TRANSACTION 16
ACCOUNTING EVIDENCE

DoJap Investments $8,660,000 loan from Workers Bank Trust Co. Ltd. (October, 1986 to November, 1987)

Handwritten listings by Blaise Trust Co. & Merchant Bank Ltd. ("BTMB") and Consoldated Holdings Limited ("CHL") staff and David Wong & Co.'s Edwin Douglas identify amounts charged by BTMB and CHL to their accounts with DoJap Investments Limited's ("DoJap") for the period August, 1984 to April, 1986. Included are thirteen amounts totalling approximately $2.385 million referencing payments/accruals to Workers Bank Trust Co. Ltd. ("WBT") and seven amounts totalling approximately $1.808 million referencing payments/accruals to National Commercial Bank ("NCB").

Donald Panton and Janet Panton are the sole shareholders of DoJap.

April 30, 1985 Minutes of a BTMB Board of Directors meeting indicates the Board's unanimous approval of a $3,500,000 loan to DoJap at 25% per annum to be secured by a debenture over DoJap's assets. The attending directors were Donald Panton ("Panton"), Janet Panton, Raymond Clough ("Clough") and Michael Chin ("Chin").

May, 1985 WBT correpondence indicates WBT holds various Certificates of Deposit ("CD's") in favour of BTMB. At May 7, 1985, these are consolidated into a single CD #5091 of $9,734,085.65.

June 30, 1985 BTMB trial balance listing includes a $9,734,085.65 balance noted as account #470 - Fixed Deposit.

Listings of BTMB CD deposits at WBT through the period July, 1985 to June, 1986 show a July 1, 1985 balance of $9,734,085.65 and June 30, 1986 balance of $10,995,270.93. In October, 1985, a partial redemption and a new $3,500,000 cash advance resulted in the balance being increased to $10,995,270.93.

September 26, 1985 NCB remits $218,380.00 cheque to BTMB as part proceeds of fixed deposit #087701 of $310,426.96. The covering letter indicates that the $92,046.96 difference was credited to Donald Panton's loan account to cover September, 1985 loan interest charges.

October 1, 1985 BTMB's Chin requests WBT to confirm the $9,734,085.65 balance of CD #5091 to BTMB's auditor, David Wong & Co., Chartered

Accountants. Chin includes a comment to WBT that "these deposits are held in trust for our account".

October 1, 1985, WBT's Hutchinson confirms to David Wong & Co. that WBT holds $9,734,085.65 on deposit for BTMB. (It is noted that Hutchinson does not make reference as these funds being held in trust for BTMB.)

October 7, 1985 BTMB letter by Chin, Managing Director, to Ian Phillipson of Myers, Fletcher, et al instructs Phillipson to remove the amount on fixed deposit at WBT and place it at another commercial bank in BTMB's name.

October 17, 1985 WBT's Orrett Hutchinson ("Hutchinson"), Corporate Bank Officer advises BTMB's Chin that Panton has redeposited $4,000,000 with WBT which has been placed on fixed deposit in BTMB's name at 18% interest to mature December 21, 1985. The writer refers to a second deposit of $6,482,642.50 also maturing December 21, 1985. Hutchinson indicates that the $4,000,000 represents the proceeds of a $4,000,000 loan to Panton by NCB which loan is secured by WBT's 90 day guarantee to NCB.

October 17, 1985 WBT Hutchinson letter to DoJap c/o Panton and copied to BTMB informs that BTMB has not paid the $269,475.78 arrears on Panton's loan with WBT.

Apparently on the October 22, 1985 direction by Panton, BTMB remits $269,475.78 to WBT on October 23, 1985 being interest owing by DoJap to September 25, 1985. BTMB's Chin and Marcia Carvalho ("Carvalho") sign this cheque.

November 13, 1985 BTMB remits $40,000 to WBT being the guarantee fee charged to DoJap for WBT's providing a 90 day guarantee to NCB. Chin and Carvalho sign BTMB's $40,000 cheque #1144.

December 30, 1985 the Board of Directors of BTMB pass a resolution to loan $6,500,000 to DoJap at 30% interest per annum to be secured by a debenture on the assets of DoJap.

December 30, 1985 resolution by DoJap's Secretary, Janet Panton, resolves that DoJap issue a debenture of $5,000,000 in favour of BTMB.

DoJap $5,000,000 debenture granted to BTMB as security to a $5,000,000 loan by BTMB to DoJap. Debenture copy shows date only as 1986. The debenture is signed by Donald and Janet Panton as Director and Secretary of DoJap.

BTMB auditor working paper analysis as at December 30, 1985 indicates account #489 loan balance due from its affiliate, DoJap, to be $4,955,691.63.

CHL auditor working paper analysis as at December 30, 1985 indicates account balance due from its affiliate, DoJap, to be $4,689,896.96. This analysis includes charge entries referencing Workers Bank and DoJap as follows:

• Dec 11	$250,207.50
• Dec 31 (Blaise July)	732,500.00
• Dec 31 (Blaise August)	306,070.43
• Dec 31 (Blaise Sept)	301,782.47

January 2, 1986 WBT deposit receipt TR #005478 in the amount of $10,995,270.93 is issued in favour of BTMB at a 20% interest rate for 90 days to mature April 1, 1986.

