

Grenada
Suit No. 23 of 2001

**The Supreme Court of Grenada
And the West Indies Associated States
High Court of Justice
(Civil)**

**In the matter of the Order for the Winding Up
of First International Bank of Grenada Limited**

First Report of the Liquidator

1. Pursuant to the petition of the Honourable Minister of Finance of Grenada, it was the Order of this Honourable Court, that Marcus A. Wide, a Partner within the firm of PricewaterhouseCoopers LLP, be appointed Liquidator of First International Bank of Grenada Limited ("FIBG") as of February 28, 2001 and as varied on March 2, 2001, with the powers and obligations granted a Liquidator by the Companies Act, 1994 No 35 and as further specified in the body of the Order.
2. I have completed my preliminary review of the assets, undertakings and liabilities of FIBG. In this respect, my report to this Honourable Court is set out under the following headings:

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3. This is my First Report to this Honourable Court. It is my intention as Liquidator, to inform the Court on a regular basis as to the results to date of my efforts, and with respect to my on-going findings and recommendations.
4. I have reviewed my findings with the Grenada International Financial Services Authority (“GIFSA”), and with the Minister of Finance, and have their concurrence with the steps taken to date and my proposed action plan.
5. My preliminary review was based upon the information maintained at FIBG’s office, discussions with remaining staff and with the Interim Statutory Administrator. Prior to my appointment by this Honourable Court, FIBG was in administrative receivership. In the period immediately prior to my appointment the Interim Statutory Administrator was Mr. Errol Thomas. He has provided us considerable assistance. Also, my staff and I provided some support to Mr. Thomas’ activities, at his request, prior to my appointment as Liquidator. This has enabled us to expedite the gathering of information and to report earlier than might otherwise have been the case.
6. All amounts presented in my report are in United States dollars unless otherwise noted. In my report, depositors refer to clients of FIBG from various countries throughout the world that placed funds in trust with FIBG.

OVERVIEW OF FIBG

7. The following summarizes my understanding of FIBG and its operations as promoted to GIFSA and its depositors. My understanding is based on the books and records of FIBG and related companies that were available to me and have been reviewed as at the date of this report. The Preliminary Findings – FIBG Operations section of this report provides details of my understanding, and comments on the extent to which the reality of the actual operations of FIBG complied with its public face.
8. FIBG was incorporated under the International Companies Act, 1990 and licensed by the Government of Grenada as a Class I Offshore Bank in October 1997. FIBG correspondence indicates that it commenced initial operations in Grenada in January 1998 but its operations were minimal and that it did not begin receiving deposits until April 1998.
9. The principals involved in the formation and initial operations of FIBG were Mr. Van A. Brink (formerly Mr. Gilbert Zeigler) (“Brink”), Rita Regale (“Regale”), Cynthia Hastey (“Hastey”) and Robert Skirving (“Skirving”). Offshore banking operations were not new to these individuals. They and others were associated with Fidelity International Bank (“Fidelity Bank”), another offshore bank.

10. It appears from documents at the premises of FIBG that in August 1996 Brink and Hasteley acquired the assets and undertakings of Fidelity Bank from its Canadian owners for \$50,000. The Republic of Nauru licensed Fidelity Bank on July 3, 1996 as a Class B Offshore Bank, but as a Class B Bank it had to utilize the administrative services of other banks and management companies. A Class I offshore banking operation was required and after inquiring in offshore jurisdictions including Nauru, Belize, Barbados and Antigua, a license was obtained in Grenada under FIBG. Subsequently, Fidelity merged with FIBG.
11. Section 16 (1) of the Offshore Banking Act of Grenada 1996 ("Offshore Banking Act") required that FIBG have fully paid up capital of EC\$6 million (approximately \$2.25 million). It appears that FIBG utilized \$500,000 in cash and a precious stone ("ruby"), allegedly appraised at \$20 million to comply with the capital requirements. According to Brink, the cash was from the equity of Fidelity Bank. According to a Fidelity Bank trial balance, dated October 20, 1997, the ruby was listed as a Fidelity Bank asset.
12. Brink provided correspondence and an appraisal report to Wilson & Co., FIBG's initial auditors, the Government of Grenada, and others attesting that the rights to the ruby had been assigned to FIBG (previously Fidelity Bank). I can find nothing in this documentation to indicate that this was a valid right of title or assignment of an asset to FIBG. As reported in a US Department of Justice letter, FBI inquiries determined that the actual owner of the ruby had owned it for more than 20 years, still owned it, had never given up ownership or any interest in the ruby and had never heard of Brink, FIBG or Fidelity Bank.
13. FIBG subsequently acquired additional "assigned assets" allegedly relating to the Bank of China, Bank of Taiwan, Dai-ichi Kangyo Bank, Tokyo Mitsubishi Bank and Union Bank of Switzerland. These are set out on the unaudited quarterly and fiscal year-end financial statements of FIBG dated March 31, 1999. These "assigned assets", and the ruby were collectively valued in the range of \$13.8 billion.
14. FIBG offered investors a variety of deposit vehicles. These ran the full range of deposit accounts with rates comparable with North American banks, through to "high yield" returns for sophisticated investors. This included Certificates of Deposit ("CDs") offering annual returns of 150% to 200%. The paying of such returns was based on the premise that FIBG had assets, including assigned assets under management, of approximately \$13.8 billion and that it could invest/utilize these assets to earn income sufficient to pay the above returns.

15. In order to attract new clients/depositors a marketing strategy was required. Under the direction of Larry Barnabe, David Springer and in conjunction with FIBG, the marketing function was carried out through a series of apparently arm's length and independent organizations:
 - Life Offshore
 - Offshore Educational Institute
 - Granite Registry Services, and
 - Asset Research & Development Association.
16. The above combination was very successful in attracting new depositors for FIBG and/or its Correspondent Banks (sub-banks). The Correspondent Banks had a relationship to FIBG through related party/ownership and by FIBG funding operating expenses in most cases. The purpose of the Correspondent Banks was to expand the depositor base and at the same time distance FIBG from depositors. Whether or not a depositor invested funds directly with FIBG or indirectly through a Correspondent Bank, the funds were deposited to accounts belonging to or under the control of FIBG.
17. As a further tool for identifying prospective investors a project called the "GIFT" program was implemented. While this was not a direct marketing effort, those that enrolled were good targets for the services of FIBG. The "GIFT" program was run out of offices in Nevis and funded by FIBG.
18. Much of the depositors' money was taken in through the sale of CDs. During presentations to attract new depositors, in its advertising, and written on certain of its CD application forms, FIBG and the Correspondent Banks stated that all CDs were guaranteed for 100% of principal and interest through International Deposit Re-Insurance Corporation, doing business as International Deposit Insurance Corporation ("IDIC"), a Nevis corporation. According to FIBG's promotional material and correspondence from IDIC, this was a "self insurance" program administered by IDIC. Under this program FIBG was to "block and lodge" sufficient of its assets to the account of IDIC, which could be liquidated by IDIC as the program administrator, in the event of FIBG's failure to meet depositors' claims.
19. FIBG's investment strategy, as promoted to depositors, was to buy at a discount and sell to a predetermined exit market investment grade instruments such as Letters of Credit or Bank Guarantees from top-rated financial institutions. As stated by FIBG in its promotional material *"It's that simple. Buy low, Sell high"*. My preliminary review of the use of depositor funds indicates that it was inconsistent with FIBG's promoted investment strategy. As approved by its Board of Directors, FIBG invested in such things for example, as real estate in Grenada and Uganda, a sound recording studio, a beer cooling process, cookie manufacturing and a process to reclaim gold from sand "tailings".

20. While early investors were able to cash in on their deposits and had access to funds in their accounts through debit card arrangements, it was not until other CDs matured and depositors requested the return of their principal and interest, that FIBG was unable to meet its obligations. This was mainly due to the lack of new funds being deposited (new and existing clients) as well as the nature of FIBG's use of funds, the high operating costs for both FIBG and the Correspondent Banks, and the inability to realize or generate income from its alleged "assigned" assets. In addition, certain depositors tried to realize on FIBG's guarantee through IDIC with negative results.
21. This reached a critical point in April 2000, when the flow of funds virtually came to a halt.
22. On August 11, 2000 the Government of Grenada exercised its authority under the Offshore Banking Act and appointed an Interim Statutory Administrator to oversee the operations of FIBG. FIBG's license as an Offshore Bank was subsequently revoked on February 15, 2001.
23. In summary, my review to date indicates that the operating life of FIBG was effectively limited to a two-year span from March 1998 to April 2000. During this time investors were enticed to invest with FIBG using a variety of supposedly arm's length vehicles including Correspondent Banks, with promises of high returns on deposits that were represented as fully guaranteed, and on the understanding that FIBG was generating its revenues through trading in high quality securities, where no "buy" was completed unless a "sell" was on hand at a higher price.

