FIRST REPORT OF THE PROVISIONAL LIQUIDATOR
OF
SUISSE SECURITY BANK & TRUST LIMITED

TO
THE SUPREME COURT OF THE COMMONWEALTH OF THE BAHAMAS

Dated: August 24, 2001

TABLE OF CONTENTS

SUISSE SECURITY BANK & TRUST LIMITED
FIRST REPORT OF THE PROVISIONAL LIQUIDATOR

1. INTRODUCTION:

1.1 On March 5, 2001, by Notice of Suspension issued by The Central Bank of the Bahamas ("The Central Bank"), Suisse Security Bank & Trust Limited's (the "Bank") banking and trust licence was suspended. As set out in the Notice of Suspension, the Bank was invited to submit to the Governor of The Central Bank on or up to March 15, 2001, a written statement of its objection to the proposed revocation of its licence. Further, by a Notice of Appointment issued by the Governor of The Central Bank on March 5, 2001, I, Raymond Winder, Certified Public Accountant and partner in Deloitte & Touche Bahamas was appointed Receiver of the Bank.

1.2 On March 5, 2001, after the Notice of Suspension and Notice of Appointment of Receiver were served on Chief Executive Officer of the Bank, Mr. Christopher Lunn by The Central Bank, I assumed control of the Bank. I sought the assistance and cooperation of the management and staff of the Bank. They have all refused and or withheld their cooperation.

1.3 By a letter from The Central Bank dated March 8, 2001, the broad terms of reference according to which I was to function as Receiver were set out. The letter stated that during the period of the suspension of the Bank's license, the affairs of the Bank were to be frozen and no client or creditor balances were to be paid and therefore I, as Receiver, was to seek to identify all assets of the Bank and maintain those assets for the benefit of the Bank's depositors, creditors and owners.

1.4 The Central Bank, on April 2, 2001, by virtue of The Banks and Trust Companies Regulation (Revocation of Licence) Order and pursuant to paragraph (i) of subsection (1) (a) of section 14 of the Banks and Trust Companies Regulation Act, 2000, revoked the Bank's banking and trust licence which had been granted on the 20th July, 1993.

1.5 On April 5, 2001, Julian Francis, in his capacity of Governor of The Central Bank, pursuant to section 14 (5) of the Banks and Trust Companies Regulations Act, 2000, filed a winding up petition with the Supreme Court of The Commonwealth of The Bahamas ("The Supreme Court") for winding up of the Bank and the appointment of myself as official liquidator. Further, by an Exparte Order of the Supreme Court, on April 9, 2001, I was appointed Provisional Liquidator of the Bank.

1.6 On the morning of April 9, 2001, prior to receiving the Order of my appointment as Provisional Liquidator, I learned that Messrs. Michel Harajchi, Derek Ryan, Christopher Lunn and Wendell Ferguson had broken into and gained access to the Bank's premises. From telephone conversations with Michel Harajchi he cited that their understanding was that my position as Receiver fell away once the license had been revoked. My agents, on my behalf, regained control of the Bank on April 9, 2001 at approximately 3:30 p.m. after I had received the Order of my appointment as Provisional Liquidator (see section 2.11 for further details).

1.7 My duties, as Provisional Liquidator, as set out in the Order of my appointment, are as follows:

- To take possession of, collect, and protect the assets of the Bank, but not to distribute or part with the same until further order.
- To discharge rents, salaries, and other current expenses.
- To take possession of the documents or information in relation to the accounts, assets and securities or affairs of the Bank and its clients.
- To require any person who has information in relation to the accounts, assets, securities or affairs of the Bank, to meet with me at such time and place as I determine and to provide me with information that may be required in the exercise of my duties.
- To do all other things necessary to preserve the assets and estate of the Bank.

2. STEPS TAKEN AS RECEIVER/PROVISIONAL LIQUIDATOR:

2.1 To assist with my duties as Receiver, I appointed Deloitte & Touche Bahamas and Edmonton, Canada to provide accounting and Information Technology services. I also retained the services of Mr. Alfred Sears of Sears & Co. as legal counsel to myself as Receiver. Upon my appointment as Provisional Liquidator I appointed as my agents, with the approval of The Supreme Court, Deloitte & Touche Bahamas and Edmonton to continue to provide accounting, clerical, and information technology services and Mr. Alfred Sears of Sears & Co. as legal counsel.

2.2 After assuming control of the Bank's premises, on March 5, 2001, I immediately secured the building and had all locks changed and safes and vaults opened and combinations changed. Further, I secured the Bank's computing equipment, which consisted of Apple and IBM compatible computers.

Further my IT personnel performed the following:

- Shutdown web access to the Bank's data by disconnecting the main database server, the internet gateway and the e-mail server's cable modem link to the internet.
- Examined the entire building (especially the computer room) for signs of secondary access points to the network via dialup or some other means and found none.
- Examined e-mail and saved data; found possible server volume that was deleted prior to my assuming control.
- Examined the files in cupboards, filing cabinets and drawers in the computer room for information.
- Shutdown the phone system after it was hacked into by persons unknown and setup phones with direct access to the Bank's main telephone numbers.
- Checked private lines and faxes for possible intrusion points.
- Examined the telephone-based account monitoring system (DK Strata) for client related information but found that the configuration had been modified so that any relevant information was not accessible.
- Examined telephone voice mail system for any stored message files but found none. Considering the nature of the Bank's business, the fact that there were no voice messages from depositors seems unusual.
- Took an inventory of computers located at the Bank's premises.
- Obtained a bit stream copy of the electronic data located within certain hard drives.