January 23, 1986 BTMB receipt #4271 indicates the receipt of $422,394.65 from DoJap (being BNS cheque #2371132). BTMB issues its CD #2347 for $422,394.65 in favour of DoJap for one year to mature January 22, 1987 at 25% interest per annum. This CD is signed by BTMB's Chin and George HoSang ("HoSang"), Executive Director.

January 29, 1986 BTMB's Chin, in response to a WBT request to collect DoJap's loan interest arrears, advises WBT that BTMB is unable to accomodate such payment and to direct future requests to Panton of DoJap.

February 3, 1986 BTMB's Chin writes to WBT's Hutchinson noting that BTMB's fixed deposit of $10,995,270.93 earns interest at 20% whereas going rates at other commercial banks are in the 25% to 26% range for an amount of this size. Chin requests that the rate for BTMB's deposit be increased.

February 6, 1986 BTMB remits cheque #1837 for $100,000.00 to NCB on account of DoJap interest due. The cheque is signed by HoSang and Carvalho.

February 12, 1986 minutes of a BTMB Board meeting indicate approval to loan $5,000,000 at 35% interest per annum to DoJap secured by a debenture over DoJap's assets. The approval was unanimous by BTMB's directors, Panton, Janet Panton, and Chin.

February 18, 1986 WBT's Hutchinson responds to Chin's rate increase request of February 3, "Without having to go into the reason(s) for the rate now being paid, we advise of our concurrence to pay you our going rate on deposits at the next maturity date - ie. April 1, 1986."

March 3, 1985 BTMB remits cheque #2099 for $100,000.00 to NCB on account of DoJap interest due. The cheque is signed by BTMB's Chin and Wayne Campbell ("Campbell"), Accountant.

March 3, 1986 NCB receipt reflects the crediting of $100,000.00 to Donald Panton's account #252273921. The receipt references BTMB cheque #2099.

March 6, 1986 WBT letter by Hutchinson to DoJap's Panton notifies that loan interest arrears amount to $321,540.00. If payment is not made, the writer advises Panton that its option "is to encash the deposits being held as collateral security against the loans, and repay our loans". Hutchinson further advises that WBT requires that the credit facility be structured to reflect a mutually satisfactory repayment programme and request receipt of DoJap's financial statements. Hutchinson advises that WBT's undertaking to National Commercial Bank has expired and will not be renewed.

March 11, 1985 CHL cheque requisition indicates approval by Campbell for the issuing of CHL cheque #46894 for $120,000.00 in favour of NCB on account of DoJap interest due.

March 11, 1986 BTMB's Campbell requests WBT to confirm the balance of CD #5091 as at December 31, 1985 and interest earned July 1 to December 31, 1985 to BTMB's auditor, David Wong & Co., Chartered Accountants.

March 12, 1986 BTMB letter by Michael Chin ("Chin") authorizes WBT to deduct DoJap loan interest from interest earned on BTMB's Certificates of Deposit ("CD's") placed at WBT and to handle future monthly interest charges in the same manner until BTMB advises to discontinue. This letter is copied to Panton and HoSang.

March 13, 1986 NCB credit advice reflects a credit of $120,000.00 to Donald Panton's account #252273921 paid by BNS cheque #0046898 referenced Consolidated Holdings Limited.

March 25, 1986 WBT letter by Hutchinson to BTMB's Chin discloses that $433,790.66 interest for the three months ending March 25, 1986 is due on DoJap's loans and $536,207.73 interest is due and payable on BTMB's Certificate of Deposit to March 31, 1986. WBT indicates it will apply the $102,417.07 excess of interest owing to BTMB over the interest due from DoJap ($536,207.73 - $433,79.66) against a $120,000.00 fee owing to WBT in respect of its renewing its guarantee to National Commercial Bank in respect of the $4,000,000 loan. Hutchinson advises that the balance of the fee will be provided by Panton. This letter is copied to Panton and HoSang.

April 29, 1986 BTMB cheque voucher #2651 indicates payment of $98,725.76 to NCB as interest on DoJap loan. Campbell and Carvalho sign the voucher.

April 30, 1986 NCB credit advice reflects a credit of $98,725.76 to Donald Panton's account #252273921 and is referenced "BNS cheque #002651 dd 29/4/86".

May 2, 1986 WBT letter by Hutchinson to BTMB encloses WBT cheque #1993 in the amount of $72,339.18 being the excess of interest earned on WBT CD #5596 for $10,995,270.93 in favour of BTMB for 30 days over $108,345.00 interest owing on DoJap demand loan.

May 21, 1986 BTMB cheque voucher #2946 indicates payment of $126,555.18 to NCB as monthly interest on DoJap loan. Campbell and HoSang sign the voucher.

June 5, 1986 WBT letter by M. A. Mossop to BTMB encloses WBT cheque #2109 in the amount of $64,443.99 being the excess of $186,768.99 interest earned for May, 1986 over DoJap's loan interest of $122,325.00 to April 25, 1986.

