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TO IMMEDIATE F C O

TELEGRAM NUMBER 1757 DATED 4 JUNE

MY TELNO 1712: LAKER SETTLEMENT NEGOTIATIONS

1. PARK (LINKLATERS) AND ROSDEITCHER (BA'S ATTORNEY) GAVE FIRST SECRETARY CAS AN ACCOUNT OF THE INFORMAL AND RESTRICTED MEETING CONDUCTED IN JUDGE GREENE'S CHAMBERS ON JUNE 3.

ALTHOUGH THE OUTSTANDING DIFFICULTIES HAD NOT BEEN RESOLVED, THE MEETING HAD PRODUCED A SATISFACTORY RESULT AND A FURTHER RESTRICTED MEETING WITH THE JUDGE WILL BE CONVENED ON JUNE 13.

2. THE MEETING HAD FOCUSED ON FOUR ISSUES ALL OF WHICH HAD BEEN THE SUBJECT OF LENGTHY DISCUSSIONS BETWEEN THE PARTIES SINCE THE PREVIOUS CONFERENCE WITH THE JUDGE:-

(A) SIR FREDDIE LAKER'S INSISTANCE ON A COMMITMENT BY THE DEFENDANT AIRLINES THAT THEY WOULD NOT DISCRIMINATE AGAINST ANY FUTURE AIRLINE OPERATED BY HIM HAD EMERGED OVER THE PREVIOUS DAYS AS A PROBLEM ONLY FOR THE EUROPEAN AIRLINES : BA, BCAL, TWA AND PAN AM WERE PREPARED TO MAKE A COMMITMENT GUARANTEEING THE DESIRED 'WARMTH' BUT THE EUROPEAN AIRLINES WERE NOT. ROSDEITCHER HAD EXPLAINED TO THE JUDGE THAT THERE WAS A PROBLEM THAT FUTURE LAW SUITS MIGHT ARISE OUT OF ANY SUCH COMMITMENT. JUDGE GREENE SAID THAT IT SHOULD BE POSSIBLE TO OVERCOME THIS PROBLEM BY DIVISING AN ARBITRATION PROVISION AND THAT HE CONSIDERED IT APPROPRIATE FOR THE AIRLINES TO MAKE THE KIND OF COMMITMENT WHICH SIR FREDDIE LAKER WAS SEEKING.

(B) SIR FREDDIE LAKER'S UNWILLINGNESS TO GIVE UP HIS CLAIMS AGAINST THE MIDLAND BANK WAS MORE PROBLEMATIC AND THE REASONS FOR IT MORE OBSCURE. JUDGE GREENE CONCLUDED THAT SIR FREDDIE LAKER'S PROBLEMS IN THIS RESPECT WERE 'INCAPABLE OF DEFINITION'.

IT WAS IN ANY EVENT AGREED THAT IT WOULD BE DESIRABLE FOR SIR FREDDIE TO DISCUSS THE MATTER DIRECTLY WITH THE MIDLAND BANK (SIR FREDDIE LAKER'S GRIEVANCES AGAINST THE MIDLAND BANK APPARENTLY DATE BACK TO 1946 AND MAY NOT BE ENTIRELY RATIONAL).

(C) THE DEFENDANTS REQUIREMENT THAT THE LAKER COMPANIES ESTABLISHED AFTER THE BANKRUPTCY OF LAKER AIRWAYS SHOULD GIVE UP CLAIMS AGAINST THEM WAS ALSO PROBLEMATIC. SIR FREDDIE LAKER EQUIVOCATED AS TO HIS OWN WILLINGNESS TO GIVE UP THESE CLAIMS BUT WAS DEALT WITH FIRMLY BY THE JUDGE ON THIS POINT. MORE IMPORTANTLY THE WILLINGNESS OF LONRHO WHICH HAD A 50 PERCENT STAKE IN THE COMPANIES CONCERNED TO GIVE UP ITS CLAIMS HAD YET TO BE PUT TO THE TEST. JUDGE GREENE THOUGHT THAT IT WOULD BE APPROPRIATE FOR BOTH HALVES OF THE LONRHO-LAKER PARTNERSHIP TO UNDERTAKE NOT TO PURSUE FURTHER CLAIMS AND IT WAS AGREED THAT FURTHER DISCUSSIONS INTENDED TO ACHIEVE THIS RESULT WOULD NEED TO BE HELD OVER THE NEXT FEW DAYS.

