SECOND REPORT OF THE OFFICIAL LIQUIDATOR
OF
SUISSE SECURITY BANK & TRUST LIMITED
(In Liquidation)

TO

THE SUPREME COURT OF THE COMMONWEALTH OF THE BAHAMAS

Dated 31st day of March 2008

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1. INTRODUCTION

1.1 On November 13, 2006, the Supreme Court of The Bahamas Ordered that Suisse Security Bank & Trust Limited (the "Bank" or "SSBT")) be wound up by the Court, and that I, Raymond Livingston Winder, be appointed Official Liquidator ("the Official Liquidator") of the Bank.

1.2 The Supreme Court also Ordered that I, the Official Liquidator, shall have the powers set out in section 202 of the Companies Act, 1992, and that I, the Official Liquidator, shall be at liberty to exercise the said powers without any further leave of this Court. The powers conferred upon me include any or all of the following:

1.2.1 bring or defend any action, suit, or prosecution, or other legal proceedings, civil or criminal, in the name and on behalf of the Company (i.e. the Bank);

1.2.2 carry on the business of the Bank, so far as may be necessary for the beneficial winding up of the same;

1.2.3 sell the real and personal property, effects, and things in action of the Bank by public auction or private contract, with power to transfer the whole thereof to any person or company, or to sell the same in parcels;

1.2.4 do all acts and execute, in the name and on behalf of the Bank, all deeds, receipts, and other documents, and for that purpose use, when necessary, the Bank's seal;

1.2.5 prove, rank, claim, and draw a dividend, in the matter of the bankruptcy or insolvency of any contributory, for any balance against the estate of such contributory, and take and receive dividends in respect of such balance, in the matter of bankruptcy or insolvency as a separate debt due from such bankrupt or insolvent, and rateably with the other separate creditors;

1.2.6 draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the Bank, also to raise upon the security of the assets of the Bank from time to time any requisite sum or sums of money; and drawings, accepting, making or endorsing of every such bill of exchange or promissory note on behalf of the Bank shall have the same effect with respect to the liability of such Bank as if such bill or note had been drawn, accepted, made, or endorsed by or on behalf of such Bank in the course of carrying on the business thereof;

1.2.7 take out, if necessary, in my official name, letters or administration to any deceased contributory, and do in my official name any other act that may be necessary for obtaining payment of any monies due from a contributory or from his estate, and which act cannot be conveniently done in the name of the Bank; and in all cases where I take out letters of administration, or otherwise use my official name for obtaining payment of any monies due from a contributory, such monies shall, for the purposes of enabling me to take out such letters or recover such monies, be deemed to be due to myself, the Official Liquidator; and

1.2.8 do and execute all such other things as may be necessary for winding up the affairs of the Bank and distributing its assets.

2. OBJECTIVE OF THE REPORT

2.1 The objective of this report is to provide The Supreme Court of The Bahamas with an update on the status of this liquidation, including information relative to my attempts to take possession of, collect and protect the assets of the Bank and to obtain the cooperation of the Bank's shareholders, directors, attorneys, management and employees in order to assist me in the performance of my duties as the Official Liquidator, as set out in the Order of my appointment.

2.2 Further, details are given relative to the status of legal actions before the court and the steps that I have taken in relation to these actions.

2.3 This, my second report as the Official Liquidator, covers the period November 1, 2006 to January 31, 2008. Reference should be made to my first, second, third, and fourth reports as Provisional Liquidator, dated August 24, 2001, February 4, 2002, August 4, 2002, and December 20, 2005 respectively, and my first report as the Official Liquidator, dated December 15, 2006, all of which were filed in The Supreme Court.

3. LEGAL ACTION INITIATED FOR A CREDITORS COMMITTEE

3.1 On December 18, 2006 a Summons was filed, in Equity Action No. 436 of 2001, and supported by Affidavit of a Creditor of the Bank, wherein the named Creditor requested, inter alia, the Court to direct that a meeting of the Bank be called, held and conducted in such manner as the Court directs and that a Creditors Committee and a Chairman of the Committee be appointed, and for a Report of the meeting to be made to the Court pursuant to provisions of Section 198(1) of the Company's Act Chapter 308.

3.2 Pursuant to the Directions of the Court, and in concurrence with Creditors who attended the hearings before the Court, I settled a Creditors Committee Guideline which has been approved either expressly or implicitly by the said Creditors.

3.3 Mohammed Harajchi, a contributor of the Bank, requested that he be appointed a member of the Creditors Committee. Derek Ryan and Christopher Lunn, who claim to be creditors, also requested to be appointed members of the Creditor's Committee. In the draft Creditors Committee Guidelines, I advanced the position that "any Creditor or Contributor against whom the Liquidator has taken legal proceedings or may take legal proceedings shall not be eligible to serve as a member of the Committee". By this provision, I took a position that would exclude Messrs. Harajchi, Ryan and Lunn from participating on the Creditors Committee due to the fact of their involvement in the management and affairs of the Bank prior to its being placed into compulsory liquidation.

3.4 I emphasized that while the determination as to the composition of the Committee is entirely within the discretion of the Court and it is for the Court to make a determination as to what would be in the best interest of the creditors and parties affected by the liquidation, consideration should be made of the protracted proceedings which led up to the placing of the Bank into liquidation and the strenuous opposition by Messrs. Harajchi, Ryan and Lunn. I took the position that it is quite evident that there would not be a harmonious relationship between those persons and myself, the Official Liquidator. Further, as substantial funds belonging to the Bank have not been located and/or information related to these funds has not been provided to myself, it is quite probable that at some future date I may have to take proceedings in order to obtain discovery as to the whereabouts of these funds.

3.5 As Messrs. Harajchi, Ryan and Lunn were all involved in the affairs and management of the Bank, as well as Suisse Security Holdings Limited (SSH) and Suisse Security Investments Inc. (SSI), I asserted that it is not difficult to envision that proceedings may be necessary which would involve these persons with respect to getting all relevant information related to SSH, SSI and SSBT. Accordingly, I submitted to the Court that in the circumstances it is not in the best interest of the Bank for Messrs. Harajchi, Ryan and Lunn to be included on the Creditors Committee.

3.6 At the end of the proceedings that ensued for the formation of a Creditors Committee, on June 29, 2007 the Supreme Court of The Bahamas handed down a ruling which stated in part that Derek Ryan's submission that it is the function of the creditors to control the conduct of the liquidation is incorrect. The Court stated that the Official Liquidator has already been appointed, and he is clothed with all of the powers and duties contained in Section 202(1) of the Act; the Official liquidator is subject only to directions given by the Court.

3.7 Under the circumstances presented, the Court ruled that the application for the formation of a Creditors Committee was itself misconceived, and was therefore dismissed.

4. STEPS TAKEN BY THE OFFICIAL LIQUIDATOR

4.1 On June 15, 2007 I filed an affidavit with the Supreme Court of the Bahamas whereby I submitted to the Court that from the date of my initial appointment as Receiver of the Bank, to the present, I have actively sought the assistance of the former directors and management of the Bank by requesting information and documents relating to affairs of the Bank, but they have for the most part been non-cooperative.

4.2 I gave the Court an overview of how I had discovered that Mr. Mohammed Harajchi, the chairman and Principal shareholder of the Bank, had set up two (2) International Business Companies (IBCs) and used these vehicles to conduct business on behalf of SSBT. These IBCs are Suisse Security Holdings Limited (SSH), incorporated on June 13, 1996, and Suisse Security Investments Inc. (SSI), incorporated on February 2, 1998. I explained that SSH and SSI have or had accounts with UBS, a Swiss Bank with headquarters in Geneva, Switzerland, and Barclays Bank PLC in Nassau, respectively. I further informed the Court that in reviewing the files of SSBT, I found correspondence from Christopher Lunn, the then Chief Executive Officer of SSBT and Director and Chief Executive Officer of SSI, to Barclays Bank PLC in which he described the way in which SSH was being used by SSBT to receive funds on behalf of SSBT which would be held in the SSH account until a certain threshold was reached and thereafter the funds would be transferred to SSBT. I explained to the Court that it appeared that depositors of SSBT were directed to transfer their funds to deposit either at SSH's bank accounts at UBS Geneva or at SSI's bank accounts at Barclays Bank PLC. These balances were held for the benefit of and utilized for the operations of SSBT and constituted assets of SSBT.

4.3 I informed the Court that transfers were made from the aforementioned accounts of SSH and SSI to SSBT when SSBT's funds were depleted and SSBT required funding to transact clients' business. Thus clients' funds, intended by the clients to be deposited with SSBT, were in fact deposited into the accounts of SSI and SSH - which are separate legal entities whose names include the words "Suisse Security", but are not owned by SSBT. Rather, SSH and SSI are owned by the principals of SSBT. The consequence of this has been that instead of SSBT (which was licensed by the Central Bank of the Bahamas) accepting the deposits of its clients, SSI and SSH (neither of which were licensed) were accepting such deposits, in breach of s.3(1) of the Banks and Trust Companies Regulations Act, 2000. Additionally, SSBT's clients' deposits were effectively being put beyond the reach of the regulatory authorities.

