

PRICEWATERHOUSECOOPERS 

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**Louison Consulting
P.O. Box 1548
True Blue
St. Georges, Grenada
West Indies**

Attn: Mr. Garvey Louison – Liquidator of Bank Crozier Limited

**Daryl Sands Controller of Bank
Crozier Limited
c/o PricewaterhouseCoopers (W.I.)
Inc.
The Netherlands Building
Grand Anse
St Georges, Grenada
Telephone +1 (473) 435 2123
Facsimile +1 (473) 435 2237**

July 28, 2003

Dear Mr. Louison:

Subject: Bank Crozier Limited ("Bank")

I reference the meeting of July 25, 2003 between yourself as Liquidator of the Bank and my agents Marcus Wide and David Holukoff (the "Agents"). I confirm my continuous appointment as controller of the affairs of the Bank since July 31, 2002, by the Minister of Finance pursuant to Section 20 of the Offshore Banking Act 1996. During the above referenced meeting, the following items were disclosed and discussed with you by my Agents:

1. Outstanding Legal Actions

- There are currently two lawsuits outstanding against Daryl Sands arising in my capacity as controller of Bank. The two lawsuits are briefly described as follows, and the claims made are attached for your further reference:
 - Claim No. GDAHCV2003/0228 Grenville Winslow Phillips Controller of Bank Crozier International Limited vs. Daryl Sands of PricewaterhouseCoopers Controller of Bank Crozier Limited. This claim is for a declaration that the funds held by the Defendant in the sum of US\$6,792,596.00 is the property of the Claimant Bank, and an Order against the Defendant to forthwith pay all those sums as held interest and costs.



- Claim No. GDAHCV 2003/0220, Carla Bella Ltd. vs. Bank Crozier Limited, Daryl Sands, and the Minister of Finance. This claim is for 1.4 million Euros; and damages for loss of business, which losses are unquantifiable at this stage.

The basis of my defence to these proceedings is that both claimants are wrongfully seeking a preferential claim, which claim is prejudicial to the general body of creditors of the Bank

- You were advised that there are two injunctions arising from these claims, in the amount of US\$3.5 million and 1.4 million Euros respectively. The injunction in respect of the 1.4 million Euros expired on June 10, 2003, while the other injunction is still in effect. These injunctions are attached for your reference. You were advised that both of these claims arose out of my position as controller of the Bank and that I have a continuing indemnity from the estate of the Bank, resulting in a security interest in the Bank's assets. I would appreciate receiving your comments with respect to these lawsuits and in particular your written response to the indemnity. I recognize that it would be appropriate for you to become a party to these proceedings and in this respect I will provide whatever assistance is required to affect this.
- My Agents further advised you that I require from you written confirmation of the indemnity secured by the assets of the Bank until these matters are finalized, the claims and associated costs are quantified and the issue of the injunction resolved. As advised to you by my Agents, funds held at RBTT in accounts in the name of the controller (see #2 below) will not be transferred, disbursed or otherwise removed pending a resolution of these matters except for costs associated with defending those claims including legal expenses. It was also suggested that it may be appropriate to reference this matter to the Court and this is under my consideration.
- My Agents reported to me, your verbal response to the matter of the Bank assets as security for the indemnity being beyond your authority, and that this matter would have to be resolved and determined by the Court.

2. Bank Accounts

- My Agents advised that there are funds held in the Bank's name in the following accounts:
 - United Bank Limited, London, England



- Postgirot, Stockholm Sweden.
 - Grenada Cooperative Bank, Grenada, W.I.
 - BAC, Florida, US
- You were advised that there are funds held in the name of Daryl Sands – Controller of Bank Crozier Limited at RBTT, in Grenada. The account numbers and balances of which are as follows:
 - USD account number 766 0798, with a balance of USD 4,337,035.93
 - EC account number 553 4854, with a balance of EC 10,747.36
 - GBP account number 553 4755, with a balance of GBP598.000.56

3. Other Assets and the Bank's Premises

- My Agents provided you with both the SWIFT card, and keys to the Bank's premises. You were further advised that there is a second set of keys to the Bank which will be provided to you along with the files of the Bank, if any, in my or my Agents possession.
- You were advised that my staff or I would be happy to provide you with any assistance we can in respect to furthering your understanding of the Bank's assets, liabilities, and operations.

4. Other Matters

- In addition to the foregoing, my Agents overlooked disclosing to you circumstances surrounding deposits made to the account of the Bank by third parties depositors (the "Depositors"). Following my becoming aware on April 22, 2003 of certain matters that indicated that the Bank was now insolvent, I immediately reported these matters to the Grenada International Financial Services Authority ("GIFSA").
- On the basis of the above insolvency determination, and the resulting expectation that a Notice of Intention to revoke the Bank's license would forthwith be issued by the Minister of Finance, the controller caused all bank accounts at the Bank to be frozen effective April 22, 2003. At that time all withdrawals ceased, however, through inadvertence or otherwise, deposits continued to be accepted in the name of the Bank by its correspondent banks for several days. It has been my position that these deposits should never have been accepted and as a result I have made commitments to some of the Depositors that in the event of a liquidation, I would seek and support an Order of



the Court directing that the deposits received subsequent to April 22, 2003 be returned to the Depositors. Particulars of the deposits made and the names of the depositors are attached.

If you have any questions regarding the aforementioned, or if I can be of any assistance to you in this or any other matters, kindly contact the writer.

Yours truly,

A handwritten signature in black ink, appearing to read "D. Sands".

**Daryl Sands Controller
of Bank Crozier Limited**

cc G.W. Prime & Co.