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HIGHLIGHTS

Czech Government Agency Says It Is Suing Swiss UBS Bank

A Czech state-run debt recovery agency said Nov. 1 it has taken Swiss bank UBS AG to a court, blaming Europe's largest bank by market value for a loss of EUR17.8 million. See complete story on page 3.

Italian Court Rulings Deal Struggling Alitalia A Double Blow

An Italian court last week dealt cash-strapped airline Alitalia SpA a double blow as it ruled that its planned purchase of smaller carrier Volare was invalid, and also blocked some of Alitalia's domestic flights. See complete story on page 4.

Germany's Schefenacker Moves Operating Units To U.K.

German auto-parts maker Schefenacker AG has transferred its operating subsidiaries to a U.K. holding and confirmed a standstill agreement with creditors, the company said Nov.2, announcing it has completed the first phase of its restructuring. See complete story on page 5.

German Corporate Insolvencies Down 22% In August

German corporate insolvencies fell 22% on the year in August, the Federal Statistics Office Destatis said Nov.3. See complete story on page 6.

Barclays Bank To Pay $144 Million To Settle Suit Over Enron Collapse

By Joseph Rebello

Enron Corp. has settled a three-year-old lawsuit with a British bank that it said helped the company's top executives conceal some of the fraudulent transactions that led to Enron's collapse in 2001.

The former energy company said Barclays Bank agreed to pay $144 million in cash to settle the lawsuit. The bank, which denied any wrongdoing in its relationship with Enron, said the settlement was "preferable to the time, expense and unpredictability of litigation."

Barclays was one of a half-dozen commercial and investment banks that Enron accused in its lawsuit of bearing "substantial responsibility for the stunning downfall of what was once the seventh-largest corporation in the United States." Those banks also included Citigroup Inc., J.P. Morgan Chase and Merrill Lynch & Co.

Enron said the banks helped about six top executives, including Andrew S. Fastow, the company's chief financial officer before the collapse, conceal fraudulent transactions by engaging in transactions with Enron "knowing that the insiders were improperly recording the financial effects of these transactions."

The effect of those transactions on Enron's financial statements was

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Spain Collectibles Firm Files Bankruptcy As Fallout From Afinsa Scandal Continues

By Christopher Bjork and David Roman

Spanish collectibles firm **Arte y Naturaleza SA** said Oct. 30 that it was filing for bankruptcy protection following an earlier police crackdown on two other collectibles firms, which have been accused of fraud.

Arte y Naturaleza operated an investment product in which it sold art objects to clients, offering to buy them back at a later date and promising high returns on the investments.

Arte y Naturaleza said that it is shutting down due to the increasing number of clients who want to cash in their investments, returning the art objects, in the aftermath of Spain's largest financial scandal over the last decade.

The scandal, involving the country's two largest collectible firms, **Afinsa Bienes Tangibles SA** - parent company of U.S. listed Escala Group Inc. - and Forum Filatelico, broke earlier this year when the Spanish authorities closed down the offices of both firms.

A Spanish judge is accusing both of running a pyramid scheme in which the sold postage stamps to investors and promised to pay them a guaranteed return of 6% to 12% a year.

In a letter to its more than 40,000 clients, Arte y Naturaleza said, "A

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LATIN AMERICAN INSOLVENCY

Argentine Companies, Cleared Of Debts, Eye Capital Markets

Argentine companies are back. Buoyed by 9% annual economic growth since the 2001-2002 financial crisis, most Argentine corporations have restructured what were once mountains of defaulted debt and many have changed ownership.

Now, analysts agree, these cleaned-up companies are ready to return to the bond and equity markets. And with foreign investors' appetite for emerging market assets seemingly insatiable, they appear to have an ideal moment.

"High liquidity and low interest rates are a great opportunity for Argentine companies which want to tap into the international market," said Juan Bruchou, the president of Citibank Argentina, at the annual conference of IDEA, the Argentine Institute for Corporate Development.