June 20, 1986 BTMB cheque voucher #3366 indicates payment of $101,418.72 to NCB as monthly interest for the month of May on DoJap loan. Campbell and HoSang sign the voucher. The covering letter by HoSang advises "We gather that arrangements have been put in train for this loan to be settled within six (6) months time and you will be provided with progress reports on this decision." This letter is copied to Panton and to WBT's Hutchinson.

June 23, 1986 NCB credit advice reflects a credit of $101,418.72 to Donald Panton's account #252273921 and is referenced "Blaise Trust Co. Ltd. cheque #003366 dd 20/6/86".

June 24, 1986 WBT's Hutchinson advises BTMB's HoSang in regards to Donald Panton - Guarantee of $4.0 million to NCB "We have today renewed our guarantee to NCB for a further period of six months to expire December 24, 1986. The renewal fee is 3% or $120,000.00. It is our understanding that you will send us your cheque for this amount by latest June 30, 1986.". This letter is copied to Panton. The letter includes handwritten notations, apparently by HoSang, "Wayne, Please discuss with me" and "Note: Pd. BNS CQ. #0003666 dd 8/7/86".

June 24, 1986, WBT's Hutchinson writes to NCB's Pomells in regards to Donald Panton - Loan of $4.0 million "We refer to previous correspondance on the subject and particularly to our letter dated March 21, 1986 requesting an extension to June 20, 1986 of our undertaking to you dated June 6, 1985. Subsequent to discussions between all the parties concerned, we again request that you grant us a further extension of six months to expire December 23, 1986." This letter is copied to Panton and to BTMB. Notations indicate HoSang and Wayne (Campbell) have seen this letter.

June 30, 1986 (prepared September 9, 1986) David Wong & Co. working paper #C-2 prepared by Edwin Douglas for BTMB includes amounts comprising DoJap's account balance with BTMB including amounts charge to DoJap referencing Workers Bank:

- $579,475.72 referenced as "Oct 85 Workers & NCB Int.payments"
- $40,000.00 referenced "Nov 85 Workers Bank"
- $433,790.66 referenced "March 86 Int. on Workers Bank Loan"
- $102,417.00 referenced "Renewal Fee"
- $120,000.00 referenced "April 86 Renewal Fee Workers Bank Loan"
- Adjustment #13 Interest charged and paid re Workers Bank Loan - DoJap

April 86	$108,744.18
May 86	$122,325.00
June 86	$126,402.50

June 30, 1986 David Wong & Co. working paper #C-1 prepared by Edwin Douglas for BTMB analyzes the amounts charged to Consolidated Holdings Limited's account with BTMB including amounts paid by BTMB which are referenced NCB and WBT:

- $306,070.43 referenced as "August 86 Workers Trust Co. - Int. on DoJap loan"
- $301,782.47 referenced "Sept - Nat. Commercial Bank"
- $100,000.00 referenced "Feb 86 NCB Cheque #1837"
- $100,000.00 referenced "March 86 NCB Cheque #2099"
- $98,725.76 referenced "April 86 NCB Cheque #2651"
- $126,555.18 referenced "May NCB Cheque #2946"
- $101,418.72 referenced "June NCB Cheque #3366"

June 30, 1986 David Wong & Co. Adjusting Journal Entries includes AJE #13 charging $357,471.68 to DoJap's account with BTMB as interest earned. The narration indicates "Being portion of interest earned on CD #5596 used to pay re D/loan Workers Bank - DoJap Investments Ltd. April to June 86 as per letter in Workers Bank in-house files".

June 30, 1986 David Wong & Co. Adjusting Journal Entries includes AJE #46 charging $1,331,365.00 to DoJap's account with BTMB as interest earned. The narration indicates "Being difference on funds held at Workers Trust Co. Ltd. as security against Dojap loan which would have yield 32.5% instead of 28% as per documents provided by Management."

June 30, 1986 David Wong & Co. working paper #P-1 prepared by Edwin Douglas for CHL analyzes the amounts charged to Consolidated Holdings Limited's account with DoJap including amounts paid by BTMB which are referenced NCB and WBT:

- $40,000.00 referenced "Guarantee fee NCB Aug 85"
- $250,207.50 referenced "Loan Interest - Workers Savings 11/12/85"
- $266,070.43 referenced "Workers Saving & Loan Bank Aug 85"
- $301,782.47 referenced "NCB Sept 85"
- $100,000.00 referenced "NCB 6/2/86"
- $100,000.00 referenced "NCB 4/3/86"
- $120,000.00 referenced "NCB 11/3/86"
- $98,725.76 referenced "NCB 29/4/86"
- $126,555.18 referenced "NCB 21/5/86"
- $101,418.72 referenced "NCB 20/6/86"

These amounts total $1,504,760.06 and are included in the $5,941.285.14 balance owing by DoJap to CHL as at June 30, 1986.

June 30, 1986 David Wong & Co. working paper #M-1 for BTMB's Short Term Deposits listing includes a line entry referencing Workers Bank Trust 22% one year $1,140,000.00.

July 9, 1986 BTMB's cheque voucher #3666 indicates BTMB payment of $120,000.00 to WBT as fee for WBT's renewal of its guarantee given to NCB for repayment of Panton's $4,000,000 loan. The voucher is signed by Campbell and HoSang.

