

Fifth Report of The Liquidator of

**LEADENHALL BANK & TRUST COMPANY
LIMITED**
(In Voluntary Liquidation)

For the period from February 21, 2007 to May 22, 2007

Leadenhall Bank and Trust Company Limited

(In Voluntary Liquidation)

Fifth Report of the Liquidator (From February 21, 2007 to May 22, 2007)

C O N T E N T S

	Page
Introduction	1
Background and Basis of Appointment	1
Definitions	2
Steps Taken by the Liquidator	2
Concerns	3 - 9
Conclusion	9
Appendix 1	10 - 11
Appendix 2	12

INTRODUCTION

The Fifth Report of the Liquidator of Leadenhall Bank & Trust Company Limited (“the Bank”) is intended for use by the Central Bank of The Bahamas, The Bahamas Registrar General and the Supreme Court of the Commonwealth of The Bahamas and other concerned parties. This report sets out the steps taken by the Liquidator during the period from February 21, 2007 to May 22, 2007. The Liquidator had previously acted as the Receiver of the Bank for the period from July 18, 2005 to October 3, 2005. On October 3, 2005 the Bank was placed into voluntary liquidation.

BACKGROUND AND BASIS OF APPOINTMENT

Leadenhall Bank & Trust Company Limited is a Bahamian incorporated Company and was licensed under the provisions of the Banks and Trust Companies Regulation Act, 1965, as amended.

In 2000, Leadenhall was granted a license to provide services in Bahamian dollars. This license gave the Bank the authority to service the domestic market. However, that service never materialized.

The Bank’s revenue was generated primarily from the following:

- Trust services
- Managed companies (e.g. IBC, property management, etc.)
- Banking and investment services

Until July 29, 2003, the Bank also generated revenue from its MasterCard (credit card) franchise, which was operated by Axxess International Bahamas Limited. MasterCard suspended the license issued to the Bank and is claiming a termination fee of \$1.7 million.

As a result of the loss of its credit card business and the ongoing litigation with respect to same, along with litigation involving the Cash 4 Titles class action suit and shareholder fallout, the Bank has consequently experienced recurring losses from its operations in recent years.

Primarily as a result of the above, I was appointed Receiver of Leadenhall Bank & Trust Company Limited with effect from July 18, 2005. The Bank’s licence was suspended for the period from July 18, 2005 to October 3, 2005. My appointment was made pursuant to Section 18 (1) (f) of the Banks and Trust Companies Regulation Act 2000.

On October 3, 2005, by a resolution of the shareholders, the Bank was placed into voluntary liquidation and I was appointed the Liquidator.

A Notice of said Resolution was subsequently published in the Nassau Guardian on October 12, 2005.

Simultaneously, with the members' resolution to voluntarily wind up the Bank, The Central Bank of The Bahamas revoked the Bank's licence on October 12, 2005.

On November 11, 2005 an Order was granted by the Supreme Court granting leave for a further application to be made for an Order that the liquidation be Court supervised. The Supreme Court on November 25, 2005 granted an Order for the liquidation to be Court supervised.

DEFINITIONS

In this report, the words and expressions hereunder shall mean, as follows:

“The Liquidator” means Craig A. (Tony) Gomez or any member of his team.

“I” means Craig A. (Tony) Gomez or any member of his (the Liquidator's) team.

“The Bank” means Leadenhall Bank & Trust Company Limited.

“Counsel” means Callenders & Co., the Liquidator's General Counsel.

“Court” means the Supreme Court of the Commonwealth of The Bahamas.

“Receiver” means Craig A. (Tony) Gomez acting as Receiver of the Bank during the period July 18, 2005 to October 3, 2005.

“MBH” means McKinney Bancroft & Hughes, the Liquidator's Counsel in the Axxess International litigation with First Financial Caribbean Trust Company.