The subsidiary status of the biggest Argentine companies - many are controlled by large, foreign holding companies - does not lend itself to major initial public offerings of stock.

But according to Jim Harper, head of corporate research at BCP Securities in Greenwich, Conn., that doesn't mean there won't be a flood of debt issuance, at least to replace the unorthodox instruments that were issued in corporate restructurings.

"All (companies) will issue new bonds to call those they issued during the restructuring phase," Harper said.

And he added that "for those which are totally private, an initial public offering would be feasible, while those which have a small float could do a secondary offering to increase their public float."

But it is in the bond market where the opportunities abound.

One sign of the deep demand for Argentine bonds was seen two weeks ago, when the yield spread over Treasuries for the country's sovereign debt dropped below its previous August 1997 record low of 280 points in J.P. Morgan's EMBI+ emerging market debt index. Argentine sovereigns have returned gains of close to 40% year-to-date, and with a fresh wave of recent buying, the party does not appear to be over.

Meanwhile, corporate consolidation among the indebted companies continues to create a more solid equity structure.

One such company is Impsat Fiber Networks Inc., an Argentine provider of Internet protocol communication, which was bought recently by U.S. telecommunication equipment maker Global Crossing Ltd. for $95 million in cash and the assumption of $241 million in debt. Global Crossing bought the company from funds controlled by Morgan Stanley & Co. and Huff Asset Management, its two biggest former debt holders, which had themselves taken control of the company from engineering conglomerate IMPSA when the telecommunications unit went bankrupt during the crisis.

IMPSAT's change of hands from strategic financial investors to an established corporate player is a path that's been closely followed since 2002, when virtually the entire corporate sector went into default.

The list of companies where the solution to the debt crisis was ultimately a partial or complete change of ownership is long. It includes cable providers Cablevision SA and **Multicanal SA**, gas distributor Metrogas SA, brewer Quilmes Industrial SA, Telecom Argentina, gas pipeline operator Transportadora Gas del Sur SA, power distributor Edenor SA and bread maker **Fargo SA**.

Daniel Marx, who was Argentina's deputy finance minister before the 2001 default and who later set up advisory firm Aguirre Gonzalez Marx & Asociados, agrees with Harper that opportunities are good for issuing in both equity and bond markets.

He also sees the bond market as the best route "because it offers more reference points and is more liquid" than the equity market.

Marx reckons Argentine companies might need to go back to the market to fund growth or to meet maturing obligations. But, unlike Harper, he's not expecting an immediate flood of issuance, partly because of a change of attitude in board rooms since the crisis and partly because of domestic economic uncertainties.

"It's a work in progress... Argentine companies are now more cautious because they want to make sure that the market's prospects are more solid," he says. "Even though most are generating cash, they want to see where the country settles in terms of relative prices, interest rates and the energy situation."

In fact, the cash that was rapidly generated after

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EUROPEAN INSOLVENCY

Czech Government Agency Says It Is Suing Swiss Bank UBS

A Czech state-run debt recovery agency said Nov. 1 it has taken Swiss bank UBS AG to a court, blaming Europe's largest bank by market value for a loss of EUR17.8 million, the *Associated Press* reported.

The Czech Consolidation Agency, which bails out bankrupt companies, said in a statement that it wants the bank to refund the sum that was withdrawn from the account of the agency's affiliate, Galileo Real, in March 2005 due to "a series of errors that were committed... by UBS."

"The legal advisers of Galileo in the Czech Republic and Switzerland documented the case to such a degree that we consider the serious and repeated misconduct of USB in the matter to be a proven fact," said Zdenek Cap, the CCA's managing director.

The agency claimed that the bank illegally allowed the sum to be transferred from a Galileo investment account at USB to accounts of "private individuals unconnected to either CCA or Galileo."

