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BCCI SA

**Subject to Contract
Without Prejudice Statement of Intent.**

Proposed Settlement with Worldwide Employee Population.

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1 THE PURPOSE OF THIS DOCUMENT

- 1.1 This document is without prejudice and subject to contract and has been agreed between: (1) Messrs Qaiser M Malik and Mohammad A Qayyum, joint coordinators of the BCCI Campaign Committee Former Employees ("the Campaign Committee") and (2) Dr Adil Elias, a creditor of BCCI SA and a member of the Luxembourg and English Creditors' Committees. The paper has been prepared as a result of meetings and discussions held between Dr Elias, his advisor and the Campaign Committee. The purpose of this document is to set out the basis of a framework to permit resolution of claims and litigation brought by and against members of the worldwide employee population of BCCI. It is intended that the framework set out in this document will form the basis for further detailed discussions with a view to establishing a final and permanent resolution of matters relating to the worldwide population of employees.

2 THE CAMPAIGN COMMITTEE AND ITS ABILITY TO DELIVER A SETTLEMENT

- 2.1 The Campaign Committee has been the only active group of employees involved in litigation. It holds over 600 mandates from employees including in its ranks the more senior employees of BCCI with large claims. It is the driving force behind the UK litigation. It was behind the withdrawal of the Luxembourg Appeal and Staff Benefit Trust litigation settlement in 1995/1996. The Campaign Committee believes that it is in a position to influence a minimum of 80% of worldwide employees by value of claims and is therefore in a position to deliver closure in respect of the proposed settlement with the worldwide employee population who have outstanding claims and pending litigation. This includes groups in other jurisdictions and the wives who have a joint interest in the family home. An escrow arrangement explained later in this document explains how all relevant funds would be held in escrow until such time as releases have been obtained from at least 80% by value of claims from employees on an agreed schedule.

3 BCCI EMPLOYEES

- 3.1 When the BCCI Group closed down on 5 July 1991, there were believed to be 12,000 worldwide employees. Of these 1,250 were believed to be on the UK payroll and 900 were employed within the United Arab Emirates (UAE).
- 3.2 As at 5 July 1991, approximately 1,892 employees and former employees of BCCI SA were said to owe an aggregate sum of £53.5m by way of staff loans recorded in the loan books of the English branches. Interest is claimed in

addition to this amount. As at July 2000, approximately 1,500 of these 1,892 employees are said to have made repayments totalling in aggregate some £35m. 1,100 are reported to have reached a settlement in relation to all of their staff loans whilst over 100 are said to be continuing to make repayments.

- 3.3 There remain 557 employees with staff loans outstanding. The aggregate value is stated by the Liquidators to be £52m.
- 3.4 Of the 557 employees with outstanding staff loans, 206 said to owe £32.1m have been sued by the Liquidators in England and form part of the case management process. Those employees have raised defences and have submitted claims.
- 3.5 176 said to owe £1.9m have not been sued but are within case management because they have submitted claims.
- 3.6 The remaining 175 said to owe £18.4m are making repayments or owe small amounts.
- 3.7 According to the liquidators the book value of outstanding loans after adjusting interest rates from BCCI contractual rates to commercial rates is approximately £40m. The aggregate amount representing the lesser of the outstanding loans at market rates or the value of security (on a "drive past" basis assuming no documentation defects or wives' interests) is £25m.
- 3.8 There are staff loan books in other jurisdictions, mainly Cayman.
- 3.9 In the UK an aggregate of some £360m of employee claims remains outstanding by some 1,581 employees. Of this 1,581 employees, a total of over 1,000 have lodged claims for stigma/misrepresentation/Staff Benefit Trust, claims based on premature termination of the employment contract amounting to an estimated £340m. The Liquidators have rejected proofs of debt for most of these claims and only approximately half are pursuing claims in the liquidation and form part of case management. The employees commenced litigation when they were sued by the liquidators but so far no major claims have been resolved after incurring substantial legal costs and delays. The loan employees in the main do not admit any indebtedness in defences filed against BCCI's claims.
- 3.10 30 or so employees have issued proceedings in Pakistan in relation to a wide number of claims in defence of suits filed by the Cayman Liquidators.
- 3.11 In May 2000 two new claims were received from Pakistan, the BCCI Overseas Staff Association, and Mr I Nizam a former employee. These claims are for: (a) US\$250m in respect of BCCI Employees Provident Fund. This represents the fund value of US\$39m plus investment income at 15%; (b) US\$1bn in relation to BCCI and ICIC Staff Benefit Trusts on behalf of all beneficiaries who are not a party to the 1996 settlement. In February 2001 Mr M A Qayyum has lodged a claim for US\$250 million in the matter of the Provident Fund to litigate this in the UK for the BCC Overseas Committee.