To date, I have not yet gained access to the Bank's computer system. As noted in Section 2.8 of this report I have issued a number of letters to the Chief Operating Officer, various employees and the Directors of the Bank requesting their assistance on various matters including details of the Bank's assets, liabilities both on and off balance sheet, and the operation of the Bank's computer system. I have not received a response to these requests.

2.3 Pursuant to a letter issued by the Central Bank of The Bahamas to Pannell Kerr Forster, I was given access to and reviewed the working papers related to the Bank's September 30, 2000 audit. The information gained was used to assist me in identifying the assets of the Bank, at that time, and the legal matters outstanding for which the Bank is named as a plaintiff or a defendant.

CASH AND SECURITY ACCOUNTS

2.4 Based on the limited information available to my agents, and myself namely, the Bank's September 30, 2000 trial balance and its bank account files, we identified a number of institutions with which the Bank maintained cash and brokerage accounts. With immediate effect, we contacted these institutions by fax, courier and telephone and advised them of the suspension of the Bank's banking and trust licence, and my appointment as Receiver. In this regard, they were requested, with immediate effect, to firstly freeze all accounts of the Bank and later during my tenure as Receiver, I requested that they transfer the funds on account to the account of the Receiver. As Provisional Liquidator, I issued letters to the known banks and brokers holding cash balances and securities for the Bank advising them of the revocation of the Bank's license, the petition filed in The Supreme Court for the winding up of the Bank, and my appointment as Provisional Liquidator. In my letter I requested the transfer of all cash and securities on accounts of the Bank to accounts in the name of the Provisional Liquidator.

Bank and brokerage accounts, in the name of the Bank, were identified at the following institutions:

Tucker Anthony, a New York institution through which the Bank offered a debit card service, was contacted and by return fax dated March 6, 2001 the Director of Litigation for Tucker Anthony confirmed that they had frozen the Bank's accounts and had suspended the debit card privileges to the Bank's clients. Tucker Anthony's Director of Litigation, in a telephone conversation with me, further advised that they were not prepared to release funds on the account to me.

Tucker Anthony's Director of Litigation also advised that, the Bank on January 4, 2001, had pledged 72,000 shares of NASDAQ 100 Trust (QQQ), then valued at $4,414,320, to The Insurance Company of Pennsylvania. These securities served as collateral for the issuance of a Surety Bond relative to an attachment Order granted in the action, <u>Correspondent Service Corp. v. JVW Investments, Ltd., First Equities Corp, of Florida, JV Waggoner, and Donal Kelleher v. Suisse Security Bank and Trust, Ltd.</u> (details of this action are provided in section 3 of this report). I was further advised that the value of this investment had fallen from $4,414,320 to $3,542,400 and that Tucker Anthony was not prepared to allow the value to drop below US$3 million. In view of this decrease in value and the potential for further decrease in value Tucker Anthony requested my permission to sell the shares, I authorized the sale. This investment was sold and the net sale proceeds of $3,527,878.52 deposited to the Bank's money market account at Tucker Anthony on March 13, 2001. This account has now been closed, as Tucker Anthony, pursuant to the above referenced Attachment Order relative to the JVW matter, transferred $3,000,000 to the United States

Marshall in order to secure the payment of any funds awarded to the plaintiff in this matter. The balance on this account has been transferred to the account of the Provisional Liquidator.

As noted above, Tucker Anthony informed me that they were not prepared to transfer the cash and securities held for the Bank to accounts of the Receiver. Upon my appointment as Provisional Liquidator I once again requested the transfer of these assets to the account of the Provisional Liquidator. In response to this request, Tucker Anthony's legal counsel, Richards Spears Kibbe & Orbe, advised that they were not prepared to transfer the cash and securities on the Bank's accounts to me until a winding up Order was made. Tucker Anthony noted that this decision was the result of its receipt of a letter from Derek Ryan of Ryan & Co. advising that the Bank has made an application to 1) restrain the winding up of the Bank 2) strike out petition filed by the Central Bank and 3) to have me disqualified as Provisional Liquidator. My attorney issued a letter to Tucker Anthony in response to the aforesaid letter. My attorney emphasized the fact that until a Summons was made to set aside the Order of my appointment and that until the Court grants a stay of the Order (of my appointment) or sets the Order aside it should be obeyed. In this letter my attorney once again requested the transfer of the assets to the Provisional Liquidator. In response Tucker Anthony's legal counsel once again advised that they were not prepared to transfer out the cash and securities until a Winding Up Order was made.

Upon my appointment as Receiver I learned that one of the Bank's accounts at Tucker Anthony had an overdraft balance of $1,217,275.38. This account also held securities, with a market value of $8,795,890.03 on February 28, 2001. As I was unable to determine the allocation of the securities in the account between the Bank and its clients I was unable to determine which securities to sell in order to cover the overdraft. On June 5, 2001, Richard Spears Kibbe & Orbe informed me that on May 29, 2001, Tucker Anthony, in accordance with their agreement with the Bank, sold securities and transferred cash from another one of the Bank's account, at Tucker Anthony, to cover the overdraft in the account.

Canadian Imperial Bank of Commerce ("CIBC") - The accounts at CIBC have been closed and funds transferred to the account of the Provisional Liquidator.

Lehman Brothers and UBS/PaineWebber – These accounts, which are frozen, hold investments in mutual funds. I have requested the transfer of these assets to me but have been informed that due to the nature of the investments (i.e. mutual funds) this process may take some time.

