



TUGENDHAFT WAPNICK BANCHETTI
AND PARTNERS

Former equity director of Lawtons Inc.
(previously Hogan Lovells South Africa Inc.)

Our Ref: O Tugendhaft/lr
Your Ref:
Date: 11 May 2023

Dear Former Equity Director

RE: LIABILITY OF THE FORMER AND PRESENT EQUITY DIRECTORS OF HOGAN LOVELLS SOUTH AFRICA INC. (NOW KNOWN AS LAWTONS INC.) ("BORROWER" OR "FIRM") TO THE STANDARD BANK OF SOUTH AFRICA LIMITED ("SBSA") IN RESPECT OF THE FIRM'S HISTORICAL INDEBTEDNESS TO SBSA IN TERMS OF THE R95 MILLION OVERDRAFT FACILITY AND THE R50 MILLION MEDIUM TERM LOAN ("MTL")

1. We write to you on the instructions of Lawtons Inc practising as Lawtons Africa.
2. We have been instructed by the Firm, and pursuant to a demand made by SBSA, to facilitate an engagement between current and former responsible directors and SBSA in respect of the Firm's historical indebtedness to SBSA. An identical letter is accordingly being addressed by us to each of the other former responsible directors.
3. The purpose of this letter is i) to provide you with notice of a demand made by SBSA on the Firm and its responsible directors; ii) to advise on steps taken by the Firm to mitigate the impact of the demand; and iii) to communicate a proposal aimed at resolving the claim of SBSA.
4. By way of background, we have been instructed that:
 - 4.1 In June 2017 the Firm concluded the MTL to part fund R50 million of the more than R100 million costs associated with the tenant installation,

ATTORNEYS

Tel +27 11 291 5000 Fax +27 11 884 7949 Website www.twb.co.za
20th Floor Sandton City Office Tower, 5th Street, Sandown 2196, South Africa PO Box 786728 Sandton 2146, Docex 19 Sandton

Partners O Tugendhaft S Wapnick Z E E Banchetti A Chaves Da Silva R Kantor L Sacke H Fotakis Muller
A Gluch K Verwey J C Atouguia
Associates I L Brest C J Goko K Kenosi
Email: oshy@twb.co.za



furniture, fittings and acquisition of equipment in respect of the Firm's new head office premises at 140 West Street, Sandton.

- 4.2 During 2019, the Firm negotiated and concluded a separation from the international law firm, Hogan Lovells.
- 4.3 As a result of directors leaving the Firm during 2019, and the Firm's reducing number of directors not writing and collecting sufficient fees in 2019 to meet the financial covenants under the Overdraft Facility and the MTL, the Firm breached its financial (debt to equity) covenants with SBSA in 2019.
- 4.4 In 2019 at the time of the breach, the Firm's total outstanding indebtedness to SBSA exceeded R125 million, comprising the Overdraft (R94 million) and the MTL (R32.5 million).
- 4.5 From March 2020, the Firm took steps to address the impact of the Covid-19 global pandemic.
- 4.6 In August 2020 the Firm's Management Board approached SBSA regarding the impact on the Firm of further critical resignations of approximately 30% of the then number of directors expected by 30 September 2020. The Firm proposed a comprehensive mitigation plan (in parallel to and conditional on, among other things, the Zenprop lease mitigation plan and the settlement of amounts due to Hogan Lovells) to enable it to continue trading as a going concern and to address recovery by SBSA of the Firm's total reduced indebtedness to SBSA as at 30 September 2020 of approximately R96.2 million, comprising the then reduced Overdraft (R78.7 million) and the MTL (R17.5 million).
- 4.7 The mitigation plan comprised three parts:
- 4.7.1 firstly, and with effect from 30 September 2020, the Firm ringfenced all historical amounts, and concluded a new limited overdraft facility to fund the Firm's far reduced operations (which overdraft facility, of course, is the responsibility of the existing directors of the Firm, and is unrelated to the claim made in this letter);

- 4.7.2 secondly, the Firm continued servicing the MTL and interest on the Overdraft;
- 4.7.3 thirdly, the Firm, at significant cost to itself, including the employment of a dedicated person solely responsible for that task, went about collecting the debtors' book (which stood at approximately R92.5 million as at 30 September 2020), which served as SBSA's security in respect of the Firm's total indebtedness to SBSA.
- 4.8 After a great deal of time and effort spent by the Firm over a period of some 32 months from 30 September 2020, the Firm managed to recover substantial amounts in respect of the debtors' book forming part of SBSA's security, with the result that the Firm's total indebtedness to SBSA in respect of the historical indebtedness, was reduced to approximately R36.7 million by 31 March 2023 ("**Historical Indebtedness**").
5. On 31 March 2023, SBSA made demand for immediate payment of R30 million of the Historical Indebtedness.
6. Following further good faith negotiations by the Firm's Management Board, and an undertaking by the Firm's current directors (note, not the Firm) to continue to service the interest on the Historical Indebtedness, so as to enable the Firm to continue trading as a going concern, service its current overdraft facilities and continue to mitigate its Historical Indebtedness, SBSA has agreed to afford the Firm a 6-month period with effect from 3 May 2023 in which to take steps to secure the necessary commitments from all the responsible directors, to recover R30 million of the Historical Indebtedness.
7. The current directors of the Firm, notwithstanding currently continuing to service the interest on the Historical Indebtedness, have agreed to pay their pro rata share of the Historical Indebtedness.
8. You, as a director, jointly and equally responsible with all the other directors for the Historical Indebtedness, are hereby requested to provide your commitment to make payment to SBSA of a pro rata portion of the Historical Indebtedness, being an amount of R833 333.34 (R30 000 000.00 /36) ("**pro rata liability**").

