

**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**

Third 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 (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 5, 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, and subsequent orders of this Honourable Court.
2. This is the Third Report of the Liquidator ("Third Report") based on my continuing review of the assets, undertakings and liabilities of FIBG. This report should be read in conjunction with my first and second reports to this Honorable Court dated March 16, 2001 ("First Report") and June 25, 2001 ("Second Report") respectively. This report is set out under the following headings:

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3. In my reports, the term depositor means those persons who placed money with FIBG directly, or indirectly through Correspondent Banks, either through deposits into various accounts or by the purchase of one of the numerous Certificates of Deposits offered.
4. In my reports I make reference to Grenada International Financial Services Authority (“GIFSA”), which is the successor to the Government of Grenada’s Offshore Financial Services Division, Ministry of Finance. Throughout my reports, I refer to both entities as GIFSA.
5. All amounts presented in my reports are in United States dollars unless otherwise noted.
6. As set out in detail in my First Report and Second Report, the information and evidence before me has lead me to the conclusion that FIBG was a sham from its inception, that there was no intention to provide the yields offered, nor to return money to depositors beyond the “ponzi” component of making payment to some depositors to encourage others, that potential depositors were subject to fraudulent misrepresentation with respect to the potential investment opportunities offered by FIBG, and that funds received by FIBG were, in the vernacular, the “proceeds of crime” and are therefore tainted monies.
7. In addition, I continue to be of the opinion that since its inception, the business of FIBG was carried on primarily to advance the personal interests of its officers and directors, and their associates, with the intent to mislead depositors and creditors, and with reckless disregard of FIBG’s obligation to pay its debts and liabilities and the insufficiency of its assets to satisfy same.
8. Nothing has come to my attention in the intervening period that has caused me to reconsider my conclusion, and in fact, I have uncovered additional information and evidence that supports my original conclusion.

EXAMINATION OF FIBG OFFICERS AND DIRECTORS

9. As set out in my Second Report, to assist in my determining the actual dealings of FIBG and its true state of affairs, I sought information from FIBG’s former Officers, Directors and Business Associates. Generally, these requests were declined. I therefore indicated that I would be seeking from this Honorable Court

subpoenas for examination under oath. Examination dates were set for the following individuals on March 8 and March 15, 2002.

Officers & Directors

- Van A. Brink (aka Gilbert Ziegler)
- Nigel Francis
- Rita Regal
- Marion Suite
- Cynthia Hastey
- Richard Downes
- Lawrence Jones
- Robert Skirving

Business Associates

- McDonald Jeremiah
- Raquel and Alain Bain
- Gordon Ziegler
- James Ziegler
- Ralph Sherman
- Michael Creft
- Roy Baisden

10. Examinations scheduled for March 8 and 15, 2002 in respect of those Officers, Directors and Business Associates currently residing abroad were adjourned until April 26, 2002, in order to ensure that adequate notice was provided.
11. In respect of the March 8 and 15, 2002 examinations of the Officers, Directors and Business Associates currently residing in Grenada, counsel for McDonald Jeremiah challenged the legality of the examinations being conducted. In respect of this challenge, all other examinations were adjourned. After a number of hearings, the Court ruled in March, 2002 that the Liquidator had the right to examine the parties under oath, and directed that the examinations proceed forthwith. This decision was immediately stayed on the basis that counsel for McDonald Jeremiah indicated they would be seeking leave to appeal the Court's decision. However, leave to appeal was not granted, and the Liquidator's legal counsel has been instructed to have dates for examinations set down in July 2002.
12. At the rescheduled April 26, 2002 examinations for those Officers, Directors and Business Associates currently residing abroad, none of the parties served attended at Court, notwithstanding that they were provided with proper notice and the Liquidator agreed to cover their travel and accommodation costs.
13. I have now instructed my legal counsel to commence application under Section 469 of the Companies Act, for a declaration that the Directors and Officers of FIBG, both past and present, are personally responsible, without any limitation of liability for all or any of the debts or other liabilities of FIBG. If and when these applications are granted under Section 469, this will enable the Liquidator to pursue and hopefully recover funds or property from the Principals, Officer and Directors of FIBG.

CRIMINAL INVESTIGATION

14. At the request of the Attorney General of Grenada, pursuant to a Mutual Legal Assistance Treaty ("MLAT") request received from the Government of the United States of America, we have been co-operating in respect of an ongoing investigation into FIBG and its principals.
15. This included a request from the office of the United States Attorney requesting that we provide the FBI with full access to the books and records of FIBG. In respect of this request we have successfully obtained an Order of this Honorable Court instructing the Liquidator to provide the FBI, on behalf of the United States Attorney's Office, with full and complete access to the FIBG books and records.

