
From: Sonny Schneider
Sent: 17 March 2008 12:25
To: 'George Busfield'
Cc: Ranvir Singh
Subject: RE: GB MAIL 2 - RAN Final countdown

I will send the Final Count Down mail around in light of all this in a second (being when I next get 5 minutes to type), but have added comments below

Son, Ran, HI

Have not included cc's to avoid adding complication at this point - In response to Sonny 'splurge', would love to reply, "yes - agreed 100% ", but few comments - made with good intent - please receive them as such. OK

Hence, my response to your proposed solution is bulleted below. But in reading points stated I ask you to:

1. Consider position you would support in your capacity as RAN (not SHL) director (and if conflict of interests SHL/RAN - then position truly see as fair in your capacity as human being) **AGREED. I HAVE TRIED TO CONSIDER AS SNE, SHL, RAN, GB AND MGN**
2. Remember your comments "I just want everybody happy" and "I don't want an economic upside" - All now happy bar finalising position with SHL & related funding solution **OK**
3. **Acknowledge my views here are only in an advisory capacity as to what I see as fair - having agreed my position with RS I have no personal interest/gain in outcome bar I may be a shareholder in the future. Ultimately, agreement lies between you & RS - and whatever you agree I will not attempt to block or jeopardise - however, I will offer my advice and opinion as to what I see as correct / fair (albeit you/others may be able to illustrate why it may be incorrect/unjustified) UNDERSTOOD**

Response / Comments / Queries:

- It facilitates the cash buyouts of MGN and SHL - but not RS (regarding his external obligations) - **are you categorically unwilling to loan to support RS in his selling shares to raise funds? I WAS PLANNING ON LOANING CASH TO THE FIRM TO ALLOW IT TO HAVE A FLOAT AND AFFORD TO REDUCE SHL AND BUY MGN OUT. RAN HAS TOLD ME THAT HE CAN MAKE GOOD HIS OBLIGATION TO GB WITHOUT ASSISTANCE**
- If so RS will have to personally raise funds required to settle external obligations but benefits from the Company buying SHL and MGN shares so has not had to raise personal cash for these much larger sums. **HE CAN, FROM WHAT I UNDERSTAND, GIVE GB 130K OR 10% OF HIS SHARES OCO THE ECONOMICS OF THIS**
- **Ran Query** - can you reconfirm that you are OK with this?
- **Son Query** - If RAN Ltd buys back SHL shares it must buy more shares than if SHL was selling to an external investor due to the dilution effect - is SHL requesting funds equivalent to an external buyout or the full pro rata amount for an internal Buyout - figures would be £118k or £166k for 126 shares (compared to 90 if externally done)? **ASSUMING 100 SHARES ON DAY ONE THEN SHL HAD 30; MGN TAKING 5 REDUCES SHL TO 28.5. IF FIRM BUYS MGN OUT THEN SHL HAS 30 SO NEEDS TO SELL 10.1 TO BE UNCONSOLIDATED. HOWEVER THERE IS A SUGGESTION NOW THAT RAN WOULD ACTUALLY LIKE SHL TO DO HR AND ACCOUNTS AND CREDIT CONTROL NOTING WIFE GOT PROMOTION SO IF STA DOES THIS THEN I DO NOT NEED TO UNCONSOLIDATE. AT RAN'S CHOICE I GUESS. MAIN MAIL WILL ASK THIS IN A SECOND**
- **KEY POINT** - Buyouts are going to be expensive for RAN Ltd - impacting the P&L (loan), Balance Sheet (cash & debtors) and cashflow and therefore RAN Ltd will be in need of every penny of revenue that it can achieve - particularly given value in RAN's P&L & B/Sheet may soon be of critical importance. Therefore I struggle to understand how the provision of free squawk without compensation is equitable/ fair or the correct fiduciary decision for a director of RAN Ltd, **especially as the buy back process requires all directors to submit a**

declaration to Companies house as to the ability of the company to continue as a going concern / not risk insolvency. FROM WHERE I SIT IT IS EQUITABLE AND FAIR; NOT LEAST AS THE FIRST SUGGESTION AT JAN (NOT OFFERED TO RAN ETC) AMOUNTS TO RE SETTING THE CLOCK WITH REGARD TO HOLDBACK ETC FOR RAN AND MAT AND THUS SQUAWK FOR A FURTHER TWO YEARS. I HAD ASKED RAN FOR A FREE SQUAWK AND HE HAD SAID YES. I HAVE SUBSEQUENTLY ASKED RAN AGAIN AND WE HAGGLED FOR A FEW SECONDS AND GOT BACK TO 2 YEARS FROM FOREVER (WHICH HAD ALREADY BEEN AGREED).

