

Marcus A. Wide
Liquidator of Horizon Bank
International Limited

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WEBSITE UPDATE

CREATION OF LIQUIDATOR'S COMMITTEE OF INSPECTORS

In late August 2006, as a result of increasing complexities arising in the liquidation including the potential for settlement in the Bermuda Proceeding and a desire to promote enhanced transparency to supervising Courts and creditors, the Liquidator deemed it prudent to create a Committee of Inspectors, pursuant to Section 405 of the *Companies Act*, to assist in the conduct and evaluation of various without-prejudice settlement negotiations ongoing in relation to active litigation involving the Bank, and to provide other advice on the Liquidation process including review of the fees and expenses.

Given the fact that the Bank's only principal liquid assets are frozen in Bermuda and the Bank's creditor class is geographically scattered, the Liquidator determined that it was not economically feasible to call a formal meeting of the Bank's creditors for the purpose of appointing a Committee of Inspectors pursuant to Section 405 of the *Companies Act*. Alternatively, on August 22, 2005, the Liquidator circulated, via electronic mail to all then recognized creditors of the Bank, a **Notice calling for votes in relation to the formation of a Committee of Inspectors** (click on [Appendix 1](#) to view a copy).

In the Notice, the Liquidator proposed as members of the Committee of Inspectors three creditor representatives, two of which were parties to the presently stayed Bermuda interpleader action (see details below), and one of which was not.

Creditors receiving the Notice were provided an opportunity to vote electronically on the proposed committee and/or register comments via return email. A voting deadline of 5:00 p.m. Eastern Daylight Time on August 31, 2006 was contained in the Notice.

The Committee member nominations were approved by 82% (by value of claims) of creditors given the opportunity to cast a vote. There were no negative votes (click on [Appendix 2](#) to view a copy of the **Breakdown of Tabulated Votes**).

The Committee of Inspectors, as approved by creditors entitled to vote, consists of the following members: Mr. Lester Turnquest (Vice President of Britannia Consulting Group), Mr. Joseph Cunningham (President of FX Bridge Limited and Four Square Partners Inc., and representative of significant creditor Transworld Management Consultants Corporation), and Mr. Daniel Greenberg, an attorney based in Connecticut, USA who represents smaller scale depositors X-Sells, Inc. and Alvivo Group, Ltd.

The Liquidator believes this Committee will fairly represent the interests of all creditors.

On September 5, 2006, the Liquidator executed a Form 4.47 **Certificate of Due Constitution**, as is required by Rule 4.153 of the *Insolvency Rules* of 1986 (click on [Appendix 3](#) to view a copy). This Certificate, which is a pre-requisite to the committee commencing its mandate, was then filed with the St. Vincent and the Grenadines High Court of Justice. A copy of the Certificate is attached.

A formal application for the Court's endorsement of the Committee of Inspectors elected by creditors was placed on the docket during the High Court's annual summer hiatus, and has been listed for hearing in November 2006.

In the meantime, the Liquidator has provided to the Inspectors all the background detail on the current issues facing the estate, and has had two conference call meetings, and has provided updates as events have unfolded. Regular meetings are planned to ensure the Liquidator receives on-going input on behalf of the creditors. Given that many of the issues are under litigation with the requirement to maintain solicitor client privilege and strategic confidentiality, the Inspectors have signed confidentiality agreements. Any creditor requiring updates are requested to communicate directly with the Liquidator.

Appendix 1

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August 24, 2006

To the Creditors of Horizon Bank International Limited ("HBI"):

As most of you are aware, the principal assets of HBI are in Bermuda where they are subject to a "freeze order" in favour of Messrs Alan Walsh and Hans Taal with respect to their alleged proprietary claim from tracing funds which they assert were stolen from them, into the monies in HBI's Bermuda bank account.

Having finally been able to gather in and conduct a detailed review of the records of HBI, having now examined the principal operating officer and consulted at length with counsel, I am of the opinion that these claims should be strongly resisted. As part of this process, I commenced an ancillary Liquidation in Bermuda as the means of intervening in and effecting a stay of those proceedings. I hope ultimately to have these monies released for the benefit of all the creditors of HBI or settle the claims of Walsh/Taal by negotiation. There are no free funds outside this proceeding although there are other claims that can be pursued by legal action with the associated risks, costs and inevitable delays. While we have an Order of the Bermuda Court with respect to fees for the on-going administration, there has been an objection to the manner in which this Order is to be effected and the continuity of funding is presently uncertain.

Also, there are claims filed in the Liquidation which, with the advice of counsel, have been rejected, and for which Notices of Appeal (trial de novo) have been filed. These are for very significant sums which would significantly dilute the liquidation estate to the detriment of depositor creditors, and I will ultimately be obliged to defend these or admit them in some modified form after negotiation.

In light of the information and legal opinions in my hands, the potential for expensive litigation, the disputed claims, some of which assert priority to the general body of depositors (proprietary claims), and the possibility of a negotiated settlement, I have determined it prudent at this juncture to solicit the input of HBI creditors via a Committee of Inspection, pursuant to Section 405 et seq. of the *Companies Act*, No. 8 of 1994. This Committee would be made up of persons delegated from the creditor group. To do this I need creditor input which is why I am now writing to you.

