



South African Reserve Bank

Fact Sheet: Withdrawal of directives in respect of property syndication companies promoted by Sharemax Investments (Pty) Limited.

1. Following an investigation into the affairs of Sharemax Investments (Pty) Limited and various property syndication companies it had promoted, the Registrar's Office found that the funding models were in contravention of the Bank's Act.
2. This finding is not a conviction of criminality of the persons involved in the scheme. The Office of the Registrar, however, will report the findings to the appropriate authorities.
3. Following this finding, in September 2010 the Registrar's Office issued directives to Sharemax and its property syndication companies to repay the funds obtained from members of the public.
4. The Registrar's Office subsequently appointed independent inspectors as managers, to take control of the assets of Sharemax and its property syndication companies.
5. The majority of the funds were invested in fixed property and, as a result, it would have been impossible to immediately give effect to the directives to repay investors. The only option would have been to liquidate the companies and to repay the investors. This option would have brought no return for the investors.
6. In the interim, the property syndication companies appointed new independent directors to their board.
7. The Office of Registrar and the appointment managers did not appoint the new board members.
8. The new board of directors requested that the Registrar's Office grants them an opportunity to consider their options before the companies are liquidated.
9. The board of directors were granted a reasonable period to seek alternative options that would ensure that the companies were not in contravention of the Bank's Act and that they complied with the directives to pay investors.
10. The board of directors opted to resolve the matter by means of schemes of arrangement as per section 311 of the Companies Act.

- 11.** The Office of the Registrar had no objection to the proposals as the schemes of arrangement require approval by the vast majority of investors as well as the High Court.
- 12.** The Office of Registrar had no influence on the schemes of arrangement and the facts provided in the scheme papers were provided by the property syndication companies.
- 13.** The board of directors also considered the “business rescue” concept, which was introduced when the Companies Act came into effect in May 2011.
- 14.** The fees of the inspection and management of Sharemax and the property syndication companies were paid for by the Office of the Registrar.
- 15.** The appointed inspectors acted in the interest of the South African Reserve Bank and the investors.