4.4 I further put to the Court that on March 13, 2001, Mr. Derek Ryan, the secretary of SSBT and Director of SSI, had written to Barclays Bank PLC instructing them to prepare a cashier's cheque with respect to all funds remaining on SSI's accounts with Barclays Bank. I pointed out that on April 11, 2001 Christopher Lunn and Tara Butler, as officers of SSI, wrote to Barclays Bank instructing them to close SSI's accounts. I also delineated that in its September 20, 2000 financial statements, SSBT's management had represented to the Central Bank of the Bahamas, through its external auditors, PKF Pannell Kerr Forster, that the funds held in the Barclays Bank and UBS Geneva bank accounts were in fact assets of SSBT.

4.5 I explained to the Court that prior to my appointment as the Official Liquidator, I had requested the managers, directors and contributors of SSBT to turn over to me all documents and information belonging to SSBT so that I could carry out my function as the then Provisional Liquidator, and in that capacity assemble the information necessary to bring in all of the assets belonging to SSBT. They were uncooperative. I further pointed out that since my appointment as the Official Liquidator, I have been in communication with Mohammed Harajchi, Christopher Lunn, and Derek Ryan, and I have requested that they turn over to me all documents, information and matters related to SSBT, SSH and SSI. They have failed to comply with my request, save that I was given information indicating that the accounts that were held at UBS Geneva, Switzerland, were closed, and that there were no funds at UBS Geneva, Switzerland. Prior to my appointment as the Official Liquidator, I had requested that Messrs. Harajchi, Lunn and Ryan give to me all documents, information and anything related to SSH and SSI, yet they have failed or refused to do so.

4.6 Further, I explained that I have, through my attorney, been in communication with Mr. Derek Ryan, requesting information with respect to SSH. My attorney also wrote to Mr. Harajchi's Swiss Attorney, Mr. Poncet, requesting information that would assist me in procuring the funds that belong to SSBT and were being held in SSH's account at UBS Geneva, Switzerland. Mr. Ryan and Mr. Poncet have provided no assistance. Indeed they have indicated, without stating it emphatically that SSH's business is not my concern as Liquidator of SSBT. I informed the Court that on May 17, 2007, in a final effort to convince Messrs. Ryan, Lunn and Harajchi to provide me with information, I had a meeting with Messrs. Ryan and Lunn. At this meeting Messrs Ryan and Lunn advised that they had provided me with all the information that they had. Mr. Ryan also advised that he would talk with Mr. Harajchi and try to persuade him to assist me so that I could get on with doing the work which this Honourable Court mandated I perform.

4.7 I explained to the Court that, as delineated in my First Report as the Official Liquidator, I was advised by Mr. Harajchi, Mr. Ryan and Mr. Poncet that there were monies in the SSBT/SSH accounts at UBS Geneva, Switzerland, which belonged to Mr. Harajchi and, as he had co-mingled his monies in the account(s), it would be necessary for an independent audit to be carried out so as to identify which funds were properly the property of Mr. Harajchi.

4.8 I expressed to the Court that after several teleconferences and correspondence with Mr. Harajchi and Mr. Ryan, nothing of substance was produced or achieved, and that all of the remaining assets belonging to SSBT that are not under my control are out of the jurisdiction of this Honourable Court. I stated too that based on the ruling of this Honourable Court, the Court of Appeal and the Privy Council, there is sufficient evidence and information placed before the court to support the position that the funds held by SSH and SSI are properly the funds belonging to SSBT and should be turned over to SSBT. I further stressed to the Court that Mr. Harajchi has not given any or any sufficient information as to the whereabouts or location of SSBT's funds being held by SSH, and that as all of the assets due to SSBT from SSH are being held outside of the jurisdiction, Mr. Harajchi should be made to turn these funds over to me as the Official Liquidator. Moreover, I impressed upon the Court that as Mr. Harajchi has taken the funds out of the jurisdiction and/or controls these funds outside of the jurisdiction, the Court should use its coercive powers to compel the return of the funds.

4.9 In this regard, I submitted to the Court that it is imperative that I pursue the assets of SSBT, SSH, and SSI, and I therefore requested that the Court order the persons listed below (the "said persons") to turn over to me, the official Liquidator, all goods, papers, records and documents of SSBT, SSH and SSI in their possession, power, custody or control including such documents and records as relate to the affairs or dealings of SSBT, SSH and SSI with any or all of its contractors or agents or with related third party entities and without prejudice to the generality of the foregoing any and all goods, papers, records and documents relating to any company in which the said persons were an officer, signatory, director, or shareholder and in the case of documents or records which exist only in computer readable form to give to me, the Official Liquidator, or my attorneys, effective access to the relevant computer with all necessary passwords to enable them to be searched and to enable any document or record stored in or on any hard drive or removable storage device to be displayed on any computer terminal or screen and to be printed out and the print thereof given to myself. The said persons are Mohammed Harajchi, Director and Chairman of SSBT, Michel Harajchi, Director and Chief Operating Officer of SSI, Sonja Harajchi, shareholder of SSBT, Christopher Lunn, Chief Executive Officer of SSBT and Director and Chief Executive Officer of SSI, Derek Ryan, Secretary of SSBT and Director and Secretary of SSI, Terry Nadu, Director of SSBT, Mr. Allister McKeller, Director of SSBT, Ms. Vandessa Lockhart, Head of Filing Department of SSBT, Ms. Kay Briggs, Head of Visa Department of SSBT, Tamiko Miller, Head of Corporate Department of SSBT, Ms. Ketress Wells, Reconciler of SSBT, and Mr. Archie Strachan, Head of Trading Department of SSBT.

4.10 On July 16, 2007, the Honourable Mr. Justice Stephen Isaacs so Ordered that I, the Official Liquidator of SSBT be at liberty to serve written interrogatories on the following persons, namely, Mohammed Harajchi, Sonja Harajchi, Michel Harajchi, Christopher Lunn, Derek Ryan, Vandessa Lockhart, Kaye Briggs, Tamiko Miller, Ketress Wells, Archie Strachan, David Butler, Terry Nadu and Alister McKeller (hereinafter referred to as "the said Persons") regarding the affairs of SSBT on or before August 15, 2007; and that the said Persons do attend before the Honourable Mr. Justice Stephen Isaacs in Chambers on Tuesday, September 18, 2007 at 10:00 am, and to produce:

4.10.1 The answers to the Interrogatories in writing by Affidavit; and

4.10.2 All goods, papers, records and documents of SSBT in their possession, power, custody or control including such documents and records as relate to the affairs or dealings of SSBT with any or all of its contractors or agents or with related third party entities and without prejudice to the generality of the foregoing any and all goods, papers, records and documents relating to any company in which the said persons were an officer, signatory, director, or shareholder and in the case of documents or records which exist only in computer readable form to give to myself, the Official Liquidator of SSBT, or my attorneys, effective access to the relevant computer with all necessary passwords to enable them to be searched and to enable any document or record stored in or on any hard drive or removable storage device to be displayed in any computer terminal or screen and to be printed out and the print thereof given to myself, the Official Liquidator.

4.11 On September 18, 2007 the Judge was not available and the Summons is still pending

4.12 On June 27, 2007 (amended July 13, 2007), I had a Writ of Summons filed in an action at the suit of Suisse Security Bank & Trust Ltd. (In Liquidation) against Mohammed Harajchi, Michel Harajchi, Sonja Harajchi, Christopher Lunn, and Derek Ryan. In this action, SSBT claims against Mohammed Harajchi and Sonja Harajchi the return of monies - which are the property of SSBT - once unlawfully held at Barclays Bank in the name of Suisse Security Holdings Ltd. and Suisse Security Investments Inc., and thereafter removed from the jurisdiction of the Commonwealth of The Bahamas, in breach of trust. SSBT made the declaration that at all material times Mohammed Harajchi, Michel Harajchi, and Sonja Harajchi were and are trustees of the said monies under a resulting trust for the benefit of Suisse Security Bank and Trust Ltd, and that as directors of Suisse Security Bank and Trust Ltd. Mohammed Harajchi, Michel Harajchi, and Sonja Harajchi owed Suisse Security Bank and Trust Ltd. a fiduciary duty to hold the said monies for the exclusive benefit of Suisse Security Bank and Trust Ltd. SSBT claims an account and enquiry as to what has become of the said money. SSBT claims an Order that Mohammed Harajchi, Michel Harajchi, and Sonja Harajchi pay SSBT such sums which are found due and owing pursuant to such an account and enquiry; alternatively damages for misfeasance and/or breach of trust, and interest pursuant to the Civil Procedure (Award of Interest) Act, Cap 80.

4.13 SSBT claims against Christopher Lunn and Derek Ryan for a Declaration that each of them, as officers of SSBT owed a fiduciary duty to SSBT to, inter alia, ensure that the assets of SSBT were utilized for the exclusive use of SSBT. SSBT claims damages for their knowing assistance in the breach of the fiduciary duties owed by Mohammed Harajchi, Michel Harajchi, and Sonja Harajchi to SSBT which resulted in the removal of monies belonging to SSBT to the accounts of SSH and SSI, and thereafter the removal of the said monies from the jurisdiction of the Commonwealth of The Bahamas. SSBT claims damages for misfeasance and breach of fiduciary duty, and interest pursuant to the Civil Procedure (Award of Interest) Act, Cap 80, and costs.