PRELIMINARY FINDINGS - FIBG OPERATIONS

24. My preliminary findings with respect to the actual operations of FIBG are discussed under the following headings:
 - Records
 - Incorporation, Directors and Ownership of FIBG
 - Capitalization and Assets Under Administration
 - Acquiring Depositors
 - Correspondent Banks
 - Processing Centres
 - Offerings and Products
 - Deposit Insurance
 - FIBG – Control/Pooling of Funds
 - Investments
 - Disbursement of Funds
 - Bank Earnings and Financial Reporting

Records

25. The information reviewed in order to understand the operations of FIBG included various files stored through out the office in printed and electronic formats, and data setout in the Private Banking System (“PBS”) of FIBG. The PBS system is custom written software, on which the accounting records of FIBG were maintained.
26. The records of FIBG were inadequately maintained and the PBS system was not an effective tool for bookkeeping and accounting. The audit trail from the PBS system is difficult to follow, and there were many “off system”, manual records, kept.
27. From my preliminary investigation, I have reason to believe that there are additional books, records, and accounting information, both printed and electronic, missing from FIBG. It is possible that some of this information may be in the possession of former Directors, Officers or employees. Thus, the information I have reviewed to date may not fully disclose matters material to the FIBG liquidation process, including the discovery of all its assets, and disclosure of all its liabilities.
28. This failure to maintain proper books of account over a two-year period, which fully recorded and disclosed the financial affairs of FIBG, is not, in my opinion, consistent with the minimal level of care owed by the Directors and Officers to FIBG and its depositors.
29. Also the corporate minute book is incomplete with regards to the minutes of Directors' and Shareholders' meetings, and stock registers.

Incorporation, Directors and Ownership of FIBG

30. FIBG was incorporated on October 2, 1997 under the provisions of the International Companies Act of 1990 and licensed as a Class I Offshore Bank on October 9, 1997 by the Government of Grenada under the Offshore Banking Act (Act No. 39 of 1996). FIBG correspondence indicates that it commenced initial operations in Grenada on January 1, 1998 and began receiving deposits in April 1998.
31. The Minute Book of FIBG that is on the bank premises is silent as to the Directors of FIBG. As best I can determine the first Directors were:
 - Mr. Gilbert Zeigler – Chairman
 - Mr. Ralph Sherman
 - Mr. Zig Zeigler
 - Mr. Anselm Clouden.

32. Shortly after the start of operations Mr. Gilbert Zeigler made a legal change of name to Mr. Van Arthur Brink. I use this name in this report, regardless of the name in use at the moment referred to.
33. The earliest minutes of any Board of Director's meeting in the minute book at FIBG's premises were from April 23, 1999. This reported that at the meeting the:
- “shareholders had acted prior to the February Board meeting to remove the original Board of Directors.....The Shareholders had retained Mr. Brink as Chairman and CEO, and instructed him to appoint a new Board.”*
34. The new Board, as appointed by Brink, comprised:
- Van Brink – Chairman
 - Rita Regale
 - Marion Suite
 - DuSean Berkich
 - Richard Downes
 - Bob Skirving – advisor to Board
 - Harvey R. Kaufman – advisor to Board
35. Other FIBG documentation lists Brink as the Chairman of the Board, and identifies Directors as Harvey Kaufman, Marion Suite, and Rita Regale.
36. The Shareholders Register, also on the premises, was silent as to the shareholder or shareholders, nor is there evidence that any share certificates were issued. In correspondence directed to FIBG's auditors, Mr. Zeigler states that the legal shareholders of FIBG are Covenant Trust (Nevis), which holds the shares in a blind trust for the beneficial interest of private parties. It is asserted by Brink and Cynthia Hastey (“Hastey”), also known as Tai Hastey, that she is/was at all times the beneficial owner of the shares of FIBG.
37. As the result of negative publicity regarding FIBG and himself, Brink resigned as Chairman of the Board in October 1999. My investigation indicates that in spite of Brink's resignation, he continued to direct the activities of FIBG in concert with Regale, Skirving and others until at least April 2000. This was the time that the operation of FIBG effectively ceased through the lack of available cash to meet depositor payment demands.

Capitalization and Assets Under Administration

38. The earliest financial statement for FIBG that I have been able to locate is for March 31, 1998 (**Appendix A**). These financial statements were submitted to GIFSA by Brink on March 26, 1999, with the other quarterly reports for 1998. It

was a requirement of the Offshore Banking Act that quarterly financial reports be filed.

39. The covering letter under Brink's signature notes that there were errors in the way the financial statements were prepared by the external accountant in respect of the year's operations. He also indicates in that letter that there were no operations in January or February of 1998, and that the financial year of FIBG should run from March 1, 1998 to February 28, 1999. Therefore the March 1998 balance sheet reflects FIBG's financial position at an early stage in its operations.
40. The balance sheet declares total assets of approximately \$17.4 million, of which \$15 million is represented by a 10,000 carat ruby appraised for \$20 million as set out in Note 7 to the financial statements. The share capital is reported to be \$8.2 million.
41. The principal asset on the balance sheet, being the ruby valued at \$20 million and recorded at \$15 million, was allegedly acquired by an assignment and conveyance of "all of its rights, title and interest in" from Resource Enhancement Inc. dated October 12, 1997. This was not described as a sale, nor was there any statement as to what those rights, title and interest were. FIBG assigned the ruby back to Resource Enhancement Inc., by assignment dated October 13, 1998. Although the ruby was apparently assigned back to Resource Enhancement Inc., FIBG continued to report it as an asset on its balance sheet as at March 31, 1999. In either case, there is no indication that any consideration was given ([Appendix B](#)). The documents I have viewed are all copies, and I have not been able to locate originals.
42. Reports from the US Department of Justice, filed as Plaintiff exhibits in litigation against FIBG, indicate that FBI inquiries have determined that the owner of the gem had owned it for more than 20 years, still owned it, had never given up ownership or any interest in the gem and had never heard of Brink or FIBG. I can find nothing that would suggest that the alleged assignment of the ruby conveyed anything of real value.
43. This suggests that FIBG's capital structure was materially overstated from the very beginning and failed to comply with the statutory minimum requirements.
44. According to the quarterly financial statements prepared by FIBG Management, the share capital increased over the next nine months and by December 31, 1998 was recorded as approximately \$13.89 billion ([Appendix C](#)). As explained below, the alleged source of this additional capital was the assigned assets under FIBG Management, most of which were acquired on the merger with Fidelity Bank.
45. Among the purported assets deeded to or placed under the management of Fidelity Bank at that time were various rights to natural resources, art work, real estate, and financial instruments. As reported to Mr. Presley by letter of Brink dated

November 4, 1997, the value of the assets of Fidelity Bank and assets under administration of Fidelity Bank, were approximately \$101 billion (Appendix D). As can be seen the assets are identified by only a general description.

46. A similar letter provided to Mr. William R. Davis under the signature of Rita Brunges (a.k.a. Rita Regale), dated October 20, 1997, provides an almost identical list of assets that are described as “*hard assets controlled and managed by Fidelity*” (Appendix E).
47. A document on FIBG letterhead dated December 4, 1998 and signed by Brink as Chairman of the Board, listed assets and liabilities of FIBG. It also reports other assets allegedly owned or under management of FIBG (Appendix F).
48. I have a compilation financial statement of Fidelity Bank as at December 31, 1997, signed by Kenneth Craig (“Craig”), in which the assets of Fidelity Bank are stated to be approximately \$513 million (Appendix G). Included in the assets were unlisted stock with a cost of \$850,000 and having a current value of approximately \$507 million. The note on the basis for this valuation states:

“Unlisted stocks are reported at values obtained by conservative estimates combined with evaluation of memorandum from third party offers to purchase these assets.”

49. I note the description “unlisted stocks” is very different from the list of assets of Fidelity Bank reported by Brink and Regale (Appendices D and E). To date, I have not located any documentation of the assets listed in Appendices D and E which would enable me to verify their value, or in some cases, the existence of the underlying assets, as assigned to or administered by Fidelity Bank, or subsequent to the reported merger of Fidelity Bank with FIBG. The other “assigned assets” are discussed in the following paragraphs.
50. With respect to the cheques drawn on Dai-ichi Kangyo Bank, valued at \$3.8 billion, I have become aware of other identical cheques in the hands of another insolvent offshore bank in another jurisdiction. This is also supported by documents supposedly signed by high-ranking officials of that bank, but with a different explanation for its purpose and different signatures. All documents are copies and I have not found any originals. I have a certificate from a Notary Public in Canada confirming that the copies are the same as the source photocopies that he was shown. There is no documentary evidence to support FIBG’s claim that it had an interest in these cheques, nor can I establish that they are other than fraudulent documents.
51. The supporting documents for the bullion held at Union Bank in Switzerland are copies of copies. I have a certificate from a Notary Public in Canada confirming that the copies are the same as the source photocopies that he was shown. There is

nothing to show how FIBG has an interest in this bullion, the consideration paid or the terms under which this is otherwise held.

