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by pdf

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URGENT

Dear Mr Greene

**LANGBAR INTERNATIONAL LIMITED ("LANGBAR")
LANGBAR ACTION GROUP ("LAG")
MINUTES OF MEETING HELD ON 12 JULY 2006 (THE "MINUTES")**

It has come to Langbar's attention that LAG, through its co-ordinator Nigel Smith, has posted on www.advfn.com what can only be described as a doctored version of the Minutes as agreed in correspondence between our two firms. We trust that your firm was not involved in LAG's actions. The Minutes have been altered in such a way as to give a false and misleading impression of key aspects of what was said at the meeting. I enclose a blackline version of the doctored document as posted compared to the version as agreed.

Of particular concern is the amendments made to paragraph 21 where the deletion of the words "for a distribution of £10 million" completely alters the sense of the sentence. The doctored Minutes give the false impression that Scheme Creditors would be unlikely to receive more than 3p in the pound under the Scheme. This is clearly incorrect. The publication of the doctored Minutes has caused great concern amongst Langbar's shareholders in advance of the meeting of Scheme Creditors to be held on 6 October 2006.

Langbar demands that forthwith your client:-

1. removes the doctored Minutes from www.advfn.com;
2. publishes on its website (www.langbaractiongroup.com with a link from the homepage) and on www.advfn.com the true version of the Minutes as agreed between our two firms;
3. publishes an apology to Langbar on the homepages of www.langbaractiongroup.com and on the Langbar thread on www.advfn.com;
4. sends forthwith to each and every shareholder of which it is aware the true version of the agreed Minutes.

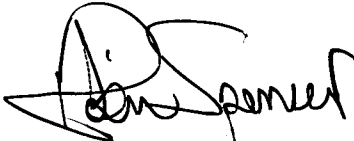
Unless each of these things are done by 5pm today, Langbar will send to each shareholder the blackline version enclosed with this email showing where your client has doctored the agreed Minutes and inform shareholders what your client has done.

Langbar reserves its right to draw the attention of the Court to your client's actions and reserves its rights generally against your client.

A copy of this letter has been sent directly to Nigel Smith to save you copying it to him.

Kindly confirm receipt of this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Robin Spencer', written over a circular stamp or mark.

Robin Spencer

Enc

Cc Nigel Smith

LANGBAR INTERNATIONAL LIMITED⁵

LANGBAR INTERNATIONAL LIMITED⁶

SUMMARY OF MEETING ON 12 JULY 2006 AT 10.00AM⁷ MINUTES OF MEETING ON 12 JULY 2006 AT 10.00AM⁸

HELD AT LOVELLS, ATLANTIC HOUSE, HOLBORN VIADUCT, LONDON⁹

(SUMMARY AGREED BY LOVELLS AND EDWIN COE)¹⁰

ATTENDEES¹¹

HELD AT LOVELLS, ATLANTIC HOUSE, HOLBORN VIADUCT, LONDON¹²
(MINUTE AGREED BY LOVELLS AND EDWIN COE)¹³

ATTENDEES¹⁴

David Buchler - Langbar ("DB")
Mahesh Desai - DB Consultants ("MD")
Nigel Smith - Langbar Action Group ("NS") ("LAG")
David Greene - Edwin Coe ("DG")
Dominic De Bono - Edwin Coe ("DD")
Robin Spencer - Lovells ("RS")
Susie Bairstow - Lovells ("SB")

BACKGROUND¹⁵

BACKGROUND¹⁶

1.¹⁷ 1.¹⁸ DB commenced the meeting by informing everyone that he had spoken to NS earlier in the week. DB was anxious that both Langbar and LAG should be able to find as much common ground as possible in order that the fraudsters could not take advantage of apparent disagreement between the two groups. DB stated that the purpose of today's meeting was to attempt to find more ways in which to make the Scheme acceptable to the LAG shareholders, although he did point out to NS that he also had a responsibility towards the larger institutional shareholders.

2.¹⁹ 2.²⁰ NS explained that he had been against the previously proposed teleconference as he felt that the issues should be discussed at a shareholders' meeting. He believed that such a large teleconference would not allow all the parties to speak and would instead have been dominated by one speaker.