4.14 On July 12, 2007 I filed an affidavit with the Supreme Court of the Bahamas whereby I informed the Court that Mr. Harajchi has assets in this jurisdiction and in this regard, I caused a search to be done with respect to Mohammed Harajchi and Sonja Harajchi, and also a search with respect to SSBT, SSH and SSI. I informed the Court that I found that Mr. Harajchi currently owns five lots of land at Paradise Island, Bahamas, namely:

4.14.1 ALL THAT piece parcel or lot of land comprising Lot 4 in Block 2 of the Subdivision known as Paradise Island Colony situate on Paradise Island in the City of Nassau in the Island of New Providence.

4.14.2 ALL THAT piece parcel or lot of land comprising Lot 5 in Block 2 of the Subdivision known as Paradise Island Colony situate on Paradise Island in. the City of Nassau in the Island of New Providence. (Title recorded in Volume 4027 pages 429 to 443).

4.14.3 ALL THAT piece parcel or lot of land comprising Lot 6 Block 2 of the Subdivision known as Paradise Island Colony situate on Paradise Island in the City of Nassau in the Island of New Providence (Title recorded in Volume 4027 pages 458 to 472).

4.14.4 ALL THOSE pieces parcels or lots of land situate on the Southern Coast of Paradise Island being Lot 7 and Lot 8 in Block 2, Paradise Island Colony Subdivision, Paradise Island in the City of Nassau, New Providence.

4.14.5 ALL THAT piece parcel or lot of land comprising Lot 13 in Block 6 of the Paradise Island Colony Subdivision situate on Paradise Island in the City of Nassau, New Providence AND ALSO ALL THAT piece parcel or lot of land comprising Lot 2 in Block 6 of the Paradise Island Colony Subdivision situate as aforesaid.

4.14.6 ALL THAT Condominium Unit Number 5 Cloister Estates Condominium located on Lot 2 and Lot 13 aforesaid.

4.14.7 That on the 4th day of April, 2006, Mohammed (aka Mohamad) Harajchi conveyed to Hucknall Limited ALL THAT piece or parcel of land comprising a portion of a tract of land originally known as"Wilderness" now forming a part of "Love Estates" situate in the Western District of the Island of New Providence which said piece parcel of land is designated by Number 6 on a plan of lots laid out by British Hoffman Limited. This Conveyance is recorded on the 11th November, 2006 in Volume 9841 at pages 376 to 382.

4.15 I informed the Court that I am told by my attorney that Mr. Harajchi has his properties listed for sale with Realtors in The Bahamas and that he is offering to sell a 5 acre tract of land at Paradise Island, Bahamas for the price of $24.5 Million Dollars with the following development on it:

MAIN HOUSE - 12,000 square feet comprising 10 Bedrooms, 10 Bathrooms, Gym, Bar, Parlour, Large Covered Verandah overlooking the sea, Kitchen has 2 Dishwashers, a double Fridge and Freezer, Breakfast Room, Powder Room, Climate controlled Wine Cellar, Office ALSO a 2 Bedroom, 1 Bathroom Cottage, 5 Garages AND ALSO 2-storey 5,000 sq. ft. Second House with 3 Bedrooms, 3½ Bathrooms and Gym, 2 Swimming Pools and 2 Docks.

4.16 I fear that Mr. Harajchi is now attempting to liquidate his remaining Bahamian assets and remove himself from the direct control of this Court and in so doing, defeat the claims of the legitimate creditors of SSBT. I therefore requested of the Court that the sale, or the proceeds of the sale, of the noted and described properties be Injuncted and that the assets belonging to Mr. Harajchi be frozen until the funds belonging to SSBT, SSH and SSI are turned over to me, and this Honourable Court has made a determination that all such funds due to SSBT, SSH and SSI are fully accounted for and that there is no shortfall due to the estate directly or indirectly referable to Mr. Harajchi.

4.17 On July 13, 2007, the Supreme Court of The Bahamas ordered that, upon SSBT, by its Counsel, undertaking:

4.17.1 to abide by any Order that this Court may make as to damages in case the Court shall hereafter be of the opinion that Mohammed Harajchi and Sonja Harajchi shall have sustained by reason of this Order which SSBT ought to pay

4.17.2 to inform Mohammed Harajchi and Sonja Harajchi forthwith of the terms of this Order and to serve upon them within 10 days a certified copy of the Ex Parte Summons and Affidavit of Raymond Livingston Winder as sworn and of the exhibits thereto together with the Writ of Summons and a copy of this Order

It is ordered that:

(a) Mohammed Harajchi and Sonja Harajchi be restrained, whether by themselves or by their servants or agents or otherwise by Injunction until judgment in this action or further order from doing the following act, that is to say, disposing of, conveying selling transferring, mortgaging, encumbering or otherwise dealing with all those real properties owned by Mohammed Harajchi and Sonja Harajchi situate on Paradise Island, New Providence, The Bahamas comprising the following, viz.

1. ALL THOSE (2) parcels or lots of land situate on the Southern Coast of Paradise Island one of the Island of the Commonwealth of the Bahamas being Lot (7) & Lot (8) in the Block (2) on the Plan on the Subdivision called and known as "Paradise Island Colony".

2. ALL THAT condominium Unit (5) "Cloister Estates" a Condominium according to and as more particularly described in the Declaration which condominium is located on the Lot (2) and (13) aforesaid together with Unit entitlement of (38/1000) undivided interest in common property appurtenant to Unit (5) and together with an assignment or parking space (5) designate in the Declaration as Limited common Property.

3. ALL THAT piece parcel or lot of land comprising Lot (4) in Block (2) of the Subdivision known as "Paradise Island Colony" situate on Paradise Island in the City of Nassau in the Island of New Providence

4. ALL THAT piece parcel or lot of land comprising Lot (5) in Block (2) of the Subdivision known as "Paradise Island Colony" situate on Paradise Island in the City of Nassau in the Island of New Providence

5. ALL THAT piece parcel or lot of land comprising Lot (13) in Block (6) of the Subdivision known as "Paradise Island Colony" situate on Paradise Island in the City of Nassau in the Island of New Providence AND ALSO ALL THAT piece parcel or lot of land comprising Lot (2) in Block (6) of the said Subdivision

(b) That Mohammed Harajchi and Sonja Harajchi are given 14 days after service of this Order to apply to discharge or vary the Order.

(c) That the parties do attend before the Honourable Mr. Justice Stephen Isaacs in Chambers on August 10, 2007 at 10:00 in the forenoon for *inter partes* hearing and/or further directions.

4.18 My attorney advised me that the return date for the "inter partes" hearing of the Injunction granted by Isaacs J on July 13, 2007 was at 10:50 a.m. on August 10, 2007, and the Court was advised that Mohammed Harajchi and Sonja Harajchi had not been served either the Writ or the Order. The Court was also advised that our Process Server has been making every effort to serve Mohammed Harajchi and Sonja Harajchi but to no avail. He has advised that they are out of the Jurisdiction. My attorney gave the Court an undertaking to file an Affidavit by Mr. Toppin in this regard. The Court continued the Injunction and set August 30, 2007 at 9:30 a.m. for mention to receive a report as to the status of our attempts to serve Mohammed Harajchi and Sonja Harajchi.

4.19 On August 30, 2007 my attorney attended before Mr. Justice Stephen Isaacs and advised the judge that Mohammed Harajchi and Sonja Harajchi had not yet been served. He advised the judge that our Process Server has been making regular visits to the Harajchis' Paradise Island residence to effect service, but had failed to do so because the Harajchis are still out of the jurisdiction.

4.20 On September 21, 2007, a Notice of Appearance was filed in the Supreme Court advising that an appearance has been entered on behalf of Michel Harajchi and Sonya Harajchi, in this action. With regards to Mohammed Harajchi, my attorney will now apply to the Court for substituted service of the Writ and Order.

5. ASSETS THAT REMAIN UNDER THE CONTROL OF MANAGEMENT, DIRECTORS AND SHAREHOLDERS OF THE BANK

➢	**SSI**	**US$5,540,631**
➢	**SSH**	**US$12,001,291**
	SSH	**CHF300, 627 (US$175,145)**

5.1 On December 11, 2006, I wrote to UBS, Geneva, Switzerland and advised them that by Order dated November 13, 2006, the Court appointed me the Official Liquidator of Suisse Security Bank & Trust Limited (SSBT), and I enclosed a copy of the Notice and Order. I informed UBS that in order that I may carry out the duties given me by the Court in an efficient and timely manner, I request from them all papers, documents and all relevant information regarding the affairs of and held in the name of SSBT, SSH, and SSI.

5.2 On January 16, 2007, UBS, Geneva, Switzerland informed me that according to their present means of investigation and the legal obligations imposed on them in this respect, they could not trace any accounts or safe deposit boxes in the name of SSBT. They pointed out that their investigations in their Head Offices and all of their branches in Switzerland were undertaken for a 10-year period preceding my request, in accordance with Swiss legislation. They stated that the result of their investigation is moreover consistent with the information given in their letter of December 6, 2001 to my Swiss attorney. UBS declared that furthermore, and pursuant to the Swiss banking secrecy provisions, Swiss banks are strictly prohibited from disclosing any possible customer-related information regarding the other companies mentioned in my letter of December 11, 2006 to third parties and that I may not infer from their letter that accounts may or may not be held within UBS in relation with said companies.

