

SAXUM
INSURANCE
(IN LIQUIDATION)

MUA Building, 2nd Floor, 26 Sturdee Avenue, Rosebank, 2196
P.O. Box 1634, Houghton, 2041
Tel: +27 (0) 11 694 5900 Fax: +27 (0) 86 212 0859

Insurance Claimants:
claimslig@saxuminsurance.com

Creditors:
creditorslig@saxuminsuranc.com

5 DECEMBER 2016

**TO ALL KNOWN CREDITORS, EMPLOYEES, POLICYHOLDERS AND STAKEHOLDERS OF SAXUM
INSURANCE LIMITED (in liquidation) (MASTER'S REFERENCE NUMBER G1076/2016)**

CIRCULAR NUMBER 4

- 1 This circular deals with requests received by the joint liquidators from policyholders to release collateral held by SaXum in respect of guarantees issued by it in favour of the policyholder's nominated beneficiary. Such a guarantee is called upon in the event of the policyholder failing to perform its obligations in terms of a contract it has with the beneficiary. Should the call on the guarantee be valid, SaXum is required to make payment of the amount payable in terms of the guarantee provided by it.
- 2 Prior to the issue of a guarantee by SaXum, a policyholder is required to establish collateral or other security in order to minimise SaXum's risk and exposure under the guarantee. This security has taken one or more of the following forms:
- 2.1 a counter-indemnity by the policyholder and its related or inter-related entities;
- 2.2 personal sureties from shareholders, members or directors of the policyholder;
- 2.3 mortgage bond registered over immovable property;
- 2.4 a cession in security of proceeds in a ring-fenced bank account opened and held in the name of the policyholder (in most cases, this ring-fenced bank account is held with Investec).
- 3 The joint liquidators have received an opinion from Norton Rose Fulbright South Africa Inc that the funds held in the ring-fenced Investec bank accounts do not form part of the assets or property of the insolvent estate of SaXum. SaXum, and the joint liquidators, are only able to access the funds in the following circumstances:

Directors: Dr. J.A.J. Schalch (Chairman)* R.W. Killops* K.I. Vennell* M. Hankins*
*Non-Executive "Swiss"

Liquidators:

H Kaplan (First City Katleho)
Honey Chambers
Kenneth Kaunda Drive
Bloemfontein

NAG Omar (Khammissa Attorneys)
98 Doreen Street
Pretoria

Wn Jacobs (Mayibuye Trust)
157 Waggel Street
La-Montagne
Pretoria

BB Mahlatsi (Van Rooyen-Fischer Trustees)
Forum Building, Ground Floor,
337 Veale Street, Brooklyn,
Pretoria

(T) (051) 403 6685

(T) (012) 342 9944

(T) (021) 804 0393

Company Registration No. 2004/011845/06
VAT No. 4310217338

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- 3.1 a valid call is made by the beneficiary under the guarantee issued by SaXum;
- 3.2 SaXum has made a call under the Counter-Indemnity requesting the policyholder to pay to it upon first demand, in writing, unconditionally and without objection or qualification, the amount demanded from SaXum under its guarantee and the policyholder has failed to make payment; and
- 3.3 Cornerstone Cash Investments Proprietary Limited (**Cornerstone**), the entity administering the collateral funds, has been notified in writing that the policyholder has failed to make payment in terms of the Counter-Indemnity.
- 4 The joint liquidators have also been advised that all collateral funds, held as security, must remain in place for as long as there is any obligation (be it actual or contingent) owing to SaXum by a policyholder. The same applies to other securities held by SaXum (like, for instance, a mortgage bond registered over property). In other words, for so long as SaXum is exposed under a guarantee issued by it, the collateral and any other form of security cannot be cancelled and released. It must remain in place until SaXum is satisfied there is no actual or contingent liability or risk on its side.
- 5 The collateral and other security will only be released to the policyholder, upon written notification to Cornerstone, after SaXum is fully satisfied that there is no outstanding obligation (actual or contingent) on the part of SaXum as a result of the guarantee being cancelled.
- 6 Therefore, once SaXum is satisfied that there are no outstanding obligations (actual or contingent) on its part in terms of the guarantee issued by it having been cancelled, SaXum will notify Cornerstone and consent to the release of the collateral funds (and any other security held by SaXum). The policyholder is then free to apply the collateral and security at its discretion.
- 7 The best way to ensure the quickest release of any collateral to a policyholder is for the policyholder to return all original issued guarantees and for the “guarantee holders” (beneficiaries under the guarantee) to confirm, in writing, that they do not, now or in the future, have any claim against SaXum. A policyholder may be required to sign an indemnity in favour of the joint liquidators in respect of any claim that may be lodged against SaXum arising from the cancellation of the guarantee that was issued by SaXum.
- 8 Each request for the release of collateral and any other security will be considered and evaluated on a case-by-case basis by the joint liquidators in conjunction with the management of SaXum.

Yours faithfully,

PER: H. KAPLAN N.O.

N.A.G. OMAR N.O.

W.N. JACOBS N.O.

B.B. MAHLATSI N.O.

(sent electronically without signature)