July 9, 1986 WBT's letter to BTMB covers its cheque #2224 for $72,416.10 in favour of BTMB being the excess of June, 1986 interest of $198,818.60 on $10,995,270.63 of BTMB deposits over DoJap demand loan interest of $126,402.50. WBT's Mossop advises that CD #5596 for $10,995,270.93 was renewed on July 3, 1986 for 90 days at 17% interest per annum and a new CD #5820 was issued.

July 16, 1986 BTMB cheque voucher #3754 indicates payment of $92,296.40 to NCB as monthly interest for June, 1986 on DoJap loan. Campbell and HoSang sign the voucher.

July 17, 1986 NCB confirms receipt of $92,296.40 re Donald Panton loan interest covering interest due to June 30, 1986.

August 7, 1986 BTMB cheque voucher #4081 indicates payment of $94,629.98 to NCB as monthly interest for July, 1986 on DoJap loan. Carvalho and HoSang sign the voucher.

August 14, 1986 WBT's letter to BTMB covers its cheque #2314 for $26,186.47 in favour of BTMB being the excess of July, 1986 interest of $148,511.47 on $10,995,270.63 of BTMB deposits over DoJap demand loan interest of $122,325.00.

August 27, 1986 NCB's Pommells letter to Panton confirms that the extension requested for Panton's $4,000,000 loan has been approved and will now expire December 24, 1986.

September 4, 1986 BTMB cheque voucher #4425 indicates payment of $78,595.53 to NCB as monthly interest for August, 1986 on DoJap loan. Campbell and HoSang sign the voucher.

September 4, 1986 WBT's letter to BTMB covers its cheque #2409 for $32,351.14 in favour of BTMB being the excess of August, 1986 interest of $158,753.64 on $10,995,270.63 of BTMB deposits over DoJap demand loan interest of $126,402.50.

October 2, 1986 BTMB cheque voucher #4779 indicates payment of $78,232.31 to NCB as monthly interest for September, 1986 on DoJap loan. Campbell and Carvalho sign the voucher.

October 6, 1986 WBT's Mossop letter to BTMB advises that CD #5820 for $10,995,270.93 matured October 1, 1986 and was renewed at a value of $10,999,999.99 (being renewed principal of $10,995,270.93 plus interest capitalized of $4,729.06). The letter advises that from interest earned on the CD to October 2, 1986 of $163,874.72, $109,898.33 was paid to WBT referenced T/Street for DoJap, $43,493.33 was paid to Trust Company for DoJap, $4,729.06 was capitalized and the $5,753.99 was paid to BTMB.

October 10, 1986 BTMB's HoSang letter to WBT awknowledges new CD #5994 for $11,000,000.00 in favour of BTMB.

October 17, 1986 WBT's Hutchinson advises that DoJap's application for credit has been considered and advances will be made available on terms and conditions included in the letter. WBT will lend DoJap $8,660,000.00. Some of the terms and conditions of this offer are as follows:

- Demand loan
- BTMB to provide its unlimited guarantee
- Loan proceeds are to be applied to discharge a prior $4,660,000 loan due to WBT (Tower Street branch) and a $4,000,000 loan owing by Donald Panton to NCB
- 7 year terms with $100,000 monthly principal paydown
- Interest rate to start at 27% per annum
- BTMB's guarantee to be supported by hypothecation of a minimum of $9,000,000 of Certificate of Deposit ("CD") receipts to be placed with WBT
- BTMB as guarantor to provide written authority for WBT to apply any and all interest on BTMB's deposits in full or partial settlement of interest owing on loan by DoJap
- Committment fee of $129,900.00 and legal and documentation fee of $43,550.00 are the borrowers responsibility
- Security is to include guarantee of DoJap directors supported by assignment of life insurance
- BTMB to provide a letter of undertaking to make good the required monthly loan payments on behalf of DoJap
- BTMB to apply at least $1,000,000.00 of current CD deposits totalling $11,000,000.00 at WBT to pay loans owing to Vehicles & Supplies which will in turn repay DoJap an amount owing being not less than $750,000.00 which proceeds DoJap will use immediately to reduce the amount of this committment
- WBT will cancel its guarantee to NCB in respect of the $4,000,000.00 loan to Panton

It is apparent from this offer that WBT had previously provided its guarantee as security for Donald Panton's $4,000,000 loan owing to NCB.

October 31, 1986 BTMB letter to WBT (Hutchinson) and copied to Panton relating to DoJap $8,660,000 demand loan is referenced "Guarantor Blaise Trust Company Limited". BTMB notes that its acceptance of WBT's offer of finance dated October 17, 1986 and addenda is conditional on the acceptability of several revisions to WBT's terms and conditions including a committment fee reduced to $108,250.00.

October 31, 1986 BTMB cheque voucher #5094 indicates payment of $89,127.86 to NCB as monthly interest for October, 1986 on DoJap loan. Campbell and Carvalho sign the voucher.

November 3, 1986 WBT's Hutchinson letter to DoJap's Panton seeks revisions to the terms of WBT's proposed loan of $8,660,000.00 to DoJap. WBT refuses to reduce the hypothecation of CD's down from $9,000,000.00.

Particularly, WBT has not received certain written security matters from BTMB relating to undertaking, NCB loan payout direction.