52. The Bank of China documents are photocopies, including the appointment of the agent who conveyed them. I have a certificate from a Notary Public in Canada confirming that the copies are the same as the source photocopies that he was shown. There is nothing to show how FIBG has an interest in these funds, the consideration paid, or the terms on which these are otherwise held. The Department of Justice letter referred to above advises that the Bank of China advised Mr. Kerri, of the Office of the National Bank Examiner of the United States Government that these documents were fictitious.
53. To date, my investigation has found no evidence to indicate that FIBG had any rights or title, by assignment or otherwise, to approximately \$13.8 billion of the assigned assets reported on its financial statements as at March 31, 1999.

Acquiring Depositors

54. In most jurisdictions, including the U.S.A., Canada and the European Union, international banks such as FIBG are prohibited from advertising through the media or by direct mailing to acquire new clients unless they submit to the supervisory and regulatory processes of those jurisdictions. They are only allowed to communicate in response to direct inquiry, through offshore magazines, through purchased reports or by the word-of-mouth recommendation of satisfied customers. In order for the depositors to become clients of FIBG, the initial contacts and offerings were channeled through affiliated and/or related companies of FIBG including:
 - Subscription to the “Life Offshore” newsletter
 - Offshore Educational Institute (OEI) seminars
 - Registration of International Business Corporations (“IBCs”) through Granite Registry Services (GRS),
 - Material distributed through Asset Research & Development Association (ARDA), and
 - GIFT (Given in Freedom Trust) program.
55. I have also determined through staff interviews and documents that FIBG used the word-of-mouth recommendation of satisfied customers, which they referred to as Independent Contractors (“ICs”). While not registered or identified, these “ICs” acted as sales representatives promoting FIBG and its Correspondent Banks by talking about the great deal they found offshore. On the surface it appeared that the ICs were satisfied customers of the bank, who invested in CDs and made an excellent return on their money.

56. The process of acquiring clients was fraught with difficulties of non-disclosure, payment of incentives, which were illegal in the recipients' jurisdictions, and pyramid sales commissions.
57. Specifically, Life Offshore, OEI, GRS and ARDA were incorporated in Grenada in 1998 as IBCs. Although represented as independent of FIBG it appears that FIBG, together with associated individuals, sponsored them for incorporation. The bulk of the operating expenses and initial capital of these IBCs were funded or guaranteed by FIBG. It also appears that they acted in concert as a single institution. The share structure is unclear at this time, however, it appears that Granite Holdings Limited ("GHL") may have owned the shares of the three IBCs. In short, the documents and transaction information obtained from FIBG's premises support the position that, OEI, ARDA, and GRS were established purely to provide marketing support to FIBG and its affiliated/related Correspondent Banks (also known as Sub Banks) with the appearance of independence.
58. Further the documents and transaction information found in FIBG's premises show that the ICs were in fact under contract to ARDA and received commissions through ARDA based on the amount and term of CDs purchased by the referred depositors. If a depositor incorporated an IBC through GRS, the IC also received a commission of approximately 50% of the fee charged the client by GRS. An IC was required to be a member of OEI and pay an annual membership fee of \$350. An IC also had to have an IBC, with commissions being paid directly to it for the benefit of the IC. As the IC's were in effect acting as unlicensed brokers in their countries of residence in most cases the commissions would be improper.
59. Having reviewed the documents surrounding the GIFT program, I have determined it is in essence a pyramid "commission" scheme, with a no cost entry. As I understand, when opening an "account" with the GIFT program, the "trustee" of the gift program "gives" your "gift account" three dollars. For every referral you make that results in a new account, you receive a further gift of 33 cents. For every successful referral that the new account holders make, you also get 33 cents, as do they and so on down the chain. On the basis of a twelve-tier referral pyramid each of three referrals, this will generate "cumulative cash available" of \$20,615.13 annually based on a growth of your underlying trust with a capital value of \$265,457.23. This is set out on the page three of the details of the GIFT program ([Appendix H](#)).
60. Despite the statement that the benefactors of the GIFT program had contributed \$1 billion for the operation of the program and to meet the accumulated trust balances, there is no evidence of any initial contribution to a trust that I can locate.
61. The operating expenses of the program were funded by FIBG. The GIFT program staff reported back to FIBG and office space was leased and subsequently expanded by FIBG at its expense.

62. Former staff have advised me that no payments have been made against current GIFT program balances. I am further advised that the purpose of the program was to establish contact with persons looking to offshore activity and who may be approachable for the products of FIBG or the Correspondent Banks.
63. I am satisfied that the only purpose that was consistent with this activity was to establish contact with persons who might become active clients of FIBG or its Correspondent Banks.

Correspondent Banks

64. While FIBG obtained deposits directly from clients, or transferred client's deposits from Fidelity Bank, it has become apparent from the documents and transaction information at the FIBG premises, that the Correspondent Banks primary role was to generate funds to be "invested" through FIBG. Many of these Correspondent Banks had agreements to invest all monies raised through FIBG and the routing of deposits was in many cases directly to FIBG or FIBG controlled accounts (Appendix I).
65. FIBG invested funds in setting up, providing initial capital by cash or guarantee, and in operating expenses for its Correspondent Banks. I have not completed a full tally but it is clear that these Correspondent Banks acted solely to generate cash for deposit at FIBG, while somewhat removed from FIBG and in the later periods, the allegations and controversy surrounding Brink.
66. The Correspondent Banks were licensed as either a Class I or Class II Offshore Bank by the Government of Grenada. GRS acted as the Registered Agent. I understand that additional Correspondent Banks had applied for and/or were in the process of receiving banking licenses.
67. The authorized capital of each offshore bank was, by statute, required to be \$2 million. Confirmation of such capital was, in the case of many if not all the Correspondent Banks, based on letters from FIBG assuring that the alleged shareholders/owners of the Correspond Bank had funds on deposit at FIBG. As a specific example, on February 24, 1999, Regale wrote a letter to Mr. Michael Creft, Registrar of Offshore Financial Services, confirming that Taansen Sumeru ("Sumeru") had in excess of \$1.5 million on deposit with FIBG, and that FIBG/Regale had been instructed by Sumeru to assign \$1.2 million to meet the capital requirements of New London Investment Bank Ltd.
68. To date, I have been unable to substantiate that Sumeru actually had \$1.5 million on deposit with FIBG. Sumeru is also associated with Sattva Investment Ltd. ("Sattva"), another Correspondent Bank.

69. The Directors' Meeting Minutes of FIBG also reported discussions on the formation of Correspondent Banks, and the need to increase the number ([Appendix J](#)).
70. As described above, the Correspondent Banks had a relationship with OEI, ARDA and GRS and received marketing, education and registry services.
71. FIBG performed the administrative functions related to the Correspondent Banks' depositors such as account maintenance, printing of CDs and printing of account statements. As will be described in detail under the heading "FIBG – Control/Pooling of Funds", the majority of funds received from the clients of the Correspondent Banks were received directly by FIBG or were immediately transferred to FIBG on receipt. The Correspondent Banks maintained nominee accounts with FIBG as recorded on PBS. In turn, each Correspondent Bank maintained a list of depositors on its own PBS. To date, I have not identified any tangible bank accounts held by the Correspondent Banks at independent financial institutions.
72. FIBG also directed its Processing Centres to disburse funds on behalf of the Correspondent Banks.
73. At this time, the share structure of the Correspondent Banks is unclear however, it appears that FIBG had a direct relationship with them, co-mingled depositors' funds, acted in concert with them and was the controlling mind.

Processing Centres

74. In addition to the Correspondent Banks, FIBG utilized Processing Centres located in St. Vincent, Nevis, Uganda, Isle of Jersey, the States of Washington, Nevada and Oregon as the mechanism for the transference of FIBG funds to and from related parties and depositors. I have noted that the Processing Centres held bank accounts in their name with independent financial institutions ([Appendix K](#)).
75. Based on my review, to date, it appears that the Processing Centres acted exclusively for and in conjunction with FIBG and the Correspondent Banks. The funds that were or are held by the Processing Centres were therefore held for the account of FIBG, and represent assets of FIBG. To the extent there are any funds in them, they should therefore be available to the Liquidator.
76. As the accounts of the Processing Centres are not held in the name of FIBG I am having difficulties getting information on them, including transaction information and any balances held. It is my intention to seek the assistance of this Court and Courts in other jurisdictions to investigate transactions directed by FIBG, through the Processing Centres.

