

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 09/LM/Feb06

In the large merger between:

Friedshelf 649 (Pty) Ltd) and Ellerine Brothers Limited

and

Wireless Business Solutions (Pty) Ltd

Reasons for Decision

Approval

1. On 22 March 2006 the Competition Tribunal issued a merger clearance certificate approving the merger between Friedshelf 649 (Pty) Ltd and Ellerine Bros (Pty) Ltd and Wireless Business Solutions Holdings (Pty) Ltd. The reasons appear below.

The Parties

2. The acquiring firms are Friedshelf 649 (Pty) Ltd ("Friedshelf") and Ellerine Bros (Pty) Ltd ("Ellerine").¹ Friedshelf is a special purpose vehicle formed for the purposes of effecting this transaction. Friedshelf is directly controlled by Blue Label Investments (Pty) Ltd ("Blue Label"). Ellerine is subject to the direct joint control of the Eric Ellerine Trust and the Sidney Ellerine Trust (collectively the "Ellerine Trusts").
3. The primary target firm is Wireless Business Solution Holdings (Pty) Ltd ("Wireless Holdings"). The operations of Wireless Holdings are directly controlled by Richtrau No. 10 (Pty) Ltd ("Richtrau"). Wireless Holdings controls Wireless Business Solutions Service Provider Company (Pty) Ltd

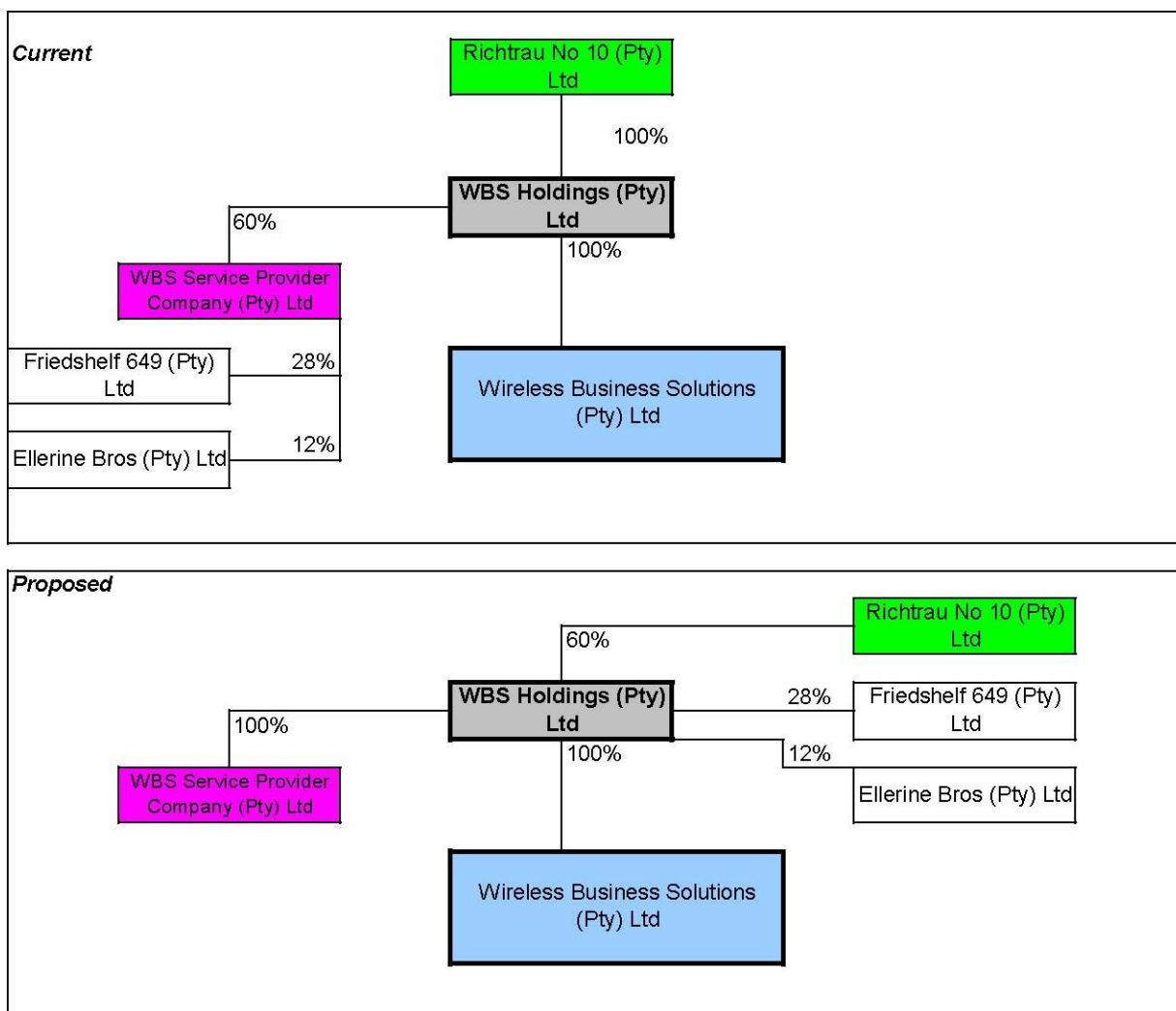
¹ Not related to the furniture group, Ellerine Holdings Limited.