November 3, 1986 DoJap's Panton letter to BTMB's HoSang indicates "Enclosed please find letter from Mr. Hutchinson of Workers Bank Trust Co., which you will find to be self explanitory. Please on receipt of this letter kindly execute as quickly as possible."

November 6, 1986, WBT's letter to BTMB covers its cheque #2640 for $61,834.00 in favour of BTMB being the excess of 34 days interest of $174,191.78 on CD #5994 for $11,000,000 over DoJap demand loan interest of $112,357.78. The writer advises that CD's totalling $11,000,000 are enclosed, including CD #6044 for $9,000,000 for 92 days at 17% interest.

November 12, 1986 BTMB cheque voucher #5284 in the amount of $151,828.28 payable to WBT is referenced "Being payment of committment and legal fees paid on behalf of Do Jap Ltd. re loan facility". The voucher includes a second reference indicating the disbursement is to be charged to DoJap's loan account with BTMB. The voucher is signed by Campbell and HoSang.

November 12, 1986 BTMB's HoSang confirms acceptance of the loan conditions identified in WBT's November 3, 1986 letter, particularly the requirements securing BTMB's security and guarantee. This is copied to Panton.

November 12, 1986 minutes of BTMB Board of Directors meeting indicates approval of a motion "That loans advance to Do-Jap Investments Limited and Northern Industrial Garage Limited be given a one year moratorium on principal and interest and repayment commence 1987 at one million and five hundred thousand per year respectively for both companies." This was approved by Panton, Janet Panton, Chin, HoSang and Carvalho as directors or secretary.

November 13, 1986 WBT's Hutchinson requests DoJap to provide its written instruction to apply $4,000,000 of the $8,660,000 DoJap loan committment in satisfaction of loans outstanding to Panton at NCB.

December 1, 1986 WBT's Hutchinson letter to NCB's Pommells refers to enclosed WBT cheque for $4,000,000 to be used to repay in full the principal balance of Donald Panton's loan and to discharge WBT's undertaking to NCB dated June 6, 1985. This letter is copied to Panton and blind copied to BTMB.

December 4, 1986, WBT's letter to BTMB covers its cheque #2716 for $8,636.53 in favour of BTMB being the excess of 28 days interest of $117,369.86 on CD #6044 for $9,000,000 over DoJap demand loan interest of $108,733.33.

January 9, 1987 minutes of BTMB Board of Directors meeting approves a motion "That loans advanced to Do-Jap Limited be repaid over a forty-eight (48) month period at Two hundred and fifty thousand dollars per month as at 31st January, 1987."

January 12, 1987 WBT's Hutchinson requests BTMB remit $27,063.50 stamp duty charges re $8,660,000 DoJap loan.

January 13, 1987 NCB letter to BTMB's Campbell identifies a $94,392.53 balance of principal and interest owing on Donald Panton's loan of $4,000,000. This is after a credit deposit of $4,000,000 dated December 2, 1986.

January 15, 1987 BTMB letter copied to Panton to NCB (L. M. Pommells) refers to BTMB's enclosed cheque #6074 in the amount of $94,392.53 in favour of NCB representing interest due and payable on Donald Panton loan.

January 20, 1987 NCB credit advise discloses $94,392.53 credit to Panton's account #252273921 referenced "BNS #0006074 - Blaise Trust Co. Ltd."

January 22, 1987 CHL receipt by Carvalho discloses $422,394.65 received from DoJap with a reference "Debenture - 1 year at 19%"

January 22, 1987 BTMB appears to offer additional or replacement security to WBT in regards to the $9,660,000 loan to DoJap in the form of mortgages owing to BTMB by third parties. WSB does not accept the revised loan security. ?????

January 28, 1987 WBT's Hutchinson letter to BTMB's HoSang requests payment of DoJap loan arrears of $458,407.97 for principal of $300,000 for the months November, December, 1986 and January, 1987 and interest from December, 1986. This request was amended to arrears of $420,161.27 by WBT's letter dated February 4, 1987.

A February 5, 1987 letter by Audrey Anderson, Director of Bank Inspection for the BOJ, indicates that BTMB has misrepresented its statutory liquidity position as funds have been hypothecated to secure the indebtedness of a BTMB affiliated company at another financial institution. Anderson seeks a speedy rectification of this matter.

In a February 12, 1987 response to a February 5, 1987 request by Audrey Anderson ("Anderson"), Director of Bank Inspection for the BOJ, HoSang responds "In response to paragraph 5 of your letter, please be advised that this was not intended, nonetheless, due to misconceived arrangements for securing the indebtedness of an associated company, your observation is now a fact. Please be assured that we have now taken the necessary steps to correct the situation by bringing about the release of the deposits hypothecated; as a matter of fact, $1.13 million of the hypothecated amount is now in the process of being released."

February 16, 1987 DoJap remits Eagle Merchant Bank CD #16477 $1,139,903.82 in favour of DoJap to WSB requesting that WSB release a like amount of BTMB's CD's securing DoJap's $8,660,000 loan. Investigation has determined that the $1,139,903.82 funds belonged to L. S. Panton, father of Donald Panton, and were remitted to Donald Panton's care. Refer to Transaction 6 for further details.