STATUS OF FORENSIC INVESTIGATION

16. As set out in my previous two reports, my staff and I were attempting to value and trace the monies placed by depositors directly with FIBG, or through one of its Correspondent Banks, and determine their ultimate disposition. This process was being undertaken for a number of purposes, including an attempt at reconciling the receipt of depositor funds with the funds disbursed by FIBG, to identify potential assets of the Bank, to identify the funds disbursed directly to or on behalf of the principals of the Bank, etc.
17. Notwithstanding that this exercise was undertaken with less than accurate and complete accounting records being available in respect of FIBG and the Processing Centers, my staff and I were able to generate the following analysis of the use of funds received by the Bank:

Use of Funds	\$ (In thousands)	
Paid to Depositors		\$26,500
Debit Card Withdrawals (Depositors & Bank Officers)	\$9,100	
Independent Consultant Commissions	1,800	
Operating Expenses	<u>7,300</u>	
Subtotal		18,200
Cash Support & Advances		
- Asset Research & Development	2,100	
- Granite Registry Services	1,900	
- Correspondent Banks	1,700	
- WISE	1,100	
- Granite Holdings	1,100	
- IDIC	400	
- Offshore Educational Institute	<u>200</u>	
Subtotal-Cash Support & Advances		8,500
Other Cash Loans and Investments		
- Related/Associated entities	43,200	
- Investment	<u>12,100</u>	
Subtotal Other Cash Loans and Investments		55,300
Unreconciled Balance		<u>16,800</u>
Total		<u>\$ 125,300</u>

18. The financial detail accumulated as a result of completing the above process has been extremely beneficial in assisting me in identifying potential assets of the Bank, and in substantiating and securing my right, title and interest on behalf of the Bank in numerous assets held in the name of companies related and associated with FIBG. In addition, as set out further in this report, this analysis was critical to my success in securing a number of Orders of this Honorable Court vesting individual assets and businesses related to FIBG in my name.
19. However, given the use by FIBG of numerous foreign based Processing Centers and Correspondent Banks to conceal and divert the receipt and distribution of depositor funds, for which I do not have the records and am unable to secure without incurring significant costs, I have determined that the cost of continuing to refine the analysis outweighs the likely benefit or the prospect of finding as yet undisclosed assets. In this respect I have discontinued any further efforts to allocate the unreconciled balance of \$16.8 million.

STATUS OF ASSET REALISATION PROCESS

20. The efforts of the Liquidator over the past year in respect of the assets of FIBG have been focused on three key phases, as set out below:

Phase 1 - the Liquidator compiled a listing of the potential FIBG assets (the "Preliminary Asset Listing") based on an initial cursory 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. The results of this phase were reported by me in my First Report to this Honorable Court dated March 16, 2001.

Phase 2 - for each of the assets included on the Preliminary Asset Listing, my staff and I spent considerable time, updating our understanding of the nature of each of the assets, confirming book values, locating supporting documentation, determining current status (i.e. location, condition, ownership issues). The basis for this updated assessment came from a detailed review of FIBG's books and records, and discussions with certain former employees, third parties including former owners, custodians and trustees of the assets, asset specialists, vendors and debtors. In addition, my staff and I had commenced the process of securing possession and realizing on the assets. The results of this phase were reported by the Liquidator in my Second Report to the Court dated June 25, 2001.

Phase 3 – Phase 3 encompasses the efforts of my staff and I over the last eleven months (July 2001 to May 2002) in respect of securing and realizing on the FIBG assets identified in Phase 1 and 2 as set out above.

21. Set out in the following table is a summary, by asset category, of realizations to date, estimated realizations in respect of the balance of the assets, and estimated total realizations in respect of the FIBG assets.

Asset Category	Book Value	Realizations to May 31, 2002	Estimated Remaining Realizations		Estimated Total Realizations	
	US\$	US\$	US\$ High	US\$ Low	US\$ High	US\$ Low
Bank Deposits	1,588,549	543,558	500,000	250,000	1,043,558	793,558
Fixed Assets	1,845,261	166,574	111,227	-	277,801	166,574
Real Property	3,232,000	-	1,012,100	369,000	1,012,100	369,000
Loans / Advances	20,426,423	-	475,979	10,970	475,979	10,970
Investments	22,529,226	175,950	2,429,500	120,000	2,605,450	295,950
Total	49,621,459	886,082	4,528,807	749,970	5,414,889	1,636,052

22. As indicated in the table above, to date the Liquidator has generated net realizations of \$886,082 in respect of the FIBG assets he has been able to secure. The following table sets out in detail those assets that the Liquidator has realized on:

Asset Description	Book Value	Net Realizations in the period		Total Net Realizations to date
		March 1/01 to June 25/01	June 25/01 to May 31/02	
		US\$	US\$	
Capital Bank International Ltd. - Grenada	340,000	318,500		318,500
Grenada Bank of Commerce - Grenada	3,358	3,358		3,358
National Commercial Bank - St. Vincent	43,828		43,828	43,828
National Commercial Bank - Grenada	248,695		125,204	125,204
Capital Bank International Ltd. - Grenada	-		16,500	16,500
Gold Trust Bank - Uganda	36,168		36,168	36,168
Office Equipment & Furniture / Computer	872,129	49,800		49,800
WISE Office Equipment & Furniture	121,140	10,900		10,900
FIBG Automobiles	142,778	58,980		58,980
Grand Resort Corporation Automobiles	129,638		36,885	36,885
Power Generator - Fort Judy Property	18,700	6,200		6,200
Assets located in Dal Canto's house.	51,917	3,809		3,809
Deposit on Levera Group Ltd. shares	10,000		10,000	10,000
Shares in Presto Telecommunications	351,549		156,050	156,050
Nicholas Moore Corporation - scooter business	180,000	9,900		9,900
Total	2,549,901	461,447	424,635	886,082

