

Sixth Report of The Liquidator of

**LEADENHALL BANK & TRUST COMPANY
LIMITED**

(In Voluntary Liquidation under the Supervision of the Court)

For the period from May 23, 2007 to November 30, 2007

Leadenhall Bank and Trust Company Limited

(In Voluntary Liquidation under the Supervision of the Court)

Sixth Report of the Liquidator (From May 23, 2007 to November 30, 2007)

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INTRODUCTION

The Sixth 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 May 23, 2007 to November 30, 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 now 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 had consequently experienced recurring losses from its operations in recent years.

I was appointed Receiver of the Bank 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 May 23, 2007 to November 30, 2007)

1. Placed the Fifth Liquidator’s Report on the Bank’s website.
2. Jointly passed a resolution to place the Caledonia Investment Management Fund into voluntary liquidation and to appoint a Liquidator.
3. Continued to follow-up on outstanding loans.
4. Attended Court hearing, with MBH regarding Axxess International litigation.
5. Continued to facilitate clients’ requests to transfer “off-balance sheet” accounts, companies and trusts to new service providers
6. Attended Court with Counsel on the Dimethaid/Nuvo loan payment.
7. Liaised with USA Counsel monitoring the Cash 4 Titles matter.
8. Convened a Shareholders Meeting.
9. Instructed Counsel to prepare the necessary documents to be presented to the Court for the 1st Distribution to Creditors.

CONCERNS

- **Axxess International Bahamas Limited**

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

I attended Court on August 14, 2007 with MBH, and presented Supreme Court Justice Faisool Mohammed with a status report on the progress made on the reconciliation of funds transferred to FFCTC and on obtaining the missing bank statements relating thereto.

I attended Court on September 27, 2007 with MBH and the Plaintiff's Attorney, and presented Justice Mohammed with a status report on the Plaintiff's position regarding the issues remaining in dispute.

I attended Court on October 24, 2007 with MBH and the Plaintiff's Attorney, and presented Justice Mohammed with a status report on the Plaintiff's position on the outstanding matters.

I attended Court on November 15, 2007 with MBH and the Plaintiff's Attorney, and presented Justice Mohammed with a status report on the Plaintiff's position on the outstanding matters. The next hearing date is set for December 3, 2007.

These Court attendances were necessary as part of an on-going monthly monitoring exercise by Justice Mohammed to ensure that the reconciliation efforts are steadily progressing towards final determination. In between each appearance, meetings were held with the Plaintiff with a view to resolving the outstanding issues.

- **Cash 4 Titles**

The U.S. District Court Judge, Adalberto Jordan issued an Order on September 7, 2007 allowing the victims in the Cash 4 Titles ("C4T") matter, to be certified as a class.

On September 10, 2007, Judge, Adalberto Jordan, handed down his final ruling in favor of the Plaintiffs in the C4T litigation in the amount of \$110,076,111.46, which under the RICO statute, resulted in treble damages in the amount of \$330,228,331.07 against Axxess and the Bank.

CONCERNS

- **Cash 4 Titles** (continued)

The Plaintiffs are alleging “that the Defendants were part of a common scheme of fraudulent conduct, specifically a scheme to misappropriate the funds invested by the Class members in the C4T enterprises”.

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

The portfolio totaled \$16,250,520 as at September 30, 2007. The investment is comprised of the following:

	September 30, 2007 Market Value
Cash	\$13,136,602
Caledonia Corporate Group Limited/Caledonia Guaranteed Investment Fund	3,107,269
Structured Asset Investment Loan T-Bill	6,649
Total	\$16,250,520

Below are the fees charged by Generali for the quarters ending June 30, 2007 and September 30, 2007.

	Amount
2 nd Qtr. 2007	\$118,156.46
3 rd Qtr. 2007	118,156.46
Total	\$236,312.92

Below is an analysis of the 2007 interest earned by the Bank versus the charges incurred on the Bank's portfolio held at Generali for the period from April 1, 2007 to September 30, 2007:

	April 1, 2007 to September 30, 2007
Interest earned on investment	\$ 298,248
Various fees paid to Generali (as per above)	(236,313)
Direct net gain for the 2nd qtr. 2007	\$ 61,935

I wrote to Generali on November 21, 2007 enquiring as to what would be the effect on their Early Discontinuance Charge, should the Bank apply for a withdrawal before the agreed time as defined in the contract.