The proposed committee of inspection would be comprised of three (3) representative estate creditors. Its mandate would be to provide me with general advice in the exercise of my official duties on behalf of the creditor body as a whole. This may include commenting on any offer of settlement, recommendations on litigation, recommendations on admission of claims and review of my professional and administrative fees and those of my legal counsel.

In so doing, the individual members of the committee have to set aside their self-interests and, if called upon, advise me with a view to maximizing the recovery to all creditors. This means that claimants with interests adverse to the general body of creditors (i.e. proprietary claimants and those who have had their claims rejected, pending any appeals) are not eligible.

Customarily, according to the *Companies Act*, a committee of inspection is to be approved by the Court after being nominated at a meeting of estate creditors. Given the funding issues noted above and the very broad geographic location of creditors, I have determined that the holding of a traditional creditors' meeting in this case is not economically feasible and, based on my experience in similar situations, would not likely result in a meaningful turn-out. Therefore, I propose holding an electronic voting session as a cost-effective means to approve the nomination of a committee of inspection, which proposed committee would then be submitted to the Saint Vincent and the Grenadines High Court of Justice (the "Court") for approval.

In consultation with legal counsel, I have identified and contacted three individual estate creditors, who in my view are representative of the broad base of depositors and who also represent a significant part of the total value of depositor claims. I believe that these three individuals would fairly and responsibly represent the interests of the general body of HBI's estate creditors, and that they have the level of business sophistication to fully understand the complex underlying business and legal issues. All have expressed a willingness to serve on the committee. I therefore propose the Committee of Inspection should consist of the following individuals:

Lester Turnquest: is the Vice President of Britannia Consulting Group, a company representing a large roster of estate creditors with cumulative claims in the vicinity of \$3,930,754.73. Britannia Consulting Group was also an original party to the Bermuda interpleader action. This action is stayed by operation of the ancillary Liquidation proceeding in Bermuda, save for the claims of Allen Walsh and Hans Taal, and therefore there is no conflict with the estate.

Joseph Cunningham: is the President of FX Bridge Ltd and related companies, which together represent combined claims in the amount of \$5,130,393.30 and which were also original parties to the Bermuda interpleader action, presently stayed as described above.

Daniel Greenberg: is an American attorney who represents the interests of two medium-sized estate creditors (claims in the cumulative amount of \$164,179.97), namely, X-Sells, Inc. and Alvivo Group, Ltd. These companies were not involved in the Bermuda interpleader action.

Using the voting button below, I hereby ask each creditor to either accept or reject these individuals as members of the proposed committee of inspection. There is an opportunity to register comments along with your vote, and these comments are welcomed.

Votes shall be accepted no later than 5:00 p.m. EDT on August 31, 2006, and my agents and/or I shall report the results of the vote shortly after the voting deadline passes.

For your information I am hoping that we can get to a trial of the Bermuda matter before the end of 2006, at which time I will be able to update you on the potential for recovery on your claims both as to timing and amount.

Yours Very Truly,



Marcus A. Wide
Liquidator, Horizon Bank International Limited

ENTER YOUR VOTE HERE (select from the drop down menu):

I hereby _____ the individuals named above as members of the proposed committee of inspection.

Submitted by (type your name):

Comments:

Upon completion of the fields above, press the "SUBMIT" button below and follow the instruction to complete the voting process.

Please **follow the instructions carefully** as the submission process **may vary** depending on the type of email application you use (e.g. based on your own computer, such as Outlook or Lotus Notes versus web-based email such as MS Hotmail, Yahoo Mail, or the like.)

SUBMIT

Appendix 2

Appendix 3



In The High Court of Justice

Saint Vincent and the Grenadines

Claim No. 194 of 2005

In the Matter of Horizon Bank International Limited (In Liquidation)

and

In the Matter of the International Banks Act, No. 40 of 2004

and

In the Matter of the Companies Act, No. 8 of 1994

and

In the Matter of the International Business Companies Act, No. 18 of 1996

FORM 4.47: CERTIFICATE OF CONSTITUTION OF LIQUIDATION COMMITTEE

Rule 4.153 *Insolvency Rules of 1986*: (1986 No. 1925):

I, MARCUS A. WIDE, of Halifax, Nova Scotia, Canada, Liquidator of the above-named company, certify that a liquidation committee has been duly constituted and that the membership is as follows:

Lester Turnquest, Vice President of Britannia Consulting Group, representing the roster of creditors of Horizon Bank International Limited managed thereby;

Joseph Cunningham, President of FX Bridge Limited and Four Square Partners, Inc., and also representing Transworld Management Consultants Corporation et al, all significant creditors of Horizon Bank International Limited; and

Daniel Greenberg, representing X-Sells, Inc. and Alvivo Group, Ltd., both creditors of Horizon Bank International Limited.

DATED at Halifax, Nova Scotia, Canada this 5th day of September, 2006.

MARCUS A. WIDE, Liquidator of
Horizon Bank International Limited