23. As set out in my previous reports, it was my intention to realize on the relatively minor straightforward assets first (i.e. funds on deposit, vehicles, office furniture, etc.). In this regard, up to the date of my Second Report dated June 25, 2001, I had been successful in generating proceeds of \$461,447 for the estate.
24. Since June 25, 2001 my efforts have been focused on pursuing the possession and realization of the more problematic assets. To date my efforts have resulted in the recovery of a number of additional assets, and have generated additional net proceeds to the estate of \$424,635. However, as I suggested in my two previous reports, the possession and realization of these assets has required a substantial effort by the Liquidator and his legal counsel. I have set out below the significant issues my staff and I have had to deal with in respect of attempting to secure and realize on the FIBG assets since my last report dated June 25, 2001:
25. **\$43,828 on deposit at National Commercial Bank St. Vincent (“NCB St. Vincent”)** – the funds in this account were in the name of Emerald Isle Investment Ltd., an FIBG related company. In order to secure these funds for the estate the Liquidator was required to:
- Trace in detail the funds into and out of the account at NCB St. Vincent from two other accounts, one belonging to FIBG, and the second belonging to an FIBG subsidiary;
 - Prepare a detailed affidavit for submission to NCB St. Vincent and its legal counsel, summarizing all of the companies involved, their relationship, the flow of funds between the companies, the source and nature of the funds, the Liquidator’s entitlement to the funds on behalf of depositors, etc.; and
 - Meet with NCB St. Vincent legal counsel in St. Vincent to present the Liquidator’s claim to the funds in the account.
26. **\$248,000 on deposit at National Commercial Bank Grenada (“NCB Grenada”)** – these funds were held at NCB Grenada on behalf of this Honorable Court, pursuant to a number of legal actions that were commenced prior to the appointment of the Liquidator. These legal actions did not include FIBG. However, it was the Liquidator’s position that the estate had a claim, or a partial claim, to these funds. In order to secure a portion of these funds for the benefit of the estate, the Liquidator was required to:
- Establish in detail to its own satisfaction the basis for FIBG’s claim to the funds;
 - Commence a legal action against Granite Holdings Limited (“GHL”);

- Enter into settlement discussions with the principals of GHIL in respect of five separate asset groups, including the \$248,000. Draft and execute overall settlement agreement;
 - Draft and execute detailed Heads of Agreement in respect of the settlement arrived at with GHIL in regard to the \$248,000;
 - Prepare five separate detailed affidavits in order to support three separate applications brought by the Liquidator in respect of having this Honorable Court release the \$248,000, including;
 - ◆ Vesting of the assets of Granite Registry Corp., Asset Research Development Associates Ltd. and Offshore Educational Institute Ltd. (three related corporations) into the name of the Liquidator;
 - ◆ Vesting of the assets of First Acceptance Corporation (an FIBG subsidiary) into the name of the Liquidator; and.
 - ◆ Substituting the Liquidator in the place of Granite Registry Corp., Asset Research Development Associates Ltd. and Offshore Educational Institute Ltd. in respect of the action between the companies and GHIL regarding the \$248,000, and obtaining a Court Order directing that the funds on deposit with NCB Grenada be paid over to the Liquidator’s legal counsel.
27. **Shares in Presto Telecommunications Inc. (“Presto”)** – this asset represented shares held in a small Delaware registered private company, involved in the telecommunication business in Mexico.
28. The Liquidator faced a number of issues in respect of realizing on the Presto shares held by FIBG, including the reality that:
- The value of telecommunication companies in general had fallen significantly over the past year;
 - Presto could forfeit its rights to its main asset, as it had no cash flow to develop the license it held; and
 - There was no market outside of the current shareholders for the shares, and Presto refused to provide the Liquidator with a shareholder listing.
29. In order to realize on the Presto shares, the Liquidator was required to:

- Enter into negotiations with Presto to purchase back the shares;
 - Attend the annual shareholders meeting in order to identify and encounter other shareholders for the purpose of marketing the shares;
 - Research shareholder rights in respect of Delaware corporations as regards to obtaining a copy of the share register. Draft a formal demand letter to the company requesting a copy of the share register. Negotiate with Presto management regarding the release of shareholder information to the Liquidator;
 - Negotiate an acceptable sales process in respect of the Presto shares with Presto management, in order to secure their support of the Liquidator's proposal and to ensure the overall value of Presto was maintained; and
 - Manage and complete a marketing program in respect of the Presto shares. Draft and execute a purchase and sale agreement and ultimately close the transaction.
30. In addition, over this period, the Liquidator has made significant progress in respect of securing and/or advancing his entitlement in respect of a number of significant assets. This has been a time consuming and difficult process, as set out.
31. **\$1.1 Million on Deposit Anglo Irish Bank Austria** - At the time of my appointment, it was suggested by the Government appointed Interim Statutory Administrator that the Liquidator had a potential claim in respect of \$1.1 million being held at two accounts located at Anglo Irish Bank in Austria. In this regard my staff contacted Anglo Irish Bank on numerous occasions to make inquiries in respect of the funds. I was advised by Anglo Irish Bank that the accounts were not in the name of FIBG or FIBG subsidiaries, and that on the basis of their strict confidentiality requirements, they could not discuss these accounts, or disclose any information to us in respect of same. I was therefore obliged to pursue other avenues to establish my claim.
32. As part of my investigation in respect of the operations of FIBG, its related/ associated companies, and their respective principals, I was able to establish the following.
- Over the period May 1998 to October 1998 the principals of FIBG engaged the services of a local business, Granite Holdings Limited ("GHL"), to assist them with a number of functions including conducting training seminars for potential depositors, providing certain management and administrative

services, incorporation of International Business Corporations required by FIBG depositors, etc. We understand that this business relationship was formalized in October 1998, and resulted in GHL and First Acceptance Corporation (“FAC”) (a wholly owned subsidiary of the Bank), entering into a Joint Venture Agreement (“JVA”).

