The Real Estate Parcel

Blue File Summary 2004 extract – Chpt 3

3.1 Overview

The Glazer property portfolio must be seen in the context of the ownership of mineral rights. It is the contention of the Blue File investigators that the buildings were linked to companies with mining interests. In other words, the Receiver of Revenue would see a building and tax the income on that; meanwhile, the true asset was virtually invisible: certificates of mining rights for mines all over the continent, stashed somewhere deep inside the building, or in another building, it didn't matter. These certificates would have entitled their holders – coincidentally also the owners of the buildings – to royalty payments in a bank account – probably confidential, probably foreign, most likely Swiss. Bernard Glazer had numerous overseas bank accounts, including an account at Credit Suisse, which he opened in 1955.

Proving this would be interesting historically, but not critical to establishing the rights of Bernard Glazer's heirs. If the buildings were not fronts, if the payments were not being treated off-ledger, then the property businesses were certainly sponges for all that cash that kept pouring in from the mining royalties. What better way to absorb it than to raise mortgage bonds and build; raise new, bigger, mortgage bonds and rebuild. As more mines came on stream and more cash flowed in, you just kept building and making a loss on the rentals – and paying no tax.

A man called Jan Hurter was Bernard Glazer's best friend and a director of many of the Glazer brothers' property companies. Hurter joined the Afrikaner-controlled Volkskas Bank in 1942 and rose through the ranks until he became MD in 1968 and later chairman, not only of Volkskas, but also of Saambou and numerous other companies; he was a director of the South African Reserve Bank and a member of the Broederbond (see *The Super Afrikaners*, at A109).

When Benny Glazer's wife and infant son Sam were kidnapped in 1966, Glazer had John Vorster at his home to console him. The ransom demanded was R140 000, which was four times as much as the $50 000 paid in the famous Lindbergh kidnapping, until that time the highest in the world. The head of the security police, Brigadier Hendrick van den Bergh headed the investigation. A task force of 500 hand picked policemen from Pretoria were instructed to pose as telephone personnel, and ordered to visit the 6 000 houses in the Bramley area. The house, which had been used in the kidnapping, was discovered in the first day. Four men were arrested and the case solved within 2 weeks. During the ensuing court case the Levy brothers were represented by Mr. H.J. Hanson, Q.C and Dr. A.I. Katz, and Mr Leonard Levy was represented by Mr. F. Zwarenstein, S.C and Mr. Mervin E. King. Mr. R.E. D'Arcy, S.A. Deputy Attorney-General of the Transvaal and Mr. J.H. Liebenberg, senior assistant to the Attorney-General led the prosecution case. During the trial Mr. Glazer states:

"..and I have moreover been requested by the Police Authorities not to disclose the said circumstances to any person except at the said trial. For these reasons I have not enlarged or elaborated thereon in this application as I do not consider that it is in my interests, the interests of my wife and family, the interests of the State or in the public interest to do so." In view of these events one must bear in mind that Ian Smith declared UDI in 1964 in Southern Rhodesia and Northern Rhodesia followed. Botswana gained independence in 1966, with Glazer's already substantial land and mineral holdings in these regions. Also the ensuing dispute that arose with Mr. Benny Struck and the formation of the Tati Territory Exploration Company Limited. The dispute arose as a result of non-performance/disclosure by Struck of the mineral potential and an agreement with Anglo American of South African [via a subsidiary Sedge Limited] followed for this area.

Avril Malan, the academic and politician, and father of the apartheid general Magnus Malan, was on the board of one of the Glazer brothers' companies namely African City Properties Trust (1952) Limited, whose ultimate holding company was A.C.P Investments.

The Glazers demonstrated enormous wealth already in the fifties and sixties. In 1951, for example, when most people could barely afford a car, and a six-storey building cost less than £100 000, they put £1,1 million into ACP Investments towards the purchase of The African City Properties Trust Ltd from its UK shareholders. A few years later they would pay almost the same again for a 90% share in the Bechuanaland Exploration Company, which held mining concessions covering a vast area of Botswana, Northern and Southern Rhodesia and Central Africa. During the same period they would also acquire Tati Ltd, which held a similar portfolio of mining assets.

When they sold the African City Properties Trust, along with a few other property holding companies in 1965, they raked in more than R16 million, which was to be paid to them in quarterly payments ranging between R500 000 and R750 000. This was the year that the unit trust industry was launched in South Africa: Legend has it that Louis Shill split from the insurance company Liberty Life to form the unit trust company Sage with a capital of R650 000.

Provable actions by Bernard Glazer in the purchase of Ashbourne Investments Ltd in the UK (which had a banking subsidiary called ES Schwab, which became Volkskas International) show that he was not averse to remaining in the background and appointing other people to do the desk work and deal with the press.

A few years before the formation of Sage, in 1958, Donald Gordon had launched Liberty Life with a capital of £42 000. Mendel Kaplan, in his book *Jewish Roots in the South African Economy* (C. Struik Publishers, 1986, p.10), tells how Gordon, having realised the potential in the short-term insurance industry, 'made calls on leading men in Johannesburg' hoping to raise capital. He was turned down by most of them, including Rudy Frankel, who went on to become life president of Tiger Oats Ltd. Eventually Gordon did find people to back him, and it has to be asked: Was Glazer – along with his brother Sam, who died in 1959 – an investor of Liberty Life? The insurance industry would have been a perfect vehicle through which to hold their property portfolio and absorb all that mining royalty cash. Gordon approaching Glazer is not at all a fanciful possibility when you consider this: Gordon was a chartered accountant; he served his articles and became a partner at Isaacs, Kessel, Feinstein (later Kessel Feinstein, now Grant Thornton South Africa). This firm had been auditing Glazer companies for years - certainly as early as 1942, when they showed up on the Glazer-owned company Parkleigh Court (Pty) Ltd as Isaacs & Kessel. Julius Feinstein would stay with Bernard Glazer throughout, eventually becoming an Administrator of his Estate after he passed away in 1984. There can be no doubt that Glazer was one of the people approached by Gordon, and if he got involved, he may well have chosen to stay in the background. Certainly Gordon's reticence regarding the identity of his original backer cannot go unnoticed.

The exact relationship between Sage and Glazer's assets is hard to determine, but their paths and trails seem to have crossed on a number of occasions. For example, a parcel of property assets once controlled by Bernard Glazer and his brother Sam came under the control of the Sage Group when it formed the CBD Property Fund in 1981. Sage manages a portfolio of specialised unit trust funds on behalf of its investors, who come to it seeking life assurance, retirement products and unit trust investments. Its 'embedded value' – the unit of measure used by such companies – was given as R1,68bn in December 2001 – just before it ran into 'trouble' with its USA expansion plans (*Financial Mail*, 30 August 2002), but the pattern is remarkably similar to other 'failures' that turned out to be orchestrated efforts to get funds out of the country. The ball of property assets mentioned above has been passed from hand to hand many times – a process that began even while Bernard was alive; and each time it served as the seed for a larger operation. The question, of course, is why should we care? Firstly, the unusual degree of power yielded by South African interests in the UK property market – for example Liberty Life and the Credo Group – who together hold billions of pounds worth of property there, can be explained. This goes hand in hand with the second reason: The telling of the Glazer story reveals a long-term plan to strip South Africa of its assets in advance of the ANC coming to power, a plan that was formulated as far back as 1973 by a group of bankers and industrialists who later styled themselves as the Enlightened Action Group (*The Star*, 5 February 1997), and which appears to have swung into action in 1984. It

was a plan to ensure that the mineral rights remained in private hands and that the ANC government would not enjoy the riches that the National Party government had. Thirdly, an accounting pattern is revealed whereby assets have been deliberately undervalued in the midst of social chaos (the Johannesburg CBD, land in Zimbabwe). Nobody would bother to question or inspect the loss-making accounts and low values of the property assets in those areas, while the real business – the mining royalties – got milked for all it was worth. The high degree of property consolidation in the Johannesburg CBD gives an indication that something is afoot. Could it be that the 'problems' are about to suddenly and miraculously correct themselves and the value of the assets revived?

Shadowy group 'seeks to seize power by 2004'

BY CHRIS STEYN
Investigative Unit

A top-secret destabilisation campaign is allegedly being waged by an elite group of 38 former and present political leaders, bankers, businessmen and some prominent rightwingers to gain economic power and take political control by the year 2004.

The campaign involves the use of organised syndicates smuggling drugs, guns, gold and diamonds as well as the movement of hundreds of millions of rands of apartheid slush funds out of the country on a "rolling programme".

Sources in the group have divulged that it is privately known as the Verligte Aksie Groep (VAG).