The agency said it opted for a lawsuit, filed at the Commercial court in Zurich in June after failing to reach an out-of-court settlement with the bank. CCA spokesman Jiri Pekarek said the bank was expected to propose a settlement by mid-October, and when that did not happen the agency decided to make the lawsuit public.

Rudolf Buergin, a spokesman for UBS in Zurich, said the company had no comment.

Sea Containers Gets U.K. Notice On Funding Pension Plans

Sea Containers Ltd. said Oct. 30 that it received notice from the U.K. pension regulatory agency that it may order the company to fund its pension plans.

Sea Containers' two pension plans are among several creditors of the company, which filed for Chapter 11 bankruptcy in Wilmington, Del., on Oct. 15.

The trustees of the plans estimated total cost of "winding up" the pension plans would be about GBP134 million, according to the company's filing with the U.S. Securities and Exchange Commission. Sea Containers said it hasn't agreed on the estimated costs.

Sea Containers said it hasn't yet received a formal order from the U.K.'s Pensions Regulator, but that it wouldn't consider such an order from the agency "reasonable or appropriate."

Sea Containers, based in Hamilton, Bermuda, runs the Great North Eastern Railway on the east coast between London and Scotland under a franchise from the U.K. government.

—Ed Welsch

Spain *(continued from page 1)*

growing number of requests for withdrawal has seriously affected our treasury stock, because the completion of such deals implies that the art objects will be sold below market price."

Arte y Naturaleza added that it had no relation to Afinsa or Forum. The company has not been accused of any wrongdoing by Spanish authorities.

The Afinsa case erupted in May of this year when Spanish prosecutors charged the firm and five of its top executives with fraud, tax evasion and money-laundering.

The charges came two days after Spanish police arrested at least nine people and raided the offices of Afinsa and Forum , another stamp-collection company, as part of a probe into an alleged investment fraud that may evolve into one of the largest financial scandals in recent European history.

As many as 350,000 investors in Spain, including at least 142,000 Afinsa clients, have been affected by the alleged fraud.

The scandal at Afinsa has also threatened its U.S. affiliate Escala Group, a New York-based global collectibles merchant and auction house.

Spanish tax authorities believe that some Escala Group shareholders, including Afinsa, traded Escala stock to artificially inflate its share price.

Spain is investigating both companies in an alleged massive stamp and collectibles fraud. Transactions between Escala and Afinsa are also the subject of a formal Securities and Exchange Commission formal inquiry announced in June.

Polestar Secures Lifeline, Nears Debt Deal - Sources

Europe's biggest printer, U.K.-based Polestar Group Ltd., has received a lifeline from its creditors, averting a cash crunch for the company, according to people close to the situation.

The lenders have unanimously agreed to grant the company a secured, super-priority revolving credit facility of up to GBP25 million, which will give the parties involved another 30 days to work towards a consensual restructuring plan, the people said.

"This unanimous agreement is a strong signal that there is support for a consensual restructuring," one of the people involved said.

The company is close to an agreement with the trustees of its pension plan, which is underfunded by about GBP140 million, on terms for a debt-restructuring that could avoid the plan being placed under the Pension Protection Fund, one of the people said.

However, any agreement that the company, its creditors and pension trustees eventually reach would still require the approval of the U.K. Pensions Regulator.

The Pension Protection Fund was brought into force in 2005 to compensate members of pension plans at companies that become insolvent and cannot meet pension deficits.

The new regulations are part of an overhaul of the U.K pensions industry following the collapse of pension funds, such as that of the Mirror Group, to which the Polestar plan has an historical link.

Polestar was formed by Dubai-based Investcorp in 1998 by the merger of Watmoughs and the British Printing Company, which it had acquired for GBP665 million.

The company is likely to present the terms of a consensual restructuring plan to creditors in the next couple of weeks, the person said.

The company is seeking to halve its debt to around GBP200 million to GBP250 million, and in exchange to give creditors a majority stake in the company, confirmed the person.