- According to the terms of the JVA, certain companies therein described as “joint venture entities” were to be operated on a joint venture basis, and were “to act as an intermediary between the providers of banks services and the banks”. These companies included Granite Registry Services Corp. (GRS), Assets Research Development Associates Ltd. (ARDA) and Offshore Educational Institute Ltd. (OEI) (collectively the “Joint Venture Entities”).
 - FIBG depositors receiving services from the Joint Venture Entities would forward payment for the services rendered directly to one of FIBG’s accounts at a commercial bank. Alternatively, FIBG would simply debit the account of the specific depositor at FIBG receiving the service from one of the Joint Venture Entities, with the corresponding credit being made to the Joint Venture Entities’ account with FIBG. As a result of the above process, the Joint Venture Entities did not receive funds directly from the FIBG depositors to whom they provided services.
 - Over the course of the first year and a half of the operation of the Joint Venture Entities, profits were not distributed by FIBG, but accrued to the accounts of FAC and GHL at FIBG until December 1999, when an actual distribution of the profits of the Joint Venture Entities to GHL and FAC was started. In this regard, on a weekly basis, FIBG transferred US\$100,000 on account of GHL’s share of the joint venture profits to an account held by the principals of GHL at Anglo Irish Bank in the name of Westmont Investments, Ltd. (“Westmont”) (GHL’s 50% share of the profits from the Joint Venture Entities). Over the period December 1999 to March 2000, eleven payments of US\$100,000 (total of \$1.1 million) was transferred from accounts at commercial third party banks controlled by FIBG to Westmont’s account at Anglo Irish Bank.
33. In June of 2000 new senior management was appointed to run the operations of FIBG. This new management group took the position that it owned and controlled the management of the Joint Venture Entities. This gave rise to a dispute with the principals of GHL. This dispute came to a head in July 2000, when the newly appointed Chief Executive Officer of FIBG, Mr. Lawrence Jones, contacted Anglo Irish Bank by letter advising that the Westmont account had been used for irregular purposes. As a result of Mr. Jones’ actions, the Court for Criminal law matters Vienna rendered an interim injunction freezing the Westmont and another related account at Anglo Irish Bank, with a combined balance in excess of \$1.1 million. These funds remain frozen as at the date of this report.

34. In later correspondence dated November 30, 2000, Mr. Jones subsequently advised that if at the time of writing his July 2000 letter to Anglo Irish Bank regarding the Westmont account, if he had been in full possession of the facts, he would not have written the letter, and furthermore that the funds paid into the Westmont account at Anglo Irish Bank by FIBG were in the normal course of business.
35. It is my opinion that the \$1.1 million paid by FIBG to Westmont was in respect of bona vide and legitimate services provided, based on the terms of the Joint Venture Agreement. Notwithstanding this however, I believe that these payments potentially constitute a preference payment to GHL at a time when other creditor claims were not being met. As such, it was my belief that a challenge in the courts of the payments to Westmont as preferences could properly be made. However, this challenge would be expensive in terms of legal fees and take a number of months or years to resolve, given that the challenge would first need to be made in the Grenada Court, and if successful, then in the Austrian Courts.
36. Given that the dispute between GHL and the Liquidator in respect of the \$1.1 million was in the end a civil dispute regarding potential preference payments, I was hopeful that the issue could be resolved by way of a business settlement between the parties. To this end, my staff immediately commenced negotiations with GHL.
37. In October 2001 I reached an agreement to settle this and a number of other financial matters between GHL, its principals, and the Liquidator, that among other things, would see the estate receive 50% of the \$1.1 million, plus any accrued interest, if and when the funds were unfrozen by the Anglo Irish Bank. This agreement has been formalized by the drafting and execution of an overall Settlement Agreement, a detailed Heads of Agreement and an irrevocable letter executed by the principals of GHL assigning their interest in the Westmont and Hampstead accounts at Anglo Irish Bank to the Liquidator.
38. My staff and I have spent the last six months attempting to have the Investigating Judge of the Austrian Court release the \$1.1 million held at Anglo Irish Bank. This has been a time consuming process that has included the following:
 - Legal counsel in Austria was engaged to ascertain the status of the blocked funds, communicate with the Investigating Judge and resolve the mechanism for obtaining the release of the funds.
 - A Court Order, supported by a detailed affidavit, was obtained in Grenada from this Honorable Court, vesting the \$1.1 million at Anglo Irish Bank into the name of the Liquidator.