LIQUIDATION/NEWCO²¹

LIQUIDATION/NEWCO²²

3.²³ 3.²⁴ NS began by querying why the Scheme was not structured so as to provide the shareholders with an option at the point of termination of recovery of the assets to either:

(a)²⁵ (a)²⁶ liquidate the Company and create a Newco; or

(b)²⁷ (b)²⁸ remove the money owed to them and exit from the Company entirely,

and why it was not possible for individual shareholders to decide themselves and raised concerns that the larger shareholders may well take decisions that would force the smaller shareholders in a direction that they had not anticipated. NS did not believe that the formation of a Newco would be

beneficial as it would not remove the taint of the frauds that had taken place on the Company. NS commented that Room Service has changed its name to Azure and not found a buyer.

4.²⁹ 4.³⁰ DB replied by saying that he had never indicated that the Company had to proceed in any one particular direction but that instead he would put forward two or three options to the shareholders regarding taking the Company forward (e.g. re-listing, or a buy-back) and it will be for the shareholders to decide which option is most appropriate. DB stated that a solvent liquidation may be one of the possible options for the Company in future, but reiterated that at this stage he was not ruling out any options and also highlighted the fact that such an option may have unconsidered tax consequences.

5.³¹ 5.³² RS pointed out that on a liquidation of the Company the balance sheet must first be cleared up before any money was paid to the shareholders - this means that all creditors must be dealt with first. Although in this case there is some overlap between the creditors and the shareholders, this is not so in every instance.

6.³³ 6.³⁴ DG queried whether the Scheme Creditors would be exchanging their status as creditors for had effectively ensured that the only return possible to them was by way of dividend in their capacity as shareholders as they would no longer be creditors of³⁶ the proposed dividend.³⁷ Company.³⁸ RS replied that there was a mechanism in the Scheme to deal with the situation where a liquidation was instigated by a third party, in which case all rights against the Company would spring back to the Scheme Creditors.

7.³⁹ 7.⁴⁰ DB stated that he had no problem in principle with NS's suggestion that liquidation of the Company/formation of a Newco be considered as an option, but that it was a matter of finding the right route in which to pursue it. He was happy for the necessary language to be inserted into the Scheme and agreed to confirm his position at the shareholders' meeting on 25 July.

RE-LISTING⁴¹

RE-LISTING⁴²

8.⁴³ 8.⁴⁴ NS queried why the Scheme document states re-listing as being the suggested way forward for the Company. RS pointed out that this was not the case as the Scheme merely provided for re-listing as one of the possible options going forward, and in fact explicitly stated that this was a matter to be decided by the shareholders at the time. NS emphasised his concern that the institutional shareholders would more likely be in favour of a re-listing and would therefore be able to over-power the individual shareholder minority into proceeding that way. DB said indications were that institutional shareholders were in favour of re-listing and did not want a cash return.

9.⁴⁵ 9.⁴⁶ In order to address this concern DB agreed that wording should be inserted into the Scheme whereby included within any exit option would also be the sub-option for any shareholder to take cash-back. There followed a discussion between DB and NS as to who would be regarded as small shareholders in the Company for these purposes and RS stated that any definition of a small shareholder would have to be based on a specific limit as to the number or value of shares rather than a distinction between corporate and individual shareholders as this would not be accepted by the court. DB then agreed with NS that any such sub-option would apply to all Scheme Creditors, both large and small, therefore removing the complication of having to define a "small shareholder".

~~10.~~⁴⁷ 10.⁴⁸ NS sought confirmation from DB as to what had been discussed and DB replied that within any option regarding future of the Company that was put to the Scheme Creditors, there would also be included individual rights for Scheme Creditors to elect cash-back.

~~TAX~~⁴⁹

TAX⁵⁰

~~11.~~⁵¹ 11.⁵² DG queried whether there was a more tax efficient way in which to proceed than by the Scheme, as tax liabilities were incurred both in the Company and by the shareholders. RS replied that this was based on information supplied by Lovells' tax department but he agreed to put this to them again for further consideration, as under the Scheme money would be returned to the Scheme Creditors in their capacity as creditors rather than shareholders. He suggested that another possibility may be to consider taking the Company back off-shore.

~~NOMINEES~~⁵³

NOMINEES⁵⁴

~~12.~~⁵⁵ 12.⁵⁶ NS raised the issue of being able to contact all the relevant beneficial owners of Securities, to which RS replied that notices had been sent out yesterday and advertisements were also going to be placed in the press. NS offered to help by contacting various nominees and putting pressure on them to disclose the beneficial owners for whom they act but RS declined the offer, saying that this was already being dealt with by Capita and in any case it would be unlikely that the nominees would respond to either LAG or to Lovells. NS was concerned that the beneficial owners might not in reality be notified in advance of the hearing.