Founded in the early 90s, it tasked certain apartheid intelligence structures to develop and execute a suitable strategy to deal with the expected loss of the democratic election.

Sources have named key figures in the group. The informers do not wish to be named because they say their lives and considerable financial security would be in danger.

Planned economic coup said to be funded by crime

The sources make three extraordinary claims: crime syndicates are a big source of income to VAG members; and the group is being driven by a political agenda and has built up a fortune offshore.

At least 250 files on operators who were involved in criminal operations – and in certain cases still are – are being kept in the offices of one of the group's estimated 27 local front companies. The name of the Pretoria-based company where the files are kept is known to the Investigative Unit.

The unit also has lists of names of people who have been involved in the crime syndicates in, among other countries, Britain, Switzerland, the United States and Germany.

Those who see a political agenda behind the campaign say the VAG wants to take power in 2004, wants a return to a white government and wants economic control.

Besides these conspiracy allegations, the masterminds are said to be laundering money in the "Rolling Programme" out of and into South Africa through a complex web of banks, trusts and front companies.

The names of these front companies in America and Europe have been given to the Investigative Unit.

It is alleged that major banks are being used in Japan, Germany, the United Kingdom, the United States, Switzerland and Lichtenstein.

The trust funds are said to be held in the Canary Islands and Honduras.

Investigations into the VAG are continuing and questions on its activities are expected when Parliament opens on Friday.

The final reason for telling this story is that the existence of mineral rights was never declared to Bernard's daughter Michele by the three Administrators of his Estate – Julius Feinstein, Werksmans attorney Cyril Jaffe and Michele's younger brother Sam. A legal action is pending as a result of which she hopes to restore her rights and her fathers legacy.

3.2 The core assets

The African City Properties Trust Ltd formed the core of the Glazer brothers' Johannesburg real estate portfolio. It was incorporated in England on 31 October 1894 and officially it owned a portfolio of land and buildings, mostly in the Johannesburg CBD. ACP Investments Ltd was incorporated by Bernard Glazer and his brother Sam in South Africa in 1948 – the year that the National Party came to power in South Africa and that the state of Israel was formed. ACP Investments was created specifically to acquire the shares of The ACP Trust Ltd from its British shareholders. This was effected, it appears, through a hostile management buyout led by Sam and Bernard Glazer and underwritten by Volkskas. Once complete, the entire business of ACP Trust was transferred to a South African-incorporated company called The African City Properties Trust (1952) Ltd. This company, with its entire asset portfolio, was sold in 1965 to Urban Investment Properties (Pty) Ltd, the sole shareholder of which was the Joint Municipal Pension Fund (Transvaal), situated in Benoni. The entire parcel was later acquired by Retco Ltd some time in the seventies; Retco's major shareholder appears to have been Federated Employers Insurance Ltd, which later became Fedsure, before it was taken over by Investec in 1987. However, the parcel of land didn't move all the way with the Federated bundle. It was hived off in 1981 – after having been held through Retco by South African Breweries for a while – to the CBD Property Fund, which was controlled by Sage Holdings Ltd through Sage-Ned-Equity Properties (Pty) Ltd (see flowcharts).


Enquiry by Property
(Information Source – Property Enquiry)

as at 14:30 on 14/01/2004

ANNAN HOUSE 1/14

gistrar	Johannesburg
operty Type	Erf
wnship Name	Marshalls Town
f Number	140
rtion Number	0

formation

ovince	Gauteng
gistration Division	IR
cal Authority	City Of Johannesburg
evious Description	-
agram Deed Number	T2721/930
tent	347.0000sqm

wners

of 1	
rson Type	Company
me	Apexhi Pty Ltd
Number	199900023806
tle Deed	T12832/2001
gistration Date	20010305
rchase Price	R 7,300,000.00 *
are	
rchase Date	20001124
crofilm Reference	2002 0207 2163
ltiple Properties	Yes
ltiple Owners	No

ndorsements

of 8	
ndorsement	B7543/2001 (Bond)
mount	R 39,000,000.00
icrofilm Reference	2001 0657 4053
of 8	
ndorsement	B9497/2002 (Bond) Standard Bank Of South Africa Ltd
mount	R 348,000.00
icrofilm Reference	2002 0207 2231
of 8	
ndorsement	K119/1989S (Contract Servitudes/Minerals/Leases/PC)
mount	Unknown
icrofilm Reference	Not Microfilmed
of 8	
ndorsement	K284/1993RM (Contract Servitudes/Minerals/Leases/PC)
mount	Unknown
icrofilm Reference	1993 0379 1269
of 8	
ndorsement	K285/1993RM (Contract Servitudes/Minerals/Leases/PC)
mount	Unknown
icrofilm Reference	1996 0598 2838
of 8	
ndorsement	K4327/1996RM (Contract Servitudes/Minerals/Leases/PC)
mount	Unknown
icrofilm Reference	1999 0301 0664
of 8	
ndorsement	K567/1999RM (Contract Servitudes/Minerals/Leases/PC) Gencor Ltd
mount	Unknown
icrofilm Reference	1999 0301 0730
of 8	
ndorsement	K643/1987S (Contract Servitudes/Minerals/Leases/PC)
mount	Unknown
icrofilm Reference	Not Microfilmed

An inspection of the title deeds for these properties show that a number of them share exactly the same four rights to minerals (RM) endorsements. This is unusual, as mineral rights endorsements are usually unique to the property in question. Further investigation reveals that 571 properties in the Johannesburg CBD have these same rights to minerals endorsements on their title deeds.

The history appears to be as follows: A certificate (K283/1993RM) was taken out by the Marshalls Township Syndicate Ltd in January 1993. It simultaneously transferred these rights to the newly formed General Mining, Metals & Minerals Ltd (Genmin) for a meagre R100 in terms of an agreement dated 25 October 1989. Genmin was intended to be the mining arm of mining finance house Gencor. It was launched with a big splash at Ellis Park rugby stadium, but the plans for the company never materialised. In 1993 Genmin changed its name to Gencor SA Ltd, which ceded all its mineral rights to Gencor Ltd, the aforementioned mining finance house. No price was set for this transaction. Gencor had been formed in 1980 through the merger of General Mining & Finance Corporation (incorporated in 1895) and General Mining Union Corporation. In 1999 Gencor Ltd ceded all its mineral rights to Gold Fields Ltd – in which it held shares – in terms of an agreement of sale reached in 1997. The price this time was R73 401 000! In March 2000 Gencor distributed its entire holdings in Gold Fields to shareholders by way of a dividend in specie.

The plan to take over The African City Properties Trust Ltd of the UK was put into action in 1948 and members to its board of directors lends itself to the notion that this was not just a handful of buildings and empty stands. The fact that The ACP Trust's English chairman prior to the takeover, William G Fossick, was also a director of the mining company Bechuanaland Exploration and Tati Ltd in 1956 is a further clue to the link between The ACP Trust and mining. Another lies in the fact that its Johannesburg office was in a building which it owned, called Annan House. Englishman Robert Annan became chairman of Consolidated Gold Fields in 1944, by which time he'd been a member of the South African Institute of Mining and Metallurgy for almost a decade. Born in 1885, he was listed in the 1960 *Who's Who* as a 'director of mining companies'. Then there is the secretary of the ACP Trust until 1952, Charles Forbes, whose son Sir Archibald Forbes became chairman of Central Mining and Investment Corporation and a director of Rand Mines, in 1959. The fact that the company created to be the South African holding entity, ACP Investments Ltd is one more clue to the strategic importance of this company.

The original UK version of The ACP Trust had its own political heavyweights on its board: The chairman in 1934 – when the first records are available – was Major Sir George Manners, DL, JP, grandson of the 5th Duke of Rutland, who held the seat at Haddon Hall, which had been the seat of the family for more than five centuries and had been linked to mining in England for much of that time. Another director was Sir Arthur Fell, Knight-Bachelor, a conservative MP and a significant shareholder in The Siberian Syndicate Ltd, which had mining interests in Russia and Luipaardsvlei Estate & Gold Mining Company Limited. In 1970 Gold Fields Mining & Industrial Limited held 18.83% in Luipaardsvlei as well as 11.97% in Crest International Securities [formerly The Siberian Syndicate] acquired by Bernard Glazer. The incorporation of S.Glazer & Co (Pty) Ltd on 16 September 1936 provides evidence of their early mineral interests. The nominal amount of shares issued is 2 000 £1 shares in 1936, were issued as follows: Bernard Glazer 1 999 and Sam Glazer 1 share and address given as Luipaardsvlei Estate, Krugersdorp. Auditors Isaacs & Kessel and address Netherlands Building, Fox Street, Johannesburg.