The new 30-day facility comprises a GBP15 million and a GBP10 million tranche. The first tranche is expected to be used to manage ongoing working capital requirements, with the second held in reserve.

Agreement from all lenders is necessary for the new money injection, including Investcorp, whose debt claim is worth only a few pence to the pound.

The facility will be underwritten by the steering committee made up of BlueBay, Deutsche Bank, JPMorgan and RBS.

Polestar recently released results for the year ended Sept. 30, which were in line with restated numbers forecasting full-year 2006 to full-year 2009 earnings before interest, taxation, depreciation and amortization of GBP60.1 million, GBP63.9 million, GBP67 million and GBP70 million, respectively.

Polestar has been in restructuring talks with its creditors and pension trustees since its main shareholder Investcorp said in July it would no longer inject new money into the business.

—Anousha Sakoui

Italian Court Rulings Deal Struggling Alitalia A Double Blow

An Italian court last week dealt cash-strapped airline Alitalia SpA a double blow as it ruled that its planned purchase of smaller carrier **Volare** was invalid, and also blocked some of Alitalia's domestic flights.

The Rome court Nov. 2 upheld a previous court ruling which had called for a new bidding process for Volare.

And in a separate ruling, the court confirmed that state-controlled Alitalia shouldn't be allowed to run certain routes to the island of Sardinia. In May, Alitalia was banned from flying to Sardinia, a lucrative route, after it failed to renew its flying concession.

Volare, which owns slots at Milan's Malpensa airport, went bankrupt in 2004.

In a bidding process in March, Alitalia emerged as the winning candidate to take over the airline, after making a EUR40 million bid. The acquisition was part of Alitalia's strategy to make up for the loss of domestic market share to low-cost competitors.

The Volare ruling came in response to complaints by domestic rival Air One SpA, the second-highest bidder in the auction. Air One claims that Alitalia is an unfair competitor because it has received state aid.

Alitalia has forecast it could lose EUR125 million in revenue between 2006 and 2008 if Volare goes to Air One.

Alitalia last week said its debt rose in September to EUR1.02 billion, nearly the same level as its market capitalization. Amid strikes, rising fuel prices and hefty operating costs, the company's first-half net loss nearly doubled from a year earlier, to EUR221.5 million.

Italian Prime Minister Romano Prodi's government has pledged a strategy to rescue the troubled airline by the end of January.

—Luca Di Leo

Bank Of America Official Testifies At Italian Parmalat Trial

A Bank of America official testified Nov. 2 at the stock-market rigging trial of former Parmalat executives that his team trusted the dairy company's financial reports and had no reason to suspect false information, the Associated Press reported.

Prosecutor Francesco Greco questioned Gregory Johnson, the former head of international private placement, about Bank of America's activities selling Parmalat securities in the months before the company's spectacular collapse in December 2003, when it became clear Parmalat had lied about how much cash it had on hand.

The company declared bankruptcy, revealing a net debt of more than $18 billion - eight times higher than previously claimed.

Parmalat founder and former Chief Executive Calisto Tanzi, one of the defendants in the trial that opened last year, has testified that banks forced him into a "drug-like dependence" on freely available loans and continued to finance the dairy company even as it headed toward financial ruin. The banks have denied wrongdoing.

"I think it is worth pointing out how reliant we are on the financial statements. Fraud of this type is very rare," Johnson testified. "I've never seen this kind of fraud with a company of this stature... We ask questions, but if the answers make sense, we accept them."

Responding to Greco's questions, Johnson said Parmalat's claims of high cash reserves were not necessarily a red flag - and in fact in a family-run company like Parmalat, "indicated strength."

How the company intended to use the cash was "an ongoing question," Johnson said, adding that his team inquired whether Parmalat was thinking of a large acquisition or whether the cash might be used as a dividend to benefit the family.

"These questions were asked. But the existence of the cash was not a question," Johnson said. "Cash is one of the easiest things to audit and with the audited financials, we had no reason to believe it did not exist."

