

**HORIZON BANK INTERNATIONAL LTD (IN LIQUIDATION)
INFORMATION UPDATE TO DEPOSITORS
July 4, 2008**

To: Investors/Depositors;

As you are aware, the hearing on the standing of the estate's claim to funds in Bermuda as against the claims of applicants Walsh and Taal, claiming a right to trace allegedly stolen monies into those funds, was scheduled for this spring. At the same time, at the request of the Court in St Vincent, the Bermuda Court was invited to make a determination as to its view of the claim filed as unsecured creditors in the St Vincent main liquidation proceeding by Walsh and Taal, and which I had disallowed.

Through the period leading up to the hearing, Bermuda counsel, supported by the estate's General Counsel and counsel in St. Vincent, conducted a full review of the pleadings and had determined that, in their view, the grounds for a tracing claim were scant, and the unsecured claim was a likewise a reach. Based on this view and after a series of extensive discussions with the Creditor Committee, it was believed that a settlement in a range that Walsh and Taal had indicated might be available was not going to be possible. In fact, the recommendation fell into a range below that previously offered to Walsh and Taal in an attempt to seek resolution without extensive legal fees. Therefore there appeared to be no option but to proceed with the trial.

At trial we were unsuccessful and the Court found for the applicants on virtually every ground.

This ruling has been reviewed not only by trial counsel and estate General Counsel, but also at the request of the Creditor Committee by experienced litigation counsel who had no previous involvement with the case.

The result of this comprehensive review was a strong recommendation to appeal across a broad front, and the appeal has now been filed. A stay of the judgment has also been obtained.

While we are pursuing other areas of recovery the Bermuda monies still form the greater part of the estate. Based on our expectation of a successful outcome at trial it was possible that a dividend could potentially be as high as 75 - 80%. If the current judgment is affirmed this dividend will likely drop into the range of 8 - 12%.

The appeal is not going to be heard until November at the earliest, but given the Appeal Court docket, it will be more likely early in 2009.

Clearly no dividend can be paid until such time as the appeal is dealt with.