The company's head office was in London and a local committee ran the South African office, which in 1937 moved into one of the company's newly rebuilt properties: Annan House in

Commissioner St, Johannesburg. Annan House consisted of seven shops and 173 offices and cost £70 220 to build. The total asset portfolio of the company – at cost – in 1934 was some £900 000, although the financial statements stated that the market value was much higher. The authorised and issued share capital had a nominal value of £375 000. The rateable value of land and buildings exceeded £74 million. This rose to £112 million in 1938, in which year the value of plans passed was £11 million.

Demolishing and rebuilding was *de rigeur* in the thirties as Johannesburg expanded and property values increased: New technology and a growing population meant that two- and three-storey buildings on high-value sites in the Johannesburg CBD were regularly razed and replaced by new buildings of 10 to 15 floors. The turnover of The ACP Trust from rents, dividends, interest and commission in 1938 was £149 305.

The action surrounding The ACP Trust began in 1948 and an interesting character joined the board of ACP: Lt-Col Richard Lowther Broad, MC, about whom a book has been written, called *A Talent To Survive: The Wartime Exploits of Lt-Col Richard Lowther Broad* by Rex Woods. Sadly the book is now out of print, but a copy could probably provide an interesting insight into wartime activities. The suspicion regarding Lt-Col Broad arises because he only remained on the board until March 1950, and by the time he resigned a new local committee had been appointed in Johannesburg, one that included Bernard and Sam Glazer as well as JJ Bosman and W Buhrmann. Bosman was the Broederbond Treasurer and the first manager of Volkskas when it was created in 1933. According to Hermann Giliomee (The Afrikaners: Biography of a People, Tafelberg 2003) Bosman 'and his nationalist zeal' had been critical to the bank's early survival. Buhrmann was also a manager at Volkskas in Pretoria. All four would become directors within a year, along with Jan Hurter.

Each year the directors' report expressed appreciation for the work of the local committee. The directors' report for the financial year ended 31 December 1949 stated, 'Your Directors record their appreciation of the services during this difficult year of the Manager and Staff in South Africa…' The same report mentions an offer by 'Messrs. Glazer Brothers and Volkskas Limited', through ACP Investments Ltd, 'to purchase the Preference and Ordinary shares' of the company, conditional on a 90% acceptance of the offer. The chairman's report for the same year 'strongly [advised] shareholders to accept this offer … without loss of time; being fully convinced that, in the events which have happened, to adopt any other course would be very unwise'.

However, the directors did not go quietly. Their parting shot was a special resolution passed on 5 July 1949 that gave the board the power to grant 'pensions or other allowances' to any person who had worked at the company or to that person's widow or dependants if he was already dead. On the face of it, this was a legitimate attempt to secure the pensions of the staff and would have been passed by the shareholders as such. A sentence at the end of the resolution mentions the term

‘Salaried Director’ and defines this as a director receiving salary or remuneration in addition to his fees as a director ‘whether under a Service Agreement or otherwise’. A further special resolution passed on 13 April 1950 deleted paragraphs in the Articles of Association relating to bearer shares, although bearer shares were authorised by the Articles of Association of ACP Investments Ltd, the South African company that would become the new holding company.

On 27 July 1951, Sam and Bernard Glazer were appointed to the board of directors, along with Bosman, Buhrmann and Hurter. Sam’s address was given as 113 Manners Mansions, Jeppe Street in Johannesburg; Bernard’s, as 2 Lauriston Court. Both were buildings owned by the company they had just bought.

The acquisition was effected through the issue of debenture stock in ACP Investments Ltd, the new, South African-based holding company (Flowchart A). The original UK shareholders received debentures to the tune of £1,3 million; Volkskas, to the tune of £0,6 million. The last payment in terms of these debentures was due in December 1970. In addition to the debentures, a further £1,1 million of ordinary shares were issued. Glazer Bros and Volkskas took up the majority of these shares; some 200 members of the public held the rest. Some of the money raised through this issue went to the original UK shareholders; the rest, towards acquiring other subsidiaries for ACP Investments Ltd. These new subsidiaries were companies that they already owned, so effectively they bought from themselves; it was a consolidation exercise. One of the companies transferred into the ACP Investments stable was Stedelike Grondbeleggings Korporasie, which owned a building called the Bank Building, situated at 1 De Villiers St, Johannesburg, an address which will become relevant later on.

The debentures were secured against the shares and ultimately against the properties themselves and the new company was not allowed to raise mortgages against the buildings it had acquired. However, it was boom time in Johannesburg and some of the buildings occupied valuable CBD properties and, just like Annan House earlier, they needed to be rebuilt. In order to gain the right to raise the mortgages to accomplish this, the South Africans offered a higher rate of interest on the debentures, by one half of a percent, and pledged to pay them off earlier – by 1962. Such was their level of confidence in the asset they’d acquired.

The African City Properties Trust (1952) Ltd was registered in South Africa as a subsidiary of ACP Investments and the business of the original UK version of the company was transferred to it; the UK company was then liquidated. Two important names arise at this stage: The secretary of the new company was Pieter van Wyk de Vries. The other noteworthy name was that of Nathan Werksman, whose law firm would become the giant Werksmans and whose senior partner Cyril Jaffe would become an administrator of Glazer’s estate. Nathan Werksman’s list of directorships at this time already ran to more than five pages.

The significance of the ACP transaction is not only that the Glazer Bros were able to raise – or put up themselves – a good portion of the £1,1 million cash, but that they had the contacts to facilitate the deal. In order to get onto the company's local committee, to get the sanction they needed to take over the company, they must have had access to a higher system.

A few years later, in 1955, the Glazer brothers would emerge as the majority shareholders in Bechuanaland Exploration Company Ltd and Tati Company Ltd, both founded by Cecil John Rhodes and subsidiaries of the British South Africa Company, the company through which England had effectively owned and managed the southern African colonies all the way from South Africa to Northern Rhodesia (now Zambia). The Glazer's would also acquire Read's Drift, which produced 60% of the world's lime, during that same period.

Another interesting fact about The African City Properties Trust Ltd was that it was the chief local agent for the Union Assurance Society Ltd.

In 1954 the issued share capital of The African City Properties Trust (1952) Ltd was increased by £500 000 by means of an issue of 6% non-redeemable cumulative preference shares. In that year the South African auditors Kane, Fine, Berman & Co resigned as joint auditors and left Peat, Marwick, Mitchell & Co as sole auditors. In 1982, when the asset passed to Sage under the umbrella of the CBD Property Fund, the same firm would become joint auditors once again, this time with Kessel Feinstein; they would replace Coopers & Lybrand, who served a term as auditors while it was at the feet of South African Breweries. (The South African Breweries years were 1973 to 1981, which bumps into the period of the Carling Black Label royalties scheme, which was a structure set up for the company to get its cash out the country.)

3.3 The cast and the accounting pattern

Bernard Glazer died on 17 July 1984. A renounceable rights issue of nine million shares in Ned-Equity Insurance Company Ltd [a subsidiary of Sage, now called Sage Life] was announced in a circular to shareholders on 9 November 1984 [see Flowchart G]. Sage and NN-Sage renounced their entitlement to the new shares in favour of the ordinary shareholders, which meant that the public shareholders could take up all nine million. After this had taken place, Sage would then take up those shares in exchange for shares in Sage. The outcome would be that Sage would hold 75% of Ned-Equity Insurance Company Ltd [up from an effective 38,2%]; the public would hold shares in Sage instead of Ned-Equity. In terms of the circular, any unallocated shares could be allocated at the discretion of the directors. But on 17 October 1984, each director signed a Power of Attorney in favour of Werksmans and Weavind & Weavind Inc of Pretoria, granting the law firms the power to 'sign the circular and letter of allocation and any alteration thereto' with regard to the rights issue. Cyril Jaffe, a partner at Werksmans, was by this stage the executor of Glazer's estate. It would be fascinating to see how Werksmans handled this share transaction. One may well ask why one has any reason to be suspicious of a great, old, established – and giant – law firm whose great, old, established – and giant correspondent firm in the US is Sherman & Sterling.

Former judge Mervyn King [see 1966 kidnapping] was one of the trustees of Natal textile magnate Phillip Frame's estate. Frame expressly required that his legacy be managed for the sake of his workers' job security; this was to be achieved by conservative expansion through profit retention. Unfortunately the estate was stripped down and shipped off to his daughters in London, who clearly didn't want to deal with all those workers; 24 000 jobs were lost [*Noseweek* 45, April 2003]. There were four trustees of Philip Frame's estate, including King; one of the others was Werksmans partner and Sage board member, Carl Stein.