Offerings and Products

77. FIBG's primary business mission, which was similar to Fidelity Bank's, was to obtain deposits from offshore, and provide a broad range of investment products to depositors. Many of these were savings accounts or CDs bearing a market rate within a range that might be expected of a commercial North American bank. However there were others, identified as being for sophisticated investors that featured high yields, well in excess of normal yields at conventional banks ([Appendix L](#)).
78. The CDs appear to be the financial instrument that FIBG and its Correspondent Banks were offering to clients as the "road to riches" ([Appendix L](#)). The report of Mr. Errol Thomas describes the CDs issued by FIBG and its Correspondent Banks by type, number issued, principal amounts and maturity dates. I have not attempted to validate and/or quantify the CDs, as this is not a useful process until it becomes known if I am able to recover funds to make a distribution to depositors.
79. Outside of highly speculative, high risk, investment vehicles, which carry the concomitant risk of loss, I know of no investment that will generate the promised CD yields on a "guaranteed" or "insured" basis. I have encountered "high yield instruments" in the context of other insolvency investigations, and as offerings to clients in my firm's associated general practice. However, I have not yet encountered any that are genuine offerings. In my experience, they have only been offered as part of a fraudulent transaction.
80. For an application fee of \$100, a client could apply for an Account Access Card ("AAC"). The cards were pre-numbered debit cards bearing no reference to the client/IBC. The cards were issued from St. Vincent and funded through the Financier S.A. Bank, Costa Rica. The client was required to place a security deposit with FIBG equivalent to 100% of the maximum value of the card.
81. The card was replenished as required from the depositor's money market account. Certain depositors arranged for regular monthly transfers to replenish their AAC. It also appears that certain individuals of FIBG had one or more AAC, which was funded on a regular basis by FIBG from bank resources. As an example, it appears that Brink had \$10,000 credited to card #52-4212 on a monthly basis. My preliminary review indicates that over the life of FIBG, approximately \$9.1 million was transferred from FIBG to fund the AACs, at Financier S.A. Bank.
82. FIBG also offered Stock Value Bank Guarantees for the World Investors Stock Exchange ("WISE"). A sample of the Guarantee is attached as [Appendix M](#). This provided not only a guarantee of the principle amount invested but also a rate of return of approximately 7% per annum.
83. I can find nothing in the records of FIBG that suggests that any analysis of the risk or potential exposure to loss for entering into the business of Stock Value Bank

Guarantees was ever made. I can find nothing, which would suggest that there was any review of the businesses that applied to list on WISE, which would assist in determining the prospect for success or failure of that business, nor for monitoring their financial progress.

84. I am not aware of any stock market that does not suffer periodic declines in total value and in which individual stocks do not fall. Therefore, an element of risk is inherent. Despite this, there are no provisions in FIBG's financial statements in respect of any exposure to these guarantees, as would be required under Generally Accepted Accounting Principals ("GAAP").
85. In short I can find nothing to indicate a commercial rationale for offering these guarantees, and the offer of such guarantees without an assessment of risk and provision for loss falls well short of the lowest level of commercial prudence appropriate to the conduct of Officers and Directors of a bank. However, it is consistent with offering assurance and comfort to depositors and investors in the context of a sham.

Deposit Insurance

86. FIBG's documents indicated that deposits made with the bank were supported by deposit insurance, through IDIC, under a scheme of "self insurance" administered by IDIC. According to the information provided to investors, IDIC required that insured financial institutions "block and lodge" with IDIC, assets to the value of three times the deposits of the insured institution as a minimum ([Appendix N](#)).
87. This is further affirmed by a "To whom it may concern" memo of January 19, 1998 issued by IDIC ([Appendix O](#)).
88. There were further statements from IDIC that under its rating system it would not take on "clients" with less than a "AAA" rating. FIBG asserted that it had a "AAA" rating from IDIC. This required that assets be "blocked and lodged" to the extent of ten times deposits (ratio of 10:1).
89. My review of the files and records of FIBG failed to disclose any evidence that assets in any amount were in fact "blocked and lodged" with IDIC, nor indeed that IDIC made demands that this be done. However there is a Contract between IDIC and FIBG, which indicates that the insurance is provided by a self-insurance program over which IDIC's role is "*that of administrator and watchdog*" over the management activities of the bank and thus the bank's assets. Later the agreement states, "*The bank acknowledges that it gives over all rights and title and interest in all the bank's assets to IDIC via general power of attorney, which this contract is sufficient evidence as stated in the immediate foregoing.*" The contract then purports to provide IDIC the right to step in and liquidate the assets of FIBG to satisfy claims ([Appendix N](#)).

90. I also note that despite the fact there have been no significant payments to depositors of either principal or interest since May, 2000, IDIC has not utilized its alleged right to seize the “blocked and lodged” hard assets to meet its obligations to depositors. Nor am I aware of any efforts to do so. Also, although it stated its right to do so in a memorandum sent to the Court at the time of the application for the appointment of a Liquidator, IDIC did not appear in the proceeding nor bring an application to recover and liquidate the assets on behalf of depositors.
91. Further, it is my experience as a long time insolvency practitioner, that such an agreement is effectively a charge over the assets of FIBG. In all the common law jurisdictions with which I am familiar, a charge over assets must be registered in the Registry Office or elsewhere as directed by statute, to be effective and enforceable. There is no evidence that there is any such registration.
92. Further, the assets as listed by FIBG, were mostly outside of Grenada. As an experienced insolvency practitioner, who has conducted multi-jurisdictional receiverships and liquidations, it is hard to see how such rights could be enforced without registration of IDIC’s security interest in those jurisdictions. I have found nothing to indicate that security agreements in a form appropriate for registration have been executed by FIBG, nor is there any indication of such required registration.
93. I understand that a number of depositors have attempted to recover funds through IDIC to no avail. The depositors’ failed attempts to recover funds from IDIC leads one to question IDIC’s financial standing. I have not been provided with any independent supporting information that substantiates IDIC’s claim that it has the capability to return funds to depositors. I am unable to find any evidence that IDIC “insured” any deposits other than FIBG’s and its associated entities. I further note the recent announcement that a group of Ugandan investors had acquired IDIC, and that Brink had acted as “consultant” in the transaction.
94. I am left with the opinion that the IDIC insurance program was created to provide inducement and comfort to prospective depositors, but was and remains a sham.

FIBG – Control /Pooling of Funds

95. Based on the Product Type Report, produced from FIBG’s PBS system, identified the principal amount invested directly by clients, CDs issued by FIBG to support its own investment activities and other funds from related parties, was \$206 million. To date, I have not attempted to validate and/or quantify the total value of the CDs issued. As noted later in this report we have traced incoming cash deposits of approximately \$112 million.
96. First Bank’s books and records were maintained on PBS, a customized computer program developed for FIBG. Although FIBG used PBS to maintain a record of depositors’ account activity, PBS was not an accounting system capable of

producing reliable financial statements or an audit trail. My preliminary review indicates transactions being recorded on PBS with no supporting documents, supporting documents for the receipt and disbursement of funds which do not appear to have been recorded in PBS, and unsupported adjusting entries to balance accounts. Therefore, the reliability of PBS is questionable.

97. Client deposits with Fidelity Bank are believed to be included in the above. Also, a number of associated and/or related party IBCs are recorded in the PBS as having deposited funds directly with FIBG and are included in the \$206 million. These amounts may represent reimbursement of fees, commissions etc. and not actual deposit of personal funds.
98. When depositing with a Correspondent Bank, some depositors sent funds by certified cheque or money order directly to FIBG and/or its Correspondent Banks, which were deposited directly to a FIBG controlled bank account. Most depositors were instructed to and in fact did, send funds through a number of chartered banks or trusts, depending on the currency and country of origin.
99. Litigation against FIBG, Sattva and other parties, filed in the United Kingdom (“UK”) by clients of Sattva and registered as Suit Number 443 of 2000, Supreme Court of Grenada, indicates that the clients of Sattva were directed to wire funds to the account of Garstone International BV. (“Garstone”) at Standard Chartered Bank, Jersey. An internal memo of FIBG directed that clients were not to refer to FIBG nor the Correspondent Banks, and no one was to contact Jersey, even though the accounts were controlled by FIBG Management (Appendix P). As identified in PBS, approximately \$900,000 was recorded as being deposited to the account of Garstone. However, it is alleged in the UK Plaintiff’s filings that as much as \$11 million may have been deposited to the Garstone account. This is well in excess of the amount reported in PBS.
100. My initial review indicates that depositor funds were placed in accounts controlled by FIBG as follows.

Receiving Bank	Location	Name of Account
Capital Bank International	Grenada	FIBG
National Commercial Bank	St. Vincent	Fidelity Management & Trust
Standard Chartered Bank	Isle of Jersey	Garstone International
Gold Trust Bank Ltd	Uganda	FIBG

101. While I have been able to obtain some of the documentation on these accounts, some of the bank statements relating to them are incomplete and/or not available at this time. Based on a preliminary review of available statements and spreadsheets obtained from the computer network of FIBG, it appears that approximately \$112 million was deposited to the above accounts between March 1998 and April 2000. As noted above, I believe that this amount does not represent all client deposits to

FIBG and/or the Correspondent Banks during this time period. Indeed the liability to depositors as shown in the books of FIBG suggests that there should be other funds to account for.