February 18, 1987 WBT's Mossop letter to BTMB's Chin advises that CD #6044 for $9,000,000 and CD #6043 for $1,000,000 in favour of BTMB were renewed February 17 for 90 days at 17% interest. The new CD's are #6654 for $9,000,000 and #6653 for $1,000,000. Mossop further advises that $74,520.54 interest has been applied to DoJap's loan account.

April 8, 1987 WSB letter notifies DoJap that its loan account is in arrears.

April 29, 1987 BTMB cheque #117 in the amount of $287,068.72 is in favour of WBT on account of February and March principal and interest due on DoJap loan. This disbursement has been recorded as management fee expense in BTMB's accounts.

May 18, 1987 Eagle Merchant Bank CD #16477 in favour of DoJap matures and the proceeds are applied to purchase Eagle Merchant Bank CD #18772 in the amount of $1,174,954.56 which matures August 18, 1987.

June 5, 1987 WSB letter to DoJap indicates it will set-off CD interest against principal and interest amounts owing on DoJap loan.

June 24, 1987 BTMB cheque #1170 in the amount of $278,704.95 is in favour of WSB on account of interest due on DoJap loan. This disbursement has been recorded as management fee expense in BTMB's accounts.

June 30, 1987 David Wong & Co. auditor working paper #CC prepared by Edwin Douglas provides an analysis of BTMB's Fixed Deposit investments which include $10,000,000 held in two CD's of $1,000,000 and $9,000,000 at Workers Bank Trust Co. Ltd. as at June 30, 1987. An auditor's narration is as follows:

> "Letters seen in Workers Bank Trust Co. Ltd. states that $9,000,000 fixed deposit is hypothecated re DoJap Investment loan. See attached copy of letter requesting further confirmation."

Additionally, the analysis indicates BTMB holds CD's issued by Eagle Merchant Bank, CD #19604 for $803,838.02 and CD #19893 for $1,000,000.00.

June 30, 1987 David Wong & Co. audited financial statements of BTMB reports in Note 16 that BTMB has a contingent liability under guarantees and undertakings for bank loans extended to a subisidiary and a related company.

July 1, 1987 BTMB Opening Entries trial balance includes a $10,000,000.00 debit for account #470 - Fixed Deposit - WSLB.

August 18, 1987 WBT's Hutchinson letter to DoJap's Panton that a receipt of $370,761.53 is required to bring DoJap's loan account current as at August 25, 1987. Hutchinson requests receipt of this amount by August 31, 1987 "so that we will not find it necessary to take this amount from the security being held against the loan".

August 31, 1987 BTMB cheque #1990 in the amount of $370,761.53 is in favour of WBT on account of interest due on DoJap loan. This disbursement has been recorded as management fee expense in BTMB's accounts.

October 1, 1987 letter by Shirley-Ann Eaton, counsel for Workers Trust & Merchant Bank Limited to BTMB's HoSang demands, based on BTMB's position as guarantor, the immediate liquidation of DoJap's demand loan indebtedness of $7,660,000 by BTMB and indicates WBT's intention to encash BTMB's CD security if repayment is not completed. The letter seeks repayment by October 5, 1987.

October 5, 1987 WSB grants a 60 day extension to its prior demand for repayment of the $8,660,000 DoJap loan.

October 7, 1987 Eagle Merchant Bank letter references Donald Panton's seeking a replacement credit facility for DoJap, Vehicles & Supplies, C. D. Leasing and Dona-Clar Properties whose current credit arrangements with WSB are in dispute.

October 22, 1987 BTMB directs Eagle Merchant Bank to encash CD #21740 for $1,222,175.16 in favour of DoJap and #22049 for $842,792.29 in favour of BTMB and pay proceeds to WSB on account of DoJap loan paydown.

October 22, 1987 Eagle Merchant Bank remits its cheque #19715 for $2,088,669.15 to BTMB.

November 13, 1987 BTMB letter to WSB references several DoJap loan paydown transactions:

Balance outstanding	$7,660,000.00
October 28, 1987 payment	(4,190,385.32)
November 3, 1987 payment	(2,000,000.00)
Balance due	$1,269,614.68 plus interest

Minutes dated December 9 and 16, 1987 and January 6, 1988 of meetings of the BTMB Management Commitee of which Donald Panton was an attendee, Panton stated that newly received deposit funds should be placed in interest bearing accounts so that his father's deposits could be repaid. HoSang presented Panton with a schedule identifying four separate uses of his father's deposits including "the amount of $1.2M received was placed in a deposit in the name of DoJap, but that this deposit was later encashed and the proceeds used for a particular purpose for which Mr. Panton is well aware."

June 30, 1988 David Wong & Co. auditor's Adjusting Journal Entries working paper for BTMB includes ADJ #71 that charges $138,440.27 to DoJap's account with BTMB. The narration indicates "Being posted of $6M payment to Workers Bank which include interest earned."

June 30, 1988 David Wong & Co. auditor's Adjusting Journal Entries working paper for BTMB includes ADJ #85 that charges $370,761.53 to Management Fees expense and $580,480.65 to DoJap's account with BTMB. The narration indicates this entry to be a re-allocation of cheque payments. It is noted that the $370,761.53 amount relates to BTMB cheque #1990 of August 31, 1987 in favour of Workers Bank that was previously charged to BTMB's Sundry Receivable account.