STEPS TAKEN BY THE LIQUIDATOR (for the period from February 21, 2007 to May 22, 2007)

1. Placed the fourth Liquidator's report on the Bank's website.
2. Sold assets of the Bank.
3. Convened a meeting of the Board of Directors of The Caledonia Fund Investments Limited to place the Fund into voluntary liquidation.
4. Continued to follow-up on outstanding loans.
5. Attended Court hearing with MBH regarding the Axxess International litigation.

6. Provided The Central Bank of The Bahamas with updates on the progress of the liquidation.
7. Continued to follow-up on the outstanding balances for the local and international credit card accounts and sought to engage local collection agencies to assist in the efforts.
8. Continued to facilitate clients' requests to transfer "off-balance sheet" accounts, companies and trusts to new service providers
9. Attended Court with Counsel on the Dimethaid / Nuvo loan payment.

CONCERNS

- **Axxess International Bahamas Limited**

The Bank is engaged in litigation with Axxess International Bahamas Limited ("Axxess"), its principals and First Financial Caribbean Trust Company ("FFCTC"). FFCTC is claiming insufficiency of the Trust assets transferred based on the asset scheduled in the Deed of Retirement and Appointment that was executed by the Bank on March 15, 2002.

I attended court on April 20, 2007 with MBH and provided Supreme Court Justice Faisool Mohammed with a status report on the progress made in obtaining the missing Bank statements, which were needed to ascertain the correctness of funds sent to FFCTC. MBH informed the Court that two of the three (3) Banks had sent the statements as requested but the third Bank is not responding to the request.

It was necessary once again to postpone the hearing before Justice Mohammed. A new hearing date of August 14, 2007 was set.

- **Cash 4 Titles**

The U.S. District Court Judge, Adalberto Jordan is now allowing the victims in the Cash 4 Titles matter, to have their case certified as a class action.

On March 20, 2007 in U.S. District Court for the District of Southern Florida, the Judge stated that the case met the status of class action and a class certification hearing was set for September 7, 2007 in Miami.

The judgment of \$1.04M entered against the Bank and Axxess on February 12, 2007 may be reconsidered and could possibly be substantially more, inclusive of treble damages under the RICO statutes.

I will continue to monitor these proceedings and will act upon the advice of Counsel in this matter.

3

CONCERNS

- **Generali International – Policy no. PF32322**

The portfolio totaled \$15,736,924 as at March 31, 2007. The investment is comprised of the following:

	March 31, 2007 Market Value
Structured Asset Investment Loan T-Bill	\$ 925,805
Caledonia Corporate Group Limited/Caledonia Guaranteed Investment Fund	3,059,616
Cash	11,751,503
Total	\$15,736,924

Below are the fees charged by Generali for the period from January 31, 2007 to March 31, 2007.

Amount

1st Qtr. 2007

\$118,156.46

Below is an analysis of the Bank's 2007 interest earned and charges incurred on the Bank's portfolio held at Generali as at March 31, 2007:

	Jan 31, 2007 - Mar 31, 2007
Interest earned on investment	\$155,691
Various fees paid to Generali (as per above)	(118,156)
Direct net gain for the 1st qtr. 2007	\$ 37,535

I am continuing to follow-up with Generali to determine the current status of their Early Discontinuance charge for withdrawal of the Bank's investment before the 20th charging date (20th quarter after placing an investment with Generali).

I met with Counsel for further advice on this matter. I was advised to meet with the former Managing Director of the Bank for further clarification on account relationships and investment billing arrangements. We met with the former Managing Director and he explained that all investments decisions in relation to the Generali account were approved by the Board.

To the date of this report, I was not successful in my search for minutes of the Bank's Board of Directors and Shareholders meetings to confirm instructions by the Directors and Shareholders authorizing the investment in Generali as purported by the former Managing Director of the Bank. This search continues.