Generali responded to me on November 26, 2007 advising that the following fees would be charged against the investment if the Bank cancelled at this time:

CONCERNS

- **Generali International – Policy no. PF32322** (continued)

Description of charges	Amount
Early Discontinuance Charge	\$142,853
Administrative charge	84,630
Service charge	135
Trading charge	105
Total Charges	\$227,723

I was further advised by Generali that the investment would have to run until March 2009 to avoid any Early Discontinuance Charges.

I am currently reviewing additional information, and I am continuing to search for minutes of the Bank's Board of Directors and Shareholders Meetings to confirm the existence of any instructions or approvals authorizing the Generali relationship.

- **Caledonia Guaranteed Investment Fund Ltd.**

The Bank presently holds an investment in Caledonia Fund Investments Limited ("the Fund") in the amount of approximately US\$3,000,000.00. The Net Asset Value of the Fund was US\$3,846,942, as per the 2006 audited financial statements and the Fund is managed by Caledonia Corporate Management Group Limited ("Caledonia"). The current directors of the Fund are Mr. Matthew McNeilly and myself. I replaced Mr. William Jennings by resolution of the Board of Directors of the Fund on December 15, 2005. My appointment as a Director of the Fund was due to the Bank holding a 78% equity interest in the Fund. I shall not accept any Director's fee in relation to this appointment.

I met with Caledonia on August 30, 2007 to discuss the liquidation of the Fund and at the conclusion of the meeting a Board of Directors meeting for the Fund was set for August 30, 2007.

The Board of Directors ("the Board") Meeting for the Fund was convened on August 30, 2007. All of the members of the Board were present at the meeting. The meeting was called to place the fund into liquidation and to appoint a liquidator for the Fund. Further, to discuss matters relating to the Fund's audited financial statements for the years 2005 and 2006 as prepared by Butler and Taylor.

By a resolution passed by the Board, it was resolved that the Fund be liquidated and that Mr. James B. Gomez, C.A. be appointed the liquidator of the Fund.

CONCERNS

- **Unsecured Credit Cards**

To date no significant amounts have been paid-in by persons who made commitments to settle their outstanding credit card debts.

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

Classification	# of cards	Amount
Local	99	690,220.79
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) Dimethaid Research Inc. ("Dimethaid")

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 their outstanding loan balance. Even after the application of this payment there will be a shortfall which the Bank may be forced to write-off.

Nuvo alleges that the interest calculation on the loan violated the Canadian Interest Act and consequently, the loan 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.

Shortly after 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. Based upon the Canadian attorney's opinion, I instructed Counsel to apply to the Court for release of these funds to the general asset pool. Nuvo has also instructed local counsel to challenge this position.

A summons from Nuvo's local counsel was served on Counsel on June 20, 2007 seeking the return of the funds held by me in escrow pending Court approval. So far, no date has been set for this hearing.

CONCERNS

- **Loan receivables** (continued)

B) Other loans

I was informed that one of the debtors owns real estate in The Bahamas. I instructed Counsel to commence proceedings against this borrower.

On June 20, 2007 the borrower's local attorney wrote to us alleging that the borrower has suffered substantial investment loss regarding a security held by the Bank as collateral for the loan. The matter was investigated and the borrower's allegation cannot presently be substantiated.

- **Forged check**

Efforts are on-going to retrieve these funds in the amount of CAD125, 937, with the assistance of the Royal Bahamas Police Force.

- **Transfer of accounts**

I received a request for the transfer of three (3) accounts to a new trustee.

Below is a summary of requests to either:

- I. transfer account to a new service provider.
- II. liquidate the company.
- III. terminate the trust/company:

Transfer company to new service provider	-	43
Transfer trust to new Trustee	-	22
Close company/trust	-	18

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.

There still remains 43 accounts that have not been transferred to new service provider.

- **Shareholders Meeting**

Pursuant to notice I convened a meeting of the Shareholders of the Bank on Tuesday, September 25, 2007 at the British Colonial Hilton Hotel, Nassau, Bahamas.