("Wireless SP) and Wireless Business Solutions (Pty) Ltd.

The Merger Transaction

4. The shareholding of and in Wireless Holdings pre and post merger is as follows:

WBS Holdings (Pty) Ltd - Diagrammatic Representation



5. Prior to the current transaction, Friedshelf and Ellerine entered into an agreement to purchase 40% of the entire issued share capital of Wireless SP (in a ratio of 30:70).²

² This transaction was not notified as Wireless SP's turnover and asset values did not meet the merger thresholds. See page 39 of the record.

6. As an indivisible part of the transaction, the acquiring firms are also entitled to purchase, in the aggregate, 40% of the entire issued share capital of Wireless Holdings (with Friedshelf acquiring 28% and Ellerine acquiring 12%), together with 40% of a loan account held by Richtrau against Wireless Business Solutions (Pty) Ltd. It is the acquisition of this 40% shareholding and claims against Wireless Holdings that comprises the current transaction. The remaining 60% of Wireless Holdings will continue to be held by Richtrau.
7. According to the parties, Friedshelf and Ellerine will exercise joint control over Wireless Holdings.³

Rationale for the Transaction

- h. The proposed transaction is viewed by the acquiring firms as facilitating their entry into a market, which they perceive as providing a realistic opportunity for growth. For the target firm the merger will provide it access to significant additional resources which will allow it to capitalise the business and facilitate its growth.

The relevant product markets

- i. The parties operate in different product markets and their activities do not overlap. On the one hand, Friedshelf has never traded before and has no business activities. Blue Label, which effectively controls Friedshelf, is an investment-holding entity, involved in a number of different enterprises including telecommunications, information technology, venture capital and property. Ellerine is a family-controlled property-owning and investment company.
- j. **Wireless Holdings, on the other hand, offers products and services in the broad-band⁴ access and associated data services market. It also provides the infrastructure for the transmission of data to wholesale and retail customers.**

³ See Clause 10.4 of the shareholders' agreement at page 230-234 of the record.

⁴ These are high speed fixed and mobile Internet connectivity services.

Public Interest

xi. There are no public interest issues that may raise serious competition concerns.

Conclusion

12. We conclude that the merger will not lead to a substantial lessening or prevention of competition.

Y. Carrim

07 April 2006

Date

Concurring: M Moerane and L Reyburn

For the merging parties:	Nathalia Lopez and Lee Mendelsohn, Edward Nathan Corporate Law Advisors
For the Commission:	Thami Kekana