(D) BECKMAN HANDED OVER TO THE JUDGE (BUT NOT TO PARK OR ROSDEITCHER) HIS CONTRACT ON THE BASIS OF WHICH HE SOUGHT TO JUSTIFY HIS CLAIM FOR DOLLARS 65 M. IN RESPONSE TO THIS JUDGE GREENE READ OUT A STATEMENT OF THE LEGAL PRACTICES OF THE

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AMERICAN BAR ACCORDING TO WHICH IT WAS DEEMED UNETHICAL TO CHARGE AN EXCESSIVE FEE. THE JUDGE SAID THAT DOLLARS 65 M WOULD INDEED AMOUNT

TO AN EXCESSIVE FEE AND IN CONSEQUENCE THE TERMS OF THE LAWYER'S CONTRACT DID NOT SUBSTANTIATE BECKMAN'S CLAIM. THE JUDGE THEREFORE ASKED BECKMAN TO PRODUCE A STATEMENT OF THE LIQUIDATOR'S LAWYERS' TIME CHARGES AND EXPENSES SO THAT HE COULD EXAMINE THIS AND MAKE RECOMMENDATIONS TO THE DEFENDANTS CONCERNING AN APPROPRIATE PAYMENT. THE IMPLICATION WAS THAT JUDGE GREENE WAS LIKELY TO RECOMMEND PAYMENT SOMEWHAT IN EXCESS OF DOLLARS 8M AND BECKMAN SEEMED CONTENT TO GO ALONG WITH THIS PROCEDURE.

3. DURING THE MEETING WITH JUDGE GREENE NEITHER BECKMAN NOR SIR FREDDIE LAKER DEMURED SO FAR AS AN UNDERTAKING TO RETURN ALL DOCUMENTS PRODUCED IN DISCOVERY WAS CONCERNED. THE ASSUMPTION IS THAT IN PRACTICE BOTH SIR FREDDIE LAKER AND BECKMAN WILL NO DOUBT RETAIN COPIES OF VARIOUS DOCUMENTS BUT THAT THEIR USE FOR ANY MORE DAMAGING PURPOSES THAN EG FOR SIR FREDDIE LAKER'S MEMOIRS WOULD BE EFFECTIVELY PREVENTED.

4. PARK SUGGESTED TO HUNT THAT THE CHAIRMAN OF MIDLAND BANK WAS LIKELY TO BE RELUCTANT TO SEE SIR FREDDIE LAKER TO ALLOW HIM TO AIR HIS GRIEVANCES (SEE PARAGRAPH 2(B) ABOVE). PARK THOUGHT IT HIGHLY DESIRABLE THAT SIR FREDDIE SHOULD BE GIVEN A HEARING BY THE CHAIRMAN OF THE BANK AS SOON AS POSSIBLE IN ORDER TO ESTABLISH WHETHER OR NOT THERE WAS ANY SUBSTANCE TO THESE GRIEVANCES AND SUGGESTED THAT A REQUEST FROM THE BANK OF ENGLAND TO THE MIDLAND BANK TO GIVE SIR FREDDIE A FAIR HEARING MIGHT BE APPROPRIATE.

5. PARK ALSO RAISED THE POSSIBILITY OF HMG BRINGING ITS INFLUENCE TO BEAR ON LONRHO IN AN EFFORT TO SECURE THE LATTER'S AGREEMENT NOT TO PURSUE ANY CLAIMS AGAINST THE DEFENDANTS ARISING FROM THE DEMISE OF THE COMPANIES FORMED BY THE SHORT LIVED PARTNERSHIP WITH LAKER.

6. ADVANCE COPIES TO KNIGHTON STEVENS HOLMES FORTNAM DTP, GRAY MAED FCO, AUST LEGAL ADVISERS FCO, AYLING DTI, GARDINER LAW OFFICERS DEPT.

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