Now consider this: Around the time that Sage was launching its American arm, the Health & Racquet Club owners Leisurenet went to the wall, ostensibly driven by the onerous burden of its too-hasty international expansion drive. However there is much to suggest it was part of a well-orchestrated plan to justify the movement of funds overseas and then to simply shut up shop. The empowerment group Sekunjalo Investments is currently suing the Leisurenet auditors Deloitte & Touche for what they allege is the accounting firm's involvement in the scam. Deloitte & Touche, in turn, have served notice on a number of the former directors of Leisurenet. Among them is Archie Aaron, a partner at Werksmans.

In December 2002 Sage chairman Louis Shill told *Moneyweb* that he was 'planning to retire in the financial year after he turned 74. That would have put his retirement date around June 2004.' (*Moneyweb Digest*, 11 April 2003) This is an odd age for a man to set for his retirement; people usually set these targets in multiples of five, so why did he not choose an age like 70, or 75? In the end, Shill retired during 2003 following 'disastrous' financial results for the company as a result of their foray into America. However, one has to ask whether the poor results in the USA were really as devastating for Sage as it appears, or whether it was just part of the same capital flight plan. The pattern is compelling.

The auditors of Sage are Grant Thornton South Africa, formerly Kessel Feinstein. The old doyen of the firm, Julius Feinstein, was with Bernard Glazer throughout. His name appears on all the Tati and Bechuanaland Exploration Company accounts and he became an administrator of Glazer's estate – and a director of all of his companies – after Benny died.

Grant Thornton has its origins in the city of Chicago in 1934. Paul Marcinkus, head of the Vatican Bank when it was being managed by Michele Sindona was from Chicago, as was David Kennedy, head of Continental Illinois of Chicago, the bank that was involved with the Crown Agents when Franklin National and six other banks around the world collapsed in 1974. Grant Thornton were the auditors of Italian giant Parmalat, which collapsed in December 2003 with hundreds of companies declaring false assets while the real money was apparently siphoned off.

The head of Werksmans's recently formed specialist tax division is Ernest Mazansky. When Werksmans acquired the services of Mazansky, it was touted by the *Sunday Times* (26 May 2002) as 'one of the most audacious corporate poaches in SA business history'. It wasn't really; he was just playing musical chairs: Mazansky came from Grant Thornton (then Grant Thornton Kessel Feinstein). It was clearly intended to try to create a perception of distance between the two firms, and the editor never picked it up. That editor would have cringed had he read this before seeing the *Financial Mail* supplement of 14 November 2003: When it finally dropped the 'Kessel Feinstein' and became simply 'Grant Thornton', the auditing firm promoted the fact through a 20-page leaflet, and Mazansky was one of the people quoted; he said, 'It (Grant Thornton) was my cradle, nursery school and high school.' Other people quoted in the same supplement included Mervyn King and Garth Griffin, chief executive of Sage and former CE of Old Mutual, which has also moved its listing to London, where it bills itself as an global player, even though 'still makes most of its money in South Africa' (*The Guardian*, 23 Dec 2003).

Sage took out a full page advert to support the supplement, as did Netpartner Investments Ltd, which controls the private hospital group Netcare and features former Werksmans partner HR Levin on its board

There's also a full page ad for Ellerine Holdings, and a quote by Eric Ellerine, who used that vehicle to list himself on the Stock Exchange. Ellerine is also chairman of Redefine Income Fund Ltd, and on the board of Corpcapital, which owns Coronation Fund Managers, which also took out a full-page ad. A few others within this group filled half and quarter-page advertising berths, while Werksmans managed to squeeze itself into a tiny quarter page. It has also ensconced itself in one of the prime sites in the Sandton CBD, which is the first stop on the capital flight road out of Johannesburg. Werksmans recently tucked itself in between a couple of six-star hotels there, where it renovated a whole building in between the main hotels. Investec is just up the road and Sun International has erected its new head office directly over the road.

Louis Shill has remained on the board of Sage as a non-executive director, and still holds 11% of the company (*Moneyweb Digest*, 23 May 2003). Shill, the accredited founder of Sage, was a chartered accountant who served his articles at Kessel Feinstein. A man called Seftel Shill was managing director of the Premier Trading Company (not related to Premier Milling) in Benoni; the older Shill was born in Lithuania in 1914, a year after Bernard Glazer, who emigrated from Lithuania in 1930. As the story on the acquisition of Ashbourne Investments Ltd in the UK shows, Glazer was not averse to using front men. In that instance he used Lionel Casper, who shares the same name as the former chief rabbi of Johannesburg, Bernard Moses Casper.

Today, Sage holds about 5% of the shares of the banking giant Absa through Sage Life, formerly Ned-Equity Insurance Company Ltd, who made the rights issue in 1984; Absa in turn holds more than 20% of the shares of Sage. The person who took over from Shill was Dr Danie Cronje, who is also chairman of Absa. Cronje was on the board of Volkskas International when Glazer resigned after a fierce conflict had emerged between the two in late 1982; this was just some 18 months before Glazer died.

The board of Sage has been populated by a band of heavyweights: a mixture of Jews and Afrikaners, the latter having strong banking and Broederbond/National Party ties: Apart from Dr Cronje, Garth Griffin [former Old Mutual managing director] and Werksmans partner Carl Stein, the following names have featured: Dave Winckler, former executive partner of KPMG SA [formerly Peat, Marwick, Mitchell & Co, the auditors of The African City Properties Trust (1952) Ltd]; John Postmus, former GM of the SA Reserve Bank; Dr Dirk Mostert, chairman of the Mines Pension Funds; Theo van Wyk of the Rembrandt Group and Denis Falck of the related Remgro Ltd; as well as none other than Barend du Plessis, who was Minister of Finance under the National Party.

On 29 December 2003, when the whole world was on holiday and nobody would see or care, a cautionary notice was issued by Imara Corporate Finance South Africa (Pty) Ltd via the JSE Securities Exchange News Service (Sens) regarding a transaction between Alpina Investments Ltd (formerly Gold Edge Holdings Ltd) and Fairvest Property Holdings Ltd. It was to do with the purchase of the shares and loan accounts in a company called Daisy Street Investments No 127 (Pty) Ltd for a consideration of R251 million. Apparently there had been a change of plan: Alpina was going to delay the acquisition of certain properties and acquire other ones instead. The interesting thing is that Imara is the company chaired by Adam Fleming (he of Harmony Gold and James Bond-reflected fame), while the accountants for Fairvest were Grant Thornton, who were also preparing 'independent professional opinions on the fair (sic) and reasonableness of the … transactions'. Grant Thornton's offices are situated in Daisy Street in Sandton. It would be interesting to know what properties Daisy Investments suddenly decided not to sell.

3.4 The new face

South Africans have a penchant for celebrating their fellow countrymen's success overseas. Stories of boytjies who make it in London or New York never fail to generate a warm glow. So when a tale of four thirty-something South Africans making waves in the financial services and property markets in London hit the South African press in 2001 you can be sure that there were warm glows all round. These four were Gavin Rabinowitz, Jacques Tredoux and Neil Hasson, who had 'built up a heavyweight financial services company' called Credo, according to the *Financial Mail Focus* of 23 November 2001. Then, in the June 2002 edition of *Property News*, the same writer, Ian Fife, told how another South African, the former Old Mutual chief investment officer Liliane Barnard, 38, had joined them. She was 'one of SA's most respected young property people, inundated with job offers since she left Old Mutual early this year'. Barnard was going to launch Credo's '£50 million (then R750 million) office fund of London properties for South African investors'. She was also 'on their investment committee, as (were) ex-Investec property chief David Kuper and ex-lord mayor of London Sir Anthony Jolliff'. Not bad for a bunch of South Africans who had only been going for four years. To have the ex-lord mayor of London, who was also listed on their website as a magistrate, a former president of the London Chamber of Commerce, adviser to HRH Prince Charles on unemployment, chairman of the advisory board to the governor of Yunnan Province in China, member of the investment advisory board of ABN AMRO ventures… to have such a heavyweight on board when you're doing property deals must take some doing.

Barnard said she'd 'chosen Credo because it's a smart, no-nonsense group with integrity – "a young Investec"'. The article revealed that Barnard was also a director of PLS Pangbourne, and would remain so. PLS Pangbourne was the Jo'burg-based property loan stock (hence the PLS) outfit that acquired the CBD and Pioneer Property Funds from Sage for about R90 million in 2002 and sold them in the same year to ApexHi in exchange for units worth R137 million. Credo's plan was to 'raise money first … and then buy properties' (www.sapoa.org.za, June 2002). They clearly had faith in their 'reputation in the City for their ability to structure prime investments with strong cash flows' (*Financial Mail*, 26 April 2002). After all, as the same article pointed out, they'd just completed the 'sell-out syndication of Old Mutual's £94,1 million (R1,5 billion) London headquarters'. In total, they'd done about £200 million (R3,5 billion) worth of property deals in that short space of time.