5.3 In spite of the above, the matter of gravest concern to me is that a large part of the Bank's assets remain under the control of the management, directors and shareholders of the Bank. Although I have sought to protect these assets, it is clear that further steps must be taken to trace, safeguard and recover them. For further details please refer to Section 4 of this report.

6. LEGAL ACTIONS, PENDING IN THE BAHAMAS

6.1 **Sonja Harajchi v. Raymond Winder et al 2005/CLE/gen 00958**, Supreme Court, Common Law & Equity Division

6.1.1 On August 25, 2005 this action commenced in the Supreme Court of the Bahamas, by Sonja Harajchi, the wife of Mohammad Harajchi (one of the shareholders of Suisse Security Bank & Trust Limited (In Liquidation)). By a specially endorsed Writ, Mrs. Harajchi claims that I, along with other named parties, am liable for the unlawful and unconstitutional conversion of chattels. The gravamen of Mrs. Harajchi's claim being that I, and other named parties, have retained or converted property that was in the Bank on or about March 5, 2001 which was at all material times the property of Mrs. Harajchi.

6.1.2 There has been no change in the status of this action from that which was reported in the 1st Report of the Official Liquidator.

7. LEGAL ACTIONS, PENDING IN THE UNITED STATES OF AMERICA

➢ **Correspondent Services Corp. v. JVW Investments Ltd., First Equities Corp of Florida, JV Waggoner, and Donald Kelleher v. Suisse Security Bank and Trust Ltd., No. 99 Civ. 8934 (RWS) United States District, Southern District of New York**

7.1 On August 3, 2001 I sought and obtained leave from this Honourable Court to defend this action. The potential loss to the Bank in this action is US$3,000,000.

7.2 FEDERAL ACTION

7.2.1 **The Dismissal of the Federal Action and the Official Liquidator's Pursuit of Approximately $4 million in Damages for SSBT**. As detailed in the 1st Report of the Official Liquidator, on March 10, 2006, the United States Court of Appeals for the Second Circuit (the "Second Circuit") once again ruled in my favor - concluding that there was no basis for Federal jurisdiction over the claims asserted against SSBT by the Waggoner Parties. Accordingly, the Second Circuit affirmed the District Court's dismissal of the action and the vacation of the Waggoner Parties' attachment of SSBT's $3 million in the Federal action (the "Federal Attachment"). As was expected, on May 4, 2006, the Second Circuit remanded my application for its appellate damages to the District Court for a determination in the first instance.

(a) November 30, 2006: The Liquidator's Moving Papers

1. On November 30, 2006, my US attorneys, acting on my behalf, submitted the following documents in support of SSBT's application for the assessment of damages pursuant to CPLR 6212(e) ("SSBT's Moving Papers"): (i) SSBT's Memorandum of Law in Support of Assessment of Damages Pursuant to CPLR 6212(e); and (ii) Declaration of my US attorney in support of SSBT's Assessment of Damages. In SSBT's Moving Papers, my attorneys provided the Court with a detailed overview of the procedural history of the matter since the Waggoner Parties obtained the Federal Attachment of SSBT's $3 million in November 2000.

2. My attorneys additionally detailed the District Court's three (3) prior decisions, in which the Court ruled that SSBT is entitled to damages incurred in the District Court (including attorneys' fees and costs) upon the dismissal of the action and vacation of the Federal Attachment. Because the Second Circuit had remanded the issue of SSBT's entitlement to its appellate damages to the District Court, SSBT additionally detailed the relevant precedent demonstrating SSBT's entitlement to the fees and costs incurred defending against the Waggoner Parties' repeated appeals to the Second Circuit. As set forth in the Moving Papers, as of November 30, 2006, my attorneys submitted proof of $2,102,870.48 in fees and costs incurred by SSBT from November 17, 2000 through October 31, 2006. Finally, my attorneys detailed that, pursuant to New York law, SSBT was entitled to $1,620,000 in interest as of November 17, 2006 -- computed at the legal rate (non-compounding) of nine (9) percent per annum. Accordingly, I sought combined damages (including fees, costs and interest) of $3,722,870.48.

(b) January 12, 2007: The Waggoner Parties' Opposition

1. On January 12, 2007, the Waggoner Parties submitted their Memorandum of Law in Opposition to SSBT's Motion for the Assessment of Damages Pursuant to CPLR 6212(e) (the "Opposition"). In their Opposition, the Waggoner Parties did not dispute SSBT's entitlement to damages pursuant to CPLR 6212(e). Rather, they argued that (i) the District Court -- having dismissed the matter for lack of subject matter jurisdiction -- no longer had jurisdiction to award SSBT damages pursuant to CPLR 6212(e); (ii) SSBT's fees were not related to the attachment (and therefore, they argued, not recoverable under CPLR 6212(e)); and (iii) SSBT was not entitled to interest on the grounds that New York law does not provide for "prejudgment interest on punitive damages."

(c) February 15: 2007: The Liquidator's Reply Papers

1. On February 15, 2007, my attorneys submitted the following documents in support of SSBT's reply to the Waggoner Parties' Opposition ("SSBT's Reply Papers"): (i) SSBT's Reply Memorandum of Law in Support of Assessment of Damages Pursuant to CPLR 6212(e): and (ii) Reply Declaration of my attorney in support of SSBT's Assessment of Damages. In SSBT's Reply Papers, my attorneys first addressed the Waggoner Parties' contention that the District Court lacked jurisdiction to award SSBT damages following the dismissal of the action for lack of subject matter jurisdiction - a contention that the District Court had previously rejected in September 2004. My attorneys argued that the District Court had appropriately decided the issue in 2004, and detailed significant additional precedent in which courts awarded attorneys' fees and costs pursuant to applicable state law after the dismissal of an action for lack of subject matter jurisdiction.

2. My attorneys next addressed the Waggoner Parties' contention that I, the Official Liquidator, was not entitled to the "millions" incurred in this action, because they were not incurred "by reason of the attachment." Specifically, my attorneys addressed the fallacious argument that SSBT had chosen to "litigate the merits without focusing on the jurisdictional defect," "willingly poured millions" into this litigation, and incurred substantial fees that "had nothing to do with the attachment or dismissal." My attorneys detailed that they had first alerted the District Court to its lack of subject matter jurisdiction on July 3, 2001 - after having incurred "only" approximately $212,000 in fees and costs.

3. My attorneys therefore demonstrated that the overwhelming majority of SSBT's attorneys' fees and costs had been incurred after we first raised the jurisdictional defect, and only as a result of the Waggoner Parties' relentless (and unsuccessful) efforts to manufacture a basis for Federal jurisdiction over the past six (6) years. Moreover, my attorneys identified that a significant portion of the fees and costs incurred prior to July 3, 2001 were incurred unearthing the facts - known all along to the Waggoner Parties - that proved there was no basis for the exercise of Federal jurisdiction.

4. Finally, my attorneys addressed the Waggoner Parties' contention that SSBT is not entitled to interest pursuant to CPLR 6212(e) because New York law does not provide for "prejudgment" interest on "punitive damage" claims. My attorneys noted that the Waggoner Parties had cited no precedent for the notion that these punitive damages focused principle was somehow applicable to damages for the loss of use of an asset pursuant to CPLR 6212(e). My attorneys additionally detailed the overwhelming (and unchallenged) precedent demonstrating that SSBT is entitled to interest for the loss of use of its attached assets.

(d) April 6, 2007: The Liquidator's Supplemental Submission

1. On April 6, 2007, my attorneys submitted the Supplemental Declaration of my attorney in Support of SSBT's Assessment of Damages pursuant to CPLR 6212(e) (the "Supplemental Submission"). In the Supplemental Submission, my attorneys detailed the additional fees and costs incurred (i) defending SSBT's entitlement to damages in the District Court from October 31, 2006 through February 28, 2007 and (ii) defending against the Waggoner Parties' Petition for Writ of Certiorari to the United States Supreme Court (the "Supreme Court Petition"). A summary of the Waggoner Parties' unsuccessful Supreme Court Petition is detailed below.

2. In the Supplemental Submission, my attorneys detailed that SSBT incurred $115,314.05 in fees and costs in the District Court between October 31, 2006 and February 28, 2007. My attorneys identified that the majority of these fees had been incurred as a result of the Waggoner Parties' decision to re-litigate an issue previously decided in September 2004 - namely, that the Court continues to have jurisdiction to award SSBT damages pursuant to CPLR 6212(e). My attorneys additionally detailed that SSBT had incurred $74,974.63 successfully defending against the Waggoner Parties' Supreme Court Petition.

3. Finally, my attorneys provided a summary of the damages to which SSBT is entitled. Specifically, my attorneys detailed that SSBT is entitled to (i) $2,293,159.16 in fees and costs incurred between November 17, 2000 and February 28, 2007; and (ii) $1,732,500 in interest for the loss of use of $3 million. Thus, my attorneys submitted proof of $4,025,659.16 in total damages to which SSBT is entitled pursuant to CPLR 6212(e).