102. Whether clients believed that they were investing in a Correspondent Bank and/or FIBG, it is apparent that funds were pooled/co-mingled and under the control of FIBG.

Investments by FIBG – Use of Funds

103. My staff and I have attempted to value and trace the monies placed by depositors deposited directly with FIBG or through one of its Correspondent Banks, approximating \$112 million, and determine their ultimate disposition. As a result of the inadequate bookkeeping, the use of the Processing Centres, (for which we have incomplete records), and the flow of funds between bank accounts internally (which were again poorly reported), this process has been extremely challenging and time-consuming. My best estimate to date of the use of funds identified is as follows:

Use of Funds	\$ (in millions)
Paid to Depositors	28.8
Purchase of Operating Assets	1.75
Real Properties	2.2
Debit Card Withdrawals (Depositors & Bank Officers)	9.1
Independent Consultant Commissions	3.0
Operating Expenses	<u>3.2</u>
	48.1
Cash Support	
- WISE	2.2
- Correspondent Banks & Processing Centres	3.6
Other Cash Loans and Investments	
- Related/Associated entities	12.7
- Other	<u>19.4</u>
	86.0
Not Yet Identified	<u>26.1</u>
	<u>\$ 112.1</u>

104. It should be noted that these numbers may well change as my staff and I refine this analysis. However, as approximately 200 man hours have already gone into the process, there comes a point when the cost of continuing out weighs the likely benefit or the prospect of finding as yet undisclosed bank accounts with funds still available or tracing other tangible assets.

105. FIBG controlled the disbursement of funds held by the Processing Centres and acted in conjunction with them to direct the flow of funds. This was accomplished by FIBG creating wire instructions in Grenada, using the Processing Centres' letterhead and addressed to the independent financial institutions maintaining the Processing Centres' bank account. The wiring instructions contained the Processing Centres' account number from which the funds were to be taken, the routing information and the recipients' account name and number.
106. Depositors received funds by wire transfer, EFTs and AACs. FIBG's operating expenses (i.e. payroll, utilities and rent) were paid either by cheque or wire drawn on various bank accounts held in FIBG's name or under FIBG's control.
107. FIBG provided working capital infusions or loans to related parties, including its Correspondent Banks and WISE, for operating expenses, travel, commissions, etc. To date, I have not found any loan agreements, promissory notes, memorandum of terms of repayment, approval of lines of credit or any other support for what are substantial commercial transactions, negatively impacting on the cash flow and earnings of FIBG. I am of the view that this is contrary to even the lowest acceptable level of commercial conduct for any business, and certainly well below an acceptable commercial standard of conduct for any bank, which invests and lends money as its core business.
108. Not only are there no terms for repayment of any of these advances, but neither can I find any evidence that any repayments were made.
109. With respect to the arm's length loans and investments, far from being the safe trading in "investment grade" instruments outlined in the material provided to would be depositors, these appear to be speculative investments in operating or start up companies. Some of the investments identified include a resort and palace in Uganda, a cookie distribution process, property in Grenada, a sound recording studio, a beer cooling process and a gold/sand reclamation process. Again there is little to document the exact terms of each of these investments, as would be appropriate to any commercial enterprise, and particularly so to a bank.
110. I have difficulty in understanding the business purpose behind the investment decisions of FIBG such as the properties acquired in Uganda for approximately \$3.7 million. In FIBG Directors' Minutes it is recorded that these properties have never generated income for FIBG and in fact were a drain on its resources.
111. WISE, a professed venture capital stock exchange, was one of the many related parties receiving working capital and direction from FIBG. The tie between FIBG and WISE included the option for FIBG clients, through the "Change the World" program to earn interest for the purposes of buying stocks listed with WISE. FIBG also provided the Stock Value Bank Guarantee referred to above in support of investments in stocks listed on WISE.

112. As noted above, the inherent fluctuations in value of any stock on any stock exchange means that this guarantee carries a high risk to the issuer, FIBG. I have not been able to find in the records at the FIBG premises any analysis of the risk or possible liability arising from the provision of such guarantees. Nor do any of the financial statements that I have, in any version, make any reference to the liability contingent or otherwise with respect to the Stock Value Bank Guarantee, as would be required under GAAP.
113. Other investments that I have identified were discussed at some length in the Minutes of Directors' meetings. The principal investments are detailed in the Asset Recovery Section below. In summary, my review indicates that these investments are inconsistent with FIBG's investment strategy as outlined to prospective depositors.

Bank Earnings and Financial Reporting

114. FIBG was licensed as a Class 1 Offshore Bank on October 9, 1997. According to Section 31 (1) of the Offshore Banking Act, FIBG was required to file a statement of assets and liabilities within 30 days of the end of each quarter. Section 32 (1) required FIBG to file audited financial statements including its balance sheet and profit and loss accounts within three months of the close of its financial year. Accordingly, FIBG should have filed quarterly statements as at February 28, 1998, May 31, 1998, August 31, 1998 and fiscal year-end audited financial statements as at November 30, 1998.
115. However, my review indicates that FIBG engaged Wilson & Co. as its auditors in September 1998. Although the financial statements are the responsibility of FIBG, Wilson & Co. assisted the bank in compiling the **quarterly** financial statements for February 28, 1998 but FIBG did not file them until February 1999 eleven months after the mandated filing date.
116. FIBG through correspondence to GIFSA requested permission to change its fiscal year-end to a calendar year-end of December 31, 1998 on February 24, 1999. Subsequent to this request my review indicates that the year-end was again moved to March 31, 1999 and then April 30, 2000.
117. Around December 1998, Wilson & Co. met with Brink and Regale (in her capacity as Chief Financial Officer), to outline the requirements for an unqualified audit opinion of FIBG's **annual** financial statements. Wilson & Co. discovered from its initial meeting that the books and records of FIBG could not support the preparation of the financial statements in accordance with GAAP. In addition, Wilson & Co. was limited in its scope from confirming the existence and valuation of assets that FIBG presented in their quarterly financial statements.

118. In particular, Wilson & Co. was unable to independently verify that FIBG had the right and title to the assignment of the ruby reported at \$15 million and approximately \$13.8 billion of assets under management including assets allegedly relating to the Bank of China, Bank of Taiwan, Dai-ichi Kangyo Bank, Tokyo Mitsubishi Bank and Union Bank of Switzerland. I also have correspondence from Wilson & Co. seeking information on the principle investments of FIBG so that they could perform standard audit verification tests.
119. As a result Wilson & Co. concluded that an audit could not be performed in accordance with generally accepted auditing standards. In fact, Wilson & Co. resigned as the bank's auditors without initiating on-site audit procedures.
120. FIBG then engaged Craig, whose Certified Public Account's license was revoked by the State of California in 1996. Craig was already known to the Officers of FIBG having produced financial reports for Fidelity.
121. Craig was assisted by Clifford Dennis Christie ("Christie") who, according to the U.S. Department of Justice, was convicted of bank fraud in 1992. According to FIBG documentation, during the fall of 1999, Craig and Christie prepared FIBG un-audited financial statements for the fiscal year-ended March 31, 1999. In fact, Craig issued two reports on the same date with respect to FIBG, one on letterhead representing himself as a Certified Public Accountant, with an office in Incline Village, Nevada, and one as Kenneth Craig & Associates, with an address in Guanajuato, Mexico.
122. Also, Adrian Ball ("Ball"), an independent Chartered Accountant practitioner from the UK was engaged by FIBG to conduct an audit and rendered his opinion as at April 30, 2000. In addition, Ball did not present prior year's information for comparison purposes ([Appendix Q](#)).
123. The bank earnings, as explained in various information packages were to come from trading in international security markets with investment grade instruments, on the principal of:

" buying at a discount and selling to a predetermined exit market (at a pre-set higher price) investment-grade instruments (such as Letters of Credit or Bank Guarantees) from top rated financial institutions. It's that simple Buy Low. Sell high. But only buy when you already have a sale lined up. Now do that every day of the week" ([Appendix R](#)).

124. In Note 5 to the financial statements prepared by Craig ([Appendix S](#)), FIBG describes its principle income earning activities as follows:

"First Bank acts as a fiduciary in the brokered marketing of debentures issues by unrelated client companies. First Bank is the clearing transfer agent and uses a delivery versus payment method of operation. Bank income is earned for its

services on the margin between the buying and selling prices, and receives that income in the form of debenture ownership.”

