

**Journalist**      **Susan Comrie**

**Media House**   **Amabungane**

**Background**

We are looking at the 2008 black-empowerment deal whereby a consortium led by Regiments Capital (Lashka 35) acquired a stake in Vox Telecoms. Our understanding is that the Industrial Development Corporation (IDC) agreed to subscribe to preference shares in Lashka and that this enabled the fund to acquire the stake. It is also our understanding that the share price collapsed shortly after the deal was signed, resulting in the IDC being reluctant to continue with the transaction. However, it appears that the IDC ultimately took over the Vox Telecom stake from Lashka, resulting in their exit from the transaction.

Questions	IDC's response
<p>To confirm, does the above accurately describe the transaction between IDC, Lashka and Vox? Please provide any additional detail you feel is relevant.</p>	<p>Yes – The IDC Board approved finance to Vox SPV in order to assist Lashka (Vox SPV) to purchase shares in Vox Telecoms (Vox) and to subscribe for a new issue of ordinary shares in Vox. This transaction was subject to a certain range of the weighted average share price (VWAP) of Vox shares as traded on the JSE at the time of IDC disbursement. The security package for the IDC comprised of a cession and pledge of shares of Vox SPV and a cession of shareholder loans in Vox SPV.</p> <p>Agreements were signed and all CP's were met. IDC paid out a portion of the approved funding to allow Vox SPV to buy the shares. Before the balance would be paid (for subscription), the share price fell below the approved VWAP as traded on the JSE, and the IDC put that payment on hold.</p>
<p>To clarify, would the rest of the consortium put in any funding? Or would the purchase of the Lashka stake be entirely funded through (and redeemed via) the IDC's subscription to preference shares?</p>	<p>Yes, the consortium had a 5% contribution.</p>
<p>Why did the IDC continue with the transaction after the collapse of the share price?</p>	<p>The IDC didn't continue with the rest of the transaction as indicated above because a Material Adverse event had occurred – share price fell below the approved VWAP subscription price.</p>
<p>What led to the IDC taking over the 4.24% stake owned by Lashka 35 in mid-2010?</p>	<p>The IDC purchased the shares on the basis a Sale of Shares agreement which was signed, thus the shares belonged to the IDC.</p>
<p>Did the consortium receive any payment for the shares when they exited in 2010? Alternatively, was the remainder of the consortium required to compensate the IDC for the loss of value of the shares?</p>	<p>No, the consortium didn't receive any payment. The IDC owned the shares directly</p>
<p>How much did the IDC pay to the consortium and how much of that amount was spent paying for the stake in Vox Telecom that was acquired as part of this deal?</p>	<p>No payment was made to the consortium. The IDC bought the Vox shares under a sale of shares agreement.</p>

It was said during an interview, that Regiments “brought along the PIC and IDC” to the Vox deal. Do you think that is an accurate characterisation?

Yes, its accurate. The IDC was approached to fund its shareholding in Vox.

**Media Query – Amabungane**  
**26 November 2018**

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Questions	IDC's response
<p>Did the IDC suffer losses as a result of this transaction, i.e. when the IDC perfected its security and took possession of the Vox shares was the IDC able to fully recover its investment? Or did the IDC have to write down or absorb additional losses due to the drop in the share price?</p>	<ol style="list-style-type: none"> <li data-bbox="751 451 2032 553">I. As it is in the nature investments trends which by nature are subject to sometimes unpredictable market condition, the IDC was unable to yield the desired outcomes from its investment in VOX where the IDC had 47 million shares secured on behalf of Vox SPV.</li> <li data-bbox="751 594 2032 837">II. On the intended implementation date of the IDCs' transaction, certain announcements regarding the financial condition of Dealstream Securities (in which Vox had invested approximately R30 million) were made in the press. This adversely impacted on the Vox share price. As a result of the substantial reduction in the share price of Vox shares resulting from the Dealstream Securities controversy, the IDC exercised its rights in terms of the agreements and declared that a "material adverse change" had occurred in terms of which it no longer considered itself obliged to provide the funding contemplated in the agreements concluded with Vox SPV.</li> <li data-bbox="751 878 2032 943">III. The IDC then acquired ownership of the 47 million shares which Vox XPV had already paid R10 751 187 to IDC as deposit and as part of the conditions for the IDC's approval to fund this transaction)</li> <li data-bbox="751 984 2032 1049">IV. The IDC subsequently sold the shares to a consortium made up of Lereko Metier Capital Growth Fund and Investec Bank at a lesser rate the IDC had paid for when it secured the shares.</li> </ol>
<p>If the IDC did suffer a loss, did the IDC pursue any of the other Lashka consortium members (i.e. Regiments or the other consortium members) to recover those losses?</p>	<p>The IDC's recourse was to take ownership of the 47 million shares and these were sold at a loss as the Vox share price was reduced significantly as a result of the Dealstream Securities controversy</p>

<p>As far as we understand, the deal included a number of "strategic partners" who held positions in government and the ANC, including then-MEC for health Brian Hlongwa, then-ANC Greater Johannesburg Region treasurer Geoff Makhubo and ANC fundraiser Miles Nzama. Did these three individuals make it into the final consortium?</p>	<ul style="list-style-type: none"> <li>• Vox SPV, was a company to be incorporated for holding ordinary shares in Vox on behalf of its ordinary shareholders, IDC (10% free carry) and BEE SPV (90%).</li> <li>• BEE SPV was held 68.33% by Regiments and "strategic partners" and balance (31.67%) by broad-based black empowerment groups (Vox employees; women and disabled people)</li> <li>• Strategic Partners comprised of six individuals, three of whom are individuals mentioned in your question.</li> </ul>
<p>We are also aware that then-MMC for finance Parks Tau was one of the proposed shareholders of the consortium until quite late in the process but was removed before the deal was finalised. As far as the IDC can recall was Mr. Tau removed at the request of the IDC or did he request to withdraw his name from the consortium?</p>	<p>The IDC played no role in the constitution of the Vox/BEE SPV consortium and as such we are not aware of any changes.</p>