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NOTICE TO CREDITORS

I am taking this opportunity to report briefly on the status of the Liquidation and the matters to be resolved before it is possible to determine whether a dividend will be payable to depositors, when and in what amount. As many of the significant issues are before the Courts, there is a limitation on what I am able to disclose to preserve legal privilege and confidentiality. The Estate Creditors Committee, which provides advice to the Liquidator on behalf of the depositor group as a whole, has been apprised of all the issues, however, again to preserve legal privilege and confidentiality, they are also constrained in what they may pass on. This is unfortunately necessary and I ask for your understanding.

BERMUDA ANCILLARY PROCEEDING

The Joint Liquidators in the ancillary liquidation in Bermuda, have been actively defending the action commenced in Bermuda by Messrs. Walsh and Taal (the Claimants) to recover funds that they believed to have been misappropriated from them and traceable into the hands of Horizon Bank International Limited (HBI) and its account at Bermuda Commercial Bank. This has required the review of many thousands of documents both recovered from HBI and in the hands of the Claimants, and review of witness statements, all of which have been assembled over many months of effort.

In my earlier report I indicated there seemed to be a strong likelihood that the Claimants would be able to establish a tracing claim into the HBI bank account in Bermuda, limited by the “lowest intermediate balance” concept. However as the information available to me and my Counsel has expanded, we have been able to more fully examine the basis of the Claimants position. As a result we can refute many of the earlier assertions of the Claimants and Counsel now advise that there are serious flaws in the legal basis of their arguments. Based on this opinion I have filed an amended statement of defence in Bermuda which denies their claim.

In the interim I was able to persuade the Bermuda Court in the ancillary Liquidation proceeding there, that the Claimants had at that time failed to make a “prima facie” claim to any amount in excess of the “lowest intermediate balance”. As a result the Court released

funds held in Bermuda in excess of that amount. This is now held in the estate trust account in St. Vincent, the domicile of HBI and the Court directing the main Liquidation. While the Bermuda Court released funds, it must be recognised that in doing so it did not issue a final judgement on the issue of the Walsh/Taal claim. This still has to be tried. Therefore there remains the prospect that at trial the Claimants may persuade the Court to uphold their proprietary claim to the full extent of the Bermuda monies. Indeed as part of the trial process the Claimants have filed an amended statement of claim which attacks the concept of the “lowest intermediate balance” as a limitation on the tracing of “their money” into the HBI account at Bermuda Commercial Bank.

As it remains open to the Court may to rule in favour of the Claimants, despite its earlier interim finding, there is still the potential that the estate will be ordered to turn back the funds released. Therefore these funds cannot be distributed to depositors and other creditors until there is a final judgement against the Claimants in Bermuda.

Our best efforts to expedite the trial culminated in an application for direction on May 25, 2007, from which an order was obtained on June 22, 2007 providing directions to the parties, including definitive steps to be completed before trial, which is set down for the period February 18th to 29th, 2008. Since then the parties have met, and continue to meet, the Courts deadlines for the preparatory steps to the trial and there is no sense that it will be delayed further.

However it must also be understood that the trial and judgement may not be an end to the matter, as there is the prospect of further appeals which have the potential for extending the date of the final judgement. And until there is a final judgement it is not possible to know what, if anything, will be available for distribution. However based on Counsels’ advice I am of the view that the estate can realistically anticipate the recovery of the Bermuda funds in their entirety.

CLAIMS IN THE ST VINCENT MAIN PROCEEDING

Presently we have claims filed to a value of US\$12,146,813.43 which, subject to some administrative issues, will likely be admitted in the Liquidation. Further claims are possible.

Also I have received “proprietary” claims (that is claims to effective ownership of money in the hands of HBI, as opposed to the debtor/creditor relationship that a depositor has with its bank) from a group in Western Canada that appear to have been the victims of a fraud which may have used HBI as a conduit to disperse part of the monies raised. These claims amounted to \$100 million. They have been disallowed by me, and the time for appeal to the Court in St. Vincent has lapsed. I therefore take the position that this claim is now barred.

I also recently received another claim arising from the same possible fraud which also asserted a “proprietary” interest to the extent of approximately \$10 million. Again this has been disallowed by me, although as of to-day’s date the time limit for appeal has not expired.

The Claimants in the Bermuda proceeding have also filed as unsecured creditors in the St. Vincent main proceeding in the amount of approximately US\$16.6 million. Again I have disallowed their claim. They appealed my disallowance. Somewhat unusually on the appeal, the Court of St Vincent have decided that it need not adjudicate this claim, even though it is in the main liquidation under its control, and have agreed to the matter being tried as a part of the Bermuda proceeding, indicating it will accept the ruling of the Bermuda Court. Therefore even if the Claimants fail with their “proprietary” claim to the Bermuda monies, they may still be admitted as an unsecured creditor to share in the estate with all the other depositors and claimants.

These claims have the potential to significantly dilute the percentage recovery to individual depositors and creditors. I cannot today predict to what extent.

OTHER POTENTIAL RECOVERIES

There are other opportunities for recovery in for the benefit of the estate. I have instructed counsel in Turks and Caicos to seek the recovery of approximately US\$1 million, representing funds paid to Hallmark Trust to be held at the direction of HBI.

Estate Counsel will be putting the Directors on notice that their actions may have given rise to a personal obligation to the estate. Similarly it is our intention to give notice to those who might have interfered in the affairs of HBI that they may have obligations to the estate. Once the shortfall to the estate is determined it is possible that actions for recovery will be taken against those persons.

A mortgage over a property in Toronto, Canada, has the potential to recover in excess of US\$1 million.

Other actions for recovery to be taken against third parties are also under consideration and decisions with respect to those actions will be taken as funding permits.

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