

Telkom sues Blue Label for US\$528m

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Telkom is suing a former executive for US\$6m as part of a US\$528.07m lawsuit for damages arising out of the "super dealer agreement" between Blue Label subsidiary African Prepaid Services and Telkom's former Nigerian subsidiary, Multi-Links.



Telkom has filed suit against Blue Label Telecoms, the former executive and four other respondents,

Blue Label was contracted to distribute Multi-Links' products in Nigeria. Telkom cancelled the contract to reduce costs in its struggling Multi-Links business, which it bought for US\$410m in 2007.

By 2011 Telkom had lost R10bn due to the unit's the weak performance by Multi-Links and it sold the unit that year to Helios Towers Africa for US\$10m.

The damages claim is based on what Telkom says was a breach of a duty of care and misrepresentations made by Blue Label at the time the agreement was concluded with Multi-Links in 2008.

The US\$6m claim against the former senior executive of Telkom was based on "a breach of his fiduciary duty owed to Telkom and Multi-Links", it said.

According to Telkom, Multi-Links was also claiming several million dollars for damages.

Telkom said the summons issued against the former executive in April was based on two claims.

The first was a claim for US\$1m, which Telkom was "compelled to pay to a third party as a consequence of the defendant acting outside his authority by signing a financial guarantee binding Telkom jointly and severally for the obligations of Multi-Links".

The second was for US\$5m arising from the defendant's conduct while at Multi-Links, in "authorising a telecommunications operator to earmark and make a payment of US\$5m to a third party, instead of Telkom".

"The payment was due to Telkom under a traffic termination agreement," Telkom said.

Telkom said the former executive was defending the case.

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