- The Liquidator's Austrian counsel then set out to have the Grenada Order recognized in Austria, by way of a special application. However, while the Austrian Court acknowledged that the Liquidator is probably entitled to receive the monies in the Anglo Irish Bank accounts in order to satisfy claims of the FIBG depositors/creditors, the Court indicated that it wanted to await the results of the response of the Grenada authorities to a request of the Austrian Public Prosecutor for information on FIBG, GHF and the principals of GHF. My staff has instructed my Austrian counsel to appeal the decision of the Austrian Court.
 - In addition, my staff provided information to the Public Prosecutor in Grenada to show that the complaints against the principals of GHF, in both Grenada and Austria, were the result of a misunderstanding by new management installed at FIBG as to the involvement and responsibilities of GHF and its principals. My staff also provided details of my investigations that show that there was a formal business relationship under which these payments were made and demonstrating that the charges that had been laid could not be supported by the facts as I had determined them, in the hope that this would be relayed to Austria. However in the final event, it is up to the Public Prosecutor to make his own determination on this issue.
39. While this has been a long drawn out process, our Austrian legal counsel has recently indicated that in their opinion, the chances are good that the Austrian Court will eventually release the funds to the Liquidator. It is clear there are no other claimants, and we do not know what else the Investigating Judge would do with the funds in his Court, except return them for distribution in the Liquidation.
40. **Point Saline Property** - during the course of the Liquidator's investigation of the affairs of the Bank, I determined that in order to circumvent the Grenadian law prohibiting aliens from holding real property in Grenada without a license, the principals of the Bank caused a company resident in Grenada, known as Caribbean Holdings Limited ("CHL"), to be incorporated. CHL was beneficially owned by the Bank.
41. Based on a review of the Bank's books and records, my staff determined that in January 1999 the Bank, through CHL, agreed to purchase a piece of property in Grenada referred to as Point Saline for \$62,300, and that the Bank's legal counsel was instructed to complete the transaction. Based on a statement prepared by the Bank's legal counsel dated March 1, 2000, FIBG paid the balance of funds required to close this transaction and a further sum to pay the associated legal fees in full. However, notwithstanding the transmission of funds to the Bank's legal counsel, neither CHL nor the Bank was provided with a deed or any documentation confirming that the transaction had closed, or that documents of conveyance had been executed. In addition, a title search of the Point Saline

property conducted on behalf of the Liquidator revealed no transfer of title to CHL or FIBG.

42. Our requests for information from the Bank's legal counsel and the seller of the property, in respect of the status of the transaction, were denied. Therefore, in order to secure possession and legal entitlement to the Point Saline property, my staff were required to do the following:

- Apply for an Order of this Honorable Court vesting all shares and property of CHL in the Liquidator's official name, including Point Saline ("Vesting Order").
- Prepare detailed affidavits to support the Liquidator's application for an order vesting CHL and its assets, including Point Saline, in the name of the Liquidator. The affidavit of my staff in this regard contained evidence establishing that the Bank had caused CHL to be incorporated, that CHL was an asset of the Bank, that Bank funds were used to purchase Point Saline located in Grenada, and that CHL beneficially held assets in its name as a constructive trustee for the Bank.
- Request in writing that the Bank's pre-liquidation legal counsel either convey title of Point Saline to the Liquidator, or return the funds paid to it by FIBG.
- Prepare detailed affidavits in support of the Liquidator's application for an Order requiring the Bank's legal counsel to pay over and surrender forthwith to the Liquidator the purchase price of \$62,300 plus legal costs charged to FIBG to handle this transaction.
- Proceed with the legal action against the Bank's legal counsel.

43. Despite early denials of any obligation to the Bank and its Liquidator, and during a Court hearing on the matter, the Bank's former legal counsel provided the Liquidator with the title deed to the Point Saline property. The Liquidator is now in the process of marketing the property for sale.

44. **Settlement with Air Time Technology** - During the course of the Liquidator's investigation of the affairs of the Bank, it was determined that FIBG had advanced approximately \$550,000 in respect of AirTIME Technologies, Inc. ("ATI"). It was my understanding that these funds were advanced by FIBG in respect of a purchase of shares in ATI. Based on the information set out in FIBG's files, we estimate that this investment of \$500,000 represented approximately 2% of the issued shares in ATI. ATI indicated to my staff that it was their intention to retain

the funds advanced as liquidated damages against a failure by FIBG to complete a larger transaction.

45. In order to advance FIBG's position that a return, or partial return of the funds was warranted, the following was required to:
- Determine the particulars in respect of the advancement of funds to ATI, and locate and review supporting documents.
 - Consider with Counsel the legal issues raised, as it was clear that a larger investment commitment had been made, and consider if loss or damage had occurred to ATI as a result.
 - Having determined that the Liquidator had no simple claim to return of the full sum, and recognizing the cost and uncertainty of litigation, my staff undertook a four-month negotiation process with ATI, resulting in ATI's commitment to pay \$400,000 to the Liquidator.
46. However, ATI is in the process of attempting to secure financing for its operations and at present cannot make this payment. If and when that financing has been secured, this commitment will be settled. There is a risk that funding will not be obtained.
47. **Assets Located in Uganda** – based on the books and records of FIBG, we have determined that FIBG invested depositor funds of approximately \$4.5 million in the following assets and projects located in Uganda (the "Uganda Assets"), the country where Mr. Van Brink/Zeigler resides as at last contact:
- House located at Mbuya Hill, Kampala – investment US \$1,300,000
 - Shares in Kampala Lakeside Resort Beach Ltd. – investment US \$2,000,000
 - Shares in Nsimbe Ideal Home – investment US \$450,000
 - Advance to African Union Reserve System – investment US \$800,000
48. The unsigned minutes from FIBG's June 2000 Board of Directors meeting indicate that the Uganda Assets were transferred to a number of companies owned and/or controlled by Mr. Brink/Zeigler, in exchange for unsecured debentures. There is also documentation to suggest that Brink/Zeigler now has control of these properties.

