

D P COHEN N.O.

29 MAY 2018

TO THE INVESTORS

Dear Sirs

CIRCULAR TO INVESTORS IN TERMS OF THE SCHEME OF ARRANGEMENT BETWEEN ORTHOTOUCH PROPRIETARY LIMITED AND HIGHVELD SYNDICATION (HS) INVESTORS IN TERMS OF SECTION 155 OF THE COMPANIES ACT NO.71 OF 2008 (AS AMENDED) ("the Act")

I address this to you, as before, in my capacity as the duly appointed Receiver in the abovementioned scheme of arrangement ("the arrangement"). In terms of the arrangement I have the duty inter alia to protect the integrity of the arrangement. As is set out below, I have been doing so without fail over the period of the existence of the arrangement.

I now refer to my recent circular, dated 15 May 2018, and more particularly, to the first two paragraphs. Paragraph 1 dealt with litigation **where I have intervened to protect the arrangement** and paragraph 2 described my non-involvement in the purported "class action" and the application to set aside the arrangement.

I need to address the position of investors involved in the litigation which I referred to in these paragraphs. I do so in this circular and based on legal advice which I have received:

1. By way of background, I remind investors that the proposed arrangement was signed on 7 October 2014 and that the notices calling the meetings of HS Investors to consider and approve the proposed arrangement were sent to all HS Investors between 17 and 20 October 2014.
2. At the end of October 2014, a number of HS Investors (who became participants in the arrangement) initiated an application to certify a class action in Highveld Syndication Companies 19 to 22.
3. The arrangement was adopted on 12 November 2014 and sanctioned by the High Court on 26 November 2014. In accordance with section

155 of the Act, that Court Order is binding on all the historical investors in Highveld Syndication Companies No's 15 to 22 ("HS Investors").

4. In March 2015 a number of these HS Investors started court proceedings seeking to set the arrangement aside.
5. I will call the two court cases referred to in paragraphs 2 and 4 above, "the Court Applications".
6. Subsequently, some 46 other HS Investors (participants in the arrangement) issued summonses against Zephan Properties (Pty) Ltd ("Zephan"), the financial proposer as defined in the arrangement and the underwriter of the arrangement, seeking to enforce their rights in terms of buy-back agreements, concluded prior to the business rescue and arrangement. Judgment was granted against Zephan. I was not notified of these proceedings until the judgment was issued.
7. In my position as receiver in terms of the arrangement and in order to protect the arrangement, I am in the process of attempting to rescind the aforesaid judgments as the buyback agreements were superseded by the arrangement.
8. Some 180 further HS Investors have also recently commenced with court cases against Zephan on the same basis as the 46 mentioned above. I am seeking to intervene in these matters as well.
9. The court proceedings referred to in paragraphs 6 and 8 above are herein after referred to as "the Court Actions".
10. I have reason to believe that more HS Investors have, or are intending and being encouraged to institute further court cases against Zephan and Nic Georgiou.
11. There is a real likelihood that if these court cases proceed and multiply, the continued implementation and funding of the arrangement will be placed in jeopardy, despite it having been substantially implemented to date.
12. The actions and circumstances described above may lead to the liquidation of the Highveld Syndication Companies and the forfeiture of any existing rights of HS Investors to payment under the arrangement.
13. An application for the liquidation of Zephan was also launched a few months ago, during the latter part of 2017. This application is being

opposed and I am also taking steps to intervene in that application in order to protect the arrangement.

14. If the liquidation application is successful, this will in all likelihood mean the end of the road for the arrangement.
15. The liquidation of Zephan will also mean that all payments made by Zephan to HS Investors as the underwriter of the arrangement, after the date of the commencement of the liquidation proceedings, will have to be repaid by HS Investors, as all payments made after the commencement of liquidation proceedings will, in terms of the law, be void. I have been advised that the legal position is that the commencement date of Zephan's liquidation will be deemed to be 16 November 2017, being the date when the application was issued.
16. Similarly, if the arrangement is set aside, all HS Investors will have to repay all payments received by them in terms of the arrangement, from inception of the arrangement, in November 2014.
17. According to legal advice I have obtained, the HS Investors who are bound by the arrangement cannot unilaterally go outside of the arrangement and claim their investments and interest payments (as the 46 HS Investors referred to above have) when they, like everyone else, are bound to the terms of the arrangement by Order of Court.
18. I have been informed by Zephan, as the arrangement's underwriter, that it cannot allow these HS Investors to receive, inter alia, continued payments under the arrangement every month while they are acting contrary to their entitlements under the arrangement.
19. Some of these HS Investors are part of the Court Applications and the Court Actions described in my previous circular, which are aimed at claiming their full investments back, contrary to the provisions of the arrangement. At the same time, however, all of them receive their monthly and other payments under the arrangement. This is grossly unfair to the majority of HS Investors who wish to see the terms of the arrangement fulfilled.
20. In the result I am advised that Zephan, owing to the considerable impediments placed before it as a result of the litigation involving the Court Applications and Court Actions, will make no further monthly or any other payments to any of the HS investors involved in litigation against it. So as to avoid being criticized for being in breach of the arrangement, their payments will be made into the trust account of an independent firm of attorneys, which account will be under my

control. It will remain in such account until such a time as the Court Applications and Court Actions are finalised one way or the other.

21. I accordingly require you to declare to me in writing, at the address below, before 26 June 2018 that you confirm that you:

21.1 do not support the arrangement; or

21.2 are a member of the Highveld Syndication Action Group ("HSAG"); or

21.3 are taking part in the litigation involving the Court Applications and Court Actions which I set out above.

22. Please note that I am presently seeking legal advice on the position of those HS Investors who are members of the HSAG and/or those who participate in litigation who therefore presumably are represented by attorneys, and against those who are unknown to me and who do not declare their position as required in paragraph 21 above and thus continue to receive payments.

23. Please forward your declarations to admin@orthotouch.co.za.

24. Should you support the arrangement and are not a member of the HSAG and/or part of any of the litigation (the Court Applications and the Court Actions) referred to, you are not required to provide me with a declaration, as it is accepted (in the absence of receipt of a deceleration, to the contrary) that you support the arrangement.

Yours sincerely,



D P COHEN N.O.

Receiver

DECLARATION – 155 SCHEME OF ARRANGEMENT

I _____
Full Names of Person or Entity Identity or Entity Registration Number

Surname

Email

Cellphone

The undersigned herewith confirms that:

1. I am an investor or a duly authorized representative of an investor in the Highveld Syndication Companies. Please indicate in which Highveld Syndications Companies you have invested in and your investment account number/s:

2. I/We have received and considered the circular of the Receiver appointed to administer the scheme (dated 30 May 2018), to which this declaration is attached.
3. I/We understand the importance of this declaration and the binding nature thereof, and complete same, in appreciation thereof. I do so freely and voluntarily.
4. I/We confirm that (please mark the appropriate block):
- I/We am/are a member of the HSAG and support the HSAG in its litigations; or
- I/We am/are not a member of the HSAG, but am/are taking part in litigation regarding the arrangement.

Signed at _____ on the _____ day of _____ 2018.

Signature (duly authorised)

Witness

I/We confirm that this deceleration is a valid and binding document and that in circumstances where I/we have received same but not completed and submitted same, as I/we have been called upon to do, that I/we have elected to support the arrangement.

Should it transpire, despite the foregoing, that I/we have received same but did not truthfully declare that I/we am/are opposed to the arrangement, my/our conduct will amount to a wilful misrepresentation and that adverse consequences will flow therefrom.

Please send the completed and signed declaration to admin@orthotouch.co.za on or before 26 June 2018.