The trial against Tanzi and 15 others, including external auditors, on charges of market rigging, providing false accounting information and misleading Italy's stock market regulator, opened in September 2005. The maximum sentence is five years.

Former Chief Financial Officer Fausto Tonna was sentenced to 2 1/2 years in prison in the same case after reaching a pretrial plea agreement, along with 10 others.

Parmalat Finanziaria SpA, now run by the restructuring expert Enrico Bondi who pulled it out of bankruptcy, has sued Bank of America in federal court in Manhattan. The company alleges that bank officials kept quiet about the true state of Parmalat's affairs. The suit is part of Bondi's efforts to recoup a total of EUR13 billion from Parmalat's banks for the company and its investors.

Bank of America has denied wrongdoing and said it was a victim itself of the behavior of Parmalat and its management. It filed counterclaims seeking more than $1.3 billion in damages.

Germany's Schefenacker Moves Operating Units To U.K.

German auto-parts maker Schefenacker AG has transferred its operating subsidiaries to a U.K. holding and confirmed a standstill agreement with creditors, the company said Nov.2, announcing it has completed the first phase of its restructuring.

The company has created a sub-holding company called SVS Spare Parts GmbH, which has been transferred to a U.K. entity called Schefenacker Management U.K. Ltd.

The move will allow the company to enter into negotiations with bondholders on a debt restructuring, the company said.

Schefenacker's banks have conditionally consented for the assets and liabilities of Schefenacker AG - the ultimate holding company for the group - to be transferred to Schefenacker PLC, a newly incorporated U.K. company.

This step is required in order to carry out the group's intention of implementing a financial restructuring of Schefenacker AG without affecting the operational activities of the group, the company said in a statement.

These changes were made after discussions with the group's major customers and bank creditors, the company said.

Schefenacker has also agreed a standstill with its majority revolving and term lenders who have also granted certain waivers requested by Schefenacker.

The waivers will enable Schefenacker to enter into negotiations with holders of its EUR200 million of bonds, the company said. Schefenacker has been in negotiations with senior creditors after it said in August it wouldn't meet performance targets.

— Anousha Sakoui

German Corporate Insolvencies Down 22% In August

German corporate insolvencies fell 22% on the year in August, the Federal Statistics Office Destatis said Nov.3.

The statistics office said that 2,419 companies became insolvent in August.

In the first eight months of 2006, corporate insolvencies fell 17.2% on the year to 21,011, Destatis said.

However, household insolvencies increased significantly, up 32% on the year to 8,050, while 59,652 households filed for insolvency in the first eight months of the year, up 39.1% on the year, Destatis said.

Total estimated outstanding creditor claims fell in August, to EUR2.2 billion from EUR2.9 billion a year earlier.

Corporate insolvencies accounted for around 50% of the outstanding claims, even though they make up only around 20% of total insolvencies, Destatis said.

—Jan Hromadko

Corporate Insolvencies In England And Wales Dropped In 3Q

Personal insolvencies in England and Wales increased 55.4% in the third quarter, with a huge increase in Individual Voluntary Arrangements largely behind the strong increase, according to figures released Nov. 3 by the Department of Trade and Industry.

According to the DTI, in seasonally adjusted terms there were 27,644 individual insolvencies in England and Wales in the third quarter of 2006, compared with 17,793 in the year-earlier period. Compared with the second quarter of 2006, insolvencies were up 5.7% from 26,144.

The DTI also reported that company insolvencies declined in the third quarter of the year to 3,235, a 0.4% fall from 3,249 in the second quarter and 4.3% lower than 3,380 in the third quarter of 2005.

The breakdown of the reported individual insolvency cases shows that 12,228 were IVAs. This is 117.9% higher than the 5,611 reported in the same period last year, and 9.8% higher than 11,137 in the second quarter.

