

Accelerate Property Fund
1st Floor, Cedar Square Shopping Centre
Cnr Willow Ave and Cedar Rd
Fourways
Johannesburg
2055

Attention: Michael Georgiou
2019

26 July

Dear Mr Georgiou,

As you know, I am busy with an investigation into the transactions of the properties originally syndicated as part of the Highveld Syndication companies. Since our previous communication in November last year, I have assumed new responsibilities at Moneyweb which greatly reduced my time to continue with the investigation. I am endeavouring to complete this investigation in the near future and have some additional questions related to the response you sent to me on 16 November 2018.

Questions regarding Appendix 1

I have spent a fair amount of time on Appendix 1, which was included in your response of 16 November. I have reproduced the information in Appendix 1 in an Excel Spreadsheet, which I have attached to this email.

I cannot reconcile some of the amounts listed in Appendix 1 and hope you can provide some clarity. My aim is to present a complete reconciliation of the amounts Accelerate paid towards the procurement of the properties, the settlement of the mortgage bonds, and the settlement of bonds linked to properties not forming part of the Orthotouch Properties.

I have the following questions:

1. In paragraph 2.3.3 of your response of 16 November you state that Accelerate purchased the Orthotouch Properties for R16 525 947 less than the independent valuation. According to the information in Appendix 1, the total acquisition price of the properties amounts to R1 323 440 540. According to my calculation, this amount is R165 259 460, or 11%, lower than

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the official valuation. Could you please clarify this?

2. Appendix 1 reveals that Accelerate made a total cash payment of R1 521 712 760 and that the total acquisition price of the properties was R1 323 440 540. The difference between the two amounts is R198 272 220. Is this the amount Accelerate paid to settle the additional mortgage bonds related to properties that did not form part of the Orthotouch Properties? If not, what was the exact amount?
3. From Appendix 1, the total acquisition amount of the properties with mortgage bonds linked to FirstRand amounted to R190 530 462. (The sum of the acquisition prices of Absa Brakpan, Corporate Parking Shopping Centre, East Lynne, Highway Gardens, Rock Cottage and Willows Shopping Centre). The total cash payment related to these properties was R505 356 059. Does this mean that mortgage bonds financed by FirstRand and related to properties not forming part of the Orthotouch Properties amounted to R314 825 597? If not, could you please clarify? Can you reconcile the applicable amount with the answer in question 2 above?
4. You state in the footnote of paragraph 2.7.2 of your response that the Michael Family Trust made a payment of approximately R157 million to settle the mortgage bonds linked to properties not forming part of the Orthotouch Properties. Can you please provide a reconciliation between the shortfall of R198 272 220 (my calculation) and the R157 million the Michael Family Trust paid to settle the mortgage bonds?
5. How many shares were issued to the Michael Family Trust in lieu of the R157 million payment?
6. Why were Accelerate shares issued to the Michael Family Trust for the payment of R157 million? Was this disclosed to shareholders? Should the trust not have had a claim against Orthotouch?
7. Why was an amount of R29 304 690 paid in cash to Orthotouch?
8. Why are no settlement amounts for mortgage bonds reflected in Appendix 1 for Leaping Frog, Glen Gables, Highveld Centurion, Meshcape Edenvale and Wilro Park Shopping Centre? The table reflects that mortgage bonds were linked to the properties, but no amounts are listed.
9. From Appendix 1, the total settlement amount for bonds issued by Investec related to the relevant Orthotouch Properties was R525 021 644. Yet a total cash payment of only R516 891 594 was made. The cash payment was therefore R8 130 050 less than the settlement

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amount. Could you please provide some clarification?

10. Please provide the names of the properties, the names of the lenders and the mortgage bond amounts that were settled in relation to the individual properties that did not form part of the Orthotouch Properties.
11. Who are the shareholders of the following companies: Basfour 2296, Salestalk 231 and Fourways Precinct?
12. Who are the trustees of the Schaeffer Trust?
13. The Accelerate Integrated Report for 2014 states that the property portfolio was revalued as at 31 March 2014 and resulted in a fair value adjustment of R425 million. Could you please indicate whether the values of any of the Orthotouch Properties were adjusted following the procurement four months earlier? Please provide the individual revaluations, if applicable, of all the Orthotouch Properties.

