
From: Ranvir Singh
Sent: 25 March 2008 11:32
To: 'George Busfield'
Subject: RE: CONFIDENTIAL SUMMARY FOR YOUR RETURN (RE: RAN - THE FINAL COUNTDOWN)

Sensitivity: Private

Mate – tried you on both the numbers below but no answer.

Can you ring me 07920196260 so we can sort out stuff with you me and matt

My advice would be to come down on thursday

From: George Busfield [mailto:george.busfield@uk.ibm.com]
Sent: 19 March 2008 03:46
To: Ranvir Singh
Subject: CONFIDENTIAL SUMMARY FOR YOUR RETURN (RE: RAN - THE FINAL COUNTDOWN)
Sensitivity: Private

Ran - For your information Only. (important -please read comprehensively)

Welcome back... not sure if you saw emails whilst away (on holiday!)- If not then I am sure you will be perusing your inbox with joy to see chapters of discussion that have been occurring....;-)
Anyway to try to help out and in response to Sonny's email of today (effectively formal proposal for resolution) **here is brief summary of position with my views & advice to help you reach decision(s):**

Once you have had chance to digest information herein - give me a call so we can clarify / share thoughts - as stated I will support your decision(s) and advise and views below only for your consideration / support.

Summary for RS - Re RAN Ltd Restructure March 2008 (GB Views & Opinions)

A. Non Issues - principles already agreed

1. **MGN** - Believe all parties agreed as resolved - RAN Ltd buys MGN Shares at 70k and and MGN loans back 20k at 10% interest - repaid over 12 equal installments. MGN resigns.
2. **GB** - As already agreed by RS & GB (70k with RS & MC pro rata ransfers = 5% (original - as half 'sold'), 3.27% (GB dilution effect pro rata gain), 2.77% (RS gift - thank you), 13.87% (GB held with all returns to RS but option to buy) creating 25.36% voting rights)
3. **GB NOTE** - If, as a result of below issues / decisions made, SHL not dilute below 20% then GB will dilute share holding pro rata in agreement with RS wishes
4. **GB NOTE 2** - SNE has confirmed support for Transfers (cool) - but also, GB Advise RS to consider preferred solution for RS to fund £70k (RS/GB) in concluding on following decisions / options....
5. **STA HR** - Assume RAN Ltd will not use - GB confirms agreement if so.

B. DECISIONS / NEGOTIATIONS REQUIRED BY RS (primarily with SHL / SNE)

1. For SHL not to be diluted it requires that STA Finance and office services are maintained on 6 month notice - DO YOU WANT TO BUY OUT STA TO 19.99%? - Advise Consider:

- Pro to 'NO' STA Dilution - RAN Ltd retains Bank Balance, RAN Ltd retains STA Finance Support allowing RS / MC to focus on product/business (albeit has proved time consuming in past?)
- Pro to 'YES' STA dilution - Removes potential conflicts re Merger, Increases RAN Ltd flexibility, Provides possibility to reduce monthly costs whilst Increasing productivity/support by having 'RAN Ltd Finance', Increases value inherent in RAN Ltd in its own right by increased Staff pool, New Financial Year = good time to integrate new finance staff, **NO** 6 month notice periods required (1 month adequate)
- *GB ADVISE - IF opt for RAN Ltd to recruit finance personnel then suggest Sonia / GB support setup of RAN Ltd accounting processes to comply with current / improved Mgt information provision and allow cost effective (i.e. relatively junior) person to be recruited. (advocate Accountancy graduate and sponsor through qualification) - Audited Accounts must be maintained to retain value in business and support of any future debt / Buyout exercises. GB/ Sonia to support Finance recruitment if RS agreed (advise good idea!!)*

2. IF RS decision is to Opt out of STA finance etc and dilute SHL - HOW DO YOU WANT TO FUND SHL DILUTION OF £140k? - Advise Consider:

Current bank £166k (per MC)

MGN Buy Out -£50k (net loan back etc as per SNE email and agreed by all)

