

**HORIZON BANK INTERNATIONAL LTD (IN LIQUIDATION)
INFORMATION UPDATE TO DEPOSITORS**

March 26, 2008

As most of you are aware the predominant issue in this liquidation is our entitlement to funds that Horizon Bank had on deposit and Bank of Bermuda. A competing claim to these funds, and a related damage claim in the estate, had been made by Messrs. Walsh and Taal, who complained that funds raised through an investment program underwritten by Microsoft shares that they owned had become co-mingled with Horizon's funds and that they could in a legal sense trace these monies and recover them. They also contended that Horizon through its officers or controlling minds had caused them to suffer a loss of the value of the shares that they could not trace, and that this should result in claim in the estate on a par with depositors and other creditors. These claims totaled in excess of US\$20 million plus interest to the date of liquidation.

The tracing claim, if successful, could result in a substantial part of the funds frozen in Bermuda being released directly to the claimants Walsh and Taal. The damage claim, again if successful, will be reduced by any tracing claim, but will still result in a material increase in total claims in the estate, which will result in the funds available being spread over a much greater base, reducing the percentage return to everyone. Our legal counsel was very bullish in the assessment of our case. Settlement discussions were not fruitful.

These issues came to trial in Bermuda in February of this year and we had expected the Judge's ruling by Easter, although the Judge had made no commitment to do so. Until we have this decision it is impossible to make any assessment of how much or when it will be possible to pay a dividend to depositors and creditors.

I have also brought on a lesser matter in Turks and Caicos where we believe that Horizon Bank, in an effort to mitigate the Bermuda freeze parked approximately US\$1.1 million. Our investigations suggest that while some part of this was used for the on-going support of Horizon the greater part was appropriated by a small number of related creditors in a manner that creates a recoverable preference. While an action for recovery has been started, early discussions suggest a settlement may be possible.

A further update will be provided once the Bermuda decision has been rendered and we have assessed its consequences to the estate.