

19 March 1999

**Mr Mike McMahon  
4 Ham Street  
Richmond  
Surrey  
TW10 7H**

**Dear Mr McMahon**

I am writing to you in connection with the proposals and discussions that you had with Mr Andrew Lazenby of Shell UK on behalf of Concept Systems Limited.

The information has been supplied to me by Shell as part of the discovery process of the litigation I have brought against them in respect of the SMART loyalty scheme now operational in various guises in several countries, including the UK. I put the proposal to Mr Lazenby in my capacity as Managing Director of Don Marketing UK Ltd. A copy of the relevant Writ/Statement of Claim is enclosed together with the documents directly relating to Concept Systems Ltd. I suspect that you will be staggered by what you are about to learn.

#### **THE CHAIN OF EVENTS**

On 10<sup>th</sup> June 1992, you sent a letter by fax to Shell supplying an outline quotation for the set up and administration of a smart card based loyalty scheme. Copy enclosed.

On 11<sup>th</sup> June 1992, a hand-written note apparently written by Andrew Lazenby recorded a conversation with you and mentioned a letter of intent. Copy enclosed.

On 2<sup>nd</sup> July 1992, Lazenby sent an e-mail message to his Shell colleagues, Tim Hannagan and David Watson, advising them of a "long conversation tonight" with Mike MacMahon about Concept Systems pending deal with Texaco. Mr Lazenby advised them that "we have a chance to steal Tex's deal..." Copy enclosed.

On 17<sup>th</sup> July 1992, you wrote to Lazenby confirming instructions you had received from him the previous evening. Copy enclosed.

On 30<sup>th</sup> July 1992, David Watson made a hand-written note headed "Concept Loyalty - Mike McMahon". He noted that it had "7 people" and that it had "Joined forces with one De La Rue org - Fortronic is a part of De La Rue". Copy enclosed.

A copy of an undated note from Tim Hannagan contains hand-written notes made in Mr Lazenby's handwriting. From its position in discovery, the hand-written notes seem to have been made in the summer of 1992. The note listed 14 prospective suppliers.

The purpose of the hand-written markings of "X's" and circles on the listed numbers was apparently to create a shortlist. Six companies were marked with "X's" and were apparently discarded. Mr Lazenby put a circle around "6" - Concept Systems. The typewritten assessment of Concept Systems mentioned that "There is a relationship with Fortronic". Copy enclosed.

A hand-written note by Andrew Lazenby dated 14<sup>th</sup> August 1992 mentioned the five companies who had been short-listed. He also noted the need for (PM) to prepare a confidentiality letter and for a moratorium on other oil industry links until tender process period complete". (I believe that "PM" denotes Pamela Marsh of Shell's Legal Department). Copy enclosed.

An undated hand-written note by David Watson again mentioned Concept Systems and Fortronic. Judged by its position in discovery it probably originated between August and October 1992. Copy enclosed.

On 23<sup>rd</sup> October 1992, a hand-written note to David Watson in Mr Lazenby's handwriting (copy enclosed) consisted mainly of a list, which contained the following points: -

"Keep rejects holding as long as poss."  
"Listing of reasons for rejection".

On 27<sup>th</sup> October 1992, Mr Lazenby wrote to two agencies Geoff Howe & Associates, and Senior King, notifying each that they were one of the two companies with which Shell would be pursuing Project Onyx. A copy of the letter to Geoff How & Associates is enclosed. In other words, he had decided to reject the other companies on the shortlist, including Concept Systems.

However, on the same date, 27<sup>th</sup> October 1992, Lazenby wrote to you advising that Concept Systems Ltd was still in contention (copy enclosed). His letter was marked "CONFIDENTIAL". He explained why the comparison of the various proposals would be delayed. He requested further extensive information when in fact he had already decided to reject your proposal. He sent a copy to Tim Hannagan. He also wrote to McCorquodale, one of the other suppliers that he had already decided to reject, asking them to "please bear with us - we will revert to you when we have made any further progress". Again the letter was marked HIGHLY CONFIDENTIAL and copied to Tim Hannagan.

Mr Lazenby used the same approach with AT & T Istel and Sheard Thomson Harris as he had with you. Both were also sent letters on 27<sup>th</sup> October 1992 with Mr Lazenby deliberately using delaying tactics to "keep rejects holding as long as poss". He again used the ploy of asking them to supply further extensive information. This resulted in the relevant companies investing even more time and resources (presumably on a speculative basis) in what was actually a lost cause. Again both letters were marked "CONFIDENTIAL" and copied to Tim Hannagan.

It appears that all of the rejects, including your company, had at Mr Lazenby's behest previously been required to sign confidentiality agreements with Shell which prevented you offering goods and services to other oil companies whilst the "tendering process" was still in progress.