If the presence of the ex-Lord Mayor of London on their investment committee was interesting, it was nothing compared to the name of one of the directors that turned up on their website: the name of Charles Zell Rangecroft, 'chartered accountant and former partner for 40 years of Grant Thornton Kessel Feinstein and at present a consultant to Radcliffe's Trustee Company SA (a division of the Investec Trust Group)'. Now Rangecroft also happens to have turned up somewhere else on the globe, which is going to bring this whole story together: Rangecroft is listed as a director – and the treasurer – of Bernard Glazer's Panamanian holding company, Amarena Holdings Inc., at the time of its incorporation in 1975. The other director at the time, and the secretary of the company, was Julius Feinstein. The resident agent was given as the Panamanian law firm Arias, Fabrega & Fabrega.

Confidential internal papers known as the 'Frankfurt Documents' escaped from the vaults of the European-American Banking Corporation in 1973 (Corporate Information Centre Brief, July 1973). They revealed how a consortium of 40 banks from Europe, America and Canada had made secret loans totalling more than $200 million to South Africa over the previous three years. The secrecy arose as a result of the Bank Campaign of 1966-1969 in which lobby groups – mostly religious –

had successfully campaigned against a group of 10 American banks with whom the apartheid government had a $40 million revolving credit facility. The banks involved in the credit facility included Chase Manhattan and First National City Bank, and the lobby groups had caused the withdrawal of some $25 million worth of funds from these institutions. According to the documents, European-American was the main organiser of these loans. European-American was jointly owned by six of the largest banks in Europe: Deutsche Bank of West Germany; the Societe Generale, France; Midland Bank, UK; Amsterdam-Rotterdam Bank NV of the Netherlands; the Societe-Generale de Banque SA of Belgium; and the Creditanstalt-Bankverein of Austria. Iscor and Eskom were generally the fronts for these loans, and would issue paper in exchange. Billions of rands in loans were made to Iscor during this period. A internal memorandum classified ‘secret’ from the South African Secretary for Finance to the Secretary for Foreign Affairs, dated 26 April 1974, stated that ‘The European-American Banking Corporation … is … continuing to arrange extensive loans to South Africa; in the most recent case the funds are being channelled through a subsidiary in Panama.’

So, the money was coming in through Panama, and obviously arrangements were necessary to pay it back. The great advantage of Panama is that its laws do not require companies to be audited – a strategy designed to attract banking and investment business.

Exactly one year after Glazer died, South African Breweries directors decided ‘it was “desirable” to assign all the “right, title and interest” in the “Carling” (Black Label) trademarks from Southern Investments NV in the Netherlands Antilles (a Caribbean tax haven), to Avalon International Inc, a Panamanian company with its offices at Arias, Fabrega & Fabrega, Bank of America Building in Panama City’ (*noseweek* 51, November 2003). On the face of it, this was a simple loan-back scheme.

At the same time, Breweries was collecting royalties from the sale of Black Label in the so-called ‘independent homelands’, where Sol Kerzner (who was on the board of SAB at the time) had been allowed to set up casinos. The combined cash business of beer – sold mostly through shebeens – and casinos must have been too tempting for words. What better way to launder the skim than to repay the government’s foreign loans – and have them overlook your tax returns in exchange?

In the mid-1960s Glazer leant $1million to his cousin Dennis Bileca; the amount was used to finance property in New Jersey via Samit Inc.(see Mary Carter Paint/Resorts International).This was 3 years after the Glazers were active at the time of the brewery merger (also controlling bid for Central Mining- Rand Mines) to acquire brewery properties ,but also to get control of Ohlssons Brewery on behalf of Afrikaner Interests.(Sunday Times 26 May 1957 p.4)

On the board of Kerzner International is Peter Buckley, chairman and CEO of Caledonia Investments, a UK investment trust listed on the stock exchange. (Kerzner, in turn, is a director of Caledonia.) Holding nearly 40% of the share capital of Caledonia is the Cayzer Trust Company Ltd, founded on the wealth of the Cayzer family, which owned the Clan Line Steamers, that plied the Cape route from Great Britain to India from the late nineteenth century. The Clan Line grew into one of the largest cargo-carrying fleets in the world until in 1955 it merged with Union Castle to become British & Commonwealth Shipping Company Ltd (B&C). With the growth of affordable air travel and the advent of containerisation in the sixties and seventies, the Cayzer's decided to diversify. They added Servisair to their already useful Dock Services operation, thereby controlling everything that got loaded and offloaded in both the harbours and airports of Great Britain. They also formed a small airline and a helicopter company, but ultimately the shipping revenue was diverted into the stock market and the investment trust replaced the original business.

Sir Nicholas Cayzer, who became chairman of B&C in 1958 following the death of his uncle, Lord Rotherwick, was also the president of the UK-South African Trade Association (Uksata), which was formed in 1966 and which 'became a zealous apologist for Pretoria' (*Black & Gold: Tycoons, Revolutionaries & Apartheid* by Anthony Sampson, p118); Sir Nicholas 'usually saw the prime minister when he went to Pretoria' (*ibid*). At the time 'British and American businessmen also worked closely with a well-funded new lobby, the South Africa Foundation, which had been formed just before Sharpeville to improve the country's image abroad'. It counted among its supporters Harry Oppenheimer, Anton Rupert and Charles Engelhard. Dr Danie Cronje is Absa's representative today.

In 1987 Caledonia acquired a 20% stake in Close Brothers, presently the UK's largest independent listed merchant bank which was a subsidiary of Consolidated Gold Fields for a short period from 1974 until a management buyout in 1978. A director of Gold Fields at the time, Lord Denman, is still an adviser to the board of Close Brothers. Consolidated Gold Fields held shares in Crest International Securities – formerly Siberian Syndicate Ltd – which Glazer used in his first attempt to acquire Ashbourne Investments Ltd around the same time (see banking chapter). And guess who had a 10% share in The Siberian Syndicate Ltd in 1913 and sat on the board of that company? Arthur (later Sir Arthur) Fell, chairman of The African City Properties Trust Ltd. And where did the money come from for the management buyout of Close Brothers from Consolidated Gold Fields? Midland Bank (now HSBC).

Caledonia Mining Corporation was formed on 5 February 1992. Subsidiaries in South Africa include Barbrook Mines Ltd, which operates near Barberton, Eersteling Gold Mining Company operating near Pietersburg. Caledonia also hold 80% of the concessions covering an area of 13 740km2 in the Kasai Province of the Democratic Republic of Congo through a 100% owned subsidiary Caledonia Kananga S.P.R.L. Most notably Caledonia Mining Nama Limited holds four exploration licences which cover 1 148km2 in northern Zambia. Further more they hold three exploration licences covering 6 099km2 in the "Zambian Copperbelt". [See Caledonia Annual Report 1999-2004 second quarter report]

Glazer had a series of numbered accounts at Midland Bank in the UK, which was one of the banks listed in the Frankfurt Papers as making loans to South Africa. A joint shareholder in European-American was Amsterdam-Rotterdam Bank (AMRO), which merged in 1990 with Algemene Bank Nederland (ABN) to become ABN-AMRO, which took over European-American in 1991, and on whose investment advisory board that ex-Lord Mayor of London from the Credo Property Group also sits. In mid-1985, at precisely the time when South African Breweries opened Avalon International in Panama, another group of South Africans were busy doing a deal in Holland that would set up a whole parallel structure: The deal involved Financiere Credit Suisse First Boston, through its subsidiary Sodefi AG, and Ian Kantor, then-chief executive of Investec Bank in South Africa. He'd resigned in April and moved to Holland, where he established Investec Bank AG in August 1985.

Which brings us back to Credo, because according to Liliane Barnard, Credo is 'a young Investec'. Credo even has the chairman of the Investec Property Group, David Kuper, on its investment committee. It also has a former employee of Midland Bank (now HSBC) on its property management team, although this may be sheer coincidence. Credo Sterling Properties Ltd is registered in the British Virgin Islands. The London operation goes by the name of the Credo Property Group Ltd, while its international operation is run out of the Bahamas – or Panama, depending on which way you look at it.