Bankruptcies made up the remaining insolvency cases. There were 15,416 bankruptcies in the third quarter of this year, an increase of 2.7% on the second quarter from 15,007 and 26.6% higher than the 5,611 cases reported in the final quarter of 2005.

"This is the payback period, really. The slowdown on the high street is reflecting that consumers are now choosing to repay their debts by staying away from the high street," said Louise Brittain, head of the personal insolvency department at U.K. accountancy and business adviser firm Baker Tilly.

Brittain is now expecting the number of total insolvencies, including both individuals and companies, to exceed the 100,000 mark by the end of the year, with the majority being individuals.

"We're still on for 100,000 by the end of the year and it will largely be down to consumer credit debts," Brittain said.

The increase in the insolvencies data highlights the continued difficulty U.K. consumers are facing amid still-rising house prices and rising credit repayment rates after the Bank of England's August rate hike.

The Monetary Policy Committee is widely expected to raise rates further to 5.00% this week at its monthly policy meeting, which will likely see a further increase in the insolvencies data in coming quarters.

However, Brittain said the U.K. is unlikely to see the levels of individual insolvencies seen in the late 1990s and early 2000s, and expects total insolvencies to remain around 100,000 for the next few years.

Another government body, the Department for Constitutional Affairs, on Nov. 3 published consumer default data in the form of mortgage possession actions for the third quarter.

According to the DCA there were 24,017 property possession court orders made between July and September, compared with 22,254 in the second quarter of the year. In the third quarter of 2005 the DCA reported 19,694 possession orders.

The number of possession claims made for the orders also rose in the third quarter, to 34,626 from 33,180 between April and June this year and from 29,990 in the third quarter of last year.

Once again the government data highlight the growing number of consumers, in particular home owners, who are struggling with the high level of repayments required to own a property in the U.K.

"With unemployment continuing to rise, utility bills soaring, debt levels at record highs and home buyers stretching themselves ever more as house prices rise significantly higher, it seems certain that individual insolvencies and mortgage repossessions will climb markedly further over the coming months," Global Insight economist Howard Archer said.

"We believe that the continuing need for many people to improve their personal financial situations will limit the upside for consumer spending to come," Archer added.

—Ilona Billington

Eurotunnel Sends Debt-Restructuring Plan To Creditors

Eurotunnel, the operator of the undersea rail tunnel linking the U.K and France, has sent a board-approved plan to restructure the company's crippling debt, which is estimated at GBP6.2 billion, to creditors.

In a statement Oct. 31, Eurotunnel said the plan, which was approved by the company's board two weeks ago, was presented to creditors in accordance with the "safeguard procedure" under French law, which is similar to the U.S. bankruptcy protection law.

The restructuring plan, which will require creditors' approval, has been filed with the Paris Commercial Court, which is handling the safeguard procedure.

According to John Keefe, a spokesman for Eurotunnel, the plan has the support of over 50% of Eurotunnel's senior creditors and over 50% of its bondholders, including its leading bondholder, Deutsche Bank AG.

However, creditors' positions will only become clear when they finally vote on the plan.

A spokesman for Deutsche Bank confirmed that the bank is backing the proposal. But a person close to the senior creditors' committee said each member will scrutinize the proposal and decide on its merits in due course.

The company still doesn't likely to have the backing of one senior creditor, Oaktree Capital Management LLC, which holds a chunk of the lowest rank of senior debt called Tier Three, and bondholders Resurgence Asset Management or Elliott Advisors, said people close to the situation.

However, the final proposal presented Oct. 31 has "the building blocks of a deal that has got the support of a majority of both bondholders and senior creditors," according to one of the people. "This is the end of the line... there is horrible downside in liquidation."

With the plan's backing of leading senior creditors and despite potential opposition from some Tier Three debt holders, the 66 2/3 majority required for senior creditors to approve a plan under the safeguard rules would likely be exceeded, people close to creditors said.