4 THE HEXAGON WELFARE TRUST AND THE TRIANGLE LOANS TRUST

- 4.1 The Hexagon Welfare Trust and the Triangle Loans Trust were established in 1996 as a result of a settlement with the Campaign Committee. BCCI Overseas paid US\$40m to the Hexagon welfare Trust, US\$10m to the Triangle Loans Trust in addition to US\$20m contributed by a third party. The Triangle Loans Trust holds pursuant to terms that US\$15m is to be paid to worldwide Liquidators of the BCCI group to assist in settling outstanding staff loans and US\$15m is to be distributed to employees who had mortgages with other lenders but with BCCI subsidies and to those who have made repayments of outstanding BCCI staff loans. The terms of the Triangle Loans Trust Deed will be relevant to the settlement proposed in this Paper.

5 THE NEED FOR A SETTLEMENT WITH THE WORLDWIDE POPULATION OF EMPLOYEES

- 5.1 The advantages of a settlement with the worldwide population of employees are obvious. It is the ideal solution. The main reasons are as follows:
- (a) Substantial provisions currently being held within the liquidation will be released enabling further dividend payments to be made to creditors.
 - (b) Further costs and expenses to the liquidation (which has already cost US\$1.1bn) will be saved.
 - (c) As far as the litigation in England is concerned, there is no end in sight. The liquidation will be in its eleventh year on 5 July 2001 and many creditors and former employees are growing old waiting for a final dividend.
 - (d) Many former employees and creditors are suffering financial hardship. Settlement will ease these financial burdens.
 - (e) Mediation has already failed and, if it has not been possible to come to a conclusive settlement after 18 months, the matter seems destined to drag on interminably through the court system.

6 THE PROPOSED SETTLEMENT - THE BASIC FRAMEWORK

- 6.1 The basic framework for the overall settlement is simple. It is proposed that a third party (a creditor who has already been identified) will procure releases from a minimum of 80% by value of employee claims from an agreed schedule and that in return for the procurement of those releases the Liquidators will transfer the entire outstanding loan books (which will include other staff

indebtedness) to the third party. There will be no cash payment for the transfer of the loan books. The consideration received for the transfer of the loan books would then be the value of the claims which are the subject of the releases procured by the third party from the employees on the agreed schedule. The third party would then enter into a separate agreement with the Trustee of the Triangle Loans Trust (such agreement to be facilitated by the Liquidators) which would enable the Trustee of the Triangle Loans Trust to purchase the loan books for US\$15m. The third party will make a significant contribution in order to increase the fund. The third party will be prepared to make a significant additional contribution because the settlement will facilitate a significant further dividend payment by the Liquidators. The third party will then be responsible for distributing the fund to former employees on terms to be agreed between the third party and the Campaign Committee. The Liquidators will play no role in the distribution of those funds, thereby removing pari passu problems.

- 6.2 Neither the third party, the Trustee of the Triangle Loans Trust, nor the Liquidators will seek to recover any further outstanding loans and indebtedness from employees.
- 6.3 Any distributions to employees by the third party would be strictly subject to a condition precedent of a minimum of 80% by value of claims of worldwide employees from an agreed schedule releasing their claims against the liquidation by a longstop date.
- 6.4 The Liquidators will give mutual releases to all former employees, withdraw any outstanding claims with the exception of certain stipulated claims being pursued against former employees for fraud.
- 6.5 The criteria for distributions by the third party from the fund made up of US\$15m plus the significant contribution from the third party will be agreed between the third party and the Campaign Committee.
- 6.6 Former employees pursuing proprietary claims for provident fund entitlements may, subject to the rules of the third party fund be compensated by the third party for amounts claimed in excess of the aggregate dividend percentage payment on the proprietary claim.
- 6.7 Former employees adjudicated or admitted claims for end of service payments may be assigned to the third party. Any payments that may be made by the third party for such assignments will be subject to terms to be agreed between the third party and the Campaign Committee.
- 6.8 All assets of former employees that have been the subject of freezing injunctions will be released, save for certain specified ongoing litigation in respect of fraud.