The following day, 28<sup>th</sup> October 1992, Lazenby circulated a typewritten note to David Watson and Tim Hannagan. Copy enclosed. He explained his reasons for short-listing two suppliers from the six originally selected. Mr Lazenby also explained the reasons why he had rejected four companies, including Concept Systems who he described as "used car salesmen". He added a note to his assessment of Concept Systems: "Possibility of using Fortronic technology independently". He eventually did just that, subsequently awarding the contract to Fortronic, thereby cutting out Concept Systems even though he knew about your close association with Fortronic in respect of Project Onyx (as did Hannagan and Watson). Thus, Concept Systems did a lot of the groundwork for Shell yet apparently got no payment or credit?

I pieced together the jigsaw of evidence relating to Concept Systems, by checking documents dispersed within a mountain of Shell discovery documents. It is supplied to you under Court rules on the basis that I am entitled to pursue evidence that may further my case against Shell. It should be treated as being confidential information.

As it would be very helpful to hear your account of the above events, I would welcome a discussion with you by telephone and look forward to hearing from you A.S.A.P.

Yours sincerely

John Donovan

# **LIST OF ENCLOSURES**

**WRIT/STATEMENT OF CLAIM**

**CONCEPT SYSTEMS LETTER DATED 10<sup>th</sup> JUNE 1992 (4 PAGES)**

**HANDWRITTEN NOTE BY ANDREW LAZENBY DATED 11<sup>th</sup> JUNE 1992  
(ONE PAGE)**

**LAZENBY e-mail MESSAGE DATED 2<sup>nd</sup> JULY 1992 (ONE PAGE)**

**CONCEPT SYSTEMS LETTER DATED 17<sup>th</sup> JULY 1992 (ONE PAGE)**

**DAVID WATSON HANDWRITTEN NOTE DATED 30<sup>th</sup> JULY 1992  
(2 PAGES)**

**UNDATED NOTE BY TIM HANNAGAN (3 PAGES)**

**HANDWRITTEN NOTE OF LAZENBY DATED 14<sup>th</sup> AUGUST 1992  
(ONE PAGE)**

**UNDATED HANDWRITTEN NOTE BY DAVID WATSON (ONE PAGE)**

**LAZENBY HANDWRITTEN NOTE TO WATSON OF 23<sup>rd</sup> OCTOBER 1992  
(ONE PAGE)**

**LAZENBY LETTER TO GEOFF HOWE & ASSOCIATES of 27<sup>th</sup>  
OCTOBER 1992 (2 PAGES)**

**LAZENBY LETTER TO CONCEPT SYSTEMS OF 27<sup>th</sup> OCTOBER 1992  
(2 PAGES)**

**LAZENBY NOTE TO WATSON & HANNAGAN DATED 28<sup>th</sup> OCTOBER 92  
(2 PAGES)**

204x

23/10  
DJW.

Go back for detailed costs or reject.

Keep reject holding as long as poss.

Get specific detailed costs from front 2.

⇒ Go up ...

Listing of reasons for rejection.

Feasibility + timetable of further action.



Shell-Mex House Strand London WC2R 0DX

Mike MacMahon  
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Surbiton  
Surrey  
KT6 6DG  
**CONFIDENTIAL**

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Fax group #/H/ 071-257 direct line  
Fax group #/H/ 071-257 3920  
Telecom Gold 81-SUK 001  
our ref UORM/132  
your ref  
date 27 October 1992

Dear Mike

Thank you very much for coming in to see us a couple of weeks ago and please convey my regards to Michael.

Tim and I have now seen all of the proposals for Project Onyx but have not had a chance to fully compare each proposal. And since Tim is away this week that is going to be delayed even longer. However, we have done some initial analysis and have identified further information that we do need.

Can you please give me your best estimate of the following costings in your proposal (you should assume 2000 sites and 5 million cards participating at one time):-

- \* Total set-up hardware cost.
- \* Total set-up cards cost.
- \* Annual hardware cost (eg maintenance).
- \* Annual cost of cards replacement.
- \* Any costs of site upgrades.
- \* Any database costs (set-up or ongoing).
- \* Promotion cost.
- \* Any other costs.

Can you specify these in current money for both the magstripe and the smartcard options that you discussed?

Can you also confirm comfortable timescales to launch of a pilot and to full national roll-out.

I would much appreciate it if you can put this data together by 14 November. Please pass it on as soon as you have it.

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Do not hesitate to give me a call if you would like further clarification.  
I hope to see you again soon.

Yours sincerely

A handwritten signature in cursive script that reads "Andrew".

Andrew J Lazenby  
Promotions Manager

cc: T W Hannagan