A committee of bank debt holders will be asked to vote on the plan around Nov. 27, and bondholders during meetings in early December. The French court has yet to clarify how bondholders will be asked to vote, but it is likely that both groups will be required to meet the 66 2/3 majority, with at least 50% of the issue voting. Bondholders are likely to be asked to vote in two classes - one for euro-denominated issues and another for sterling-denominated issues, according to one person familiar with the situation.

In its statement, Eurotunnel said the plan was the result of "a long period of negotiation... with the principal creditors and with the support of the court-appointed representatives."

Eurotunnel said the plan took account of the observations made by creditors and represents "the best equilibrium possible between all the stakeholders...(and) aims to guarantee the future integrity of the current concessionaire."

Eurotunnel had been involved in last-minute drafting of the plan in an effort to generate the support of majority of its creditors. The split of bondholders' share of the restructured equity and debt had been settled between the three classes of bonds allocated according to their priority. Also, the company made a final concession to pay creditors part of their due accrued interest.

Further small amendments can still be made until the plan is voted on. In particular, the agreement to underwrite the senior debt and the issue of a bond convertible into equity has yet to be finalized.

The statement Oct. 31 said court-appointed representatives are responsible for consulting the creditors, and setting details and timing of the vote for the restructuring plan.

The plan presented by Eurotunnel Chairman and CEO Jacques Gounon calls for the creation of a new company called Groupe Eurotunnel, which will launch an exchange tender offer to Eurotunnel's current shareholders.

Shares in the old company will be exchanged for new Groupe Eurotunnel shares, and the restructuring will be implemented by the end of March 2007, leaving Eurotunnel with GBP2.84 billion of senior debt with a 40-year maturity, with an interest rate that has yet to be negotiated.

The restructuring would include an issue of hybrid bonds worth GBP1.28 billion, which can later be converted into company stock.

The plan effectively dilutes the investment of existing shareholders, leaving them with a 13% stake in the company that can later be increased to 67% under its terms.

Deutsche Bank and Goldman Sachs are vying with Citigroup on an agreement to underwrite the financing under the plan.

Enron (continued from page 1)

"staggering," the company said. "Between 1997 and 2001, the bank defendants' structured finance transactions with Enron enabled the insiders to wrongfully record more than $9 billion as income and to improperly understate Enron's debt by more than $11 billion."

In a statement Nov. 3, Barclays said it had played a "lesser role relative to others involved in the litigation surrounding Enron's bankruptcy." Enron accused it of improperly receiving $126 million in loan repayments from Enron in the three months before Enron collapsed into bankruptcy in December 2001.

"Although certain of the Barclays preferential transfers were made under so-called swap agreements, in reality these payments were not swap payments and, in truth and in fact, were interest and amortizing principal payments on loans made by Barclays to Enron" or Enron's North American subsidiary, the lawsuit said.

Barclays said that under the settlement, it obtained the right to file $310 million in bankruptcy claims against Enron. Most of those are general unsecured claims. Such claims typically are among the last to be paid in bankruptcy cases, and the payout tends to be only a fraction of the claims' nominal value.

Barclays said the settlement, which is subject to court approval, will have no effect on its earnings in 2006 because the bank already made "adequate provision" for it in previous financial periods.

Enron emerged from bankruptcy proceedings in 2004 and has sold most of its assets to pay creditors. Since 2004, it has distributed about $9.4 billion to creditors.

Argentine Companies (continued from page 2)

the crisis - a combination of a freeze in debt payments and the availability of the excess capacity left over from the recession - had until now meant that many companies didn't need to go to market.

The concerns some businessmen now have is that precisely when their companies are reaching full capacity and in need of external financing to expand, a tougher policy environment is crimping cash flow, which is in turn clouding the prospects for future profitability. In particular, margins are being squeezed by a system of sector-by-sector price freeze accords aimed at limiting inflation while wages and other inputs continue to rise.