4

CONCERNS

- **The Caledonia Fund Investments Limited (formerly The Caledonia Guaranteed Investment Fund Ltd.)**

The Bank presently holds an investment in The Caledonia Fund Investments Limited ("the Fund") in the amount of approximately \$3,000,000.00. The Fund's assets totaled \$3,991,942, as per the 2006 draft audited financial statements and is managed by Caledonia Corporate Management Group Limited ("Caledonia"). The current directors of the Fund are; Mr. Matthew McNeilly and myself.

I met with Caledonia on March 27, 2007 to discuss matters related to the liquidation of the Fund. At the conclusion of the meeting, a meeting of the Board of Directors (“the Board”) of the Fund was set for April 2, 2007.

The meeting of the Board convened on April 2, 2007. All of the members of the Board were present at the meeting, comprising Mr. Matthew McNeilly and myself. The meeting was also attended by two (2) other persons by invitation. The meeting was called to place the Fund into voluntary liquidation.

The motion was unanimously passed by the Directors to place the Fund into voluntary liquidation.

The draft financial statements of the Fund for the years ended December 31, 2005 and 2006 were presented at the meeting.

- **Unsecured Credit Cards**

To the date of this report, I have made contact with approximately 60% of the persons who held credit card with Axxess and was not successful in this effort to recover any substantial amount. I have received a small amount of funds from persons who made commitments to pay their debts.

Counsel is engaging international counterparts to assist with the collection of outstanding funds from the international credit card holders.

I am currently in the process of retrieving for Counsel, credit card records for all international persons with outstanding credit card amounts owing to the Bank.

CONCERNS

- **Unsecured Credit Cards** (continued)

Below is an analysis of the account balances at this time:

Classification	# of cards	Amount
Staff	1	\$ 7,390.25
Local	98	682,830.54
International	310	616,117.65
Total outstanding		\$1,306,338.44

- **Loan receivables**

The Bank's loan receivables, inclusive of principal and interest, are represented by the seven debtors, with outstanding balances totaling \$3,458,486.

The principal activities during the reporting period are as follows:

A) Nuvo (formerly Dimethaid Research Inc.)

Subject to Court approval, I agreed for Nuvo, formerly known as Dimethaid, to pay the proceeds from the sale of their property located at 1405 Denison Street, Markham, Ontario, against the outstanding total loan. After receipt of this payment there would have been a shortfall which the Bank may have been forced to write-off. Nuvo claimed that the interest calculation on the loan violated the Canadian Interest Act and consequently, should attract a 5% default interest rate. At all material times the Bank accounted for the loan at the loan specified rate of 2% per month.

I was advised by Counsel to accept the proceeds of the sale from Nuvo subject, to Court approval. The funds were received and were placed into an interest bearing account, pending Court approval to share part of the proceeds with Nuvo.

Shortly thereafter, based on the First Liquidator's Report, former officers of the Bank queried the accounting for the interest under the proposed settlement. Subsequently, Counsel sought the advice of Canadian attorneys regarding the application of the Canadian Interest Act. Canadian Counsel opined that the loan was fully enforceable at the expressed rate of 2% per month. Therefore, based upon the advice received, I have instructed Counsel to make application to the Court for release of these funds to the general asset pool. Nuvo has since instructed local counsel to challenge this position.

I attended court on March 20, 2007 with Counsel and Attorneys for Nuvo, for the hearing of the matter before Madam Justice Jeannie Thompson.

CONCERNS

A) Nuvo (formerly Dimethaid Research Inc.) (continued)

Justice Thompson informed Counsel and Attorneys for Nuvo that if the matter could not be resolved in a reasonable time, she will not be able to hear the matter due to her demitting the Bench at the end of March 2007.

The Attorney for Nuvo requested that the Judge make an order for the funds being held by the Liquidator in Escrow, to remain in the Escrow account until the matter is resolved. Justice Thompson granted this order. A further order was made by Justice Thompson at the request of Counsel to give Nuvo 90 days to place an application before the Court in respect of their claim.