49. It is the position of the Liquidator that the transfer of the Uganda Assets to companies owned and/or controlled by Mr. Brink on the eve of the insolvency of the Bank was illegal, and constitutes a fraudulent settlement, a fraudulent preference, and a related party transaction.
50. I reviewed with legal counsel the various options and costs associated in respect of recovering the Uganda Assets, including:
1. Recognition in Uganda of the Order of this Honorable Court appointing Marcus Wide as Liquidator.
 2. Seek a winding up Order under Section 363 of Uganda Companies Act, where FIBG will be wound up as an unregistered company. This approach would require the appointment of a new liquidator in Uganda.
 3. Institute a lawsuit in which the Liquidator sues Mr. Brink/Ziegler and others for the recovery of the properties.
51. Based on a consideration of legal costs and timing, I decided to pursue recognition in Uganda of the Grenada Order appointing me as Liquidator. After an intensive effort by my legal counsel in Uganda, I was advised on May 15, 2002 that the Uganda Minister has issued the necessary orders enabling the recognition of my Grenada appointment in Uganda. The statutory Orders have been prepared and will be retroactive from the date of my appointment in Grenada, February 28, 2002. I am advised that this means I will be able to review and potentially set aside any dealing with the assets that have occurred in the interim. The assets improperly held in Uganda are also proceeds of crime, which itself creates possible remedies.
52. In the meantime, in order to secure my interest, where permissible my legal counsel has registered my appointment as Liquidator on the title of any real property directly associated with the Uganda assets, with the result that anyone dealing with the assets will be on notice as to my claim.
53. I am now in the process of seeking assistance from the courts in Uganda to recover the Uganda Assets. However, my counsel has advised that while I should be able to recover the assets, it will be a difficult and time-consuming process.

Estimated Remaining Realizations of between \$4.5 and \$.9 million

54. As set out above, at this point in time, I anticipate that additional net realizations will range from a high of \$4.5 million to a low of \$0.75 million. These realizations include those assets that I have set out above as being secured, but not yet realized on.
55. The significant difference of \$3.75 million between the high and the low estimate corresponds to the considerable uncertainty that exists with respect to the following:
- The Liquidator’s success in securing possession and realizing on the Uganda Assets with a book value of approximately \$4.5 million, that Mr. Brink/Zeigler fraudulently transferred into his own name on the eve of the insolvency.
 - The Liquidator’s success in respect of the legal proceedings it has or is in the process of commencing in respect of the following assets:

Asset Description	Estimated Book Value
	US\$
McDonald Jeremiah - deposit on Automobiles	300,000
Dal Canto - deposit on purchase of property	322,000
Reynold Benjamin - deposit on purchase of property	267,000
Alain & Raquel Bain - unpaid loan advance	56,000
Jerry's Auto Service Ltd. - unpaid loan advance	85,000
Reynold Benjamin - unpaid loan advance	50,000
Rhodes & Rowan - unpaid loan advances	240,000
Resource Enhancement Inc. / Clarkdale Iron Corp - unpaid loan	686,000
Moose Hill Investments - deposit on purchase of property	225,000
Levera Group Ltd. - windup of company and distribution to shareholders	350,000
Vick Wholesale Inc. - unpaid advance	525,000
Amar Holdings Limited - deposit on purchase of company	2,400,000
Project 6:38 - unpaid loan advance	980,000
Total	6,486,000

56. In respect of the above actions, I have retained legal counsel and will be seeking to obtain judgment in Grenada, and then to either enforce the judgment in Grenada if the associated asset/principal resides in Grenada, or seek to have the judgment enforced in the foreign jurisdictions where the asset/principal is located outside of the jurisdiction of the Grenada Courts. I anticipate that this will be a long drawn out process that will be constrained by my lack of available working capital.

Estimated Total Realizations of between \$5.3 and \$1.8 million

57. As indicating in the table below, the Liquidator is now forecasting that total gross realizations in respect of the FIBG assets will range from a High of \$5.4 million to a Low of \$1.6 million. These amounts represent a forecast high and low recovery from book value of the individual assets of 10.9% and 3.3% respectively.

