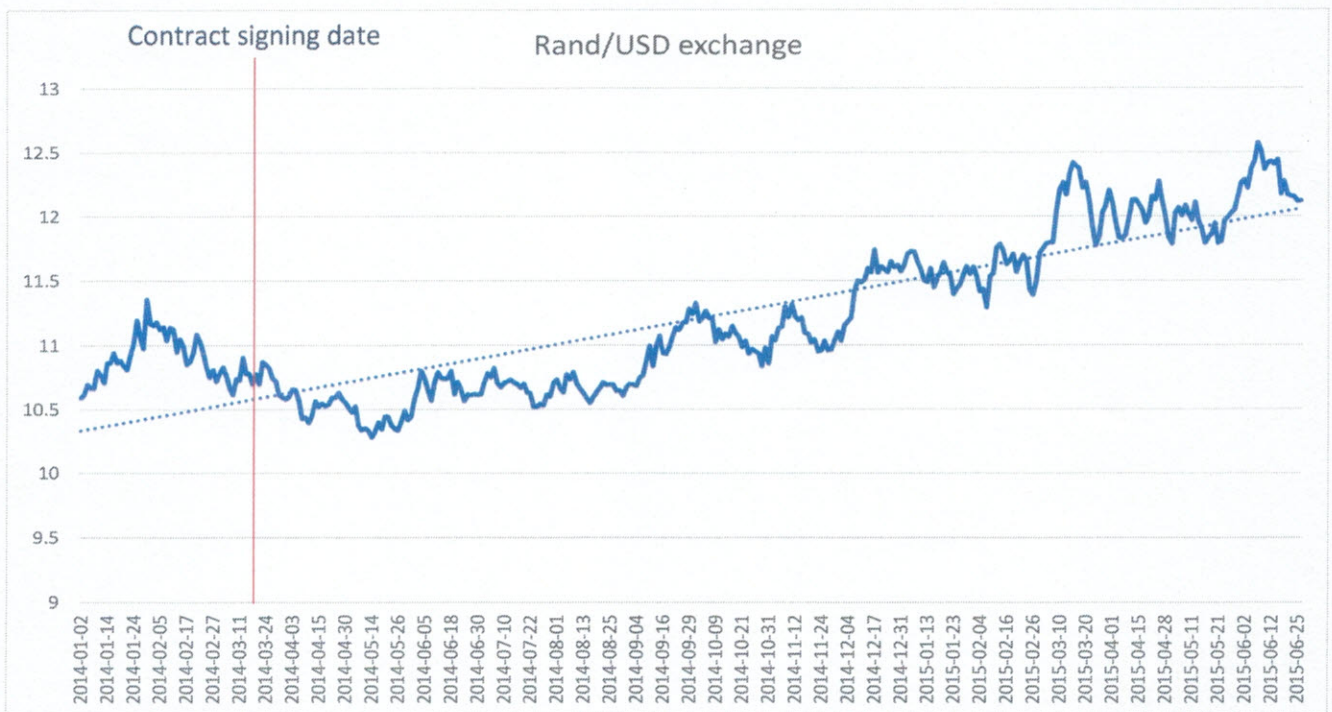


Figure 1: Rand/USD exchange rate

The total cost of R268.47m excludes additional cost from the TE side of operations. We have finalised the Subcontract price with TE under verification of the auditors from PWC you have engaged. The verified additional cost is R55m. This brings the total additional cost to R323.47m.

Therefore, as indicated above, the depreciation of the rand and the additional costs incurred for execution of the Catch-up Plan have placed CSR in a precarious financial position. We would like to kindly request Transnet to consider compensating CSR and TE for the additional costs incurred in relation to the Catch-Up Plan.

Thank you in advance for your understanding and favourable consideration.

Best regards

Wang Pan (Alton)

Annexure 4

Subject: Fwd: CSR letter to Transnet
Date: Wednesday, 04 July 2018 at 13:08:22 South Africa Standard Time
From: Clive Angel <clive@integratedcapital.co.za>
To: Chipkin Marc <marc@integratedcapital.co.za>
Attachments: image001.png, image002.jpg, CSR letter to Transnet v4.docx, image001.png, image002.jpg

Regards

Begin forwarded message:

From: Clive Angel <clive@integratedcapital.co.za>
Date: 14 November 2016 at 10:49:05 SAST
To: de la Rey Jeanette <Jeanette@integratedcapital.co.za>
Subject: FW: CSR letter to Transnet

From: Eric Wood <EricW@regiments.co.za>
Date: Tuesday 06 October 2015 at 6:11 PM
To: "Clive Angel (clive@integratedcapital.co.za)" <clive@integratedcapital.co.za>
Subject: FW: CSR letter to Transnet

Hi Clive

I have attached the CSR response so far, you need to beef it up with more detail as discussed

Regards

Eric

Eric Wood
Executive Director

T +27 11 715 0300 C +27 83 626 0857 E EricW@regiments.co.za W www.regiments.co.za
35 Ferguson Road, Illovo, Johannesburg, SA, 2196 | Postnet Suite 25, Private Bag X11 Birnam Park, 20

From: Eric Wood
Sent: 24 July 2015 10:05 AM
To: Ashok Narayan <wallemsa@gmail.com>
Subject: CSR letter to Transnet

Hi Ashok

I have prepared the best response I can with the limited inputs received from Alton

Regards

Eric