Appendix 1 hereto is a list of the 36 equity directors responsible for the Historical Indebtedness.

9. SBSA have indicated that they will consider acceptance of payment of your pro rata liability over time (on terms and conditions to be agreed with them). If all the

responsible directors accept their pro rata liability, we would endeavour to negotiate with SBSA that payments can be made in equal instalments over an extensive period, together with interest.

10. **In the circumstances, you are requested to confirm to us in writing, by no later than Monday, 5 June 2023, that you will commit to making payment of your pro rata liability, subject to the terms of repayment to be negotiated with SBSA, being acceptable to you.**

11. Unless all responsible directors are prepared to provide the commitment referred to in paragraph 10, SBSA will institute action to recover the Historical Indebtedness from the Firm and all the responsible directors, jointly and severally.

12. Further, should the Firm, in consequence of the action then taken by SBSA, be placed in liquidation, the portion of the Zenprop indebtedness that Zenprop had undertaken not to seek to recover from the Firm for so long as it remained solvent, being an amount of R125 million, will also become due and payable by the Firm, and, in turn, those directors responsible for this further amount.

13. We trust that you will engage positively to this request and play your part in bringing to an end the terrible turmoil wrought by the past events.

Kind regards

OSHY TUGENDHAFT

TWB – TUGENDHAFT WAPNICK BANCHETTI AND PARTNERS

**Appendix A
Responsible Equity Directors**

	Name	Date Appointed Equity Director	Resigned Equity Directors	email address
1.	Warren Drue	01/10/2004	07/02/2019	Redacted for Privacy
2.	Alex Elliott	[03/01/2011]	20/05/2019	Redacted for Privacy
3.	Lodewyk Meyer	01/12/2015	28/06/2019	Redacted for Privacy
4.	Ian Jacobsberg	08/01/2007	01/07/2019	Redacted for Privacy
5.	Enslin Nel	01/08/1999	30/07/2019	Redacted for Privacy
6.	Vaughn Harrison	01/03/2016	31/07/2019	Redacted for Privacy
7.	Carl Stein	01/07/2016	01/08/2019	Redacted for Privacy
8.	Danielle Magidson	01/10/2004	31/08/2019	Redacted for Privacy
9.	Anina Boshoff	03/03/2014	31/08/2019	Redacted for Privacy
10.	Jackie Peart	11/05/2015	18/09/2019	Redacted for Privacy
11.	Wessel Badenhorst	14/01/2013	31/10/2019	Redacted for Privacy
12.	Kevin Pietersen	01/07/2015	31/10/2019	Redacted for Privacy
13.	Leslie Morphet	01/03/2016	31/10/2019	Redacted for Privacy
14.	Vivien Chaplin	01/05/2017	31/10/2019	Redacted for Privacy
15.	Rachel Kelly	01/05/2017	31/10/2019	Redacted for Privacy
16.	Laurie Hammond	01/10/2015	31/10/2019	Redacted for Privacy
17.	Gary Pritchard	01/03/2001	27/02/2020	Redacted for Privacy
18.	Emili Souris	01/09/1998	30/04/2020	Redacted for Privacy
19.	Ayanda Nondwana	[27/08/2019]	31/05/2020	Redacted for Privacy
20.	Gareth Cremen	[01/12/2015]	31/08/2020	Redacted for Privacy
21.	Imraan Mahomed	01/02/2007	30/09/2020	Redacted for Privacy
22.	Hedda Schensema	[01/04/2015]	30/09/2020	Redacted for Privacy
23.	Siafa Chauke	[27/08/2019]	15/12/ 2020	Redacted for Privacy
24.	Clive Rumsey	01/03/1993	30/11/2020	Redacted for Privacy
25.	Mahashini Govender	[01/04/2015]	23/09/2021	Redacted for Privacy
26.	Gomolemo Kekesi	01/05/2020	29/10/2021	Redacted for Privacy
Remaining Equity Directors/Consultants				
27.	Lavery Modise (Consultant)	01/09/1998		Redacted for Privacy
28.	Tony Canny (Consultant)	22/10/1992		Redacted for Privacy
29.	Penny Chenery	01/01/2008		Redacted for Privacy
30.	Dimitra Kouvelakis	01/02/2009		Redacted for Privacy
31.	SJ Thema	01/04/2006		Redacted for Privacy
32.	Veronica Vurgarellis	18/06/2007		Redacted for Privacy
33.	Jeff Buckland	01/04/2015		Redacted for Privacy
34.	Nkongo Hlatshwayo	01/03/2016		Redacted for Privacy
35.	Melissa Leibowitz	[27/08/2019]		Redacted for Privacy
36.	Riette Engels-Van Zyl	[27/08/2019]		Redacted for Privacy