~~TIMETABLE~~⁵⁷

TIMETABLE⁵⁸

~~13.~~⁵⁹ 13.⁶⁰ DG queried the current timetable going forward. RS set it out as follows:

28 July - final Capita report to be received;

28 July - court directions hearing;

Early August - fresh PSL letter to be circulated;

Early September - reconvened convening hearing;

Early October - Scheme Meeting (with sanction to follow shortly thereafter);

End of October - strikeout application.

~~DISTRIBUTIONS~~⁶¹

DISTRIBUTIONS⁶²

~~14.~~⁶³ 14.⁶⁴ NS stated the concern of the LAG shareholders regarding when they are likely to receive payment. He understood that currently under the Scheme this would be one month after the first audited accounts in 2008/2009, which he considered to be too great a period of time. NS made various supplementary comments regarding CFD contracts and their possible impact on distributions. No agreement was invited or reached.

~~15.~~⁶⁵ 15.⁶⁶ NS then raised the issue of the default share price of 11.5 pence, in the case of failure by a Scheme Creditor to self-certify their claim. He said that as most trading had taken place at above 50 pence (which was also the price at the time of suspension) he considered 50 pence to be a fairer default price. RS explained that the current construction of the Scheme meant that any Scheme Creditor who could demonstrate that they had paid a higher price than 11.5 pence would receive that higher amount. However, RS further explained that the Company could not allow individuals who had purchased Securities at a price lower than 50 pence to claim for a higher amount as the Court would not sanction profiting from the Scheme. DB stated that he personally was in favour of the 50 pence figure and there followed a discussion on the benefits of self-certification as opposed to verification.

~~16.~~⁶⁷ 16.⁶⁸ DB explained that the Company was carrying out an exercise itself in order to establish and verify the trading and purchase price of all the Securities and he hoped to have this finished by the end of August, or possibly the end of September. DB queried with MD whether the Company had available to it the necessary information in order to undertake the exercise and MD confirmed that this was possible. DB then proposed that although self-certification would remain for voting purposes, the Company itself would establish and verify the amount and purchase price of all Securities for the purpose of making payments to the Scheme Creditors. This therefore removed the need for the 50 pence default figure altogether. NS agreed with this approach.

~~17.~~⁶⁹ 17.⁷⁰ RS stated that if this was to be the case, wording to the effect that the price would be "as reasonably determined by the Company and based on other information available to it" would need to be inserted into the Scheme and a provision would also need to be made for a form of dispute resolution mechanism. NS also pointed out that the Scheme should explain how the Company had calculated and determined the figures that they arrive at. NS raised the issue of "top-slicing" and whether the issue had been misunderstood by the judge, to which RS replied that he believed the matter had been correctly interpreted and had been dismissed at the hearing on 4 July. DD said he did not think that this had been correctly interpreted at the hearing.

TIMING OF PAYOUT⁷¹

TIMING OF PAYOUT⁷²

~~18.~~⁷³ 18.⁷⁴ DB stated his intention to make a payment to Scheme Creditors as quickly as possible and expressed his intention of doing so along the lines of an interim dividend payment. RS pointed out that in order to do so, some form of proof of debt procedure would need to be implemented and the Company would need to advertise for creditors to come forward. DB stated that he intended to make the 25% Net Asset Value ("NAV") distribution within the next 6 to 9 months and that in order to do so within that time frame, he would dispense with the need for audited accounts as currently provided for under the Scheme and would instead produce pro forma accounts in consultation with independent accountants.

THRESHOLDS⁷⁵

THRESHOLDS⁷⁶

~~19.~~⁷⁷ 19.⁷⁸ NS stated that he would like to change the 25% NAV figure as is currently in the Scheme. BD expressed his reluctance to do so on the basis that 25% is a high enough figure to provide an adequate interim distribution to those shareholders who need it, but is not so high as to be likely to prompt any institutional investors who are opposed to a distribution (preferring instead to re-list) to oppose it. DB said that he felt that 25% was a reasonable middle ground and that altering it would cause serious problems in reaching agreement. ~~DB added that if he had proposed to distribute 50%~~

of the NAV there would have been up to ⁷⁹ DD pointed out that by definition the NAV took account of all liabilities the Company believed it might have. Given that the NAV was net of these liabilities including claims against the company and costs thereof, it did seem unfair that the Company should seek to retain 75%. DD asked how the Company justified a payout of only 25%. Clarification was needed of how the Company would assess the liabilities of the Company in order to reach the NAV and in particular whether potential claims against the Company and the costs of such claims would be assessed on a "worst case scenario" basis, or whether consideration would be given to the probability of such claims being successful and the likely adverse costs thereof after assessment. RS said such calculations would be done on a "worst case scenario basis".