B) Other loans

I have been informed that one of the debtors owns property in The Bahamas. Once this information is verified I will take the necessary action to recover the outstanding debt owed to the Bank in the amount of \$125K. This client has since contacted me and a meeting is scheduled for June 6, 2007 to discuss the settlement of this debt.

I am continuing active communication with the remaining debtors to retrieve the outstanding amounts. After further discussions with debtors, off-balance sheet assets in the name of any of the debtors will be used to settle loan outstanding balance.

- **Forged check**

The officer in charge of the investigation of the CAD\$125,937 forged check matter has resigned from the Royal Bahamas Police Force/Financial Intelligence Unit. I have contacted the Senior Officer of the Unit and I am in the process of scheduling a meeting with him to determine the status of the investigation.

- **Transfer of accounts**

I am continuing to follow-up with clients to have their accounts transferred to new service providers.

Below is a summary of requests to transfer client accounts to new service providers, to liquidate the company or terminate the trust:

Transfer company to new service provider	-	
		43
Transfer trust to new Trustee	-	

		22
Close company/trust	-	18
Total request	-	83

CONCERNS

- **Transfer of accounts** (continued)

All transfers are being acted upon, and all clients are requested to sign a Liquidator's exit letter to indemnify the Liquidator and/or his team.

- **Off Balance Sheet Assets held in the name of the Bank**

Approximately 95% of the off-balance sheet assets have been transferred as per client's instructions. I am still in discussion with the remaining clients regarding the transfer of their "off-balance sheet" assets to other service providers.

- **Statement of affairs**

See Appendix 1 for the unaudited statement showing assets at estimated realizable values and liabilities as they are expected to rank, as at May 22, 2007.

- **Receipts and disbursements**

The receipts and disbursements made during the period from February 21, 2007 to May 22, 2007 are shown at Appendix 2.

- **IRS**

I continue to receive requests from the Internal Revenue Services ("IRS") in the United States of America through the Attorney General's Office and from Axxess credit card holders, requesting credit card information as follows:

- Credit card statements
- Security deposits source of funds
- Details of payments in excess of current charges
- Details of refunded security deposits

All requests are acted upon as soon as possible.

On March 19, 2007, I received a visit from a Law Enforcement Agent from the United Kingdom who

was accompanied by two Officers from the Bahamas Financial Intelligence Unit. They presented

me with a request for information on a client of the Bank.

After further discussion on the request it was concluded that the request should be directed to the

Office of the Attorney General for further action.

CONCERNS

- **Customer Communications**

I continue to receive a significant number of contacts from clients resulting from an Internal Revenue Services “IRS” initiative in the United States, requesting credit card records.

I continue to receive a large volume of emails, telephone calls and correspondence via mail from customers of the Bank. Their main concerns were the Bank’s ability to return their deposits, requests for credit card information and the lack of access to their funds. We are responding in the quickest possible time and are formulating replies to customers who have requested information regarding the status of the Bank.

- **The Central Bank of The Bahamas**

I am continuing to provide officials from the Central Bank of The Bahamas with updates on the liquidation and the progress made on the litigations in The Bahamas and Florida.

CONCLUSION

I will continue to take customers’ calls and move the liquidation forward. The primary challenges facing the liquidation are:

- Resolution of the Axxess matter between the Bank and FFCTC;
- Resolution of the Cash 4 Titles litigation;

- Resolution of the Generali matter;
- Resolution of the Nuvo loan matter;
- Collection of remaining outstanding loans;
- Collection of unsecured credit cards outstanding balances.

I will continue to have the client records made current, to facilitate the various transfer requests and to assist clients in making their claims with the Bank.