125. In fact, Craig presented that FIBG reported debenture-trading revenue of \$7.2 billion and \$25.9 billion for the quarter ended and year ended March 31, 1999, respectively.
126. To date, and despite enquiry of staff, I have found no records in the course of my investigation, to suggest that at any time in the life of FIBG, there was any trading activity of this nature. Neither, in my review of the payroll records, did I find persons whose role might have been that of trader, nor have I found evidence of traders who received commissions for trading on behalf of FIBG, nor have I found any evidence of trading orders being issued by FIBG for its account.
127. I note in a letter addressed to Craig dated April 26, 1999, Brink says that:

“First Acceptance Corporation (Nevis), is a wholly owned subsidiary of First International Bank of Grenada. The share value represents the amount of fully paid up capital by First Bank as of March 31, 1999. First Acceptance Corporation (Nevis) undertakes the negotiation of various income-producing contracts, protecting First Bank’s contractual rights position without subjecting the bank’s other assets to liability in the event of a suit by another contract party. Current contracts negotiated anticipate a 1999 net income stream to First Acceptance of several hundred million dollars.” (Appendix T).
128. This is not quite as stated under previous paragraphs above, and I can find nothing in the General Ledger account with First Acceptance Corporation (Nevis), hereinafter referred to as FACN, that would support such a statement. I have as yet to locate any books or records of FACN.
129. In any event, as the Financial Statements of FIBG record its investment in FACN on a cost basis, rather than a consolidated basis, the revenues of FIBG would not include the revenues of FACN. The revenues of FIBG as reported are solely its own and cannot be those allegedly generated within FACN. Therefore, I cannot reconcile these conflicting positions advocated by FIBG, except as an attempt to mislead depositors.
130. I note that the PBS General Ledger reports a retained earnings deficiency as at March 30, 1999 of approximately \$21 million, and more recently as at July 31, 2000, prior to any intervention, a retained earnings deficiency of approximately \$347.6 million. According to FIBG’s financial statements as at March 31, 1999, retained earnings were reported as \$25.9 billion as signed off by Craig. I have not yet found any routine financial monthly, quarterly or even annual financial reports prepared by FIBG for its own management use, as one would expect of any significant business. Nor have I found so far, any management report, proposed journal entries or any other document that summarize or explains the significant

adjustments to the books to account for unrecorded entries, which would provide FIBG Management and its Board of Directors with financial information in line with the Craig reports. These would appear necessary to bridge the gap between the PBS system report and the representations of Management as to income and assets.

131. FIBG's quarterly financial statements as at December 31, 1998, report an operating loss of approximately \$2 million, cumulative Retained Earnings of approximately \$1 million, and shareholders' equity of nearly \$14 billion. In addition, the notes to these financial statements list cash on hand and deposits of \$13.8 billion and investments of \$118.5 million, respectively.
132. In contrast, the financial statements reported on by Craig for the year ended March 31, 1999, that overlapped the above period by nine months, reported net income for this period of \$26 billion, cumulative Retained Earnings of approximately the same amount, and shareholder equity of \$26.2 billion. Of the revenue reported, "Debtenture Trading" generated all but approximately \$19 million. As noted above, I can find nothing in the records of FIBG that indicate active debtenture trading.
133. What is shown in the books of account are in contrast to various financial reports prepared at different times with some overlapping periods either by or for outside accountants or auditors. There are massive variances from the core books of account maintained by FIBG and the financial reports. Given the lack of documentation to tie the two together, I cannot rationalize how Management could effectively carry out its fiduciary duties.
134. By letter dated April 26, 1999 to Craig, the auditor of that time, Brink acknowledged Management's responsibility for the fair presentation of the financial statements in accordance with GAAP. This is consistent with all jurisdictions with which I have familiarity ([Appendix U](#)).
135. Given the alleged scale of FIBG's operations with supposed revenues, profits and assets in the range of billions of dollars, it begs the question as to why a major firm of auditors were not engaged and why the Board of Directors persisted with a disreputable sole practitioner from the USA and a small firm from the UK with limited resources, after the local firm declined to provide an opinion without full information being provided to them for audit.

Related Parties

136. The related parties identified, to date, include former bank Directors, Officers and employees, relatives, business associates and companies set up for the related individuals. The related parties received funds identified as consulting fees, legal fees, and capital infusion for start up and ongoing expenses for their nominee companies and for the purchase of assets and services with FIBG funds.

137. My future reports to this court will address this area in more detail.

IDENTIFICATION AND REALISATION OF ASSETS

138. Subsequent to my appointment as Liquidator of FIBG on February 28, 2001 and as varied on March 2, 2001, I have completed a preliminary review of FIBG's books and records. This review was carried out in order to identify assets of FIBG that are potentially available to the Liquidator for realization ("Potential Assets"). A detailed listing of the Potential Assets identified to date is set out in **Appendix V**. A summary of the Potential Assets identified and their respective book values are set out in the table below.

139. The information used to compile the Potential Asset listing was obtained from a preliminary review of the books and records at FIBG (general ledger, individual asset and correspondence files, minutes of Board of Directors' meetings, etc.) and from the files and correspondence of the Interim Statutory Administrator appointed by the Government of Grenada. I would anticipate that as I progress in my role as Liquidator, I will locate additional documentation either at FIBG and/or from other parties that will help me to better establish the nature and existence of the assets, determine their beneficial and nominee owners, and estimate their potential liquidation values, etc.

140. Given that the balance sheet of FIBG at any time does not relate to or reconcile to the PBS, it is not feasible to reconcile my listing of assets to the books of account, as would be usual in a liquidation.

141. The Potential Assets identified, to date, have been grouped into the following categories:

- Bank Deposits - Local & Foreign
- Fixed Assets
- Real Estate
- Loans and Advances - Correspondent Banks and Processing Centres
- Miscellaneous
- Subsidiaries
- Investments

142. In completing this analysis my staff and I attempted to identify for each individual asset, its location, the beneficial owner and nominee owner, the party in possession and control, and the estimated book value of the asset. In addition, where sufficient information existed, I made my best estimation, within a range (low and high), of likely gross realizations given that the assets will be disposed of in a distress sale.

143. I anticipate that the recovery of many of the assets to which FIBG has a claim will be challenging, as in almost every case there are complications in the chain of taking title, despite the clear tracing of FIBG funds to make an investment or acquisition. In many cases a “trustee” took title to the asset or investment. In other cases, CDs drawn on FIBG were offered as a down or partial payment and then subsequently dishonoured.
144. In completing my analysis I have not audited the financial affairs or financial systems of FIBG in accordance with generally accepted auditing standards, or otherwise verified the information from the books and records of FIBG or the Interim Statutory Administrator. Further the records of FIBG are less than satisfactory, the internal controls were minimal, and there is no assurance that all of the transactions of FIBG were recorded. It may be that there are assets that will only be identified as a result of the forensic review and reconstruction of the books of account discussed earlier in this report. I comment further on this below.
145. I have also identified assets acquired by FIBG through what are described as “Deeds of Assignment” (“Assigned Assets”).
146. I comment on both classes of assets in the following sections.

POTENTIAL ASSETS

147. I have identified a number of assets, to date, that I believe are owned either directly or beneficially for FIBG that may be available to the Liquidator ([Appendix V](#)). These identified assets have a book value of approximately \$46.4 million. A summary of book values, by which I mean cost in terms of cash invested and/or CDs tendered as purchase consideration, by category, is as follows:

Asset Category	Estimated Book Value
Bank Deposits	\$346,000
Fixed Assets	1,661,936
Real Estate	5,903,625
Loans / Advances	11,059,874
Investments	27,432,956
Total Book Value Identified Assets	\$46,404,391

148. I have specifically acknowledged (*shaded rows) those assets that I understand were not previously addressed by the Interim Statutory Administrator ([Appendix V](#)).

Issues impacting Potential Assets

149. The information used to compile the assets listed in [Appendix V](#) was obtained from a preliminary review of the available books and records at FIBG (general ledger, trial balance, individual asset and correspondence files, investment schedules, minutes of Board of Directors' meetings, etc.). However, in completing my review of the above documentation, I note two significant issues.
150. FIBG did not maintain a proper accounting system in respect of the recording of assets, liabilities, revenue and expenses. As a result, I could not locate standard accounting information or support that I would have expected to be in the system in order to substantiate transactions, including the purchase, investment and disposition of assets.
151. For a significant number of assets, although I could identify the asset at a cursory level from one source or another, I have been unable, so far, to locate sufficient documentation at FIBG or from other sources to support in full the acquisition of the asset (i.e. conveyance documents), the nature of the asset, its location, beneficial owner versus nominee owner, its book value, etc.
152. As a result of the above, although I have evidence to suggest the existence of a number of FIBG assets that should be available to the Liquidator, I have insufficient support for many of these assets (as at the date of this report) to establish their value and deal with ownership, control and realization issues. While it may be possible to believe that these are simply the result of the sloppy internal control processes at FIBG, it is equally believable given my conclusions as to FIBG being operated as a sham for the benefit of those controlling it, that this was a deliberate attempt to mask ownership and make the tracing of FIBG funds difficult.
153. In addition, based upon the documentation I have located and reviewed to date, it appears that a number of assets are recorded in the name of subsidiary, related or associated companies, or principals of FIBG, notwithstanding the fact that the actual funds to acquire the asset came directly from FIBG. Therefore, in a number of situations, establishing and exercising ownership rights may not be as straightforward as it ought to be.
154. The actual geographical location of the assets will in some cases impact the Liquidator's ability to secure and realize on the assets in a cost effective manner. For example, I would expect challenges in securing and realizing on real estate

assets in the possession of former Principals/Directors in foreign jurisdictions, for example Uganda. For each of these assets, a preliminary cost benefit analysis will be completed and documented by the Liquidator in order to provide guidance on the level of effort and cost to invest in recovering and realizing on the asset.