June 30, 1989 David Wong & Co. auditor's working paper #V-14 includes BTMB adjusting journal entry charging $2,080,206.08 to DoJap's account with BTMB. The narration accompanying this adjusting entry notes "Being entry made in 1988 by Auditors not posted by Accountant to general ledger. Amount represents final payment to Workers Bank re DoJap loan 1988.

Minutes dated April 11, 1990 of BTMB Management Commitee meeting attended by Panton indicate that Edwards sought a meeting with Panton, Hutchinson and Wong to review "certain figures with regards to Mr. L. S. Panton's account, and DoJap. Mr. Panton responded that Mr. Hutchinson had already briefed him on the matter and such a meeting was not necessary." The minutes indicate Edwards concern regarding what monies were used to pay off Workers Bank for DoJap and what monies were used to purchase the Constant Spring Warehouses. The minutes indicate "Mr. Edwards said when all this was done, he as the accountant of Blaise Trust, was being asked to deal with figures not on the books and he has to account to Mr. L. S. Panton for not only a deposit of $1M but also the accrued interest of approximately $900,000."

TRANSACTION 16
Issues to be Resolved - August, 1996

DoJap Investments $8,660,000 loan from Workers Bank Trust Co. Ltd. (October, 1986 to November, 1987)

Several matters relating to this matter require further investigation

1) Issues for further review:
- Whether auditor Wong was deceived as to the pledging of BTMB CD's for years prior to June 30, 1987
- False liquidity reports to BOJ
- CHL loan to Hutchinson in May, 1985 to February, 1986 and whether any benefit was provided

2) Further accounting
- To complete determination of source of funds to discharge $8,660,000 DoJap loan in November, 1987
- To determine whether BTMB pledged its CD deposits to WBT prior to October, 1986
- History of Panton $4 million loan at NCB - start date, whether security includes assistance by BTMB/CHL, etc.
- History of DoJap loan at WBT prior to October, 1986 - security assistance by BTMB/CHL if any

TRANSACTION 16
OVERVIEW

DoJap Investments $8,660,000 loan from Workers Bank Trust Co. Ltd. (October, 1986 to November, 1987)

This report is based on available documentation at BTMB being correspondance amongst BTMB, Workers Trust Bank, and National Commercial Bank and BTMB banking, cash and accounting records.

Further information concerning security conditions to loans would be available in the loan files maintained by both Workers Trust Bank and National Commercial Bank.

In early 1985, DoJap Investments Ltd. ("DoJap") had an outstanding $4,660,000 loan at Workers Bank Trust Co. Ltd. ("WBT"). Key security to this loan was provided by Blaise Trust Co. & Merchant Bank Ltd. ("BTMB") placing funds on deposit at WBT to purchase and retain possession of Certificates of Deposit ("CD's") that totalled between $9 million and $11 million. Available records do not indicate whether these CD funds were hypothecated as security to DoJap's loan at WBT prior to October, 1986.

Also, in early 1985, Donald Panton ("Panton") had a $4,000,000 loan at National Commercial Bank ("NCB"). Security appears to have been a guarantee provided to NCB by WBT. The CD's in favour of BTMB held by WBT also appear to have provided security to WBT's guarantee given to NCB.

WBT's guarantee of Panton's $4,000,000 loan at NCB was to expire in March, 1986 but was extended.

BTMB remitted payments to both WBT and NCB in 1984, 1985, and 1986 on account of loan interest and loan principal in relation to loan obligations owing by DoJap and Donald Panton. BTMB recorded these payment amounts either to its loan account with DoJap or to its inter-company account with Consolidated Holdings Limited ("CHL"), a subsidiary company. For amounts charged to CHL's account by BTMB, CHL, in turn, charged these amounts to its account with DoJap.

DoJap's $4,660,000 credit facility at WBT was renegotiated in October, 1986 by Panton with WBT's Corporate Banking Officer, Orrett Hutchinson ("Hutchinson"). BTMB's Michael Chin, George HoSang and Wayne Campbell corresponded with WBT regarding terms and conditions applicable to BTMB. A new demand loan of $8,660,000 was provided by WBT with $4,660,000 proceeds applied to discharge DoJap's prior loan and $4,000,000 proceeds disbursed to discharge Panton's loan at NCB. BTMB hypothecated $9,000,000 of fixed deposit CD's which were retained by WBT as key security to this new loan.

BTMB received no benefit as a result of the risk assumed with its guarantee and hypothecation of $9,000,000 CD's on behalf of DoJap. DoJap appears to not have been financially able to meet the requirements for loan interest payment or loan principal repayment from its own means.

BTMB paid legal and committment fees charged by WBT to DoJap on account of DoJap's new loan.

Between November, 1986 and October, 1987, BTMB made interest payments to WBT on account of DoJap's $8,660,000 loan. BTMB's Chin also authorized WBT to deduct DoJap loan interest amounts from WBT's payments of CD interest income owing to BTMB.

BTMB's monthly returns to the Bank of Jamaica failed to disclose this hypothecation of $9,000,000 of its CD fixed deposits contrary to regulations of the Protection of Depositors Act. As a result, BTMB failed to comply with liquidity requirements.