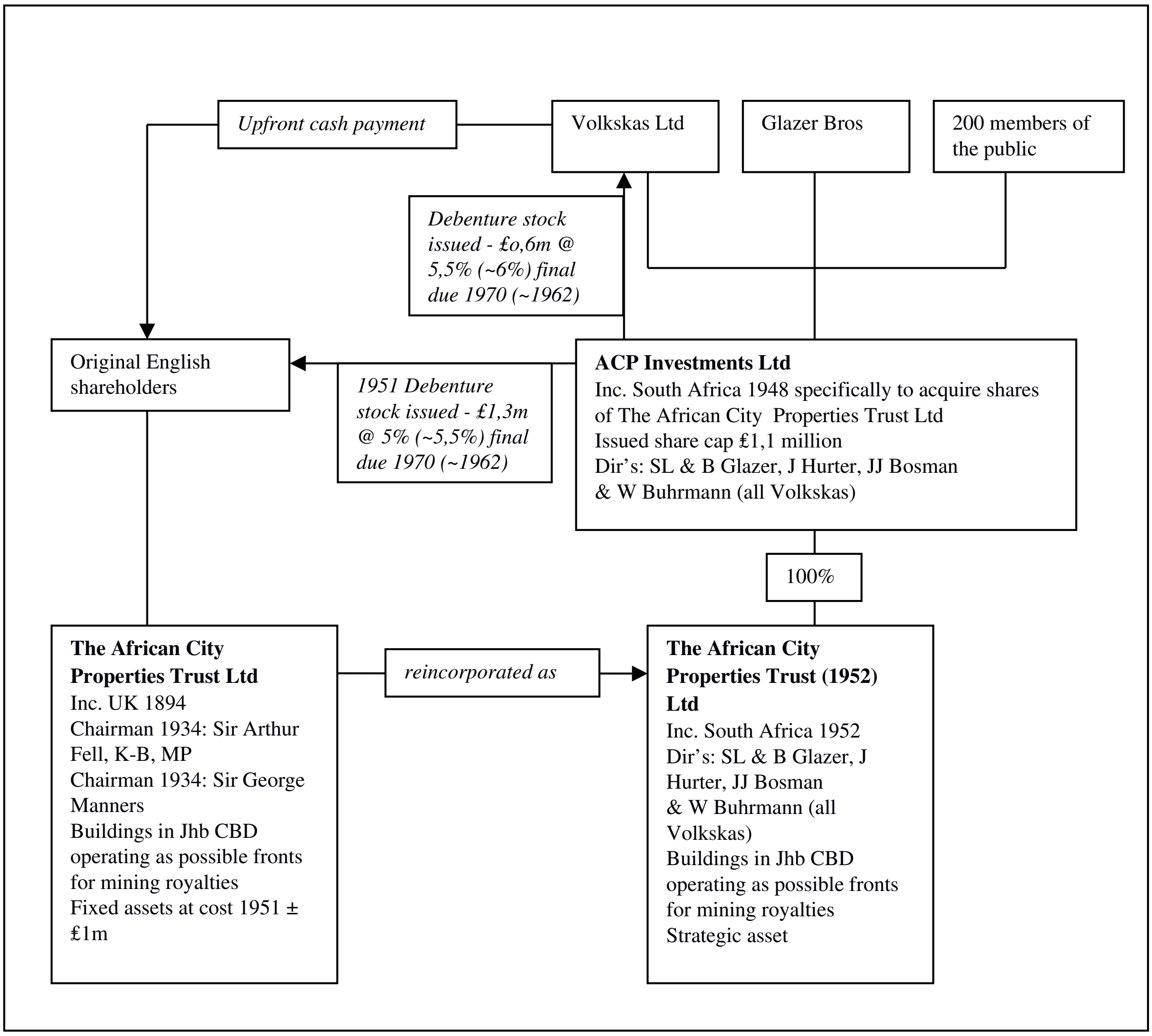
An email from Sam Glazer – Benny's son and the administrator along with Feinstein and Jaffe of his estate, to a Mr M Soames of Knight, Frank & Rutley dated 29 June 1992 indicates that it had been suggested to him that he should consider buying the troubled Canary Wharf in London. His reply went: 'We certainly would not be interested in investing in a property which is mainly vacant and without any income flow. We are not in any hurry to make an investment and are quite prepared to wait for the right opportunity.

'Perhaps the most appropriate investment for us would be a blue-chip property which a cash-strapped developer is forced to sell.' Clearly there was lots of liquidity sloshing around in his pockets.

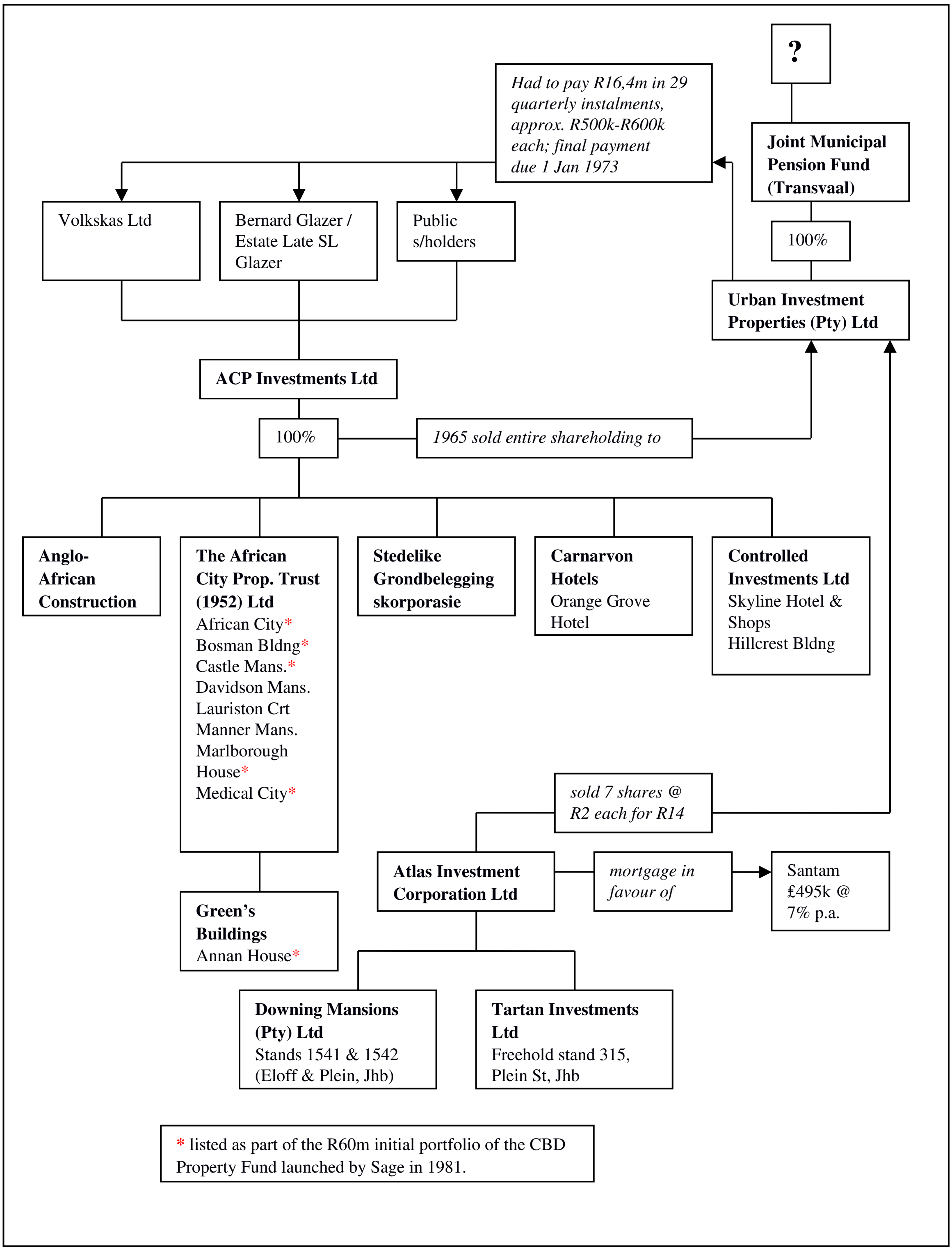
In a 'rare interview on the eve of his retirement', published in the Sunday Business Report on 5 April 2003, Julius Feinstein told reporter Winnie Graham that he was 'strongly against the introduction of further legislation to control the auditing profession'. The way he saw it, enough was enough: There were already two industry watchdogs in the form of the SA Institute of

Chartered Accountants and the Public Accountants and Auditors Board. If practitioners did not comply with standards and regulations they would be ‘severely dealt with’. Which begs the question: How does one deal with a person who has been entrusted with upholding the standards, but who appears to have been at the centre of one of the biggest and most well-organised asset strips. The way the Hebrew University dealt with him was to create the Julius Feinstein chair of accounting, ‘acknowledging his philanthropy and professional achievement’. Chevra Kadisha, [The Jewish Helping Hand] paid tribute to his firm for its ‘longstanding contribution and service to the Chevra Kadisha’. Perhaps all we can do is accept what he said as his conclusion to the matter: ‘“Fraud is rampant worldwide and not just in South Africa,” he said. “Man’s greed has made it a problem.”’ The article continues: ‘He is a man well known for his mentoring skills and many of South Africa’s top business leaders were nurtured by him. Among them are Liberty Life founder and chairman Donald Gordon, Sage chairman Louis Shill… Former finance minister Derek Keyes also worked for the firm for a while.’ (Keys was a director of Gencor, which sold the mining rights endorsed to the properties in central Johannesburg.) Then comes the double whammy: ‘Feinstein sees himself as truly South African. He speaks sadly of the many talented people who have left the country to make their mark elsewhere. Neither he nor his family have ever been tempted to emigrate… [he] believes South Africa has a rosy future.’