Very truly yours

Craig A. (Tony) Gomez
 May 22, 2007
 Liquidator
 Nassau, Bahamas
 Leadenhall Bank & Trust Company Limited (In Voluntary Liquidation)

Appendix 1

**LEADENHALL BANK & TRUST COMPANY
 LIMITED (In Voluntary Liquidation)**
 Statement of Assets at Estimated Realizable Values
 And Liabilities As Expected to Rank

As at May 22, 2007
 (Expressed in Bahamian dollars)

ASSETS

Cash due from Banks	
\$19,982,931	
Investment in securities	
4,433,780	
Loans receivable, net	3,458,486
Accounts receivable	336,577
Fixed assets, net	10,669
<u>Deposit – utilities</u>	
<u>9,556</u>	
	<u>28,231,999</u>

Liabilities

Amount due to Creditors

26,774,483

ESTIMATED SURPLUS AS REGARDS MEMBERS

\$ 1,457,516

10

Appendix 1 (continued)

Leadenhall Bank & Trust Company Limited (In Voluntary Liquidation)

Cash and Due from Banks

As of May 22, 2007

(Expressed in Bahamian dollars)

Cash and due from Banks (BSD)

		Currency	X-Rate	BSD
Cash on hand				
FCIB (Barclays)	C/A	448	1.0000	
448				

Royal Bank of Canada	C/A	<u>147,995</u>	<u>1.0000</u>	
147,995				
Total BSD Cash		<u>148,443</u>		<u>148,443</u>

Cash and due from Banks (CAD)

Generali International	Call	37	.9213	34
FCIB (Barclays)	C/A		21,569	.9213
20,085 Barclays	F/D		784,301	.9213
722,577				
Generali International	F/D	<u>1,334,315</u>	<u>.9213</u>	
1,229,305				
Total CAD Cash		<u>2,140,222</u>		
<u>1,972,001</u>				

Cash and due from Banks (GBP)

Generali International	C/A	696	1.9768	1,376
FCIB (Barclays)	F/D	79,409	1.9768	
156,975				
HSBC Bank	C/A	115,146	1.9768	227,620
FCIB (Barclays)	F/D	426,354	1.9768	
852,318				
HSBC Bank	F/D	746,594	1.9768	1,475,867
Generali International	F/D	<u>1,554,340</u>	<u>1.9768</u>	<u>3,072,619</u>
Total GBP Cash		<u>2,922,539</u>		<u>5,786,775</u>

Cash and due from Banks (USD)

Canaccord Capital Corp	C/A	(29)	1.0000	
(29)				
MasterCard	C/A	1,897,551	1.0000	
1,897,551				
Generali International	Call	2,018,658	1.0000	
2,018,658				
Royal Bank of Canada	C/A	2,633,297	1.0000	
2,633,297				
Generali International	F/D	<u>5,526,235</u>	<u>1.0000</u>	
5,526,235				
Total USD Cash		<u>12,075,712</u>		<u>12,075,712</u>

Total
\$19,982,931

Leadenhall Bank & Trust Company Limited (In Voluntary Liquidation)

Statement of Receipts & Disbursements

For the period from February 21, 2007 to May 22, 2007

(Expressed in Bahamian dollars)

OPENING CASH POSITION**\$19,815,140****Receipts**

Interest earned on Generali deposits (Jan. – Mar. 2007)

155,691

Sale of Assets

53,650

Interest earned on First Caribbean Bank GBP/CAD deposits

14,897

Funds collected from outstanding credit card accounts

11,887

Refund of security deposit OMP9,128

245,253**Disbursements**

Fees paid to Generali International (Jan. – Mar. 2007)

118,156

Liquidator's remuneration (November 11, 2006 – February 20, 2007)

68,450

Legal fees

66,918

Offsite storage – rent

15,000

Rent

8,000

Salaries

3,275

Repairs and maintenance

1,396

Electricity

857

Internet

651

Telephone

648

Petty cash - office expense

325

Bank charges

87

Courier

65

283,828

Add mark to market unrealized forex difference on CAD\$ and GBP

206,366

CLOSING CASH POSITION

\$19,982,931