Fidelity Investment Institutional Services - This account holds an investment in Fidelity Select Electronics. I have communicated with this institution and its legal counsel has advised that the account is frozen but that they are unable to comply with my request for the transfer of assets. They have advised that this decision was due to the possible existence of competing claims to the assets in the United States by United States creditors of the Bank. I was further advised to approach the United States bankruptcy Court to obtain a turn-over Order to have these assets transferred to me.

Other - In addition to the above, I located in one of the Bank's vaults cash of:

- US$/B$ 5,387.00
- Cdn$ 24,000.00

The following banks have indicated the accounts operated by the Bank were closed prior to March 5, 2001:

Ameritrade Inc.
Citibank
UBS (Bahamas) Ltd.

I have set out in appendices II and III a movement schedule of the cash and brokerage accounts of the Bank, respectively. I have set out in appendix IV the security holdings for the account of the Bank. As noted in this schedule, I have made the assumption that the current security holdings for the account of the Bank have not changed and that there were no internal trades between the Bank and its clients.

2.5 I was able to locate accounts at UBS-Geneva and Barclays Bank Offshore in the name of Suisse Security Holdings ("SSH") and Suisse Security Investments Inc. ("SSI"), respectively. Both companies maintained accounts in various currencies at the aforementioned banks. From a review of a Central Bank BSD-1 report for December 31, 2000, various other documents including the Bank's chart of accounts, and its September 30, 2000 trial balance, the balances on these accounts are included as part of the Bank's reported cash balances. As I made a preliminary determination that the account of SSI and SSH held the balances of the Bank's clients, I requested Barclays and UBS-Geneva to freeze these accounts.

A company search revealed that SSI, for which Michel Harajchi is the sole shareholder, is a Bahamian IBC incorporated on February 2, 1998. I conducted a full forensic review of the Bank's records which showed that the Bank's clients were provided with instructions to wire their deposits into these accounts and to indicate their "SSBT account number". It was observed that on a daily basis the Bank's staff reviewed these accounts and the funds deposited therein were allocated and credited by the Bank to the appropriate client's account. Additionally, correspondence from the Bank to Barclays describes SSI, "simply as a corporate vehicle by which clients of the Bank pay funds into and from which reimbursements are made". The correspondence further states that SSI played the basic role of facilitating a part of the Bank's financial operations.

As noted above, I wrote Barclays and requested that they freeze the accounts at SSI. Barclays in response informed me that as SSI is not a branch or subsidiary of the Bank, they were unable to freeze the account. In order to protect the interest of the Bank and its clients I obtained from this Honourable Court an Order dated July 13, 2001 restraining SSI and SSH from disposing of the assets of the Bank and its customers being held in the accounts at Barclays PLC, UBS Geneva and/or any other account until further notice. This Order was forwarded to Barclays PLC, UBS Geneva the registered office of SSH and SSI. Barclays Bank has advised, through its Managing Director, that the accounts in the name of SSI have been closed. I, along with my attorney, am in the process of determining the steps available to me to obtain from Barclays information relative to the transfer of these funds. I have issued letters to a number of banks both locally and internationally to determine if these funds have been deposited. In my letter, I have also included the Restraining Order. To date, these banks have advised that they had not established accounts in the name of SSI.

2.6 Accounts at UBS in the name of SSH were also located; the funds on these accounts also appear to be those of the Bank's clients. The Bank's clients were instructed to make wire transfers to these accounts and were instructed to indicate their "SSBT account number". In this case however, the balances on these accounts were listed on the Bank's September 30, 2000 trial balance. A company search done on this company indicates that it is a Bahamian International Business Company that was incorporated on June 13, 1996, with an authorized share capital of US$10,000 divided into 5,000 shares. The search further notes the subscribing shareholders as Bates Finance Ltd. and Jones Management Limited. After a preliminary review, correspondence was sent to UBS-Geneva informing them of my appointment firstly as Receiver and secondly as Provisional Liquidator. On this matter, UBS advised me that they have noted my appointment as Receiver and as Provisional Liquidator, but as my appointment was a "foreign decision" (outside Switzerland) it would have to be recognised by the Swiss Court as Swiss banking secrecy did not allow them to provide the requested information. The legal advisors of UBS further suggested that I obtain the assistance of a Swiss lawyer.

After a full forensic review, in order to protect the interest of the Bank and its clients, I obtained from this Honourable Court an Order dated July 13, 2001 restraining SSH from disposing of the assets of the Bank and its customers being held in accounts at Barclays PLC, UBS Geneva and/or any other account until further notice. This Order was forwarded to Barclays PLC, UBS Geneva the registered office of SSH and SSI. Additionally, I am in the process of engaging a firm of Swiss attorneys to pursue this matter in the Swiss Courts.

2.7 From a review of the Bank's premises it was determined that the Bank had agreements with:

- Visa International
- MasterCard International
- Credomatic of Florida Inc.

In all three cases above, I issued letters advising of the suspension of the Bank's banking and trust licence, my appointment as Receiver and requested information on their relationship with the Bank. I further requested details of any deposit held as collateral for any service provided to the Bank and requested that no transaction be processed on any facility they had made available to the Bank or its clients.

VISA INTERNATIONAL

From a telephone conversation with a representative of Visa International Latin American division it was determined that the Bank was given a license in which the Bank's debit cards could be used at places displaying the VISA card symbol. It was further indicated that Visa had not yet finalized this process. Visa has also confirmed that this facility has been cancelled. Further, Visa has indicated that an initial service fee paid by the Bank of US$75,000 was non-refundable. I have requested a copy of the agreement in order to review it to determine if this amount is in fact non-refundable. In this regard Visa has advised that in order to supply such information they would require a subpoena from the Court.