Questions related to the individual Orthotouch Properties

I have compiled the table below from various sources.

According to my research a total of 16 properties were originally syndicated as part of the HS19 - HS22 syndications and were sold to Accelerate as part of the Orthotouch Properties.

These properties were originally syndicated by the HS companies for nearly R1.4 billion but were never transferred to the relevant HS companies by entities owned or controlled by Mr Nic Georgiou. This non-transfer is highly irregular and forms part of a criminal investigation that has been ongoing for several years.

The fact that Zephan and other entities related to Mr Nic Georgiou sold the properties via Orthotouch to Accelerate means they were sold twice – first to investors when they were originally syndicated, and then to Accelerate as part of the Orthotouch Properties.

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	Property Name	Georgiou entity	Acquisition price (N Georgiou entity)	Acquisition price Orthotouch	Acquisition price Accelerate	Loss to Orthotouch	Accelerate PLS Valuation	Original HS syndication valuation	BRP valuation
1	1 Charles Crescent	Zephan Properties	R41 040 000	R216 434 338	R110 808 516	(R105 625 822)	R119 400 000	R206 342 421	R107 044 630
2	10 Charles Crescent	Zephan Properties	R16 000 000	R39 524 202	R20 844 885	(R18 679 317)	R15 600 000	R36 680 366	R19 547 978
3	9 Charles Crescent	Salestalk 231	R19 000 000	R61 312 403	R17 099 946	(R44 212 457)	R34 300 000	R68 856 123	R30 324 040
4	ABSA Brakpan	Zephan Properties	R15 300 000	R26 327 838	R10 291 057	(R16 036 781)	R12 000 000	R28 549 761	R16 758 791
5	Corporate Park S/C	Zephan Properties	R28 355 000	R33 559 081	R9 227 480	(R24 331 601)	R29 500 000	R45 342 479	R20 308 704
6	Eastlynn S/C	Zephan Properties	R23 500 000	R54 939 390	R30 499 213	(R24 440 177)	R33 000 000	R43 807 792	R34 971 264
7	Flora Office Park	Zephan Properties	R66 250 000	R130 195 091	R71 374 495	(R58 820 596)	R73 000 000	R116 717 658	R82 874 725
8	Glen Gables	Zephan Properties	R59 000 000	R123 304 205	R32 556 543	(R90 747 662)	R46 000 000	R200 722 759	R59 613 263
9	Highveld Centurion	Zephan Properties	R39 800 000	R131 925 066	R43 459 756	(R88 465 310)	R46 500 000	R141 879 018	R63 781 147
10	Highway Gardens Office Park	Zephan Properties	R11 250 000	R52 237 398	R18 773 699	(R33 463 699)	R29 000 000	R47 371 363	R31 612 125
11	Leaping Frog	Fourways Precinct	R135 000 000	R231 888 362	R147 121 010	(R84 767 352)	R148 000 000	R177 005 830	R140 330 188
12	Meshcape Edenvale	Zephan Properties	R30 300 000	R49 926 357	R32 554 905	(R17 371 452)	R35 000 000	R45 469 800	R30 213 569
13	Mill House	Schaeffer Technologies Trust	R21 500 000	R58 326 791	R22 979 381	(R35 347 410)	R24 700 000	R64 023 288	R28 198 960
14	Primovie Park	Zephan Properties	R28 260 000	R152 216 272	R83 090 314	(R69 125 958)	R93 000 000	R110 175 458	R75 283 500
15	Tyger Manor	Kia Joy Trust	R48 553 110	R114 130 662	R48 832 608	(R65 298 054)	R51 400 000	R44 955 000	R55 178 176
16	Wilropark S/C	Basfour 2296	R26 150 000	R14 545 417	R9 000 000	(R5 545 417)	R12 000 000	R18 020 871	R8 802 344
			R609 258 110	R1 490 792 873	R708 513 808	(R782 279 065)	R802 400 000	R1 395 919 987	R804 843 404

14. Was the board of Accelerate aware that these properties were not transferred to the relevant HS companies despite the successful syndication of the properties?