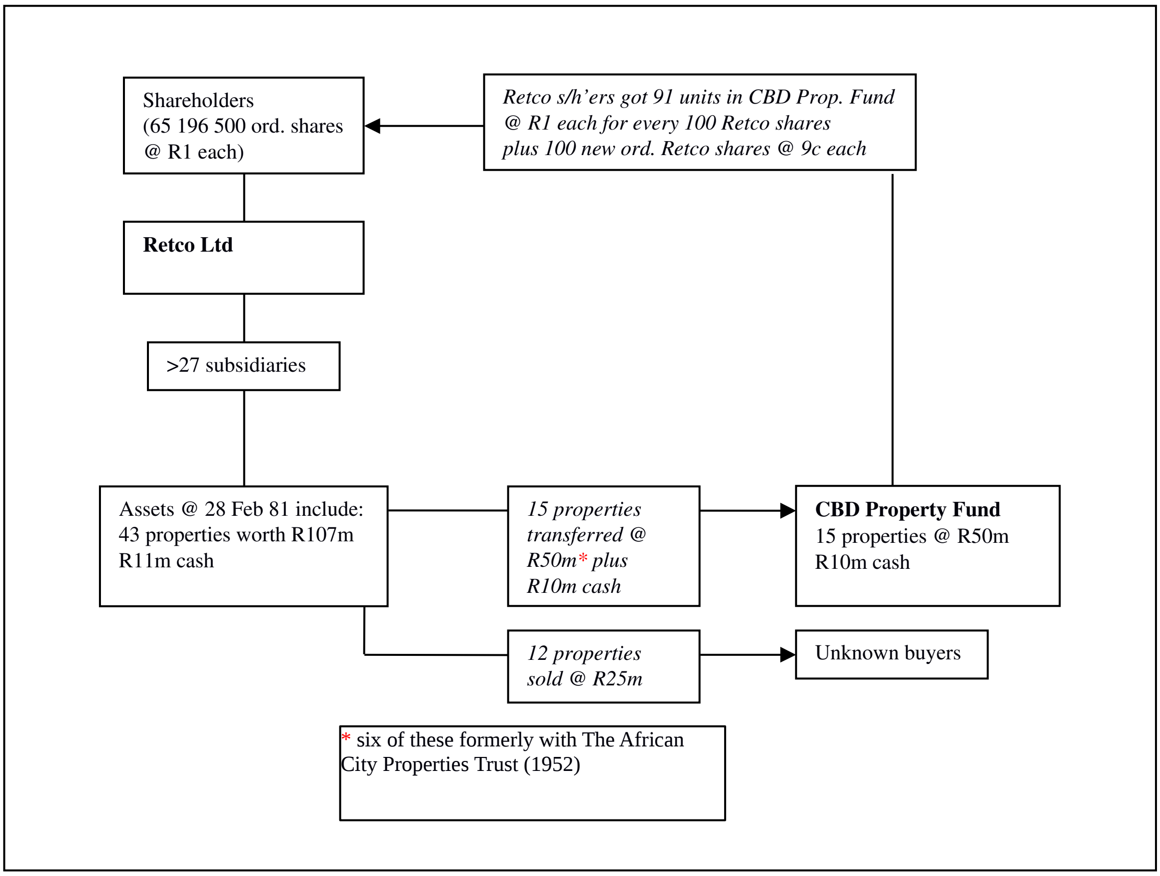
The acquisition of The African City Properties Trust Ltd (inc. in England) by ACP Investments Ltd (inc. in South Africa) in 1948, and conversion of The ACP Trust to The African City Properties Trust (1952) Ltd.



The sale in 1965 of the assets of ACP Investments Ltd to Urban Investment Properties (Pty) Ltd



Transfer of Retco properties to the CBD Property Fund in 1981.



- Retco incorporated 1968
- Major shareholder Federated Employers Insurance Ltd (>16%), later Fedlife, later Fedsure, taken over by Investec 1987
- Major private investor Stanley Simon Kaplan & Cyril Kaplan (5%). Stanley Kaplan started Lease Plan International, merged w/ Credcor in 1974 to become Nedfin (later Nedbank Commercial Division). He became CE of Nedfin
- Other shareholders see Appendix D
- Early directors' names not in file; no financial statements before 1981, no record of contract by which Retco acquired the assets of The African City Properties Trust (1952) Ltd from Urban Investment Properties (Pty) Ltd or its shareholder Joint Municipal Pension Fund (Transvaal);
- South African Breweries acquired 38% in 1973, by which time issued share capital stood at 72 396 500 ordinary shares. New board of directors and Articles of Association.(NB Glazer links to SAB property acquisition/Ohlssons – Sunday Times 26 May 1957)
- Issued share capital reduced by 7,5m in July 1972; no details provided other than a sheet (not stamped) stating that the reduction was authorised by the Supreme Court (Witwatersrand Local Division)
- Authorised share capital reduced from 85m to 7,65m in 1981; issued share capital from 65 206 500 to 5 876 685

- SA Breweries sold its then 31% share 'to a consortium of investors headed by Sage Holdings Ltd'
- Other shareholders were offered units in CBD Property Fund as per above flowchart
- Union Acceptances (owned by Nedbank) was the merchant banker
- Questions:
  - Who did SA Breweries acquire its shares from?
  - Did Federated Insurance still hold shares in Retco? If so, it would have become a unit holder in Sage's CBD Property Fund, unless it opted for the cash alternative
  - Who was the major shareholder in Federated?
  - Which company managed the Joint Municipal Pension Fund (Transvaal), which previously held some of the assets transferred in this deal (see Appendix B) and how did they end up with Retco? Where are those agreements? Was Glazer ultimately in control of these assets while they were with Urban?
- Did Bernard Glazer have shares in Sage? (Sage was started in 1965 by Louis Shill with R600 000 capital after he split from Donald Gordon at Liberty Life; how was he funded?)
- In 1984 Denis Kaplan, a director of Sage, was the director with the biggest shareholding (21 000 prior to a rights issue). He later became vice-chairman of Sage of America, and a Leon Kaplan appeared on the board of Sage. Were they related and how were they funded?

Share allotments for Retco Ltd: first public issue

A study of the first share allotments for Retco Ltd reveals the following:

- That the vast majority of the allottees for the 'A' and 'B' ordinary shares were based in Natal.
- That the major 'A' ordinary shareholders were:
  - Federated Employers Insurance (3 021 600; 9,4% of total shares in issue)
  - Stanley Simon Kaplan and Cyril Kaplan (1 644 900; 5%)
  - Hugh Stocks Property Holdings (1 280 000; 4%)
- That the major 'B' ordinary shareholders were:
  - Federated Employers Insurance (2 210 000; 6,9%, making 16,5% in total)
- That the major blocks of 'A' deferred ordinary shares were held by:
  - Town & City Development and Investment Corp Ltd (91 800)
  - Nedbest Investments (Pty) Ltd c/o Netherlands Bank of SA Ltd (61 100)
  - Juelca Holdings (Pty) Ltd (30 600)
- That the major blocks of 'B' deferred ordinary shares were held by a range of private individuals, all of whom were given as c/o SS Kaplan & Kaplan; the biggest of these were:

- Nedbest Investments (Pty) Ltd c/o Netherelands Bank of SA Ltd (281 200)
- Juelca Holdings (Pty) Ltd (140 600)

Other potentially interesting or relevant names with smaller allotments included:

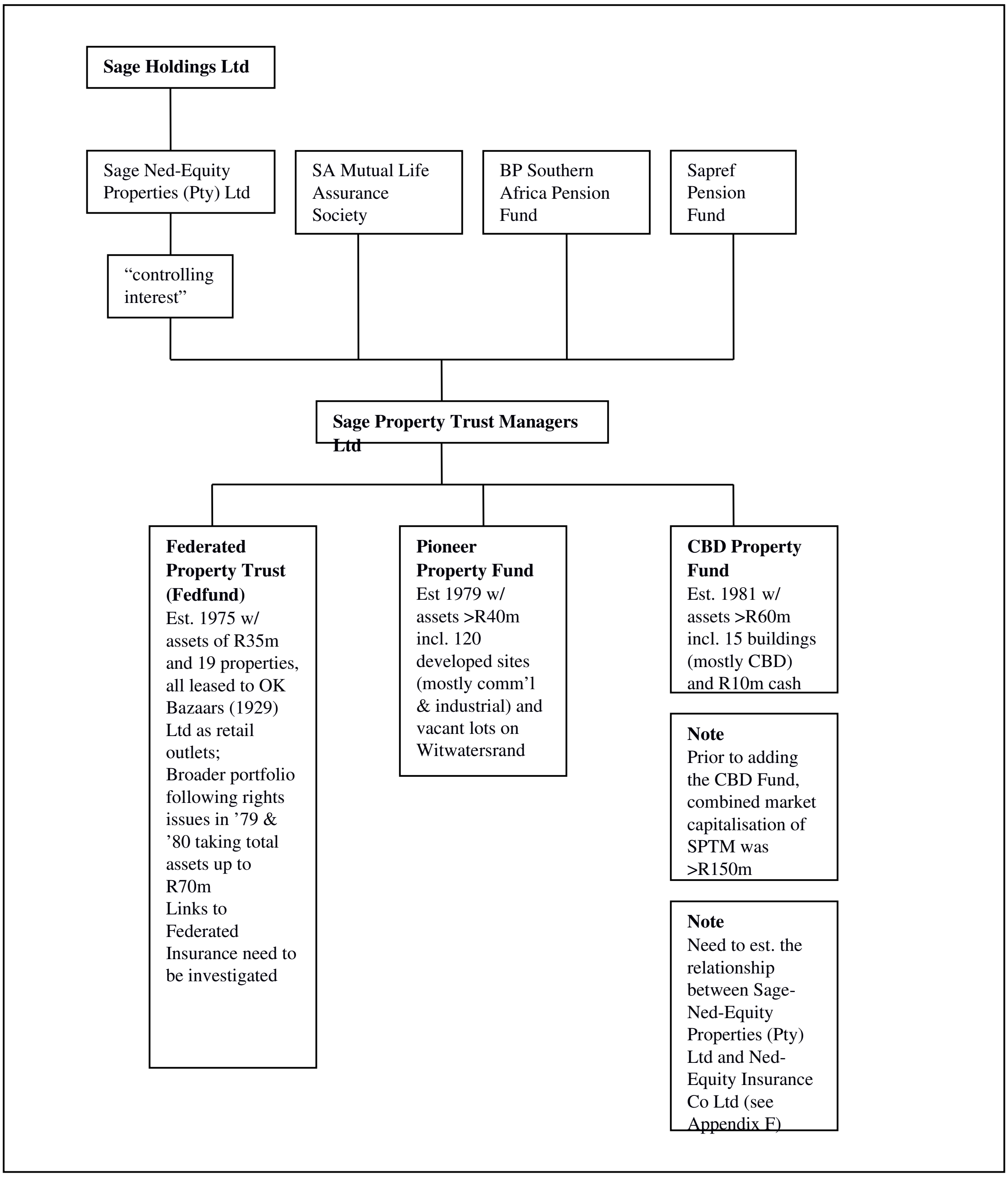
'A'ordinary shares:

- Ceyo (Pty) Ltd (276 300)
- Norman Douglas Emslie (450 000)
- Hill Samuel (83 300)
- Nathan Hurwitz (34 000)
- Ruth Hurwitz (163 200)
- Juelca Holdings (Pty) Ltd (282 800)
- Motor Industry Pension Fund (489 800)
- Netherlands Bank (117 300)
- Douglas Barrington Porritt (96 300)
- Standard Bank Nominees Tvl (240 000)
- Volkskas Ltd (238 100)

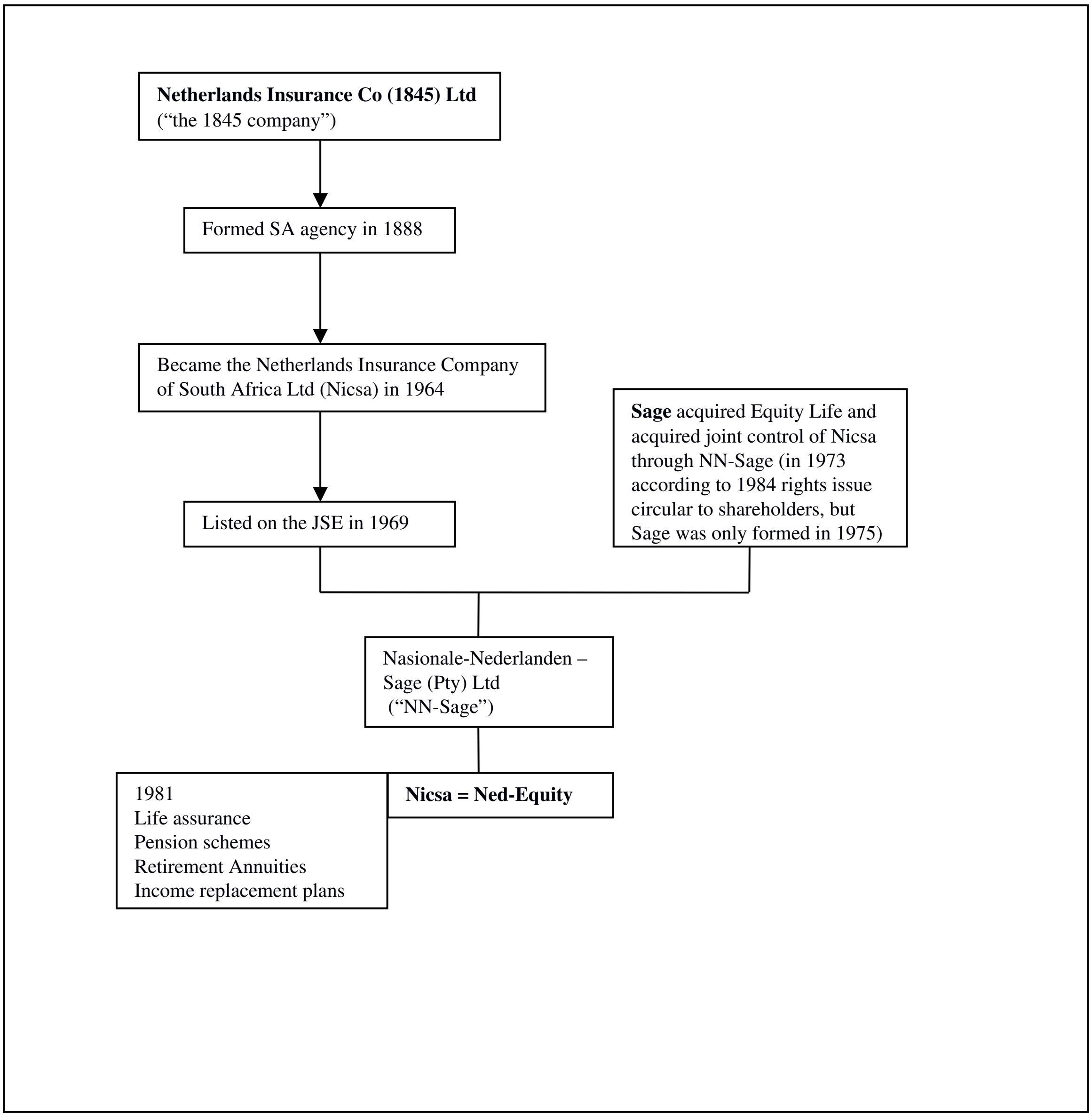
'B' ordinary shares:

- Mulinder (232 000)
- Munro (200 000)
- Nefic Acceptances (150 000)
- CMB Nominees (100 000)
- Netherlands Bank (100 000)
- Willis (100 000)
- Wolk c/o Mulinder (100 000)
- Douglas Barrington Porritt (father of Gary Porritt of the Tigon affair) (62 000)
- Brian Stanley Porritt (12 000)
- Stanley Herbert Porritt (6 000)

Group structure – Sage Property Trust Managers (SPTM) Ltd



History of the Sage/Ned-Equity relationship



Renounceable rights issue in Ned-Equity Insurance Co Ltd (later Sage Life Ltd), October 1984