MASTERCARD INTERNATIONAL

I also learned that the Bank was in the process of making MasterCards available. In fact, I learned from CIBC, East Bay Street branch that a letter of credit in favor of MasterCard for $1million, secured by a fixed deposit of the same value, was in place. CIBC, on instructions from MasterCard has released this collateral to me.

CREDOMATIC FLORIDA, INC.

During a telephone conversation and a review of a credit card agreement between the Bank and Credomatic Florida, Inc. I learned that this company was to offer the Bank processing services for its Visa and MasterCard credit cards. Credomatic has noted that the process had not yet been finalized. They have further confirmed, as per my request, that they have now placed the implementation process on hold. Credomatic has also confirmed that they do not hold any deposit from the Bank for these services, and that the Bank paid a one time non-refundable fee of $11,000 with pending fees of $3,901.45 currently due.

PERSONNEL

2.8 On March 5, 2001, after conducting an investigation of the premises of the Bank, I determined that the Bank's accounting records were all on its computer system, as no print outs nor back ups were located. I was unable to access the Bank's computer system, which contained the accounting records for the Bank and its clients.

At approximately 5:00 p.m. on March 5, 2001 I, in the presence of my attorney, spoke with Christopher Lunn, Chief Executive Officer of the Bank, in the Bank's parking lot, and requested his and the Bank's staff's assistance in my efforts, as Receiver, to identify and secure the assets of the Bank and its clients and also to obtain the clients' addresses so that I could notify them of my appointment as Receiver and the suspension of the Bank's license. Mr. Lunn stated that he had the means of contacting all of the staff members and that he was interested in ensuring that clients' assets were preserved and that the Bank still had the possibility of continuing as a viable operation even though he conceded that it was very difficult for a bank to recover from the suspension of its licence. He also indicated a willingness to cooperate but noted that he would have to speak with his lawyers and get back to me. I spoke with him by telephone that night and once again I emphasized the importance of his assistance and that of the staff during the period of suspension. On March 6th, 2001, the following morning, as none of the employees showed up to work, I attempted, on a number of occasions to reach Mr. Lunn, but none of my messages were returned.

On March 7, 2001, by a letter to my attorney from Ryan & Co., the attorney for the Harajchis and the Bank, Messrs. Michel and Mohammed Harajchi requested permission to secure their personal assets from the Bank's premises on or before March 8, 2001. My attorney was previously contacted by Mr. Ryan on this matter and, at that time he was advised that Michel Harajchi had claimed that he left cash in the amount of $175,000 on the Bank's premises.

From a search of the premises including its safes and vault no such cash was located.

On March 7th, at a press conference Obie Ferguson announced that he was representing the employees of the Bank and alleged that the employees had been dismissed. On March 8, 2001, I held a press conference and advised the public of my appointment and duties as Receiver, the suspension of the Bank's license and I specifically addressed the Bank's staffing issue and informed the public that I had not terminated the employment contract of any of the Bank's employees. Further, I publicly requested the Bank's employees to return to work on Friday March 9, 2001. On March 9, 2001 none of the Bank's employees reported to work.

On March 12, 2001, a letter was sent from Ryan & Co. to my attorney requesting permission to remove, from the Bank's premises, a list of computers, carpets, and antiques which were alleged to be the personal property of Mr. Mohammed Harajchi and to recover $175,000 in cash from the premises allegedly the property of Michel Harajchi. My attorney in a letter dated March 13, 2001 advised Ryan & Co that such assets could not be transferred, as I was unable to determine if such assets were that of the Harajchis.

On March 13, 2001, I received a letter from Obie Ferguson stating that he was acting on behalf of the Bank's employees and making certain requests. On March 16, 2001, I along with one of my agents and my attorney met with Mr. Ferguson and Miss Beverley Rolle, an employee of the Bank. At this meeting I confirmed that I had not terminated the employment contract of any of the Bank's employees and it was agreed that the Bank's staff would return to work on Monday March 19, 2001. Upon the return of the employees, it was agreed that they were to each meet with me and at the same time collect their March salary cheque which was to be paid without prejudice to inclusion in any settlement package should their employment contract be terminated by myself. At this meeting, I had also agreed to pay any premium due on the employee's medical and life insurance to March 31, 2001 and to review the matter of the Bank's scholarship program. All medical and life insurance premiums were paid as agreed.

On March 19, 2001 the employees did not report to work. My attorney, in a letter dated March 21, 2001 to Mr. Obie Ferguson, requested that the staff return to work on March 22, 2001. My attorney also noted that the employees' non-cooperation undermined my efforts in preserving the assets of the Bank in the interest of its creditors, depositors and contributors. Mr. Ferguson in a letter dated March 21, 2001, advised that he took the view that, on March 15, 2001, the employees' contracts had been terminated even though he had agreed that the staff would return to work on the 19th of March, 2001. Further, I was put on notice that he wished to enter negotiations on behalf of the employees for new contracts of service. Mr. Ferguson further noted in his letter that he wished to invoke the arbitration clause contained in the employee Contract of Service. Of the forty-five employees only one employee reported to work, I met with this employee and, as agreed, issued the March salary.