15. If the board was aware of the non-transfer, did the board source an independent legal opinion as to the ownership status of the properties and whether they could be sold to Accelerate?

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16. In the Accelerate prelisting statement the following is stated in paragraph 4.1:

In late 2012, a strategic decision was taken by Mr Michael Georgiou to diversify the Georgiou family's sources of funding and take advantage of the favourable legal and tax framework provided to qualifying property entities in terms of the REIT legislation amidst continued interest from institutional and retail investors to participate in the income and growth of the Georgiou family's unique property portfolio and experience by bringing some of the underlying properties to market through a listing. On 7 February 2013 the Company's name was changed to Accelerate Property Fund Limited and the Company was converted from a private to a public company. In anticipation of the Listing, Accelerate has entered into various agreements to, inter alia, acquire the Property Portfolio including, the flagship Fourways Precinct properties, strategic properties in the Charles Crescent/Sandton Node and the Cape Town Foreshore Node from the Georgiou Group.

(My emphasis)

- Why did the prelisting statement not state that the Orthotouch Properties included properties that were syndicated to investors via the HS companies yet never transferred to the HS companies?
- The paragraph above states that the Georgiou Group claimed full ownership of the properties. Yet, in paragraph 2.1 of your response of 16 November you state that Orthotouch was "capable of passing title to our client as all risk and benefit arising from the Orthotouch Properties and the letting enterprises" were transferred to Orthotouch. Does this mean that the board of Orthotouch had the full discretion to sell the properties to Accelerate?
- As per paragraph 2.3.2 of your response, does it also imply that Mr Hans Klopper had the full discretion to sell the properties and letting enterprises to Accelerate?
- Did the board of Accelerate investigate why the properties were not transferred to the HS companies and whether Accelerate may face any reputational risk flowing from legal proceedings related to the non-transfer of these properties?

17. Were the investors in the HS schemes informed of the financial outcome of the sale of the properties to Accelerate?

18. According to my calculations, Orthotouch suffered a loss of R782 million from the back-to-back transactions through which entities related to Mr Nic Georgiou were sold via Orthotouch to Accelerate. This would leave Orthotouch insolvent, as Orthotouch at the time did not have any assets. At the time Orthotouch was the rescue vehicle for nearly 19 000 former Picvest/HS investors. Was the Accelerate board aware of these facts and the implications this would have for investors?

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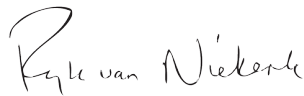
19. In paragraph 2.7.2 of your response, you state the following:

"...As a result, the balance of the properties forming part of the Orthotouch portfolio, which did not constitute the Orthotouch Properties forming part of the listing, received the benefit of having their loans to the aforesaid banks paid in full and being unencumbered..."

- How does it benefit the former Picvest/HS investors that the mortgage bonds of properties not owned by Orthotouch were paid off and left unencumbered?
- How does the sale of the Orthotouch Properties to Accelerate benefit any of the investors? According to my calculations, the transaction left the investors in a much worse state as the ability of Orthotouch to fulfil its responsibilities in terms of the Section 155 Scheme of Arrangement was severely impaired. What is your position on this, and was the impact of the transaction on the former investors in Picvest/HS syndications ever discussed by the Accelerate board?

20. The Wilrogate Shopping Centre, a property that was not syndicated via the HS companies, was sold by Zephan via Orthotouch to Accelerate. The prelisting statement states that Accelerate acquired the property for R58 974 904. However, the title deed (attached) states that Orthotouch acquired the property from Zephan for R58 974 904 and that Accelerate procured the property from Orthotouch for R143 341 466. Could you please clarify this?

Yours sincerely



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