

THIS TRANSCRIPT WAS TYPED FROM A RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS, THE JOINT LIQUIDATORS CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

UKLI Limited (in Liquidation)

Transcript of Creditors' Meeting 19 February 2010

LAM – Lee Manning, Joint Liquidator

PR – Phil Reynolds, Deloitte LLP

KH – Keily Hedger, Deloitte LLP

MD – Monica Duggal, Addleshaw Goddard LLP

LAM: Good afternoon. Can I take this opportunity to welcome you to the first annual creditors meeting for UKLI Limited. Just to make some brief introductions this is my colleague, Phil Reynolds who has been working on the case as has Keily Hedger. This is Monica Duggal who works for Addleshaw Goddard, a law firm that is helping us with this case.

The purpose of this meeting is to to update creditors on the Joint Liquidators' progress since the Company was placed into Creditors Voluntary Liquidation on 21 November 2008, in line with the annual progress sent to creditors in January.

No other business will be transacted at this meeting other than the reading and explanation of issues covered in the report and a short Q&A session at the end of the meeting where creditors will have the opportunity pose their questions to the Liquidator's staff and our legal representatives. However, we must advise that the meeting must adjourn at 4pm.

The minutes of the meeting will be posted to the UKLI website being hosted by the Liquidators' by the end of next week. An updated FAQ's page has also been uploaded to the website which should address the majority of questions and concerns creditors may have.

At the end of the meeting creditors will be asked to vote to approve the Liquidators' Receipt and Payments account provided in the report.

The CVL appointment followed the completion of the Administration in line with the proposals approved by creditors at the creditors' meeting in June 2008.

The principal reasons for placing the Company into CVL were to obtain greater investigative powers and to allow any distribution of assets to creditors to be made in the most efficient manner.

If you refer to page 4 of the report you can see that Sales of all marketable retained land has now been achieved. The net sales proceeds in respect of these sales exceeded the estimated realisable values by c.£85,000.

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If you look at the property sales that have been achieved on the screen, you can see that the Liquidators have completed sales of the majority of the Company's property assets. I believe that we have recently exchanged on Lodge Farm has with a view to complete within the next seven days. We are in ongoing negotiations with potential purchasers to achieve sales of the Masons Farm site.

All of the property assets are either charged to Clydesdale or Cheval Bridging Finance who hold mortgages over the properties. The net sales proceeds obtained in respect of these properties have been distributed Clydesdale and Cheval accordingly to reduce their outstanding secured debt. Following the sale of Lodge Farm, both Banks' secured claim has now been settled.

Due to the current economic climate and its impact on the property market, the level of land and property realisations have not met our agents' initial expectations despite a rigorous marketing process. This will have a negative impact on the level of funds available to pay a dividend to unsecured creditors.

To move on to the creditors' committee, subsequent to our appointment as Liquidators, the Creditors Committee elected during the Administration agreed to form the Liquidation Creditors Committee. They continue to meet with the Liquidators' on a periodic basis and are responsible for agreeing our fees and professional expenses. We are scheduled to have a meeting with the committee members in the next few weeks.

As required by legislation, reports on the Directors' conduct in the three years prior to the appointment have been submitted to the Department for Business Innovation and Skills (BIS).

At this point I want to discuss section 26 of the FSMA act and will pass you over to Monica to take you through the legal position.

MD: Thank you Lee. We maintain that UKLI was running a collective investment scheme without authorisation. Therefore all plot holders are entitled to submit a claim under section 26 of the FSMA and return their land to the company in order to recover their money.

LAM: Just to make it clear, anyone returning their land would be considered an unsecured creditor of the Company and would therefore only receive the dividend payment which is currently estimated at one pence in the pound.

Moving on to other matters, Regent's Land Limited entered into an agency relationship with UKLI whereby UKLI sales staff negotiated and arranged plot sales on Regents Land's behalf. The contracts of sale were between the customer and Regents Land. An order for the winding up of Regents Land Limited was filed on 26 June 2009 and is being dealt with by the Official Receiver's St Alban's office.

At present the Joint Liquidators have assumed that Regents Land plottolders have potential contingent claims against UKLI.

ATTENDEE 1: If I have the title documents to the land can I sell it to a developer?

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LAM: It would be difficult for developer to buy land off you due to the number of subplots that have been made which only serves to diminish the value of the land. The only way to address the problem, and I am not giving advice, is for everyone to get together and sign an agreement to collectively form a company, get planning consent and then agree to sell the land to a developer at a viable price. However, this would be very complicated to co-ordinate.