On March 29, 2001, letters were issued from my attorney to the following Officers, directors and employees of the Bank:

- Christopher Lunn, Chief Executive Officer and Director of the Bank
- Mr. Mohammed Harajchi, Director and Chairman of the Bank
- Terry Nadu, Director of the Bank
- Alister McKeller, Director of the Bank
- Derek Ryan, Attorney for the Bank
- Vandessa Lockhart, Head of the Bank's filing department
- Kaye Briggs, Head of the Bank's Visa department
- Tamiko Miller, Head of the Bank's Corporate department
- Ketress Wells, Reconciler
- Archie Strachan, Head of the Bank's Trading department

These individuals, by way of this letter, were requested to submit to me within 7 days a verified Statement of Affairs as of March 5, 2001. This Statement of Affairs was to include, amongst other things, the following:

- the particulars of the Bank's assets, debts and liabilities;
- the names, addresses and occupations of the Bank's creditors and depositors;
- the security interest by the Bank's creditors respectively (if any);
- the dates when the security interests were respectively created;
- names and addresses of the Bank's clients whose assets are vested with the Bank as well as those whose assets are managed by the Bank through some other entity;
- the relationship between the Bank and Suisse Security Holdings Ltd. and Suisse Security Investment, Inc.; and
- a listing of all existing claims as well as potential claims against the Bank.

Pursuant to the Order appointing me as Provisional Liquidator my attorney, between May 18, and 29, 2001 issued letters to the following employees of the Bank:

- Vandessa Lockhart, Head of the Bank's filing department
- Kaye Briggs, Head of the Bank's Visa department
- Tamiko Miller, Head of the Bank's Corporate Department
- Ketress Wells, Reconciler
- Archie Strachan, Head of the Bank's Trading department

These individuals were requested to meet with me, at the office of Deloitte & Touche, in order for me examine them with respect to the affairs of the Bank. The only response received relative to these letters was a letter dated May 24, 2001 from Maurice Glinton in response to the letter to Ketress Wells. Mr. Glinton has advised that unless an Order of the Court is received directing her to respond to my request he was unable to have Miss Wells respond to my request. Mr. Glinton complained that my "aggressive posture" in seeking to meet with Ms. Wells was inconsistent with the provisional tenure of my appointment and the fact that the Winding up Petition is subject to a challenge in the Supreme Court. He stated that he could not advise Ms. Wells to be questioned by me unless specifically ordered by the Court.

Further, by letter dated August 16, 2001 my attorney, on my behalf, issued a letter to Derek Ryan to arrange a time for the Harajchi's to meet with me to discuss the affairs of the Bank. I have not yet received a response to this letter.

CREDITORS AND DEPOSITORS

2.9 I along with my agents continue to respond to an abundance of client queries on the suspension and subsequent revocation of the Bank's bank and trust license, my position as Receiver and then as Provisional liquidator, the financial status of the Bank and the impact of these events on them as depositors.

Due to the continued lack of cooperation of the Bank's employees, I was not able to locate a client database and therefore in an effort to inform depositors and creditors of the Bank of the Bank's status, my agents undertook a project to establish a database of the Bank's clients using the individual client correspondence files located on the Bank's premises. This database was used to distribute a letter to depositors and creditors. This letter informed the creditors and depositors of the Bank's status and the events that have taken place from March 5, 2001, my duties as Provisional Liquidator and requested them to supply me with information relative to their accounts including their holdings in various securities. This letter has been sent by fax, e-mail and mail.

Since assuming control of the Bank, I have received a number of requests from the Bank's clients relative to the sale of their security holdings. These requests present a significant problem for me as without access to the Bank's computer system coupled with the lack of co-operation of the Bank's employees, I am unable to determine the allocation of these securities many of which are decreasing in value.

2.10 I have also been approached by a number of clients requesting the sale of their securities. This matter presents a problem for me due to the fact that, without access to the Bank's computer system or relevant hard copies being available, I am unable to determine the allocation and ownership of the securities.

2.11 The Bank appears to be the registered agent for approximately 3,400 International Business Companies (IBC). In this regard, I have received from the Registrar General a listing of such companies and their outstanding fees.

It appears that the Bank issued, sometime in February 2001, a letter dated January 26, 2001 to its IBC clients advising them of the requirements under the IBC Act, 2000 and requesting various documents to ensure compliance with the Act. Upon assuming control I determined that response to this letter was poor and as a result my agents, on my behalf, have been in contact with these clients in order to determine their intention relative to their IBC. To date of the above 3,400 IBCs I have contacted 2900 IBC clients and they have indicated that they either:

- had no desire to maintain their IBCs and that they were only interested in retrieving their funds from the Bank.
- Wished to maintain their IBCs in good standing and were therefore going to comply with the new legislation.
- Were going to seek legal advice before making a decision on the matter.

Additionally I have received a number of requests from clients wishing to appoint a new registered agent for their IBC and requesting the transfer of their records to the new agent. In all the above cases I have asked that the clients put their request or intentions in writing.

2.12 As noted in section 1.6 above, on the morning of April 9, 2001, I learned that Messrs. Harajchi, Ryan, Lunn and Ferguson had broken into and gained access to the Bank. From a preliminary review, I noted the following missing items, which were included on a list from Ryan & Co. in their letter of March 12, 2001:

Make	Located
1 Power Macintosh	Chief Executive Officer's Office
1 Power Macintosh	Server Room

It was further noted that the Bank's web page was reactivated and information including telephone numbers one which appears to be that of Michel Harajchi was noted as a contact for updates on what was happening at the Bank.

2.13 Included in appendix 1 is a cash receipts and payments account of the Bank since the commencement of the receivership.

