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Dear John,

Thankyou for your comments.

I am not happy about your instruction to me on how to deal with this matter.

As I told you before, I will investigate your claims and contact the people I think appropriate and deal with this as I see fit.

It would useful if you could provide me with "real" evidence of your claims so I can decide to take this issue forward or not.

Regards
 Sanjay

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"John Christmas"

<john_christmas@h To: sanjay.kohli@mhcb.co.uk
otmail.com> cc:
Subject: Parex Bank
15/11/2005 15:10

Dear Sanjay,

I am sitting in an internet cafe looking in my hotmail account, and unfortunately it seems that I do not have a copy of the letter I wrote to the Prosecutor about Parex Bank.

What I do have in my hotmail account is the email below, and attachment letter, in which the Financial and Capital Market Commission (FCMC) states that they will investigate the accusations in my letter.

As I mentioned to you, I discovered in August 2004 that Parex had loans on its books to undisclosed related parties totalling approximately 150% of equity, compared to 15% allowed by law. And, Parex had made loans over 25%

of equity, in violation of the law, to two different unrelated groups and had deliberately falsefied the loan concentration table provided to counterparties and ratings agencies. The latter fact should be very easy to prove and in fact I believe that Ernst & Young and the FCMC probably already knew about it but chose to remain silent. In fact, I also understand that Ernst & Young suspected that some of the undisclosed related party borrowers were related parties and also chose to remain silent about that.

I reported the false accounting to an Ernst & Young partner in August 2004.

I was removed from Parex by the security department shortly thereafter and I left Latvia for a while.

I was back in Latvia in early spring when the new annual report was out and

was disgusted to find that Ernst & Young had again given a clean opinion on

it.

So, I believe it was in May that my letter went to the Prosecutor.

The Prosecutor appears also to have ignored the information since six months have gone by and even a small amount of checking would have proved enough of the fraud to justify shutting down the bank. According to a friend who works as a lawyer in the Office of the Prosecutor, the Prosecutor has settled criminal money laundering charges against Parex for bribes in the past. So, perhaps I should not be surprised by the inaction.

Here is a quick review of the easily-proven criminal fraud which I suggested for you to use to call the syndicated loans and threaten a personal lawsuit

against Valery Kargin, if necessary.

In Spring 2004, Parex mandated two banks for a Eurobond issuance. Big fanfare was made of the press releases for that. In the course of due diligence, the two banks discovered that Parex was defendant in a \$1.7 bln lawsuit in New York State for money laundering, that is for issuing debit cards for an unlicensed financial institution that robbed a lot of people.

The two mandated banks insisted that the Eurobond issuance not go forward unless this material lawsuit was disclosed.

This caused a panic with Gene Zolotarev because, according to him, Ernst & Young also thought this lawsuit was material and wanted to disclose it on the last annual report (and maybe the previous year also?) and Parex had somehow convinced them not to make the disclosure. Also, our old syndicated loan was coming due so we needed to borrow more money.

So, Gene quickly mandated Standard Bank, ING, and Mizuho for a new syndicated loan. Everyone asked Gene why the Eurobond was postponed, and Gene gave false answers and did not disclose that the SOLE REASON for the Eurobond postponement was the \$1.7 bln lawsuit.

The document for the syndicated loan contained a representation that Parex was not defendant in any lawsuits which, if adversely determined, could materially hurt the bank. Parex president Valery Kargin signed the document with full knowledge that this massive lawsuit was outstanding and that the lawsuit was the whole reason why Parex needed the syndicated loan. Technically, the loan was in default as soon as it was signed.

AS YOU KNOW, I AM PROVIDING THIS INFORMATION TO YOU ONLY AS A CONCERNED CITIZEN AND NOT FOR ANY OTHER REASON AND MY INTENT IS TO HELP ALL PAREX COUNTERPARTIES AND NOT ONLY MIZUHO. THEREFORE, I INSIST THAT YOU FORWARD THIS MESSAGE IMMEDIATELY TO EMPLOYEES OF STANDARD BANK AND ING SO THAT YOU ALL WILL HAVE EQUAL INFORMATION AND CAN PLAN YOUR ACTIONS IN COOPERATION. YOU MUST COPY ME ON THE FORWARDED MESSAGE SO I CAN SEE THAT THE MESSAGE

HAS
BEEN FORWARDED.

Perhaps you could get a copy of my prosecutor letter directly from the FCMC.

I would be happy to confirm whether the copy they give you is correct. And, perhaps a less extreme action than calling the loans immediately would

be to insist that Parex changes auditors and to provide the new auditor with the prosecutor letter. I would be happy to help the new auditor out since I only included frauds that I was certain about in the letter and there are other frauds which I suspect that perhaps also should be investigated.

Thanks and good luck,
John

>From: FKTK@FKTK.lv
>To: John_christmas@hotmail.com
>Subject: Atbilde uz 11.05.2005. vçstuli
>Date: Wed, 27 Jul 2005 15:37:33 +0300
>
>
>Finanðu un kapitâla tirgus komisija
>adrese: Kungu iela 1, Rîga, LV-1050
>e-pasts: fktk@fktk.lv
>tâlrunis: 777 4800
>
>Rîgâ 27.07.2005
>
>Nr. 05.01.06./98
>
>
>
>
>(See attached file: Atbilde_Dp_Kristm_07_05.doc)
>
>Parakstîja: Gvido Romeiko, Departamenta direktors - Padomes loceklis,
>Juridiskais un licencçðanas departaments
>
>Sagatavoja: Banku un vçrtspapîru tirgus daïa,

(See attached file: Atbilde_Dp_Kristm_07_05.doc)

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