(e) April 25, 2007: District Court Hearing

On April 25, 2007, the District Court held oral argument on my application for the assessment of damages to which SSBT is entitled. No decision has yet been rendered by the Court.

7.2.2 The Denial of the Waggoner Parties' Supreme Court Petition

On December 12, 2006 the Waggoner Parties filed a Petition for Writ of Certiorari from the March 10, 2006 decision rendered by the Second Circuit. In their Petition, the Waggoner Parties identified the "Question Presented" as follows:

> Whether the amount in controversy requirement of 28 U.S.C. § 1332 should be determined solely from the plaintiff's perspective (as five circuits now apply the statute) or from the perspective of both parties to the controversy (as six circuits now apply the statute)?

(a) The Waggoner Parties argued that the application of the "either party" test followed outside of the Second Circuit would have resulted in a finding of jurisdiction over CSC's complaint and urged the Supreme Court to grant their Petition to resolve the conflict amongst the Circuits. The Waggoner Parties further argued that the amount in controversy could be measured based upon the "entire controversy" -- i.e., presumably including the value of the state law cross-claims and third-party claims filed by and amongst the Defendants.

(b) On January 16, 2007, my attorneys filed a Brief in Opposition to the Waggoner Parties' Petition. In my Opposition, my attorneys argued that the divide amongst the Circuits identified by the Waggoner Parties was irrelevant to this matter. Specifically, my attorneys detailed that the cases and commentary upon which the Waggoner Parties relied were cases in which "the benefit of the action to the plaintiff will have a different value than the burden imposed on the defendant should relief be granted." My attorneys identified that this matter "presents no such jurisdictional quandary," because:

> The declaration sought by CSC, unlike the cases in which the identified Circuit split has arisen, has no conceivable 'pecuniary burden' on the Defendants. Put simply, the CD at issue is worthless regardless from whose perspective its value is measured, and the relief sought by CSC would have imposed no cost on any of the Defendants.

(c) My attorneys further debunked the Waggoner Parties' argument that the amount in controversy could somehow be based upon the value of the state law cross-claims and third-party claims filed by and amongst the various Defendants. Accordingly, my attorneys argued that both the Supreme Court and the Second Circuit had appropriately applied governing Supreme Court precedent in ruling that Federal jurisdiction could not be exercised in a matter seeking to resolve disputed claims to ownership of a worthless CD.

(d) On February 20, 2007, the Supreme Court denied the Waggoner Parties' Petition - rejecting once and for all their contention that there was any conceivable basis for Federal jurisdiction over this action.

7.3. STATE ACTION

7.3.1 There were no proceedings in the State Action between October 31, 2006 and May 30, 2007. As detailed in the 1st Report of the Official Liquidator, I have appealed the attachment obtained on May 2, 2002 by the Waggoner Parties in New York State Court (the "State Attachment") that purports to "continue" the Federal Attachment. The purported "continuation" of the Federal Action is significant because, unlike the State Attachment, the Federal Attachment was obtained prior to the commencement of SSBT's Liquidation and therefore arguably provided the Waggoner Parties with a security interest. In my appeal, my attorneys have challenged both the granting of the State Attachment (on the ground that it provided the Waggoner Parties with an unwarranted priority over SSBT's other creditors) and the State Attachment's purported continuation of the Federal Attachment (the "State Appeal"). My attorneys have pursued the State Appeal in an effort to secure the return of the attached $3 million for their inclusion in the ongoing Bahamian Liquidation proceedings. Oral argument was held by the Appellate Division on October 24, 2006.

(a) June 19, 2007 Appellate Division's Decision Vacating The State Attachment

1. On June 19, 2007, the Appellate Division rendered its decision on my appeal (the "Appellate Division Decision"). The Appellate Division Decision is a significant victory for me.

2. The Court preliminarily held that the trial court had erred by deeming the State Attachment to be a "continuation" of the Federal Attachment "so that the effective date of the attachment granted herein was the same as that of the federal court attachment." More significantly, the Court ruled that "whatever the attachment's effective date, the granting of such a drastic provisional remedy was not, in this case, a sound exercise of the motion court's discretion."

3. The Court, in adopting the argument advanced by my attorney, found there were no grounds for an attachment, because "SSBT was, at the time this action was commenced, already the subject of liquidation proceedings pursuant to an order of the Supreme Court of the Bahamas." The Court held that because I conceded jurisdiction and have a responsibility under Bahamian law to secure SSBT's assets, an attachment was "not needed to accomplish either of the purposes for which CPLR 6201(1) authorizes such a remedy." The Court thus concluded that any attachment of SSBT's assets in this action would "merely give plaintiffs an unwarranted priority over SSBT's other creditors, which 'is simply not the intended purpose of CPLR 6201.'"

4. Accordingly, the Court "unanimously reversed" the trial court's granting of an attachment "on the law, the facts and in the exercise of discretion," ruled that the Waggoner Parties "motion for an attachment" in this action was "denied," and "vacated" the Orders implementing the attachment.

(b) August 6, 2007 Waggoner Party Order To Show Cause to "Reattach" SSBT's Assets

1. On August 6, 2007, the Waggoner Parties filed an Order to Show Cause in a last ditch attempt to prevent the return of SSBT's assets to me, the Official Liquidator.

2. In their application to "reattach" SSBT's assets, the Waggoner Parties fundamentally misrepresented the Appellate Division's Decision. Specifically, the Waggoner Parties solely disclosed to the Court the Appellate Division's preliminary holding that the State Attachment could not "continue" the Federal Attachment. The Waggoner Parties omitted from their papers any reference to the Appellate Division's principal holding that an attachment, whatever its effective date, was unwarranted because of the pending Bahamian liquidation proceedings.

3. In addition to omitting any reference to the Appellate Division's primary holding, the Waggoner Parties misrepresented that the State Attachment was "dissolved for reasons unrelated to the validity of the attachment on the merits," because it was "properly granted, but for the provision of the order relating the attachment back to the date of the federal attachment." As detailed above, the Appellate Division held the precise opposite -- concluding, on the merits, that there was no basis for any attachment given SSBT's preexisting Bahamian liquidation.

4. Finally, the Waggoner Parties failed to disclose that the very basis on which they sought to "reattach" SSBT's assets -- namely, that the assets would be returned to the Bahamas -- was previously rejected by the Appellate Division. Indeed, contrary to the Waggoner Parties' argument, the Appellate Division ruled that the return of the assets to the pending Bahamian liquidation was the basis for vacating -- not granting -- an attachment of SSBT's assets. The Appellate Division thus was well aware that SSBT's assets would be returned to the Bahamas upon the vacation of the State Attachment, which is the precise result that the Waggoner Parties seek to frustrate by way of their improper Order to Show Cause to "reattach" SSBT's assets.

5. My attorneys are in the process of preparing SSBT's Opposition to the Waggoner Parties' Order to Show Cause, which will include a request that the Waggoner Parties be sanctioned for their misconduct. The return date for the Waggoner Parties Order to Show Cause is presently scheduled for October 16, 2007.

7.4 BANKRUPTCY ACTION

7.4.1 As fully detailed in my prior Reports, I commenced an ancillary action pursuant to section 304 of the United States Bankruptcy Code in an effort to obtain the turnover of the attached assets. There were no proceedings in the Bankruptcy Court for the period between October 31, 2006 and May 30, 2007. Depending on the outcome of the State Appeal, I, if necessary, will be able to renew my application for turnover of the attached $3 million. However, if the Appellate Division vacates the State Attachment, there will be no need to return to the Bankruptcy Court to obtain the turnover of the attached funds.

7.5 RESOLUTION OF PROCEEDINGS, SSBT'S RECOVERY OF DAMAGES, AND RETURN OF ATTACHED ASSETS TO THE BAHAMAS

7.5.1 SSBT's Recovery of Damages in the Federal Action, Including Attorneys' Fees, Costs, and Interest

(a) Although SSBT's entitlement to damages pursuant to CPLR 6212(e) has not yet been addressed by the Court of Appeals, the District Court has extensively addressed this issue, and ruled (on three occasions) that SSBT is entitled to damages pursuant to CPLR 6212(e) upon the dismissal of the action. Moreover, there is strong precedent that in addition to the fees and costs expended in the District Court, SSBT also is entitled to damages for the fees and costs sustained defending against the Federal Appeals and the Supreme Court Petition. Finally, there is strong precedent that SSBT is entitled to statutory interest of 9% per annum for the loss of the use of the $3 million since November 2000. As detailed above, my attorneys have submitted proof of $4,025,659.16 in damages to which I claim SSBT is entitled pursuant to CPLR 6212(e). My attorneys anticipate that the Waggoner Parties will appeal any substantial award of damages to SSBT to the Second Circuit.

7.5.2 Return of the $3 Million and Recovery of State Court Damages

(a) As set forth in my prior Reports, the return of the attached assets has been complicated by the Waggoner Parties' attachment in the State Action of the same funds previously attached by the District Court. Because the State Attachment arguably comes into effect upon the vacation of the Federal Attachment, SSBT could recover damages in the Federal Action as detailed above, but not secure the vacation of the State Attachment. As previously detailed, SSBT, however, has multiple potential avenues to secure the return of the $3 million after the dismissal of the Federal Action:

1. First, as detailed above, SSBT has a strong position in the State Appeal. In the event that SSBT prevails on its State Appeal and the State Attachment is vacated, SSBT will be able to secure the return of the attached funds. Additionally, the vacation of the State Attachment would entitle SSBT to recover the damages that it has incurred defending against the State Attachment (including fees and costs on appeal).