3. LEGAL ACTIONS:

Upon my appointment as Provisional Liquidator, I issued letters to attorneys that I determined were engaged by the Bank. In these legal letters I advised the attorneys of my appointment, the revocation of the Bank's license and that a petition for the winding up of the Bank had been filed with the Supreme Court. Further the letter requested details of all actions for which these firms had represented the Bank. In total we communicated with law firms and received responses from all except for Ryan & Co., William Cagney III, P. A. and Kenny Nachwalter Seymour Arnold Critchlow & Spector. From follow up telephone calls to William Cagney and Kenny Nachwalter Seymour Arnold Critchlow & Spector I learned that these attorneys were informed of the injunction and they noted that despite my Court appointment, in view of client privileged information they were unable to respond.

In the meantime from a review of various legal letters issued relative to the Bank's September 30, 2000 audit, the following legal actions were identified:

- **Edwin Cowan, et al., vs. K. D. Trinh Investments and Suisse Security Bank & Trust Ltd.**

Two law firms are apparently handling this matter namely William Cagney III, P. A. and Kenny Nachwalter Seymour Arnold Critchlow & Spector. A review of legal letters from William Cagney III, P. A. and Ryan & Co. reveals that allegedly the Bank opened and maintained Asset Protection Trust Accounts for individuals investing in K D Trinh Investments, an investment plan that turned out to be a ponzi scheme. Claims were brought under federal securities laws and under Florida statutory and common law. As the Bank did not answer a complaint in 1997 the trial court, on July

17, 1998, entered a final default judgement against the Bank for $1,474,253.10. In 1999 the Bank filed a motion to vacate the judgement, on the basis of improper service and this was denied and therefore a Notice of Appeal was filed by the Bank in the Eleventh Circuit Court of Appeals, Atlanta Georgia. In William Cagney III, P. A.'s legal letter to Ernst & Young, the Bank's external auditor in 1999, it appears that the Bank, on February 29, 2000, transferred to the trust account of the plaintiff's attorney $1,599,284.40 million. The legal letter further states that mediation between the parties has been tried and found wanting. To date, due to the continued lack of cooperation of the attorneys on this matter and the Bank's officers and Directors, I have been unsuccessful in determining the details of this matter.

This matter was addressed in the financial statements as a contingency in which it is indicated that the shareholder had committed to issue a letter of comfort on the $1.6 million. I have learned from both Ernst & Young and Pannell Kerr Forster that a letter of comfort does not in fact exist.

- **Suisse Security vs. Cogicom**

  Cogicom was to provide an upgrade to its software product that would allow the Bank's clients web access to their accounts. Apparently Cogicom was unable to provide this upgrade in a timely fashion as the Bank cancelled the contract. The Bank is seeking to recover its initial down payment and Cogicom was at January 31, 2001 threatening to seek damages in the amount of $233,863.00. This matter is being dealt with by William Cagney III, P. A.

- **Michael Kotlajic/Tempra Investments S.A.**

  I understand that this is a matter that the Bank had intended to start legal actions. William Cagney, P. A., is dealing with this matter and a letter forwarded to the Bank by mail indicates that a demand has been made on Kotlajic for the return of $742,143.41.

  Further during the year 2000 the accounting firm of KPMG of Miami, Florida was engaged by the Bank to determine whether trades executed with the Bank's brokerage houses on behalf of its customers were properly reflected on the customer's cash account. Upon completion of this engagement KPMG, in its report to the Bank dated October 17, 2000, concluded that the trades were not properly reflected in the Bank's client's cash account. KPMG further identified and summarized in spreadsheets the differences for each client; these spreadsheets were to be used by the Bank to adjust the client's account to reflect the actual cost of the trade including commission charged by the Bank. In the case of Tempra, I was able to locate a spreadsheet showing a total difference of $742,143.41 to be charged to its account, this amount appears to be the amount that the Bank was trying to recoup.

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

The plaintiffs in this action allege that the Bank committed the tort of conversion by using US$10 million, which had been deposited by the plaintiffs in their account with the Bank, to purchase shares in ACM Mutual Fund without the plaintiffs' authorization. When the ACM shares declined in value, the plaintiffs lost US$2.3 million which, with interest, amounted to roughly US$3 million. The plaintiffs were granted an Order of Attachment in the amount of US$3 million of the Bank's assets being held by Tucker Anthony. On April 19, 2001 pursuant to the Order of Attachment mentioned above US$3 million was transferred from the Bank's account at from Tucker Anthony to the US Marshall.

I have retained, with leave of the Court, the legal services of the New York law firm of Milbank, Tweed, Hadley & McCloy LLP. ("Milbank") to represent the Bank in this matter. Based on the advice of Milbank, I decided to continue the defense against the action to protect the assets of the Bank. I obtained leave of the Supreme Court to defend the Bank against this action.

I have included in appendix IV a listing of cash balances to be recovered relative to the above referenced legal actions.

4. MATTERS REPORTED TO THE PROVISIONAL LIQUIDATOR:

To date, the Office of The Attorney General has served me with five Orders relative to the criminal justice (International Cooperation) Act, 2000 and the Mutual Legal Assistance Act, 2000 requesting information relative to a number of accounts held at the Bank. These Orders relate to accounts that various money laundering schemes including advanced fee and ponzi schemes are being investigated by authorities in various jurisdictions.