Remaining Funds £116k

'Float' Required £30k (To be safe)

Remaining Funds £86k

SHL Requirement £140k

TOTAL LOAN REQ'D £54k

KEY POINTS OF NOTE

- £70k still required to GB - GB had suggested RS was allowed to 'sell' 5% to RAN Ltd to raise this without external parties - was not welcomed but poss RS could agree in negotiation with SNE for squawk service....
- GB spoke to and clarified debt financing availability with Lloyds - 99% sure external financing would be available to RAN Ltd (particularly easy if SHL becomes a paying client)
- Other Debt Financing may (likely) be available (RS - discuss with GB) to enable RS or RAN Ltd to buy out SHL without requiring SHL loan (Thereby removing 'goodwill debt' to SHL if they loan funds and reducing SHL negotiating position re the following point)
- GB note SNE / SHL final proposal for Buy out is unequitable and overly costly to RS and RAN Ltd, in addition to not (easily) providing RS with funds to close GB - **GB would 'argue' ideal solution for RS and RAN Ltd would be equitable solution for SHL together with fund raising for RS and goodwill all round to support "the greater good"**.
- IT IS IMPERATIVE FOR THE POTENTIAL MERGER THAT RAN Ltd FINANCIAL STATEMENTS LOOK AS STRONG AS POSSIBLE SO AS TO ENABLE US TO NEGOTIATE THE BEST DEAL IN THE MERGER NEGOTIATIONS - SHL Revenue and / or any Loans will have a material impact upon them and therefore the outcome of discussions with SHL are highly important.
- GB will support whatever conclusion reached by RS and has stated his concerns in previous emails to SNE (but also stated he will support what is agreed between RS & SHL in interests of goodwill) AND GB is happy to attend meetings with SNE and RS as requested in order to support negotiations.

COSTS TO RS & RAN Ltd in SHL Buyout Proposed:

1. No £70k funding for RS to facilitate GB Close
2. Cost of Buyout = £140k (OK) Plus 2 years free squawk (Value = £108k) Total Cost = £248k for 10% Vs MGN Cost = £70k !!!!

GB ADVICE (re options & negotiations) TO RS:

Mate - I would suggest that you negotiate the best deal possible with SNE - I think it is important to retain goodwill whilst ensuring a fair outcome - I would argue that the following possibilities would be more reasonable / equitable.

1. SHL dilution in return for no cash BUT free squawk for life (undiscounted for RAN Ltd business risk perpetuity value = £700k plus to SHL)
2. SHL dilution in return for £86k and 1 or 2 years free squawk (value 54 or 108k) = Total Value = £86k + £108k = £196k = no loan on b /sheet or P&L and gives SHL goodwill to value of 54k.
3. Raise external Debt (54k (or 54k plus the GB 70k) to pay SHL £140k AND SHL then pay full value for squawk from tomorrow - repayments will be far lower than revenue generated from SHL
4. Raise SHL Loan 54k plus 70k (and agree to RS sale of 5%) = 124k, RAN Ltd then repays £140k to SHL with 1 year free squawk as goodwill

REMEMBER - SHL and SNE need YOU - so be fair but do not allow yourself to be rail roaded - as stated I am happy to help via phone or in meetings (with these / merger financials) as you wish and will support whatever outcome you reach as long as you haven't lost your mind somewhere along the way....

Hope this is clear and look forward to speaking to you soon - **Note** - lost my mobile so best to try me at home / new house on 01785 813046 OR 01785 818554.