2. Second, if the State Appellate Court upholds the entry of the State Attachment, but rules that the attachment is not a "continuation" of the Federal Attachment, SSBT will petition the State Court and/or the Bankruptcy Court to Order the vacation of the attachment and the turnover of the attached funds.

7.6 US ATTORNEYS' RECOMMENDATION

7.6.1 Although there are risks inherent in any litigation, my US attorneys recommend that I continue my pursuit of approximately $4 million in damages in the Federal Action. In the State Action, they recommend that I continue to pursue the return of the attached $3 million and seek to recover all attorneys' fees and expenses incurred as a result of the Waggoner Parties' wrongful State Attachment.

7.6.2 Although my US attorneys have attempted to engage the Waggoner Parties in a meaningful settlement dialogue, the Waggoner Parties remain unwilling to negotiate a settlement that addresses (a) SSBT's ability to secure the return to the Bahamas of the $3 million attached by the Waggoner Parties and (b) SSBT's substantial entitlement to damages pursuant to CPLR 6212(e). Given the success that I have achieved in the United States proceedings, my US attorneys do not recommend negotiating any settlement that fails to address my likelihood of success with respect to both issues.

8. LEGAL ACTIONS, CONCLUDED IN THE UNITED STATES OF AMERICA

8.1 FEDERAL ACTION – RECOVERY OF $4,084,221.65 IN DAMAGES

(a) On November 5, 2007, Judge Robert. W. Sweet rendered a decision granting my application for the assessment of damages against the Waggoner Parties (the "November 2007 Decision"). In the November 2007 Decision, Judge Sweet reaffirmed his decision that SSBT was entitled to damages for the fees and costs expended in the District Court since the Waggoner Parties obtained their attachment of SSBT assets in November 2000. Judge Sweet likewise ruled that SSBT was entitled for all of its appellate fees and costs, which he concluded had been incurred as a proximate consequence of the Waggoner Parties' wrongful attachment. Specifically, Judge Sweet concluded that I was entitled to recover all appellate fees and costs because "[t]o ensure the vacatur of Waggoner's attachment, SSBT was forced to defend against their repeated appeals to the Second Circuit."

(b) In granting SSBT's application, Judge Sweet rejected the following arguments advanced by the Waggoner Parties: (i) SSBT was not entitled to damages under CPLR 6212(e), because the attachment was not the basis for the Court's jurisdiction over SSBT; and (ii) the Court had no subject matter jurisdiction to award SSBT damages under CPLR 6212(e) after concluding that there was no basis for federal subject matter jurisdiction. In rejecting the Waggoner Parties' first argument, the Court concluded that although the attachment was not the basis for jurisdiction over SSBT, "the damages proximately caused by Waggoner's attachment should be measured by the vigor with which Waggoner sought to sustain the attachment. Waggoner's strenuous objection for the past five years to the dismissal of this action . . . indisputably demonstrates that the litigation in this matter was the direct and proximate result of Waggoner's attachment. With respect to the Waggoner Parties' contention that the Court lacked subject matter jurisdiction to award me damages following the dismissal of the action, the Court held that the award of attorneys' fees was mandated by the vacation of the attachment and therefore was constitutional because SSBT's award required no assessment of the merits of the underlying dispute.

(c) The Court further rejected the Waggoner Parties' contention that I had unnecessarily incurred fees and costs in the matter. The Court noted that it was I (not the Waggoner Parties), who first raised the Court's lack of subject matter jurisdiction in July 2001, at which time SSBT had incurred less than $212,000. The Court ruled that "The Liquidator has incurred approximately $1,900,000 in additional fees and costs thereafter solely as a result of Waggoner's refusal to accept the Court's lack of subject matter jurisdiction." Judge Sweet further ruled that the

$212,000 incurred prior to July 2001 had been incurred to conduct "discovery that was necessary to establish that there was no basis for subject matter jurisdiction." Accordingly, the Court ruled that I was entitled to all fees and costs incurred by SSBT since the Waggoner Parties obtained their attachment in November 2000. Finally, the Court ruled that SSBT was entitled to damages at the "statutory interest rate of 9% per year on the attached $3,000,000 from November 17, 2000 through the vacatur of the Attachment." The Court held that I had incurred $2,102,870.48 in attorneys' fees and costs between November 17, 2000 and October 31, 2006. Moreover, the Court recognized that I had incurred significant damages subsequent to October 31, 2006 and instructed me to submit proof of additional damages and the calculation of the interest to which SSBT was entitled.

(d) In accordance with the Court's directive, my US attorneys and I submitted the December 5, 2007 Declaration of my attorneys in support of SSBT's Assessment of Damages Pursuant to CPLR 6212(E). As set forth in the Declaration, I provided the Court with the following breakdown of the attorneys' fees and costs incurred since November 17, 2000:

(i) November 17, 2000 – October 31, 2006:	$2,102,870.48
(ii) October 31, 2006 – February 28, 2007:	$190,288.68
(iii) March 1, 2007 – December 5, 2007:	$100,048.79
TOTAL	**$2,393,207.95**

I further identified that SSBT was entitled to statutory interest in the amount of $1,691,013.70 – for a combined **$4,084,221.65** in total damages pursuant to CPLR 6212(e). Because the attached funds had actually accrued interest of $323,001.79, I identified that SSBT was entitled to additional interest in the amount of $1,368,011.91. Accordingly, I submitted that SSBT was entitled to a judgment for combined damages in the amount of $3,761,219.86.

(e) On December 10, 2007, Judge Sweet entered a Final Judgment (the "Judgment"), in which he ruled that SSBT was entitled to the full $3,761,219.86 sought by me in my attorney's Declaration.

1. On January 8, 2008, the Waggoner Parties wired $3,011,219.86 to me in partial satisfaction of the Judgment. As set forth in the Judgment, the Waggoner Parties previously provided SSBT with Letters of Credit from the Northern Trust Bank of Texas ("Northern Trust") for the remaining $750,000 owed pursuant to the Judgment.

Accordingly, I continue to actively pursue the outstanding $750,000 and my legal counsel has been in frequent contact with Northern Trust and counsel for the Waggoner Parties on the subject. We anticipate that the outstanding $750,000 will be received by me in the immediate future.

2. The Waggoner Parties chose not to appeal the November 2007 Decision and (other than pursuing my recovery of the outstanding $750,000) the Federal Action is now permanently concluded.

8.2 STATE ACTION - RETURN OF SSBT'S ATTACHED $3 MILLION

(a) On June 19, 2007, the Appellate Division ruled that no grounds existed for an attachment of SSBT's $3 million in the Waggoner Parties' action against SSBT in State Court. The Waggoner Parties nevertheless filed an emergent application on August 6, 2007, seeking to "reattach" SSBT assets in the State Action and obtained a temporary restraining order (the "TRO") preventing the return of SSBT's attached $3 million to the Bahamas.

(b) On September 27, 2007, my legal counsel filed SSBT's Memorandum of Law in Opposition to Plaintiffs' Order to Show Cause. I detailed the history of the Federal and State litigation, including the Appellate Division decision holding that no attachment was warranted in the State Action. I argued that the Appellate Division had previously rejected the identical arguments advanced by the Waggoner Parties in their application to "reattach" SSBT's assets, and that the trial court was bound by the Appellate Division's prior ruling. My attorneys further argued that the Waggoner Parties had sought to mislead the Court by omitting any reference in their application to the Appellate Division's conclusion that no attachment was warranted in the State Action due to SSBT's preexisting Bahamian liquidation.

(c) On November 16, 2007, Justice Fried filed his decision rejecting the Waggoner Parties' application to "reattach" SSBT $3 million. In his decision, Justice Fried chastised the Waggoner Parties for "asking [him], essentially, to disregard a decision handed down by the Appellate Division, First Department, in June 2007, in which that Court vacated the order of attachment . . .". Justice Fried concluded that he could not "see any reason - and Plaintiffs have presented none - to challenge the legal conclusions of the Appellate Division." He explained that he had "scrutinized both the record before the Appellate Division . . . and the record that appears before me now, and [he] found no distinction, no additional information, no new arguments to justify the issuance of the order of attachment sought by Plaintiffs." Accordingly, Justice Fried denied the Plaintiff's application and vacated the previously entered TRO restraining SSBT's attached funds. Justice Fried's decision thus removed the final restraints on SSBT's $3 million attached by the Waggoner Parties in November 2000. Accordingly, the attached funds were returned to me by way of wire transfer on November 17, 2008.

(d) Pursuant to CPLR 6212(e), just as in the Federal Action, the vacation of the State Attachment entitles SSBT to the attorneys' fees and costs expended in the State Action. Accordingly, I am in the process of calculating the damages to which SSBT is entitled in the State Action and preparing his damage application for submission to the State Court.