⁸⁰ 20. ⁸¹ NS and DD also raised the issue of the £10 million threshold and expressed their wish to have this figure reduced. Clarification was also sought of the purpose of funds to be retained by the Company out of the NAV. RS pointed out that the threshold was put into the Scheme as a buffer provision in order to provide sufficient working capital to take the Company forward, in whichever direction the shareholders choose at a later date. It was further explained to DD and MS that this £10 million figure would need to provide for any costs arising from any future litigation instigated by the Company against previous professional advisors in order to make further recoveries for the benefit of shareholders. These costs were not included in the liabilities under the NAV and therefore had to be provided for in the £10 million figure. DB said the Company needed funds to continue to trade. There was some discussion about what that meant. DB said he foresaw trading as pursuing claims against Defendants not at present named in the Company's proceedings, such as professional advisors. The issue of assessing and quantifying potential future litigation was then discussed and DB stated that he was willing to consider lowering the £10 million threshold should the quantification of potential liabilities deem it acceptable, as he was more comfortable with lowering the £10 million threshold than he was with increasing the 25% NAV distribution. Both NS/DD and DB agreed to give further consideration to the quantification of the potential future liabilities for this purpose.

⁸² 21. ⁸³ NS expressed his concern that some shareholders might be confused and think that the figure of 25% meant that they would actually receive 25% of the purchase price for their Securities, when in fact it referred to 25% of the NAV of the recovered assets. In reality this was unlikely to be above 3p in the pound for a distribution of £10 million. ⁸⁴ ⁸⁵ DB had made a similar calculation (3.5%) ⁸⁶. NS said that this distinction might not be clear to less sophisticated shareholders. DB agreed to address this concern by producing a graph at the shareholders' meeting on 25 July, setting out the figures and addressing and questions that shareholders might have on them directly in person.

FRAUD ⁸⁷

FRAUD ⁸⁸

⁸⁹ 22. ⁹⁰ NS reminded DB that he had previously requested a letter from the Company stating that the Company was subject to fraud from its inception, a fact which was effectively admitted by DB in the February shareholders meeting. NS said that by making such a statement it would allow certain shareholders, for example Dan Leahy, to pursue recovery from different directions (e.g. ING). DB replied that he was prepared to put a statement into the Scheme saying that "the Company had been subject to a fraud from its inception" and such statement could then be used as appropriate by shareholders. RS agreed to draft the relevant wording and put it to counsel for consideration. NS suggested doing deals with the CFD companies. These had offered to pay half what the Company paid to those who had lost money as a result of the fraud through CFDs. This NS said would ultimately reduce the Company's liability and enable the eventual NAV to be higher. The more that DB paid out early on, the more that the CFD companies were likely to pay their

customers and thereby reduce any third party claims on the company. The majority of the agreements with the CFD companies have a life of only 2 years, so if DB did not pay out during that period, then the CFD holders would make a claim against the company.

GLO

~~23.~~⁹¹ 23.⁹² DB explained that a GLO had been discussed in the meeting earlier in the week between DB and NS. DD pointed out that a GLO was not the only way the litigation could be conducted, and may not indeed be the most appropriate way. Multiple claimants could be joined to the same Claim Form. They would not, as had been suggested, each have to pay the issue fee for so doing. DB went on to state that he was happy for an exclusion to be inserted into the Scheme whereby Scheme Creditors who wished to pursue action by way of a GLO could opt out of the Scheme. RS stated that by doing so, the Scheme Creditors would render themselves ineligible for the 25% NAV distribution and would also put the Company at greater risk of insolvency and there would be competing claims for the same assets. DD said there was a strong argument that the assets belonged to the shareholders and not the Company. DB said that he was prepared to accept this risk if the provision of such choice was necessary for the Scheme Creditors. DD said in principle this suggestion seemed reasonable and the LAG ought to consider it carefully. NS stated that he felt as long as the Scheme Creditors rights were protected, most of them would choose to stay in the Scheme.

~~24.~~⁹³ 24.⁹⁴ DB concluded the meeting by stating that he felt most of the major points had been agreed or at least an understanding reached on the issues involved. He agreed to DD and NS's requests that they should be notified of any upcoming hearings. DB then asked RS to make the necessary amendments to the Scheme documentation.

Meeting ended at 12.35pm