ATTENDEE 1: But where do I stand?

LAM: As I was saying you have a choice. You can opt to give back the land to the Company as it was a collective scheme and make a claim for the value of the land but from our perspective we can't do anything with the land, it will be an expensive process and no-one will buy it so you are arguably better off holding on to your land and saying I have been misled and have a damages claim.

ATTENDEE 2: That is all well and good if the land was registered in my name. But what if the land was not registered in my name – what can I do? How can I even check if it was registered

PR: If you look on the UKLI website there is a link to the land registry and you can check if your plot has been registered. If it was not registered prior to UKLI entering Administration are considered an unsecured creditor of the company. That means that the amount of money you paid for the plots is your claim against the company.

ATTENDEE 2: But what if I have 3 plots and I paid say 70% on each of the plots, how does it work in terms of me being an unsecured creditor?

PR: It doesn't matter. Once we get round to paying the dividend we will ask you to submit your claim e.g. you could say I paid £50,000 for my plots which I never received so I am claiming £50,000 against the company. As indicated in the report, the dividend is estimated at the moment as being one pence in the pound so you would receive £500.

ATTENDEE 2: But why don't you take down the specific details of the claims and assume that even if the land was not registered it should still be ours?

PR: Because the cost of doing so against any potential payout makes it simply too expensive to even consider at the moment. Also if the plot has not yet been registered there may be competing claims against the plots with multiple people claiming ownership. We can only work from the Company's records which were very poorly maintained and therefore we cannot take it for granted that just because you have documentation from UKLI saying you purchased the land that they didn't sell the same plot to multiple people.

LAM: Look, if you do a land registry search you will see whose name the land is registered in. To be perfectly honest we have found that in most cases the land was registered to the purchaser. What I was trying to say was that the big problem is selling the land as it has such little value – maybe a few hundred pounds at the most. That is for two reasons. Firstly, the valuers (DTZ) have told us that the sites are on greenbelt land so the prospects of getting planning are very remote. Secondly as I said earlier it would be hard to sell to any potential developer because it is of a patchwork nature. Even if you did manage to co-ordinate yourselves and overcame the second problem, which would be

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expensive and I would say nearly impossible to achieve, there is still the greenbelt issue to worry about.

ATTENDEE 3: So how did you manage to sell the remaining UKLI land?

LAM: We sold the land as agricultural land to adjoining farmers who want to use the land for grazing. But the difference is that the land we sold was big. It wasn't a small number of plots dotted around the place. The problem for farmers is that they need one big area of land rather than random plots. You need to understand that the farmers are worried about being charged for trespassing, which would happen if they would need to use someone else plot of land to access a plot they bought off one of you. I therefore don't think that they would be willing to buy individual plots. It is just too risky for them.

ATTENDEE 4: Going back to what was said earlier, what happens if you didn't get the title deeds to the land?

LAM: If the land is not registered in the name of an individual the creditor will be considered an unsecured creditor of the Company. This would be a damages claim and they don't have a proprietary right over the land.

ATTENDEE 5: What about the plots at Borehamwood – could you tell us which plots have been sold from there?

LAM: We can't tell you the exact details but if you remember at the last creditor meeting we had maps on the walls and that told you the land which had been "plotted" and those which weren't – I think that is still available on the website.

ATTENDEE 6: Could we not set up a separate company for each plot which would then cooperate with all the plotheolders and then sell off the company?

LAM: You could. You could do that but you would need to work out who the plotheolders were.

PR: What we tried to do on the website was set up the forum with a separate page for each site because obviously we can't be seen to be acting as a collective investment scheme but there is nothing to stop you actually trying to organise yourselves. We have tried to facilitate this by setting up the forum for you to get together. The problem is that unless you are able to get 100% of all plotheolders together you still won't be able to sell that site.

ATTENDEE 5: Can I suggest that anyone who has land at the Borehamwood site, please speak to me after the meeting and I will progress the case.

ATTENDEE 7: Is there a list of plotheolders available for each site?

PR: Due to data protection we can't actually provide this but what we have done is given you the website forum so that people who actually want to give their details can contact one another. That is unfortunately as far as we can go.

ATTENDEE 7: So have you contacted all the plotheolders?

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PR: Well this report has gone out to all the plotholders.

ATTENDEE 7: It didn't come to me – I had to phone up and ask for it.