Dairy producer Mastellone & Hermanos SA was recently forced to issue short-term debt instruments in lieu of an interest payment. When it did so it tapped a special clause written into the contracts of the bonds from its recent restructuring and cited a lack of cash caused by thinning margins.

Along with talk of a potential crisis in an energy sector that's seen almost five years of frozen power and gas rates, such experiences are breeding hesitancy toward taking bold, expansion-driven financings, analysts say.

Esteban Fernandez Medrano, an economist with local research company Macrovision, says more is needed than merely favorable financial market conditions and cleaner balance sheets to truly drive investment and long-term growth.

"What is missing is more clarity about the government political economy's direction, particularly in terms of prices and energy policy," Medrano said.

—Serena Saitto

From The Tape

Visteon's UK Workers Summoned To Crisis Meeting

Unions at Visteon Corp.'s U.K. unit have been summoned to a crisis meeting with the company's U.S. management team this week, in a bid to end a deadlock over much-needed restructuring at the unit, the (London) *Sunday Times* reported, quoting a letter sent to staff and trade union sources. The struggling U.S.-based car-parts-maker has proposed a wage freeze until 2008 at its U.K. unit, cuts to the manufacturing operations, a pensions restructuring and a cut in holiday entitlements. Unions have rejected its proposals, despite being warned in a letter that the drastic restructuring is required to stave off bankruptcy of the U.K. operations.

Yukos Creditors' Claims Top $19 Billion

The total creditor claims against bankrupt Russian oil company **OAO Yukos** stood at 586.62 billion rubles (US$21.97 billion) last week, according to the press office of Yukos' receiver Eduard Rebgun, news agency *Prime-Tass* reported. The list of creditors includes 54 companies and state institutions. The largest creditors include the Federal Tax Service, with a RUB311.7 billion claim; Russian state-controlled oil major Rosneft, with two separate claims worth RUB137 billion and RUB12.98 billion; Rosneft's subsidiary Yuganskneftegaz, with a RUB108.96 billion claim; Yukos' subsidiaries Tomskneftegaz and Samaraneftegaz, with claims of RUB12.26 billion and RUB1.85 billion, respectively; and Russia's Siberian Service Co., with a RUB228.4 million claim. In August, the Moscow Arbitration Court declared Yukos bankrupt and ruled to auction its assets to pay off debts. Yukos has been crippled by multibillion-dollar back tax claims filed by Russian tax authorities since early 2004.

CRC Puts Italian Unit In Administration

CRC Group said Nov. 2 in a press release that it is withdrawing from its Italian business and making an immediate application to appoint an administrator to **CRC Italia**. The company added that its major customer **BenQ Mobile GmbH**, which represents 50% of current annual Italian revenues, is currently in administration under insolvency laws in Germany. CRC Italia is owed a significant sum by BenQ for services delivered up to the date of insolvency and has been unable to secure any guarantees over payment. Having considered the deteriorating Italian trading position and the reduced prospects for its orderly sale as a going concern, CRC's board concluded that further investment in CRC Italia wasn't justified. The company said the Italian unit's performance since acquisition has been disappointing and the business struggled to acquire new customers quickly enough to replace declining volumes from its existing customer base.

Rosneft Raises Record $25B To Buy Yukos

Russian state oil giant Rosneft is raising $25 billion from a consortium of seven international investment banks to finance its plans to acquire the remnants of bankrupt Russian oil giant **OAO Yukos**, London financial paper the *Business* reported. Rosneft and the banks agreed the key terms of the deal earlier this week and final signing is expected Nov. 10, or at the start of next week. The loan will be the largest ever raised in Russia, exceeding the $12 billion that Russian gas giant Gazprom borrowed in 2005 to buy out Roman Abramovich's oil company Sibneft. Members of the lending group include ABN Amro, Barclays Capital, Calyon, Goldman Sachs and Morgan Stanley are all members of the consortium. The identity of the other two lenders wasn't known.

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