155. For many of the assets purchased or invested in, FIBG provided a significant cash deposit, with the agreements generally providing that the balance be paid over time and secured by a CD drawn on FIBG. However, in many cases, significant amounts are still outstanding to the vendors in respect of the CDs, and the vendors have retained possession of the assets. This is further compounded by the facts that in many cases title to the assets were not conveyed over to FIBG (or its related/associated companies). As a result, for many of the assets identified, the Liquidator will be pursuing a return of the down payment rather than realizing on the actual assets purchased.
156. In a number of cases, the operations between FIBG, its subsidiary, related and associated companies and their respective Principals/Directors were so intertwined, that obtaining possession of and realizing on individual assets may not be economically practical. I would anticipate that in these situations the Liquidator's efforts will be focused on recovering all assets in the possession of these related parties (as opposed to individual assets) as part of a larger investigation and action for recovery.

Estimated Gross Realization Values of Potential Assets

157. In the process of completing my initial analysis of FIBG's potential assets, I attempted to estimate on a very preliminary basis, anticipated gross realizable values (i.e. the estimate does not reflect the associated realization costs including appraisals, marketing, selling, legal costs and the Liquidator's fees) from FIBG's assets identified to date. This analysis was completed where I had sufficient information to confirm the existence of the asset, where I understood the nature of the asset sufficiently to estimate its fundamental value and where I understood the issues potentially impacting liquidation value. The liquidation values for assets meeting the above criteria are also set out in [Appendix V](#).
158. However, as is indicated in [Appendix V](#), and where progress has been made in many areas, I was unable to make any reasonable estimate of the gross liquidation values for a number of FIBG's assets, given the issues identified above (i.e. a lack of supporting documentation, the nature of the asset, possession and control of the assets with former FIBG Directors/employees/related parties, the location of certain assets in remote countries, etc.). Nevertheless, it is my anticipation that I will be able to realize on a number of these assets and generate positive net proceeds for the estate.

159. Therefore, in the interest of establishing a base preliminary estimate of potential gross realization values for assets identified to date, I have conservatively applied realization factors to the total book value for those assets not specifically assessed. For the low and high scenarios, I applied a realization factor of 7.5%, and 15%, respectively. On this basis, I conservatively estimate the realization value of FIBG's identified assets, before realization costs, to range from a low of approximately \$4.6 million to a high of \$8.5 million, as set out below:

	Estimated Book Value	Gross Estimated Realizable Value	
	US \$	US\$ High	US\$ Low
Assets Evaluated	<u>\$3,204,561</u>	<u>\$1,995,400</u>	<u>\$1,351,100</u>
Assets Not Evaluated			
Book Value	\$43,199,830	\$43,199,830	\$43,199,830
Estimated Realization Factor		15%	7.5%
		<u>6,479,975</u>	<u>3,239,987</u>
Total Gross Estimated Realizations For Identified Assets		<u>\$8,475,375</u>	<u>\$4,591,087</u>

ASSET REALIZATION/RECOVERY PROCESS

160. I am in the process of implementing the Asset Realization/Recovery Process (the "Recovery Process") set out below in respect of assets that have been identified, and those that will be identified as a result of the Liquidator's forensic efforts. I note that while the Recovery Process is comprehensive, it will not apply in its entirety where the Liquidator already has possession and can establish ownership of the asset, a ready market exists for the asset, the asset value is certain within a reasonable range, etc.
161. In addition, it is my intention to realize on the relatively minor straightforward assets first (i.e. funds on deposit, vehicles, office furniture, etc.) in order to generate the funds required to pursue the recovery of the more substantial but problematic assets.

Identification of Assets/Understand their Nature/Ascertain Ownership

162. As result of my early involvement in assisting the Interim Statutory Administrator, I have substantially completed a review of all of FIBG's internally and externally prepared files in order to identify additional potential assets, as well as locate the

available supporting information for those identified. I would expect to have this review completed within the next two weeks.

163. In addition, I am in the process of completing searches with the appropriate registries to confirm the existence and control of all companies identified as a subsidiary, related/associated, or an investment of FIBG.
164. For those assets identified, I am in the process of requesting information from associated and/or third parties transacting with FIBG, including financial institutions (bank statements), legal counsel, debtors, investment holders, vendors, agents, partners, joint venture partners, etc. Interviews with a number of persons knowledgeable in the affairs of FIBG have already been conducted. It is my intention, if necessary, to use the powers granted to the Liquidator in the appointing Order to compel delivery of the requested information and to examine any party thought to have knowledge in respect of the assets or operations of FIBG, and I have set a time for examination for the first of these.
165. As discussed above, in order to estimate the magnitude of FIBG funds actually advanced in respect of assets, investments, etc., and in order to expedite the identification of additional assets for the benefit of creditors, I am in the process of preparing a full accounting of funds deposited with FIBG, and of tracing the manner in which they were disbursed. Not only will an accounting of funds received from depositors provide a list of the unsecured creditors, it attempts to identify the total amount of funds FIBG used for the purchase of assets.
166. While my staff and I have made substantial progress towards a total accounting for the funds flowing through FIBG, the way in which funds were transferred through the multiple Processing Centres, and their multiple accounts for which there are only incomplete records, has made the process extremely onerous. The multiple processing centre arrangement seems to have little business purpose, being costly to administer, duplicating various functions already done within FIBG, and complicating a bookkeeping system that was already out of control. It has effectively put another obstacle into the process of tracing funds, and the cost and time in completing this review will have to be assessed in the context of potential recoveries.
167. For each asset, my staff and I have attempted to identify the potential issues that will impact realization amounts or costs, including the location, possession/control, actual and beneficial ownership, proof of ownership, lack of conveyance documents, mechanics involved in taking possession, claims of set-off and counterclaims, and relationships between involved parties (individuals or companies) and FIBG and its Directors, etc. I have made significant progress in this as can be seen from the detail set out in [Appendix V](#), however there are still areas in which more information is required.

Estimation of Gross Realization Values for the Assets

168. Gross realization values are being estimated by the Liquidator on a preliminary basis based on the book value of the investment, other information gathered above, the Liquidator's experience in respect of selling similar assets, and preliminary discussions with individuals having knowledge with respect to the value of these types of assets including asset disposal companies, real estate agents, investment brokers, and other knowledgeable persons. Again my staff and I have made good progress in doing this where the asset is readily available for inspection. Some other assets may be more challenging to deal with.
169. In addition, when deemed appropriate, I will engage a professional valuator to provide a written report as to the asset's anticipated realizable value. This will be completed for all significant assets, in part to assist with this analysis, in order to evaluate offers received for the assets, and further to provide support in respect of the eventual Court approval process required in order to complete asset sales.

Completion of Cost /Benefit Analysis

170. Based on the type of asset, its location, methods of marketing, anticipated legal costs in respect of ownership/transfer issues, any environmental issues in respect of real property, estimated time of the Liquidator in dealing with the asset, and the prospect for success, I will estimate the anticipated costs of realization. I have only been able to do this for some of the readily available assets such as vehicles and equipment to date.
171. Based on the information above, I am informally preparing, for all significant assets, a costs benefit analysis based on anticipated net realizations (estimated realizations less estimated costs) and identified qualitative risk factors. Based on this assessment, I will determine whether the Liquidator should pursue obtaining possession of the asset and realizing on it. For those assets where anticipated net realizations are marginal or negative, or where significant risks exist in completing the realization process, I will prepare a memo supporting my decision not to realize on the asset.

Possession and Control of the Asset

172. For those assets where my analysis suggests positive net realizations to the estate, I will pursue obtaining possession and control of the assets, using the powers granted to the Liquidator under the Grenada Companies Act of 1994, the Order appointing the Liquidator, subsequent Orders obtained compelling delivery of the assets, the assistance of local law enforcement, recognition of the appointing Order by foreign jurisdictions and subsequent assistance in obtaining possession. This process is already underway.

173. For all real property identified, wherever situated, I have instructed legal counsel to register on title a copy of the Order appointing the Liquidator as well as the Liquidator's interest.
174. For certain assets in foreign jurisdictions, the Liquidator will likely be required to engage local legal counsel to assist in the recovery and realization process.
175. Adequate insurance coverage has been put in place on the FIBG assets identified, to date. As additional assets are identified, the insurance coverage will be extended.