Cheers
G

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"Sonny Schneider"

18/03/2008 18:54

To "Steve Morgan" , George Busfield/UK/IBM@IBMGB, "Matthew Cheung" , "Ranvir Singh"

cc "Ronny Munster" , "Sonny Schneider"

Subject RE: RAN - THE FINAL COUNTDOWN

GB, Ran, Steve and Mat (RM - one question for you below)

Noting clocks and the GB MAIL 2 mail. Please review the below and confirm and we can execute. I have not been excessively verbose, but have been I believe sufficiently detailed to power this noting capitals;

All - I note that most of this is / will be as expected, has been agreed vaguely verbally or in some case will already have been agreed via email, but I am trying to be precise, so please follow through, reply all and revert etc. As soon as all points are reverted on we can then close. **FYI**

Ranvir / MGN - Ran Limited (RAN) buys MGN shares for 70k GBP. RAN and MGN confirm acceptance to this. **PLEASE CONFIRM**

Ranvir / MGN - MGN lends RAN 20k at 10% pa interest, payable in 12 equal installments starting April 2008 and ending March 2009. RAN and MGN confirm acceptance to this. **PLEASE CONFIRM**

MGN - MGN resigns as a Director. **PLEASE CONFIRM**

GB / MAT - shout if you dis like or have a problem with the MGN bits as either stakeholder, staff, director or shareholder, else confirm all good. **PLEASE CONFIRM**

SNE - If confirms above then power at RAN cost via Comp Sec. **ON HOLD**

Ranvir - noting wife promotion et al, I have spoken to RM and net net if you wish to use STA Finance for Management Accounts you can, however due to staff resignation STA must re hire and as such we need further notice over and above STA's usual month in this regard. Therefore consider this, talk with powers that be and confirm if you wish STA to continue to provide this service. If yes then all good and we can do it on 6 months notice, if not all good and we will cease, noting lack of resource and no rehiring therefore as of COB April. **PLEASE CONFIRM IF RAN WILL USE STA MANA ACCS?**

Ranvir - as per STA Finance, please confirm if you will wish to use STA Finance for 'additional finance work and credit control etc' **PLEASE CONFIRM IF RAN WILL USE STA FIN ADD SUPPORT?**

Ranvir - as above re HR, but no staff hiring required, so simply put, will RAN wish to use STA HR services. **PLEASE CONFIRM IF RAN WILL USE STA HR FOR HR ETC?**

RM / Ranvir - I think that if RAN confirms Mana Accs and Additional Support then it probably makes sense that Ranvir has a hand in the hiring / vetting the new resource and as such assuming RM is fine with this, if you confirm yes to the above then I will ask that he involved you etc. **RM PLEASE CONFIRM IF RAN WISHES TO USE THE RELEVANT SERVICES**

Ranvir - Obviously it is easier for STA to provide above services so if you confirm you want them then RAN needs to stay on site outwith of my suggestion for this; if not then we need to confirm (noting Bloomy liabilities etc) how long RAN will be on site. I simply suggest 6 months notice as per above services. **PLEASE CONFIRM AGREEMENT**

Ranvir - If you take the STA Finance Mana Accs and Additional Support services then I can keep RAN consolidated and as such no need for SHL to dilute. Even if you take the services I am still happy to dilute as originally discussed. So if you don't take them I have to, if you do then I will or won;t subject to what you tell me to do; please revert to below therefore with this in mind. **FYI**

Ranvir - If SHL must deconsolidate oco you want SHL to reduce then SHL will take 140.01k cash and reduce its shareholding to 19.99% etc. **PLEASE CONFIRM RAN WILL PURCHASE SHL SHARES**

Ranvir - If RAN buys some of SHL shares, then SHL will lend at least 40k to the firm on the same terms as MGN above or more subject to leaving sufficient cash in the firm to live up to its known obligations and provide at least a 20k float (so I guess between 40k to 100k). **PLEASE CONFIRM (obviously if no dilution no loan required etc)**

GB / MAT - shout if you dis like or have a problem with the SHL shares / loan bits as either stakeholder, staff, director or shareholder, else confirm all good. **PLEASE CONFIRM**

SNE - Power above when have answers at RAN cost. **ON HOLD**

GB / Ranvir - you deal with each other. If however GB is taking equity then I have no issue and will facilaite as best as I can for you and or MAT to dilute in his favour to whatever level you tell me. **PLEASE CONFIRM WHAT I HAVE TO DO TO FACILIATE THIS**