8.3 BANKRUPTCY COURT - RETURN FOR FINAL RELIEF

(a) By way of his February 2002 Petition and June 2002 Supplemental Petition, I sought various relief from the Bankruptcy Court pursuant to Section 304 of the Bankruptcy Code ("Section 304"). However, at the time of the last appearance before the Bankruptcy Court in September 2002, both the State and Federal Actions remained pending against SSBT. Although the Federal Action had been dismissed, the Waggoner Parties had filed the Federal Appeal and the State Attachment remained in effect.

(b) Although the Bankruptcy Court granted me various relief pursuant to Section 304 -- including the return of approximately $13 million to the Bahamas -- the Court declined to stay the State Action because of the outstanding State Attachment. The Court ruled that I could return for additional relief at a "more appropriate date" following the resolution of both the Federal and State appeals.

(c) On January 8, 2008, Judge Prudence Carter Beatty entered an Order requiring that I provide an update as to the status of my petition in the Bankruptcy Court. Specifically, the Court required me to demonstrate why my petition should continue in light of the fact that "no entries ha[d] been made on the docket since . . . September 26, 2002." Accordingly, on January 23, 2008, my legal counsel provided the Bankruptcy Court with the required update, which included a summary of the relevant events in both the State and Federal Actions. My counsel advised the Court that both appeals recently had been resolved, and requested that the Court refrain from dismissing my petition. My counsel explained that, in light of the recent developments, me anticipates filing an application to stay the Waggoner Parties' continued prosecution of the merits of their claim against SSBT in the State Action.

(d) On January 24, 2008, my legal counsel appeared in Bankruptcy Court in accordance with the Court's January 8, 2008 Order. Although Judge Beatty did not make any ruling, she indicated that she would not dismiss my petition and that she would be inclined to stay the continued prosecution of the merits of the State Action upon the submission of my application. Judge Beatty additionally recommended that the parties seek to mediate the limited remaining issues in dispute (in both the Bankruptcy and State Action) and Ordered the parties to return to Bankruptcy Court on March 5, 2008.

8.4 US ATTORNEYS' RECOMENDATION

(a) I have achieved my primary objective in the U.S. proceedings. As detailed above, in the past three months alone, my attorneys and I have successfully recovered approximately $7 million for SSBT's estate -- representing $3 million of SSBT's assets attached in 2000, and approximately $4 million of attorneys' fees, costs, and interest to which SSBT was entitled in the Federal Action pursuant to CPLR 6212 (e). Together with the approximately $13 million recovered by way of my original petition in the Bankruptcy Court, I have thus recovered a total of approximately $20 million by way of the U.S. proceedings.

(b) Although the Federal Action has been dismissed, the Waggoner Parties still have a right to pursue the merits of their $3 million claim against SSBT in the State Action. I, in turn, have the right to pursue SSBT's entitlement to damages in the State Action pursuant to CPLR 6212(e) for the damages sustained in State Court as a result of the Waggoner Parties' wrongful attachment.

(c) Following the recent Bankruptcy Court hearing, counsel for the Waggoner Parties requested that I agree to mediate the limited outstanding issues that remain in dispute in the U.S. proceedings. My legal counsel strongly recommends that I seek to resolve the limited outstanding issues through non-binding mediation. In the event that mediation proves unsuccessful, my attorneys recommend that I return to the Bankruptcy Court and State Court to (i) seek to stay the continued prosecution of the merits of the State Action, and (ii) pursue SSBT's entitlement to damages in the State Action.

9. COMMUNICATIONS WITH AND ON BEHALF OF CLIENTS

9.1 I, along with my agents, continue to respond to an abundance of queries from concerned depositors and creditors of the Bank.

9.2 I continue to receive requests from clients that maintained trading accounts to sell their securities. To date, as noted in my previous reports, without access to the Bank's records and the cooperation of the employees, I am still unable to determine with certainty how the investments held by the Bank for its clients are allocated to such clients.

10. CASH AND SECURITIES ACCOUNTS BALANCES

10.1 I have set out in appendices III and IV schedules of the cash and securities balances, respectively. I have set out in appendix V the securities holdings for the account of the Bank itself. As noted in this schedule, I have made the assumption that the current securities holdings for the account of the Bank have not changed since March 5, 2001, except as noted on the schedule, and that there were no internal trades between the Bank and its clients from November 1, 2006 to January 31, 2008. Please refer to the aforementioned appendices.

11. OTHER MATTERS

11.1 On April 13, 2007 I received a letter from the law firm of Lockhart & Munroe stating that their firm has been instructed to act on behalf of seventeen former, named, employees of SSBT in all matters relative to their former employment with SSBT, and that Lockhart & Munroe has been advised by their client that at the time of their termination from SSBT they were not remunerated for previous hours worked, vacation accrued, or given notice or payment in lieu of notice in accordance with the Employment Act. In the circumstances, Lockhart & Munroe gave notice of a total claim on behalf of their clients, the said seventeen former employees of SSBT, in the amount of $107,682.56.

12. SUMMARY AND FUTURE EVENTS

12.1 Throughout this report, I have given information relative to matters that are being dealt with, such as legal matters, and steps taken by myself in the performance of my duties as the Official Liquidator.

12.2 *SSH and SSI* - Funds once held on these accounts in the name of SSI and SSH in the amount of US$17,541,922.09 and CHF 300,627.31 (US$175,145.47) remain unaccounted for and under the control of management, shareholders and directors of the Bank. The funds at Barclays Bank, Nassau, Bahamas may have been taken out of this jurisdiction.

12.3 *Computer system* - I had gained access to the Bank's system and retrieved a limited number of data files. I am still unable to confirm that I have gained control of all the Bank's assets. Further, I am unable to determine the total liability of the Bank nor am I able to determine with certainty the allocation of the securities held between the Bank and its clients.

12.4 *Legal actions* - To date I have not been able to obtain information on two legal actions and therefore I am unable to defend or give instructions for the benefit of the Bank. In the case of K.D. Trinh, the Bank lost its appeal. The attorneys dealing with this matter refused to cooperate with me and continued to obtain instructions from Derek Ryan on this matter, for which the Bank has suffered a loss of $1,599,824.

12.5 As a result of the above I set out below the steps that are required to be taken in order for me to perform my duties for the benefit of the Bank's depositors, creditors and shareholders. In this regard, and as set out in Section 4 of this report, I have sought the assistance of this Honourable Court.

12.5.1 With the Court's assistance, the Bank's directors, shareholders, employees, management and attorney must be compelled to give an accounting of the Bank's funds once on the accounts of SSI and SSH, including the provision of bank statements, and more importantly to turn these funds over to me immediately.

12.5.2 In order that I may pursue the assets of SSBT, and the assets of SSH and SSI as they relate to the affairs and dealings of SSBT, it is imperative that the Bank's directors, shareholders, employees, management and attorney respond in writing to my interrogoratories, and provide me with all goods, papers, records and documents of SSBT in their possession, power custody or control, including such documents and records as relate to the affairs or dealings of SSBT. I request that the Court require that the Bank's directors, shareholders, employees, management and attorney, within a set time frame, respond to my letters requesting assistance.

12.5.3 Alternatively to the turnover or payment of funds due to SSBT, I am seeking from Mohammed Harajchi, Michel Harajchi, Sonja Harajchi, Christopher Lunn, and Derek Ryan damages for misfeasance and/or breach of trust, and interest pursuant to the Civil Procedure (Award of Interest) Act, Cap 80, and costs.

12.5.4 It is imperative that Mohammed Harajchi and Sonja Harajchi be restrained, whether by themselves or by their servants or agents or otherwise, by Injunction until judgment in this action or further order, from disposing of, conveying selling transferring, mortgaging, encumbering or otherwise dealing with all real properties owned by them situated in The Bahamas.

12.5.5 I had sought the leave of the Court to commence committal proceedings against the Bank's management, staff, shareholders, directors and attorney. A date for the hearing was granted, however before the hearing the date was vacated by the Court.

12.5.6 I will continue my efforts relative to the JVW matter. With respect to the other legal matters I will continue my efforts relative to having the attorneys provide me with information.

12.5.7 I will continue to communicate with clients of the Bank to determine the total liability of the Bank and to ensure that clients with IBCs are in compliance with the requirements under the IBC Act, 2000 and the Financial Transactions Reporting Act, 2000.

I hereby submit to The Supreme Court of the Commonwealth of The Bahamas this, my Second Report as the Official Liquidator of Suisse Security Bank & Trust Limited (In Liquidation).

Respectfully submitted this 31st day of March 2008.

Raymond L. Winder

Raymond L. Winder
Official Liquidator

SUISSE SECURITY BANK & TRUST LIMITED (IN LIQUIDATION)

STATEMENT OF FINANCIAL POSITION
AS AT JANUARY 31, 2008
(Expressed in Bahamian dollars)
(Unaudited)

ASSETS	
Cash and cash equivalents (1)	$ 15,956,504
Investment in securities (2)	4,948,594
Total assets	$ 20,905,098
LIABILITIES AND NET ASSETS	
Customer deposits (3)	28,485,000
Total liabilities (4)	28,485,000
Deficiency of liabilities over assets	(7,579,902)
Total net assets and liabilities	$ 20,905,098

1. Refer to Appendix III for details.

2. Refer to Appendix V for details.

3. Customer deposits is the balance reported to The Central Bank of The Bahamas, by the Bank's management, as at December 30, 2000. Unrecorded claims against the Bank could have a material impact on the financial position.