PR: I apologize for that but as I said before the company's records were extremely poor. We did manage to send it out to about 5,000 people so we have tried to send it to all the people we know of. I assume that as you are all here it did manage to go to the correct people.

LAM: We have to rely on the company records as we can only know what the company shows. There could have been other people like yourself who were not on record and if you were not on the company's records there would be no mechanism by which we could find out that information.

ATTENDEE 8: What is the best way for us to move forward?

LAM: Well, I think the gentleman at the back had a sensible idea when he asked for all the Boreham wood plotholders to contact him. Remember we can't advise you on how to deal with this. If you use the website as a means of communication and form your own groups for the relevant plots and use the medium of local press and MPS, it may be possible to form a company and, say you had one hundred plotholders and everybody had one share and you transferred your property into that company, you could then potentially try and sell the company. But I have oversimplified it and communication through the website is the best method. I think that lobbying MPs to fight your cause could only help with future regulation of these schemes but that doesn't help you in your present circumstances and I am sorry about that.

ATTENDEE 9: This is a question to your legal advisers – you mentioned section 26 but I don't understand it can you explain how that works.

MD: Basically you have a claim for the purchase price if you paid for a plot of land that you never received .Or you have a claim for damages.

ATTENDEE 9: How do I go about making this claim?

LAM: The position we have is that if there is a general view, and we do still need to take legal advice on this, that each plot was worth a few hundred pounds and you all paid considerably more, so for example if you paid £15,000 for a plot and that plot was valued at £200, then you have a claim for £14,800 for damages. The difficulty here is that the dividend is so low that if let's say it was for one pence in the pound, you would receive less than £150, as a dividend from the company. And if everyone claimed then the dividend would be tiny.

What's happened here is that the directors were, in my opinion, a little bit disingenuous and they sold the assets to you in a non transparent way so you were misled. By the time we came in as administrators the directors had been stripping out most of the good assets so that there was only a little bit of land left and this was charged to the various banks as you can see from the report. It appears to us that what the company would do was buy land and take out a mortgage against the farm house and then subdivide and sell the surrounding fields. The only thing of any real value was the farm house and these were all owned effectively by the banks.

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ATTENDEE 9: So in basic terms, what can I do going forward?

LAM: All I can say is that you have a claim against the company for the value of the land that you bought but this is unsecured. As I have just explained there isn't much money left in the company and it has mainly gone to the banks. All that is left is a very very small dividend.

ATTENDEE 10: I am sorry to interrupt but I have a statement from UKLI Limited which says that UKLI will find a buyer to buy back all the plots once planning permission had been obtained.

LAM: But the company didn't have a right to buy the land back. They may have wanted to buy the land back, they may have told you they would find a buyer to buy the land back but there was no legal mechanism by which they could have bought the land back. Their business model itself demonstrates it was impossible for them to buy back all the land as they had sold it to so many individual investors.

ATTENDEE 11: Can I just clarify the position as I see it? As far as I can tell it doesn't matter whether you are an unsecured creditor or have a potential damages claim against the company for misrepresentation as the Liquidators don't want to take our land away. The problem is that the dividend that would be paid is minimal. So what I want to know is what actions will you be taking to swell the funds available to the unsecured creditors?

LAM: One possibility that we are looking at is potential actions against the company advisers or someone responsible for reporting to the shareholders. I'm not talking about the DTI or FSA but rather the professionals involved such as lawyers or company auditors or property specialists. If these people had provided negligent advice then we would pursue them if we considered it worthwhile to the creditors.

ATTENDEE 12: Do we need to give our land back if we are making a claim?

LAM: I would rather it if you would keep the land and claim the difference. For example let's say you paid £20,000 for the land, which is currently valued at £100. Then you would have a claim for £19,900 without giving your land back. If you were to give your land back, by the time all the transfer documentation had been completed and the cost involved, this would negate any potential dividend you would receive. I just don't think it is worthwhile for you to return your land.

ATTENDEE 13: Where do the FSA come into the picture?

LAM: The company needed to register with the FSA as it was operating as a collective investment scheme. They initially argued that they weren't and then claimed that they had changed their setup so that they were no longer a collective investment scheme. Essentially, they paid a lot of money to some very good lawyers who managed to argue their case for them and muddy the waters. Maybe it would be worthwhile for you to lobby your local MPs to change the law because it is a sophisticated case and hard to understand and this allowed the company to continue operating.

ATTENDEE 13: But the FSA knew it was going on!