- i.e. How is the following equitable given that any loan from SHL could be achieved externally (albeit with less ease) and the repayment terms are at market value?:

MGN sells **53 shares** & Receives **£70,000**

SHL sells **a) 90shares** & Receives **£118,868 plus squawk (1yr =54k) OR b) 126 Shares & £166,415 plus squawk (1 year = 54k) plus loan coupon at mkt rate**

where a) relates to external buyer and b) relates to buy back by RAN Ltd (thereby share purchase must override dilutionary increase SHL would receive)

and Cash in itself represents 40% return for Steve on 5% and a 186% (at £118k) or 260% (at £166k) return for SHL on initial investments (assuming SHL paid £190k for 30% as to the best of my recollection)

I DOUBT RAN CAN RAISE FINANCING FROM ANYWHERE AT THIS MOMENT IN TIME

Surely 'fair' position on this is each party receives the same - so once cash settlements have been made pro rata, SHL would pay for the squawk OR PERHAPS MORE PREFERABLY FOR BOTH PARTIES receive it free in repayment of the loan debt? (assuming SHL provides loan debt) - or am I missing something a key point here? - **Comment? THE PROVISION OF LOAN FINANCING FROM SHL TO REMOVE MGN (AND SUBJECT TO RS OPINION NOW RE ACCOUNTS ETC) AND REDUCE SHL WHILE LEAVING THE FIRM WITH A CUSHION THUS REMOVING RAN REQUIREMENT TO RAISE CIRCA 500K AND DILUTE TO OTHERS WAS I THOUGHT MORE THAN 'NICE'**

Son - Additional Queries for your clarification.

- Am I correct in assuming that is SHL provides the loan it is to the company and not to Ran personally? (I assume he won't want loan debt personally nor under personal guarantee) **AGREED**
- Over that period do you envisage repayment of any SHL loan or do you see it as an interest bearing loan only? **1 YEAR, REPAYMENT AND INTEREST**
- Are you committed to the reduction of your shareholding to 19.9% at this point given that it is obviously cashflow costly for the firm and that any potential future deal may well see it diluted / removed anyway? **HENCE THE REASON FOR THE LOAN AS IS HARD FOR THE FIRM TO DO THIS. BUT IF RAN WANTS SHL TO STAY AT 30 NOTING ACCOUNTS THEN JUST MGN TO DEAL WITH**

Hope comments made are clear, Sonny please try to consider position from a RAN Ltd perspective as well as SHL - would appreciate it if you could both get back to me with clarifications/ confirmations asap. **OH, I HAVE THOUGH I reiterate I will support (within reason!!) ultimate decision between RS and SHL (also in regard to back office points) but will provide opinion with support and advice as required. KOOLIO**

Look forward to hearing your responses and hope that this really of the final countdown (fantastic song by the way...) **SORRY FOR USUAL DELAY. HOPEFULLY A FINAL MAIL IN A SECOND TO FOLLOW**

Regards

G

"Sonny Schneider"

11/03/2008 18:52

To George Busfield/UK/IBM@IBMGB
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?**

- 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 **for 8.5% net / gross value regarding dilution**
- 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 **declaration required - draw on RAN Ltd needs to be watched**
- 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) **RAN decision**
- GB is a director and will either take 10% or 130k and this is between Ran and GB and opaque to the firm **done - Already agreed**
- 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 **done - agreed -**
- **TWO ABOVE POINTS TO BE TRANSPARENT**
- I will provide advise when requested and continue to beaver and look for angles and intro's **good**
- 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 **why? key issue on equitability and negative financial impact on RAN Ltd**
- 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?**
- 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) **Ran?**
- Recent desk increases I discount to remove the addition cost (again an STA to Ranvir point) **Ran?**

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 **no reason Steve can't just be bought out**

GB - I am hoping you are call with this as well **trying to get there!!**

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 immediately 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 immediately 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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