5. FURTHER STEPS TO BE TAKEN:

5.1 My attorney has been instructed to communicate with various attorneys of the Bank in order for me to obtain an appreciation of all outstanding legal matters for which the Bank is a named party. We now await the response from four such attorneys. Once details are obtained, I will seek the advice of my attorney on the steps that are required to defend actions identified and recover funds transferred out of the Bank relative to these matters. (See appendix VI).

5.2 I will continue my efforts to have cash and securities being held by custodians outside of The Bahamas transferred to accounts in The Bahamas. This will include taking the necessary steps to recover the funds removed from the Barclays accounts of SSI returned and placed under the control of the Bank.

5.3 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.

5.4 I will approach the Court in order to obtain an order to direct the Bank's employees to cooperate with me.

5.5 Without access to the Bank's computer system and therefore its accounting records I am unable to determine the Bank's financial position nor am I able to confirm that I have taken charge of all of the Bank's assets. In this regard, my agents will continue their efforts relative to gaining access to the Bank's computer system.

6. CONCLUSION

I hereby submit to The Supreme Court of the Commonwealth of The Bahamas this, my first report as Provisional Liquidator of Suisse Security Bank & Trust Limited.

Respectfully submitted this 24th day of August 2001.

Raymond Winder

Raymond L. Winder
Provisional Liquidator

Appendix I

SCHEDULE OF RECEIPTS AND PAYMENTS FROM MARCH 5, 2001 TO AUGUST 24, 2001

	March 5, - April 8, 2001	April 9, - August 24, 2001
OPENING BANK BALANCES:	$ -	$ 4,364,018
RECEIPTS:		
Canadian Imperial Bank of Commerce	833,743	1,044,080
Canadian Imperial Bank of Commerce (Cdn$ 5,642,342, $73,465)	3,595,227	47,753
Tucker Anthony	-	537,047
Lehman Investment Inc.	-	355,359
Interest Income	-	63,176
Deposits to be returned	-	59,857
Miscellaneous	-	20,286
Total Receipts	4,428,970	2,127,558
DISBURSEMENTS:		
Liquidator/Receiver	-	106,800
AGENTS' FEES:		
Deloitte & Touche	-	182,329
Milbank Tweed	-	60,000
Sears & Co.	14,000	56,070
OTHERS:		
Rent	27,000	54,000
Utilities	-	15,618
Miscellaneous	6,725	2,737
Security	2,464	4,139
Master Card	12,673	-
Salary	1,941	-
Insurance	-	17,462
Bank charges	149	2,543
Total Disbursements	64952	501,698
FOREIGN EXCHANGE ADJUSTMENT	-	72,796
ENDING BANK BALANCE	$ 4,364,018	$ 6,062,674

SCHEDULE OF CASH BALANCES

	Audited Financial Statements September 30, 2000	Balances at March 5, 2001	Balances at June 30, 2001
Cash and cheques on hand	$ 3,831,631.00	$ 20,507.00	$ -
Canadian Imperial Bank of Commerce	2,530,391.81	5,502,487.39	-
ABN Zurich	4,922.37	-	-
Tucker Anthony (3)	7,500,898.91	303,814.39	2,284.27
Citibank	-	-	-
Credit Foncier	-	-	-
UBS Geneva (1)	16,021,805.59		
UBS Bahamas	-	-	-
UBS PaineWebber	1,840,980.27	84,481.16	85,179.02
E*Trade	122.50	-	-
PaineWebber	830.00	-	-
Tucker Anthony (3)	(6,179,806.53)	(1,217,275.78)	301.99
Ameritrade	492,675.78	-	-
Lehman Brothers	-	351,458.93	2,010.28
Bank of The Bahamas	-	-	6,062,674.00
Barclays Bank PLC (2)	-		
Total cash	$ 26,044,451.70	$ 5,045,473.09	$ 6,152,449.56

1. *UBS Geneva* – The accounts at UBS Geneva are in the name Suisse Security Holdings. I have determined that these accounts hold the balances of the Bank's clients. In this regard the Supreme Court has granted me a Restraining Order over the balances in these accounts.

   Note the balances for March 5, 2001 and June 30, 2001 are not included in the schedule as UBS Geneva has advised that before they can provide information, my appointment must be recognised by the Swiss Courts. (See Section 2.5 for further details).

2. *Barclays Bank PLC* – For details see the schedule of Assets to be Recovered (Appendix VI).

3. *Tucker Anthony*- Overdraft balance covered using cash balances and the proceeds of sale of security in the amount of $811,282.81. For details see page 5 of the report.

SCHEDULE OF SECURITY BALANCES

	Trial Balance September 30, 2000	Balances at March 5, 2001	Balances at June 30, 2001
SECURITIES:			
Ameritrade	$ 95,452.00	$ -	$ -
Tucker Anthony	33,115,395.85	14,484,336.73 [3]	12,368,811.20
Tucker Anthony (1)	-	3,556,800.00	-
UBS/Painewebber	810430.61	530,067.00	594,070.00
Lehman Brothers (2)	-	560,872.15	579,165.57
Fidelity Investments	-	169,007.00	201,722.65
Total Securities	34,021,278.46	19,301,082.88	13,743,769.42
Less value of the Bank's investments (See appendix IV)	1,223,654.00	921,642.00	1,021,986.00
Assets held for clients in a fiduciary nature	$ 32,797,624.46	$ 18,379,440.88	$ 12,721,783.42

1. This represents the market value of the Nasdaq 100 Trust Securities which were sold and proceeds of the sale were transferred to the United States Marshall ($3 million) and to the account of the Provisional Liquidator ($537,047.10). For details see Section 2.4 of the report.