Ranvir - STA will pay for sheets as per the mail to Shaun / Mat in this regard or not as the case maybe (i.e. normal Ran terms and Ran gets its 1/3rd etc). **FYI BUT ON ANOTHER MAIL AND NORMAL BUSINESS REALLY**

Ranvir - Although previously agreed at better etc, net net STA pays for voice service as of April 2010 (i.e. another 2 years free squawk) and will define pricing post 2010 when balance is done (so no last minute issues - i.e. aka like the Martin Broad chats etc) and will define STA clients etc> **PLEASE CONFIRM PRINCIPLE**

GB / MAT - If you have issues with above please list. **PLEASE LIST**

SNE - Finalise April 2010 STA squawk pricing. **ON HOLD**

SNE - Define STA client etc. **ON HOLD**

I think this defines it all all. If people can revert only where required to speed my reading / reply process I will get this processes asap etc so those left can get on with moving it forward etc

Sonny

From: Sonny Schneider

Sent: 11 March 2008 18:52

To: George Busfield

Cc: Ranvir Singh; Steve Morgan; Matthew Cheung; Sonny Schneider

Subject: RAN - THE FINAL COUNTDOWN

George

I saw the missed call and will try to call on my way home etc. Net net this is basically sort of new, the whole RAN buys RS shares so RS can give you cash. RAN only has 125k of cash when I last saw it (6 weeks back) and as such it is not liquid enough to deal with MGN and SHL reduction without SHL loan which I am prepared to do, but not as per below. Net net I think it looks like this; albeit in bullet point;

- Ran on behalf of RAN settles on a price with MGN and a payment plan (all cash now or some now and some as a loan etc - I will deal with the details of how when Ran and MGN agree principles). Expected range is 50k to 75k, with a backstop of circa 62.5k in my head and an MGN expectation of 75k
- SHL will then take the same price that Ran and MGN deal at to reduce its stake down to 19.99% as discussed
- RAN will not have enough cash to meet its cashflow and running costs / cushion and be able to do this so SHL will lend, secured against the firm, with a personal guarantee I guess behind it (although this is the first time I have mentioned that bit so if Ran says no then I say ok) enough cash to meet the 2 repurchases payments and leave the firm with 25k of cash. The loan will be interest bearing, payable in monthly instalments at an interest rate of, say, 7.5% as calculated by GAAP etc
- MGN will resign as a director
- SNE will resign as a director if asked at this point, but may not if asked at some future point (i.e. Ranvir has a decision at this point in this regard)
- GB is a director and will either take 10% or 130k and this is between Ran and GB and opaque to the firm
- In future if RAN says that he wants to transfer 10% of his (or his and Mat's holding) to GB SHL will not block or play with this melon and will expediate this to the best of its ability
- I will provide advise when requested and continue to beaver and look for angles and intro's
- I had expected on day one to reset the clock and get another 2 years free service; this then mutated, in public, to forever. I would, for obvious reasons, like forever, I will accept, subject to bilateral conversations between Ran and I, less than for ever, but more than 1 year. For Ran and SNE to deal with
- Ran will let me know before too long if he wants STA HR, STA Mana Accs and STA credit control. Once agreed they will be on a lot longer than a months notice (Ranvir understands why; AND then I have to get HR and FIN to agree (and re hire staff etc))
- RAN will stay on site for at least 6 months (again this is not a formal point, but something I have been saying for a while - again if Ran wants out, then I concur and I expediate it)
- Recent desk increases I discount to remove the addition cost (again an STA to Ranvir point)

I could have and had intended on writing this more formally but what with the emails back and forth and the missed calls I thought it prudent to splurg my thoughts

Ran - please share your thoughts

MGN - unless you have something burning to add, then I guess you are cool with this

GB - I am hoping you are call with this as well

If I get a Ran reply saying something along the lines of "generally this is cool" then I will formally send this assuming no "UN COOLS" from Steve or George

Sonny

From: George Busfield [mailto:george.busfield@uk.ibm.com]

Sent: 11 March 2008 04:20

To: Sonny Schneider

Cc: Ranvir Singh; George Busfield; Steve Morgan; Matthew Cheung

Subject: RAN Ltd restructuring - final solution? (with attachment this time)

Son,
(others FYI in this new era of transparency!!)