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LAM: It wasn't just UKLI who were operating like this – there are loads of companies who were doing it – who still are doing it and getting away with it. UKLI employed top people to defend themselves. Lobbying is a possibility but it will only help in the future and won't change the past.

ATTENDEE 7: What if people don't use the forum – how can we contact them?

LAM: I suggest that that the more fuss you make the better. Speak to the local BBC and radio. This will get the message through to most of the investors eventually. We can possibly send a follow up letter to the creditors to log on to the website. We have done this before and will explore the possibility as a courtesy to creditors.

ATTENDEE 14: What is the difference between UKLI and Regents Land?

PR: They are separate companies but share the same owner. At the moment we haven't yet decided if these people will have claims against UKLI. It is to be decided at some point in the future when we have realised all the assets of the company and are considering a dividend but for the moment we are assuming they would have a claim.

ATTENDEE 2: what actions are you considering taking against third parties?

LAM we need to look into it. If we find that they gave the company bad advice we can pursue them for funds but this is a simplistic view. To put it another way we will do our investigations and make a recommendation provided there is money in the estate and the grounds to do it.

ATTENDEE 2: But if you have the company books and records you can chase the responsible directors.

LAM: But this is expensive. We need to recover money by selling remaining assets and chasing loans that were made before we can fund any such action. Whilst we are on the subject, I will quickly run through what we are doing to recover outstanding debts owed to UKLI.

UK Healthcare group owes about £1.5m and we have been chasing them for nearly 2 years. We expect to recover about £500-600,000.

There is also LDCG which has a director called Mr Mir who has been ignoring us even though his own companies audited accounts show he has a debt owed to UKLI of about £500,000. We are going to court and he is still trying to wriggle out of it.

In my opinion it seems that all these people were friends of the directors and they were lent money in order to siphon it off on their behalf but we simply have no hard proof that this was the case.

EPV and St James's Pty owe £189,000 and £60,000 respectively but they are based abroad so the money is harder to extract. We have agreed to settle for £70,000.

There is also a Mr Kinda who was given £100,000 by UKLI. He claims he was acting as a conduit for UKLI India but it is strange that the money was sent to his personal account. We want to chase him for the money and will speak to the creditors committee about this.

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UKLI holds an equitable interest in an apartment whose legal title is held by Mr Chohan. We have reached an agreement whereby Mr Chohan will pay £240,000 to the Liquidators in instalments over the course of the year. The property was valued much higher than this amount but as there was a large mortgage on it, we ran the risk of the bank claiming the property if a deal couldn't be struck and then we wouldn't have received anything.

The process as a whole is time consuming due to lack of co-operation and the fact that some companies that we need to deal with are in Administration themselves.

ATTENDEE 15: if we do form groups how will it help us? What will it cost?

LAM: It is free because you can use the website as a platform to speak to other investors. Look, to answer your first point, you could for example make a company on the Borehamwood site with each investor owning one share. The company would then seek planning permission and you could eventually, some years down the line, sell the company.

The problem with this is that the price you paid for the land is about what you would receive for selling it – but, I suppose, at least you would recover your losses.

But as I keep stressing, the problem is that the sites are on greenbelt land and you still need to get all the plottolders to agree to join in which would be nearly impossible to achieve.

ATTENDEE 16: As I see it, because you are delaying in selling the properties, they are going down in value and we are losing money.

LAM: Provided an acceptable price is offered for the properties owned by UKLI, we have always sold at the earliest opportunity. It is simply a function of the market that prices are decreasing and we are finding it difficult to locate sellers.

ATTENDEE 17: So what is the timescale that we are looking at?

LAM: I'm not sure. It may be a couple of months. The problem is the litigation. We could get you one pence in the pound which is effectively nothing or there maybe the option of litigation which will take longer – I simply can't tell you at this stage but it will be a hard decision.

ATTENDEE 18: I think that you are being too lenient with third parties because they operate in the same sector as yourselves.

LAM: We have taken specialist legal advice, not from Addleshaw's but from a firm who specialises in cases such as this. All I can say is that our investigations are getting underway but we don't want to waste money.

ATTENDEE 19: I want to complain about the creditors' committee – I have tried to contact them but receive no response.

LAM: Well, they did volunteer at the last meeting and they were voted in by the creditors. If you would like to join the committee please contact us and we will look into it.

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ATTENDEE 20: Is there a forum for Regent's land?

PR: Yes, look at the website

LAM: Ladies and gentlemen, I'm sorry but we need to end things there but am happy that you have taken an interest in this case and attended the meeting