Formulation and Implementation of a Realization Plan for each asset Group

176. I am formulating, and in some cases have formulated, a realization plan for each asset (or groups of common assets) based on the type of asset (shares of private and public companies, vehicles, real property,) its location (within Grenada, outside Grenada), the value of the asset (more effort and strategic analysis involved for assets of significant value), potential market for the asset (identification of logical buyers) and the specific laws in respect of the disposition of certain assets (i.e. real property).
177. For individual assets with a value in excess of \$25,000, I will seek the approval of the Court for any sale transaction once I have signed a definitive agreement of purchase and sale on terms acceptable to me.

ASSIGNED ASSETS

178. Through out the documents of FIBG and the statement of its former Chairman there are references to assets allegedly held under "Deeds of Assignment". The form of these assignments, on the basis of the documents found to date, generally state that the Assigned Assets "are to be used as assets of the bank", although assignments were of a limited duration. At the end of this time, Assigned Assets conveyed by the assignments, reverted to the owners.
179. Notwithstanding the assignment and the statement that the Assigned Assets became an asset of the bank, it is very clear that no ownership interest was conveyed, and that the alleged owner at all times retained title. At best therefore, these were rental or lease agreements for the use of property owned by another. In fact there are references in internal documents that refer to them in this light, and to the "rental" paid.
180. The internal documents at FIBG, the financial statements of FIBG (to the extent they exist) and the representations by Management all suggest that these were considered assets of FIBG, at the full face value of the underlying property. I am not aware of any accounting convention that would permit the Assigned Assets to

be treated as assets or capital of FIBG, given that there was no ownership interest conveyed, or an interest with the rights and risks of ownership, which might qualify as a capital lease. In essence, despite the assertion in the assignments, these are not assets of FIBG, any more than leased office space is an asset of the lessee.

181. It seems to have been a fundamental premise of FIBG that the earnings and assets of FIBG, as represented by FIBG's Officers to depositors and others (which continues to this day), included the Assigned Assets at their full face value, with the acquisition cost being solely the "rental" cost. In my opinion, this representation to depositors and others is inappropriate and misleading.
182. It is the stated position of FIBG and its Officers that the Assigned Assets could be worked to earn income. I have difficulty in creating a financial model in which the assets could be worked to earn any net income. Given that there was no title conveyed and the assignment was for a limited time, they could not be used as security for loans with any conventional or sophisticated lender as a source of capital for investing. I have confirmed this with senior officials at two major chartered banks in Canada, which have extensive operations in the West Indies. Also, I note that the returns would have to be substantial to more than offset the cost of borrowing (i.e. high interest rates promised to depositors of FIBG).
183. In any event, I can find nothing in the records of FIBG that indicate that any of the Assigned Assets were in fact "worked" to earn income.
184. Given the lack of any usable interest conveyed by the "deeds of assignment", it is difficult to conclude that there is any value in the Assigned Assets, even if we could verify the existence of the underlying property. As noted above, my enquiries suggest that the underlying property is fictitious or fraudulently represented.

POSSIBLE STATUTORY OFFENCES OF FIBG AND ITS OFFICERS AND DIRECTORS

185. Although my inquiries and investigation are not as yet complete and subject to contrary evidence being presented to me, I am of the opinion that since its inception, the business of FIBG has been carried on:

- With the intent to mislead depositors and creditors;
- With reckless disregard of FIBG's obligation to pay its debts and liabilities;
- With reckless disregard of the insufficiency of FIBG's assets to satisfy its debts and liabilities; and
- That this was done in such a way and on such a grand scale, that FIBG's Officers and/or Directors knew or ought to have known that the business of FIBG was being conducted in this manner.

186. Therefore, it is my present expectation that I will bring an application under Section 469 of the Companies Act, for a declaration that the Directors and Officers of FIBG, both past and present, should be personally responsible, without any limitation of liability for all or any of the debts or other liabilities of FIBG.

187. If the applications are granted under Section 469, this will enable the Liquidator to pursue and hopefully recover funds or property from the Principals and Directors of FIBG. In this way, some of the challenges of a full tracing of the cash flows of FIBG can be overcome. This will complement the pursuit of the recovery of individual assets from the Principals and Directors.

188. Further, it is my view based on the information in my hands, the efforts that myself and my staff have taken to identify assets, confirm the entries in the books of account and other documents of FIBG, and subject to evidence to the contrary being presented to me, that offences under Section 465 of the Companies Act may have been committed.

189. If warranted, any offences identified will also be reported to the Registrar.

190. Also, my review of the affairs of FIBG have been greatly complicated by the fact that the records available to me and my staff were not adequate as regards to setting out and explaining the transactions and financial position of FIBG, or its operations. Subject to being provided with additional information from sources not presently available, it appears that Officers of FIBG did not maintain proper books and records and therefore, may have committed an offence under Section 468 of the Companies Act.

191. Once I have completed my review of the records of FIBG I intend to meet with the Director of Public Prosecutions to review my findings as to the operation of the bank and the conduct of its principals.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

192. Attached, as **Appendix W** is the Liquidator's Statement of Receipts and Disbursements for the period February 28, 2001 to March 16, 2001. It is my intention to prepare and file with the courts a monthly update of this statement.
193. To date, the Liquidator has realized proceeds in the amount of \$324,428.98 and has incurred disbursements in the amount of \$12,440.30. As at March 16, 2001, the Liquidator has available funds of \$311,988.68, of which \$298,768 is on deposit in an interest bearing savings account.
194. It is my intention to use these funds to pay the operating expenses and professional fees incurred, to date, in respect of the liquidation, and those that will be incurred in the future to locate and realize on the other significant assets of FIBG, and to proceed with our forensic investigation.
195. In addition to the obligations incurred by me in my capacity as Liquidator of FIBG, there remain a number of unpaid operating expenses incurred by the former Interim Statutory Administrator of FIBG (i.e. expenses incurred during the period of time the Interim Statutory Administrator was in control of FIBG). Which he was entitled to pay from these funds prior to releasing his interest in them to the Liquidator.
196. I intend on paying the unpaid expenses directly incurred by the Interim Statutory Administrator during the period of his mandate, provided I have the available funds to do so and I am advised to do so by GIFSA. To date, GIFSA has requested that I pay the outstanding rent for the month of February. However, except in the context of a future claims process, it is not the intention of the Liquidator to pay any of the FIBG liabilities incurred prior to the appointment of the Interim Statutory Administrator.

OTHER STEPS TAKEN BY THE LIQUIDATOR

197. On my appointment I secured the premises of FIBG and the records at its location on Young Street, St. George's, Grenada. Given that the premises were larger than required by the Liquidator, I negotiated a 50% reduction in the monthly rent in exchange for a reduction in the space occupied. It is my intention to vacate the premises on April 15, 2001 and relocate to significantly smaller and more economical facilities.

198. As discussed, I have placed appropriate insurance coverage on the FIBG assets identified by me, to date. However, given the uncertainty to date regarding the Liquidator's identification of all of the assets of FIBG, it is impossible to be sure that there are not assets without coverage. In other jurisdictions I am able to obtain coverage for "unidentified" assets for a period of time to enable full investigations to be completed. I have not been able to acquire such coverage from my usual insurers, and not unreasonably, no local insurer is able to offer this type of blind coverage. The insurance on the physical property that I have located has been placed with Sun Alliance with the Liquidator as the named insured.
199. I have arranged to lease warehouse space from Grenada Industrial Development Corporation for the period April 1, 2001 to May 31, 2001. It is my intention to relocate all of FIBG's physical assets to this warehouse, in order to provide the required security and a location from where the assets can eventually be viewed and sold.
200. The Interim Statutory Administrator had already significantly reduced staff. I have retained two of the former staff on a full time basis to provide on-going assistance for the time being.
201. I have engaged counsel to represent me, both locally and overseas, in the administration of the liquidation and the recovery of assets.
202. Although the tracing of assets and the completion of a detailed review of the records and the flow of funds through FIBG has been my primary task to date (being the task most likely to generate realizations and avoid wasting of potential assets), it is my intention to subsequently commence a review of other transactions for the purpose of identifying settlements or preferences that could potentially be set aside for the benefit of the creditors and depositors of FIBG.
203. It is my expectation that I will be interviewing former Officers and staff on an informal basis, and where necessary, under oath with the assistance of this Honourable Court. This will further expand my knowledge of the business operations and assets of FIBG.
204. I have sent notices to the Directors and Shareholders in accordance with the terms of this Order. We are continuing to accumulate the names and addresses of the creditors and depositors for the purpose of providing the notices required pursuant to the Order appointing me Liquidator, and any subsequent orders issued in this respect.

205. We have established a web site at www.pwcglobal.com/brs-fibg in order to facilitate communication with creditors, depositors and other interested parties. It is our intention to advise these parties by way of written correspondence that the web site will be operational by April 30, 2001, and that all future information, notices, etc. will be posted to the web site. It is also our intention to use this web site in respect of any future claims process. For those interested parties without internet access, we will of course provide a traditional paper process complete with phone numbers and a mailing address.

Respectfully submitted this 28th day of March 2001.

Marcus A. Wide, CA, CIP
Liquidator First International Bank of Grenada