As promised I met with Ran last night (Sunday) and we agreed a way forward regarding ourselves and accounting for others requirements.

I therefore believe that myself, Steve and Ran are happy with the approach attached and described herein - the / your aim I believe (albeit subject to final figures re exact buyout prices being agreed by you, Steve & Ran.)

Following my conversations with you this evening, I note that we (you and I) had a slight conflict of interests in terms of what is equitable regarding the SHL buyout, therefore I attach a proposal that I hope satisfies your requirements, in benefiting SHL, whilst also supporting RAN mutually.

In summary the attached spreadsheet illustrates the following steps and assumptions that I hope can be agreed by yourself so that the issue can be concluded.

1. RAN Ltd raises £200k debt financing to enable the restructuring (PREFERABLY via SHL / STA as opposed to externally - **see mutual benefits highlighted below** and on attached)
2. RAN Ltd utilises funding (made up of loan and some bank funds) to immediatly buy back shares from SHL and MGN (price tbc) -
3. RAN Ltd utilises funding (made up of loan and some bank funds) to buy back 5% shares from RS to enable finalisation with his external agreements
4. RAN Ltd provides SHL with its squawk service in perpetuity as repayment of the loan (Value of loan = £200k, Value of Service to SHL in perpetuity = £771k - therefore offering SHL (and RAN) benefits)
5. You/SHL/STA - then allow/agree/enable RS and MC to settle external obligations by allowing the transfer of shares as agreed between GB and RS.

PLEASE NOTE - 360 Benefits of Approach

- SHL receives service in perpetuity - offering significant increased value to SHL over time (compared to the monetary value of the loan)
- SHL's retains its asset value by creating a debtor on its Balance Sheet (written down over time - e.g.illustrated 5 year equivalent)
- SHL retains the majority of its cashflow as £140k (tbc) is immediatly repaid to SHL via the buyout and SHL has no liability to pay for the RAN service in the future (i.e. post 1 year cashflow restored to almost 100%)
- SHL and RAN benefit from tax efficiencies in this approach (equivalent to the tax shield offered by debt financing)
- SHL no longer required to consolidate
- RAN Ltd retains liquidity with funds in the bank account
- RAN monetary liabilities remain affordable
- Allows the process to be concluded so Management time is re- established to focus on SHL and RAN Ltd growth as opposed to external financing / ongoing debates regarding restructuring
- Allows MGN and others to be bought out in the near future and prior to year ends

- *Calculations have incorporated the movement in whole shares (i.e. fractional movements have been rounded but final % positions are accurate to achieve the aims specified by all)*

Please get back to me / all as soon as you can if this is agreeable - as it obviously depends on your agreement.

- If there are reasons that you do not believe this to be the best way to enable the restructure then perhaps the best 'next step' would be to define and agree variations to this theme OR an alternative (better?) approach with RS in terms of facilitating / financing the buyouts and the equitable provision of the RAN service to SHL.

Albeit I believe that to 'get everyone happy' any potential solution needs to incorporate:

- SHL buyout to reduce holdings to sub 20%
- MGN Buyout for cash consideration (albeit believe MGN is amicable to "long term payment plan")
- RS 5% Buyout for cash consideration so as to enable him to conclude his external obligations as has been agreed recently
- Avoidance of 'crippling' financial obligations on RAN Ltd

If you can achieve that outcome by your agreement to the above/attached proposal **OR** by a better alternative then I think we should be there as everyone else has now concluded on their positions. Whichever route is used to find a / the solution, I think we all just look forward to finalising it so we can conclude and move on to bigger and better....

Know you are stacked but appreciate it if you can get back to me/all asap - give me a call if I can clarify anything.

Best Regards

G

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Attached files: 0

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