4. No estimates for future administrative expenses are included in the liabilities. These could have a material impact on the financial position.

SUISSE SECURITY BANK & TRUST LIMITED (IN LIQUIDATION)

SCHEDULE OF CASH FLOW - BANK OF THE BAHAMAS
FOR THE PERIOD NOVEMBER 1, 2006 - JANUARY 31, 2008

(Expressed in Bahamian dollars)
(Unaudited)

OPENING CASH BALANCE		$ 6,754,338
Cash provided by:		
US Proceedings	3,323,002	
J. Virgil Waggoner Court Case	3,011,220	
RBC Dain Rauscher	1,029,467	
ING Funds	759,812	
Transfer from Sentinel Bank & Trust	660,005	
Lehman Brothers Investment	589,769	
Fidelity Select Electronics	176,920	
Interest income CDN$	159,312	
Interest income US$	32,355	
Total cash provided		9,741,862
Gross balance		16,496,201
Cash used by:		
Attorneys' fees - United States	544,035	
Agent fees	223,465	
Attorneys' fees - Bahamas	171,456	
Liquidator fees	67,625	
Storage	59,372	
Advertising fees	16,103	
Professional Charges	4,130	
Insurance	3,218	
Bank charges	3,126	
Utilities	3,099	
		1,095,629
Net Balance		15,400,572
Unrealized foreign exchange gain		555,932
ENDING CASH BALANCE		$ 15,956,504 (1)

1. This represents the cash balance at Bank of The Bahamas. See Appendix III for all cash balances.

SUISSE SECURITY BANK & TRUST LIMITED (IN LIQUIDATION)

SCHEDULE OF CASH FLOW – SENTINEL BANK & TRUST LIMITED
FOR THE PERIOD NOVEMBER 1, 2006 – JANUARY 31, 2008

(Expressed in Bahamian dollars)
(Unaudited)

OPENING CASH BALANCE, AS PREVIOUSLY STATED	$ 135,326	
Custody fees, not previously billed	8,861	
OPENING CASH BALANCE, AS RESTATED		$ 126,465
Cash provided by:		
Proceeds of bond redemption	250,000	
Capital gains on securities	148,165	
Proceeds from sale of securities	105,550	
Interest income	77,594	
Dividend income	64,955	
Proceeds from non-resident tax adjustment	324	
Gains on foreign shares	24	
Proceeds from share liquidation	6	
Total cash provided		646,617
Gross balance		773,082
Cash used by:		
Transfer to Bank The Bahamas	660,031	
Custody fees	16,356	
Quarterly fees	1,875	
Purchase of new shares	1,251	
Non- resident taxes	377	
Transfer service charges	250	
Fees charged on securities	4	
Total cash used		680,144
Net Balance		92,938
ENDING CASH BALANCE		$ 92,938

SUISSE SECURITY BANK & TRUST LIMITED (IN LIQUIDATION)

SCHEDULE OF CASH BALANCES
(Expressed in Bahamian dollars)
(Unaudited)

		Balances at January 31, 2008
(1)	Lehman Brothers	$ -
(2)	Bank of The Bahamas	15,956,504
(3)	RBC Dain Rauscher	-
(4)	Sentinel Bank & Trust Limited	92,938
	Total cash	$ 16,049,442

1. *Lehman Brothers* – Shares were redeemed on October 29, 2007 and all proceeds were transferred to Bank of The Bahamas. For further details, refer to the Schedule of Income and Disbursements (Appendix II-A).

2. *Bank of The Bahamas* - This amount represents the balance for the noted period. For further details refer to the Schedule of Income and Disbursements (Appendix II-A).

3. *RBC Dain Rauscher (formerly Tucker Anthony)* - Shares were redeemed on November 27, 2007 and all proceeds were transferred to Bank of The Bahamas. For further details, refer to the Schedule of Income and Disbursements (Appendix II-A).

4. *Sentinel Bank &* Trust *Limited* - This account was opened in June of 2004. This amount represents dividend and other income on securities.

SUISSE SECURITY BANK & TRUST LIMITED (IN LIQUIDATION)

SCHEDULE OF SECURITIES VALUATION
(Expressed in Bahamian dollars)
(Unaudited)

	Balances at January 31, 2008
BROKER/CUSTODIAN:	
(1) RBC Dain Rauscher (formerly Tucker Anthony)	$ -
UBS Painewebber	-
RBC Dominion Securities	-
(1) Lehman Brothers	-
(1) Fidelity Investments	-
ACM Funds	12,657
(1) ING (Pilgrim) Funds	-
Sentinel Bank & Trust	11,582,842
Total Securities	11,595,499
Less value of the Bank's investments (See appendix V)	4,948,594
Assets held for clients in a fiduciary capacity	$ 6,646,905

1. The proceeds from these investments were transferred to Bank of The Bahamas during the reporting period. For more information, refer to Appendices III and V.

SUISSE SECURITY BANK & TRUST LIMITED (IN LIQUIDATION)

SCHEDULE OF INVESTMENT IN SECURITIES

(Expressed in Bahamian dollars)
(Unaudited)

	Number Of Shares	Description	January 31, 2008 Market Value
(1)	-	ING Russia Fund Class A formerly ING Pilgrim Troika	$ -
(5)	8,500	Templeton Russia Fund Inc.	518,500
(2,5)	86,825	PowerShares QQQ formerly Nasdaq 100 shares Unit Ser 1	3,918,412
			4,436,912
	18	National Automation Services formerly Ponderosa Lumber Inc.	1
	210,000	Safe Technologies International Inc.	84
	423	Viragen Inc.	4
			90

	Number Of Shares	Description	January 31, 2008 Market Value
(3)	200,000	Russian Federation Bond, 12.75% due 6/24/2028	367,900
(4)	-	Russian Federation Bond, 10.00%, due 6/26/2007	-
(3)	75,000	Ministry of Russia Finance, Euro issue 12.75%, due 6/24/2028	143,693
			511,592
		TOTAL	$ 4,948,594

(Continued)

SUISSE SECURITY BANK & TRUST LIMITED (IN LIQUIDATION)

SCHEDULE OF INVESTMENT IN SECURITIES
(Expressed in Bahamian dollars)
(Unaudited)

Assumption:

With reference to appendices III and IV, the number of shares held by the Bank at March 5, 2001 and maintained through April 30, 2001 is based upon unaudited evidence gathered from limited data files retrieved from the Bank's computer system. Assuming that there were no internal sales between the Bank and its clients, I have used the information relative to the Bank's holdings at March 5, 2001, to estimate the value of its investments at March 5, 2001, July 31, 2003 to July 31, 2005, October 31, 2006, and January 31, 2008.

1. ING Funds shares were redeemed on November 20, 2007. All proceeds were transferred to Bank of The Bahamas.

2. On April 10, 2007, PowerShares Capital Management LLC announced that Nasdaq 100 Trust Shares name and cusip numbers changed effective April 12, 2007. PowerShares became the sponsor of Nasdaq 100 Trust Shares on March 21, 2007.

3. The balance for these securities represents the market value as of January 31, 2008, in addition to accrued interest gained from the custodian.

4. This security matured on June 26, 2007. The balance on the account was transferred to the broker's current account.

5. This represents the number of securities held as at January 31, 2008.

(Concluded)

SUISSE SECURITY BANK & TRUST LIMITED (IN LIQUIDATION)

SCHEDULE OF ASSETS TO BE RECOVERED AND POTENTIAL LOSSES

(Expressed in Bahamian dollars)
(Unaudited)

Cash transferred to the United States Marshall relative to JVW legal action	1	$ -
Case lost in the KD Trinh legal action	2	1,599,824
SSI's account at Barclays Bank	3	5,540,631
SSH's account at UBS Geneva	4	12,176,436
Total assets to be recovered		$ 19,316,891

1. The cash transferred to the United States Marshall relative to the JVW legal action was recovered and transferred into the Bank of The Bahamas on January 8, 2008.

2. Funds were transferred to the trust account of the plaintiff's attorney on February 29, 2000. The Bank has lost the appeal of this case. It is indicated in the Bank's financial statements dated September 30, 2000 - 1999 that Mohammed Harajchi has undertaken to cover this amount.

3. This amount represents the balance on accounts at Barclays Bank on March 1, 2001, in the name of Suisse Security Investments Inc. ("SSI"). I determined that these accounts held the funds of the Bank and its clients and as such I obtained a Restraining Order over these balances. Barclays has indicated that the accounts of SSI were closed on April 24, 2001. SSI is a Bahamian IBC and its sole shareholder is Michel Harajchi. For further details see Section 5 of this report.

4. This amount represents the balance on accounts in the name of Suisse Security Holdings Ltd. ("SSH"). These accounts were closed between February 2 and February 5, 2001. I determined that these accounts held balances of the Bank and its clients and as such I obtained a Restraining Order over these balances. SSH is an IBC, and Ryan & Co. is its Registered Office. To date, I have not been able to obtain details of these accounts nor have I been able to determine where these funds have been moved to. For further details see Section 5 of this report.

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