Asset Category	Book Value	Estimated Total Realizations		Estimated Total Realizations as a Percentage of Book Value	
	US\$	US\$ High	US\$ Low	% High	% Low
Bank Deposits	1,588,549	1,043,558	793,558	65.7%	50.0%
Fixed Assets	1,845,261	277,801	166,574	15.1%	9.0%
Real Property	3,232,000	1,012,100	369,000	31.3%	11.4%
Loans / Advances	20,426,423	475,979	10,970	2.3%	0.1%
Investments	22,529,226	2,605,450	295,950	11.6%	1.3%
Total	<u>49,621,459</u>	<u>5,414,889</u>	<u>1,636,052</u>	<u>10.9%</u>	<u>3.3%</u>

58. We have completed a detailed analysis for each of the major asset categories, allocating the anticipated shortfall (average as determined under a high and low scenarios), into the key contributing factors. A summary of this analysis is set out below:

Forecast Shortfall Average of High and Low									
Asset Category	Total Anticipated Shortfall	Asset Could Not be Substantiated	Transaction Not Completed by FIBG	Payment to Related Party	Greater than FMV	Set Off	Asset Transferred to Principals	Poor Investment	Disputed by Debtor
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Bank Deposits	(669,991)	(144,991)	-	(525,000)	-	-	-	-	-
Fixed Assets	(1,623,073)	(1,100,178)	(307,700)	(111,453)	-	-	-	(96,298)	(7,444)
Real Property	(2,541,450)	(50,000)	(731,950)	-	(635,000)	-	(1,105,000)	(19,500)	-
Loans / Advances	(20,182,948)	(8,970,916)	-	(9,839,232)	-	(617,100)	-	(439,500)	(316,200)
Investments	(21,078,526)	(6,128,094)	(2,826,250)	(833,000)	(1,182,600)	-	(4,172,500)	(5,936,082)	-
Total	(46,095,988)	(16,394,179)	(3,865,900)	(11,308,685)	(1,817,600)	(617,100)	(5,277,500)	(6,491,380)	(323,644)

59. **Asset could not be substantiated - \$16.4 million** - My staff and I have now determined that in numerous cases assets set out in the Asset Listing included in the First Report and Second Report of the Liquidator were not “legitimate” recoverable assets of the estate (i.e. there was no physical asset, or obligation or ownership interest) for a number of reasons.

- Assets were recorded twice, either under different names or as an individual asset and also as an investment in a Correspondent Bank, Processing Center, subsidiary or related/associated company. As a result, my initial estimate of the potential total book value and realizable value of the assets available for distribution was overstated. This is consistent with the total disregard for proper bookkeeping.
- The asset was realized on prior to the appointment of a liquidator (i.e. sold by the company).

- The amount reflected as an asset represented the capitalization of FIBG operating expenses or soft costs such as commission expenses or intangible assets.
 - I have not been able to obtain access to a number of the bank statements for FIBG related/associated companies, and therefore have not been able in many cases to confirm that the actual amount was invested.
 - The debtor, for loans and advances, or investor, for investments, has discontinued operations and cannot be located.
 - A significant amount of the book value assigned to FIBG's fixed assets (i.e. office furniture, fixtures, computer hardware/software, other equipment, etc.) was in fact in respect of assets that were purchased for related/associated companies, and assets purchased for the personal use of officers, directors, and employees. Assets purchased for related/associated companies have in many cases been seized and sold by creditors, and the majority of the personal use assets purchased for officers, directors, and employees were removed from Grenada when the individuals left.
 - I have not been able to locate appropriate documentation in order to identify and establish the actual existence of a number of loans/advances, promissory notes, mortgages, credit agreements or investments such as share certificates or title deed. In many of these cases the only indication that an asset potentially exists is a record of the disbursement of funds out of the account. Identifying and tracing assets using banking records alone has been a labor intensive drawn out process, which has been frustrated, as noted previously, by the use of "Processing Centers" where records have either been destroyed or are not available.
 - The advances from FIBG were to "non-profit" organizations, some of which were established by FIBG. These operations have spent these funds, not necessarily for "charitable" or "humanitarian purposes" and for the most part have no capacity to pay the amount back.
60. **Transaction was not completed - \$3.9 million** - In a number of cases, FIBG entered into transactions with third parties, paid over significant funds as either an initial deposit, regular required term payment, partial payment, etc., and then failed to complete the transaction. I have determined that these transactions were not completed for a number of reasons, including that FIBG lost interest in the asset, the asset was deemed to be a poor investment and abandoned, or FIBG could not generate the balanced of funds to close the transaction.

61. In the majority of these types of transactions, the assets remained in the possession of the vendors subject to the payment of the balance of funds by FIBG (i.e. substantial cash deposits were provided by FIBG, and then CDs drawn on FIBG were provided as payment for the balance of funds). Given that title was not conveyed and that the vendors remained in possession of the assets, when FIBG failed to complete the transactions, the vendors simply retained the asset and the funds paid to date.
62. In a number of situations where FIBG did have possession of the assets, at the time of discontinuing the required payments, the assets were abandoned by FIBG, or were returned.
63. In all situations where FIBG failed to complete the transaction, in the interest of maximizing overall net realizations (i.e. including minimizing professional fees and administrative costs), my staff and I have made every effort to negotiate with parties with the objective of reaching a settlement that would see a significant portion of the funds advanced by FIBG returned to the estate. The majority of parties have declined to enter into any form of settlement discussions with the Liquidator, instead suggesting that the Liquidator pursue the matter through the Courts.
64. **Payments to related parties - \$11.2 million** - as part of FIBG's marketing strategy to generate new depositors and flow out funds to companies related/associated with its principals, a number of subsidiaries, joint ventures, Processing Centers and Correspondent Banks were created. FIBG provided the funding to create, capitalize and operate these companies, and recorded them as investments on their financial statements. The principal purpose for these entities appears to me to be to further obscure the record keeping and make tracing funds more difficult, and to provide additional avenues for raising investor deposits which then flowed into FIBG to be used mostly to the benefit of the principals.
65. In addition, in a number of cases, the debtor for loans and advances, or investor for investments, was determined to be interconnected with FIBG in terms of ownership and operations (i.e. subsidiaries, related/associated companies, Processing Centers, Correspondent Banks, etc.).
66. With the demise of FIBG, these affiliated companies, which had no independent business purpose, ceased operating. As a result, any direct investment in, or loans to, these related/associated companies by FIBG, has no potential realization value to the Liquidator.
67. **Greater than FMV - \$1.8 million** – FIBG principals involved in the purchasing of assets and the identification of investments for the Bank had a tendency to pay, in many cases, amounts grossly in excess of the actual fair market value of the