2. This account was opened during November 2000.

3. Valuation of securities at February 28, 2001.

Appendix IV

SCHEDULE OF THE BANK'S INVESTMENTS IN SECURITIES

	NUMBER OF SHARES	DESCRIPTION	COST	SEPT. 30TH, 2000 MARKET VALUE PER AUDITED FINANCIAL STATEMENTS	MARCH 5TH, 2001 MARKET VALUE	JUNE 30, 2001 MARKET VALUE
1 *	14305.452	Pilgrim Troika Dialog Russia Fund Class A	$ 323,964	$ 104,430	$ 93,558	$ 104,927
	383.673	ACM American Growth Portfolio Class A	11,556	17,956	13,750	13,634
	439.495	ACM US Growth Strategies Fund Class A	8,759	13,394	7,340	7,217
	3,136.41	Fidelity Select Electronics Portfolio	153,101	314,488	169,008	201,723
	9,443.03	Lexington Troika Dialog Russia Fund Class A	213,849	83,004	-	-
	9,443.03	Pilgrim Troika Dialog Russia Fund Class A	213,849	68,934	61,852	77,054
2	10,000	Templeton Russia Fund Inc.	255,582	157,500	123,000	116,875
			1,180,660	759,706	468,507	521,430
3 1	10,000	Jaws Technology Inc.	9,818	26,250	1,290	1,032
	210,000	Safe Technologies International Inc.	11,542	7,875	4,725	3,360
			21,360	34,125	6,015	4,392
	200,000	Russian Federation Bond, 12.75%, due 6/24/2028	119,500	173,000	180,500	198,000
	250,000	Russian Federation Bond, 10.00%, due 6/26/2007	132,187	191,250	200,625	226,875
	75,000	Ministry of Russia Finance, Euro issue 12.75%, due 6/24/2028	25,000	65,573	66,000	71,289
			276,687	429,823	447,125	496,164
		TOTAL	$ 1,478,707	$ 1,223,654	$ 921,647	$ 1,021,986

SCHEDULE OF THE BANK'S INVESTMENTS IN SECURITIES

Assumption:

From my review, with exception of Lexington Troika Dialog Russia Fund, on March 5, 2001, the number of shares listed above had not cha assuming that there were no internal sales between the Bank and it's client I have used the information relative to the Bank's holding at Sep

1 2,104.592 shares sold to partially cover an overdraft balance at Tucker Anthony. See page 5 of the report.

2 1,500 shares sold partially cover an overdraft balance at Tucker Anthony See page 5 of the report.

3 There was a 10 to 1 stock split on March 30, 2001. After this split the Bank's holding was 1,000 shares of which 200 shares were sold to cover the overdraft balance at Tucker Anthony. See page 5 of the report.

Appendix V

SCHEDULE OF CORRESPONDENCE WITH EMPLOYEES

Person Contacted	Position	Date of Contact	Medium of Contact
Christopher Lunn	Chief Executive Officer and Director	March 5, 2001	Personal Conversation (In the Bank's Parking Lot)
		March 5, 2001	Telephone Conversation
		March 6, 2001	Telephone - Left Numerous Messages
		March 29, 2001	Letter
All S.S.B.T. Employees		March 8, 2001	Public Press Conference
Ryan & Co.		March 13, 2001	Letter
Mr. Ferguson & Ms. Beverley Rolle	Administration Manager	March 16, 2001	Meeting
Mr. Obie Ferguson		March 21, 2001	Letter
		March 29, 2001	Letter
Mr. Mohammed Harajchi	Director and Chairman	March 29, 2001	Letter
Terry Nadu	Director	March 29, 2001	Letter
Alister McKeller	Director	March 29, 2001	Letter
Derek Ryan	Bank's Attorney	March 29, 2001	Letter
		August 16, 2001	Letter
Vandessa Lockhart	Head of Filing Department	March 29, 2001	Letter
		May 18, 2001	Letter
Kaye Briggs	Head of Visa Department	March 29, 2001	Letter
		May 25, 2001	Letter
Tamiko Miller	Head of Corporate Department	March 29, 2001	Letter
		May 25, 2001	Letter
Ketress Wells	Reconciler	March 29, 2001	Letter
		May 18, 2001	Letter
Archie Strachan	Trader	March 29, 2001	Letter
		May 18, 2001	Letter

For further details of the issued discussed see Section 2.8 of the report.

SCHEDULE OF ASSETS TO BE RECOVERED

Cash transferred to the United States Marshall relative to JVW legal action	[1]	$ 3,000,000.00
Cash transferred in trust to the attorney of the plaintiff in the KD Trinh legal action	[2]	1,599,824.40
Michael Kotlajic/Tempra Investment S.A.	[3]	742,143.41
Funds transferred on SSI's account at Barclays Bank	[4]	4,553,422.00
Total assets to be recovered		$ 9,895,389.81

1. Pursuant to an Order of Attachment funds transferred from the Bank's account at Tucker Anthony to the United States Marshall on April 19, 2001. See Section 3 of the report for details.

2. Funds transferred to the trust account of the plaintiff's attorney on February 29, 2000. See Section 3 of the report for details.

3. See Section 3 of the report for details.

4. Amount represents the balance on accounts at Barclays Bank on March 1, 2001, in the name of Suisse Security Investments. I determined that these accounts held the balances of the Bank's clients and as such I obtained a Restraining Order over these balances. Barclays has indicated that prior to its receipt of the Order the accounts were closed. SSI is a Bahamian IBC and its sole shareholder is Michel Harajchi. For further details see section 2.5 of the report.