CONCERNS

- **Shareholders Meeting** (continued)

The meeting was called to update the Shareholders on critical matters presently being addressed by the Liquidation. These matters included the recent default judgment in the C4T matter. Also, I provided them with an update on the progress of the Leadenhall/Axxess matter v. FFCTC.

- **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 November 30, 2007.

- **Receipts and disbursements**

The receipts and disbursements made during the period from May 23, 2007 to November 30, 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.

CONCERNS

- **Customer Communications**

I continue to receive a large volume of emails, telephone calls and correspondence 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.

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/formerly Dimethaid 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
November 30, 2007
Liquidator of Baker Tilly Gomez
Nassau, Bahamas
Leadenhall Bank & Trust Company Limited
(In Voluntary Liquidation under the Supervision of the Court)

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

As at November 30, 2007
(Expressed in Bahamian dollars)

ASSETS

Cash due from Banks	\$21,287,461
Investment in securities	3,425,963
Loans receivable, net	3,458,486
Accounts receivable	336,148
Fixed assets, net	10,669
Deposit - utilities	9,556
	<hr/>
	28,528,283

LIABILITIES

Amount due to Creditors	26,774,483
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ESTIMATED SURPLUS AS REGARDS MEMBERS **\$ 1,753,800**

Leadenhall Bank & Trust Company Limited
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Cash and Due from Banks

As of November 30, 2007
(Expressed in Bahamian dollars)

Cash and due from Banks (BSD)	A/C Type	Fcy Amount	X-Rate	BSD Eqv.
Cash on hand				
Royal Bank of Canada	C/A	227,833	1.0000	\$ 227,833
First Caribbean International	C/A	418	1.0000	418
Total BSD Cash		228,251		228,251
Cash and due from Banks (CAD)				
Generali International	F/D	1,363,030	.9993	1,362,076
First Caribbean International	F/D	798,082	.9993	797,523
First Caribbean International	F/D	21,569	.9993	21,554
Generali International	Call	37	.9993	37
Total CAD Cash		2,182,718		2,181,190
Cash and due from Banks (GBP)				
Generali International	F/D	1,598,017	2.0567	3,286,641
HSBC Bank	F/D	746,594	2.0567	1,535,520
First Caribbean International	F/D	442,320	2.0567	909,720
HSBC Bank	C/A	115,146	2.0567	236,821
First Caribbean	F/D	79,409	2.0567	163,320
Generali International	C/A	702	2.0567	1,444
Total GBP Cash		2,982,188		6,133,466
Cash and due from Banks (USD)				
Generali International	F/D	5,649,276	1.0000	5,649,276
Generali International	Call	2,858,490	1.0000	2,858,490
Royal Bank of Canada	C/A	2,339,266	1.0000	2,339,266
MasterCard	C/A	1,897,551	1.0000	1,897,551
Canaccord Capital Corp	C/A	(29)	1.0000	(29)
Total USD Cash		12,744,554		12,744,554
CLOSING CASH POSITION				\$21,287,461

Leadenhall Bank & Trust Company Limited
(In Voluntary Liquidation under the Supervision of the Court)

Statement of Receipts & Disbursements

For the period from May 23, 2007 to November 30, 2007
 (Expressed in Bahamian dollars)

OPENING CASH POSITION	\$19,982,931
Receipts	
Sale of structured asset investment at Generali International	1,017,372
Interest earned on First Caribbean Bank GBP/CAD deposits	334,340
Interest earned on Generali deposits	298,248
Refund of retainer from Florida attorney	6,049
	1,656,009
Disbursements	
Fees paid to Generali International	236,313
Liquidator's remuneration	95,383
Legal fees	57,885
Offsite storage – rent	33,500
Rent	14,000
Salaries	6,550
Repairs and maintenance	3,586
Telephone	3,112
Electricity	2,324
Bank charges	1,800
Petty cash – office expense	1,234
Internet	976
Courier	27
	456,690
Add mark to market unrealized forex difference on CAD\$ and GBP	105,211
CLOSING CASH POSITION	\$21,287,461