- 6.9 The third party will be responsible for the costs and expenses of retaining such persons as it deems are necessary in order to assist the Campaign Committee to secure releases from employees within the longstop date.

7 THE ESCROW PERIOD

- 7.1 Obviously the Liquidators will not wish to surrender the loan books and grant releases unless a minimum number of specified creditors by value (at least 80%) surrender their claims. It is proposed that a schedule of employees and amounts claimed by each of them be drawn up and agreed between the Campaign Committee, the Liquidators and the third party and that until such time as releases have been obtained from 80% by value of those employees, the third party will hold funds received from the Triangle Loans Trustee and the additional funds in escrow. The escrow arrangement would be that if by the agreed longstop date (it is suggested that this be a minimum of 5 months from the execution of the agreement) the minimum number by value of employees have not signed releases then the agreement will be cancelled. The US\$15m would revert to the Triangle Loans Trust, the additional funds would revert to the third party, the loan books would revert to the Liquidators and the releases by then obtained from individual employees cancelled and of no effect. There should be provision for extension of the longstop date by mutual consent.

8 LITIGATION COSTS

- 8.1 As far as the costs of all litigation are concerned it is proposed that the parties should bear their own costs and that existing outstanding orders for costs should not be enforced, save that the Liquidators will indemnify legally aided employees in the event that they are held by virtue of the settlement to have recovered or preserved property in the relevant proceedings to which the statutory charge would apply or are held to be otherwise obliged to the legal aid fund. Any individual on the employees' schedule who does not wish to accept a settlement would have to bear their share of the litigation costs.

9 NEW EMPLOYEE CLAIMS

- 9.1 The Campaign Committee will use its best endeavours to secure the release of all employee claims and will undertake not to assist any other employees to pursue claims in the future.
- 9.2 The Legal Aid Board would be notified of the settlement so as to discourage them from granting Legal Aid to any employees who may wish to pursue any litigation in the future.

10 LONGSTOP DATE FOR ESCROW AGREEMENT

- 10.1 The proposed longstop date by which time the releases of 80% by value of the employee population worldwide must be obtained would be 31 October 2001.

11 EMPLOYEES WHO HAVE REPAID LOANS IN WHOLE OR PART

- 11.1 The Liquidators would have responsibility for any claims made by employees who have repaid loans in whole or part and who claim to have been dealt with unfairly as a result of this settlement. These employees may be entitled to a payment from the Triangle loans trust.

12 COMMERCIAL BORROWERS

- 12.1 In the unlikely event that commercial borrowers were encouraged to pursue claims as a result of this settlement the liquidation would have responsibility for those claims.

13 EMPLOYEES WHO RECEIVED A MORTGAGE SUBSIDY WITH THIRD PARTY COMMERCIAL LENDERS

- 13.1 Employees who received a mortgage subsidy with third party commercial lenders would be dealt with in the same manner as employees with BCCI loans.

14 TIMETABLE FOR FINALISING A SETTLEMENT

- 14.1 It is proposed that the parties will have until 6 April 2001 for internal discussions concerning this document. From 6 April 2001 to 30 April 2001 negotiations will take place between the Liquidators, the third party, the Triangle Loans Trustee and the Campaign Committee and by 30 April 2001 a draft settlement document will have been produced. This draft settlement document will include a draft schedule of employees and amounts claimed by those employees in the liquidation. This schedule will initially be produced by the Liquidators. From 30 April 2001 to 11 May 2001 further discussion will take place between the parties on the draft settlement document and by 31 May 2001 the settlement document will be finalised and executed. The releases must then be procured by the longstop date 30 October 2001.

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14.2 Pending the longest date of the procurement of the requisite releases insofar as possible the Liquidators and the Campaign Committee are to agree to a standstill arrangement on all litigation from 6 April 2001.

15 CONCLUSION

15.1 The Campaign Committee and Dr Elias believe that this document should now form the basis for detailed discussions involving the Liquidators, Dr Elias and his advisor, the Campaign Committee, the third party and the Trustees of the Trianglo Loans Trust with a view to finalising the terms of a settlement.

15.2 In the past, mediation efforts have failed in part due to a breakdown of trust between the Liquidators and the employees. It is essential that the ongoing negotiations are conducted by the above parties in order to sustain the trust required to achieve a lasting settlement.

We agree to the above statement of intent.

Dated 21 March 2001

Dr Adil Elias

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(On behalf of the Campaign Committee)

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