asset being purchased. I have based this conclusion on a comparison of actual amounts paid by FIBG in respect of the assets versus:

- Written appraisals obtained by the Liquidator from various specialist in respect of the assets; and
 - The fact that notwithstanding our best efforts to market these assets, we have been unable to secure offers to purchase that in any way approximate the amounts paid by FIBG. In fact, in some cases we have not been able to secure offers at any amounts.
68. We have been able to establish that in a number of cases where FIBG paid significantly, and in certain situations, grossly in excess of fair market value:
- The vendors were parties related/associated with FIBG.
 - The transaction reflected management's complete lack of concern in how the funds of the Bank were disbursed.
69. **Setoff - \$0.6 million** - a number of FIBG debtors have advised the Liquidator that they are offsetting amounts owed by them to FIBG in respect of loans/advances, against amounts "owed" to them by FIBG. The amounts being claimed as owed by FIBG are in respect of unpaid interest and principal on FIBG issued CD's, unlitigated damages for breach of contract, and direct amounts owed for goods and services provided to FIBG.
70. **Asset transferred to principals of the Bank - \$5.3 million** - a number of assets were transferred into, and remain, in the possession and control of former principals of FIBG outside of the authority of the Grenada Courts. These assets were transferred to FIBG principals for their own benefit, such as the Uganda Asset, and assets subject to various legal actions commenced by the Liquidator.
71. In addition, large cash amounts were transferred for the benefit of certain principals of FIBG, as compensation for providing for the use of the assigned assets.
72. **Poor investments - \$6.5 million** - it is clear from my review that FIBG had no coherent investment strategy. Basically, amounts were invested or advances made in the context of a disorganized process involving recommendations made by, and pet projects identified and negotiated by, individual FIBG's senior management and directors.

73. My review has determined that of the funds invested by FIBG in various companies/projects, 17 have either gone out of business, or never got off the ground.
74. In the vast majority of cases, the FIBG employees/associates/principals responsible for identifying, evaluating and recommending investments, had little if any investment, business or negotiation skills. I have concluded that the prime motivator for these transactions was to create a semblance of investment activity that would provide legitimacy to the banking business, but which would consume as little of the available depositor cash as possible.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

75. Attached, as **Appendix 1** is my Statement of Receipts and Disbursements for the period February 28, 2001 to May 31, 2002. A summary of **Appendix 1** is set out below:

	Opening Balance February 28/01 to June 25/01 US \$	Activity this period June 26/01 May 31/01 US \$	Total end of period February 28/01 to May 31/02 US \$
Receipts	458,970	457,792	916,762
Disbursements	393,015	517,738	910,753
Excess of Receipts over Disbursements	65,956	(59,947)	6,009
<i>Unreconciled as at May 31, 2002</i>			

76. As indicated, to date I have realized proceeds in the amount of \$916,762 and have incurred disbursements in the amount of \$910,753. As at May 31, 2002, I have available funds of \$6,009.
77. In addition to those amounts set out as disbursements in Appendix 1, the Liquidator is holding a number of unpaid invoices that it does not currently have funds available in the estate to pay. These include unpaid legal fees of approximately \$175,000 and unpaid Liquidator fees of \$325,000.

CONCLUSIONS

78. As set out above, the Liquidator is now forecasting that total **gross realizations** in respect of the FIBG assets could be as low as \$1.6 million. In addition, I have set out in this report that **payments to date** in the amount of \$0.9 million have been disbursed with respect to the liquidation, and that as at June 1, 2002 the Liquidator is holding **unpaid invoices** in the amount of \$0.5 million that it does not currently have funds available in the estate to pay.
79. Based on the above, I am advising that there is a real and distinct possibility that there will be no distribution whatsoever made by the Liquidator to the FIBG depositors/creditors. In addition, the possibility exists that my legal counsel and I will not be able to recover a significant amount of our investment (fees and disbursements) incurred with respect to the liquidation of FIBG.
80. Given the time and costs associated with generating formal reports to this Honorable Court in respect of the liquidation of FIBG, and the significant risk that I may not be able to recover in full my fees and disbursements, I will not be submitting a further report to this court until such time as I have pertinent information that I believe needs to be disclosed to the Court and the FIBG depositors and creditors, or if there are no significant events, until I have completed my administration.

Respectfully submitted this 1nd day of June 2001.



Marcus A. Wide, CA, CIRP,

Liquidator, First International Bank of Grenada Limited

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

**Third Report of
Marcus A. Wide, Liquidator**

1st of June 2002