In February, 1987, Bank Inspection of the Bank of Jamaica was made aware of BTMB's breach of liquidity and requested that the matter be speedily corrected.

In March, 1987, Panton directed that $1,139,903.82 of L. S. Panton funds be used to purchase a CD of the same amount issued by Eagle Merchant Bank in favour of DoJap. Panton further directed that this CD be delivered to WBT to allow WBT to release from hypothecation $1,139,903.82 of CD's in BTMB's name. This reduction of BTMB's exposure to DoJap's loan was reported to Bank Inspection. Transaction 6 provides further details regarding the treatment of L. S. Panton's $1,139,903.82.

In October, 1987, WBT called DoJap's demand loan.

DoJap authorized WBT to encash the accumulated balance arising from the $1,139,903.82 CD issued to DoJap by the Eagle Merchant Bank and apply same to paydown DoJap's loan at WBT. As a result, WBT credited $1,209,____ to DoJap's loan.

BTMB authorized WBT to encash WBT CD #21740 in favour of BTMB in the amount of $ and apply the same proceeds as a reduction of DoJap's loan.

Other amounts to paydown DoJap's loan at WBT have not yet been fully traced. Loan files from WBT would assist in determining the source of funds used to discharge DoJap's debt to WBT in November, 1987 and whether BTMB funds were used.

Summary:

Panton directed BTMB staff to provide its guarantee and also $9,000,000 of BTMB's funds as CD security to WBT's $8,660,000 loan to DoJap knowing that there was no resultant benefit to BTMB.

DoJap had previously provided debenture security to BTMB for credit facility approved by BTMB's Board of Directors, but this security was not perfected.

The proceeds of the $8,660,000 new DoJap loan at WBT were used as follows: $4,000,000 to discharge a Donald Panton loan at NCB and $4,660,000 to discharge the prior loan of DoJap at WBT.

Through the period 1984 to November, 1987, BTMB disbursed amounts to NCB and WBT on account of loan interest and loan principal reduction for debts owing to NCB on the $4,000,000 loan to Donald Panton and owing to WBT on the $4,660,000 and then $8,660,000 loans to DoJap.

BTMB also disbursed loan committment and other fees to WBT on account of DoJap's loan.

In March, 1986, BTMB's Chin authorized WBT to set-off loan amounts owing by DoJap against interest due BTMB on the CD's held by WBT.

Both the disbursements by BTMB to NCB and WBT and the DoJap loan interest amounts set-off against CD interest income were charged by BTMB to either its loan account with DoJap or to its inter-company account with Consolidated Holdings Limited ("CHL"). In turn, CHL charged these amounts owing to BTMB to its account with DoJap.

WBT called for repayment of DoJap's demand loan in October, 1986. Details of funds used to discharge DoJap's loan have not been fully determined. Partial discharge was made from the encashment of CD's held by WBT in favour of DoJap (Transaction 6) and BTMB.

TRANSACTION 16
SUSPECTS/INVOLVED PERSONS

DoJap Investments $8,660,000 loan from Workers Bank Trust Co. Ltd. (October, 1986 to November, 1987)

The following persons have been identified as being involved, either by association, their position in the entities, or in correspondance.

Their culpability will be determined through investigation.

Panton, Donald

- Shareholder/Director of BTMB
- Shareholder/Director of DoJap Investments
- Beneficiary of $4,000,000 loan from National Commercial Bank secured by Workers Savings Trust Co. Ltd. guarantee which was in turn secured by BTMB CD's hypothecated to Workers Bank Trust Co. Ltd.
- Directed BTMB to secure DoJap Investment's $8.66 million loan from Workers Bank Trust Co.
- Directed BTMB staff through the period January, 1985 to November, 1987 to disburse payments to National Commercial Bank and Workers Trust Bank to cover principal and interest amounts owing on loans by Donald Panton and DoJap Investments respectively
- Directed replacement of $1,139,903.82 of BTMB CD security with funds from L. S. Panton for which BTMB falsely issued its CD #1851 for $1,139,903.82 in favour of L. S. Panton
- Caused BTMB to encash Eagle Merchant Bank CD's #22049 for $842,792.29 and #21740 for $1,222,175.16 and remit proceeds to Workers Bank Trust Co. for paydown of DoJap loan
- Aware that BTMB provided false liquidity reports to the Bank of Jamaica

Hutchinson, Orrett

- Former Corporate Banking Officer with Workers Bank Trust Co. Ltd.
- Negotiated conditions of $8.66 million Workers Bank Trust Co. loan to DoJap Investments and handled Workers Trust Bank's guarantee arrangements with National Commercial Bank for Donald Panton's $4,000,000 loan there
- Was the beneficiary of loans totalling $675,762.57 through the period May, 1985 to

	June, 1986 from Consolidated Holdings Limited •Added as a bank account signatory to BTMB's bank accounts at BNS and CNB in September, 1988
Campbell, Wayne	•BTMB Accountant •Signed various BTMB cheque requisitions and cheques for payments to National Commercial Bank and Workers Trust Bank relating to loan principal and interest owing on loans to Donald Panton and DoJap Investments respectively
Chin, Michael	•Member of BTMB's Management Committee and BTMB Managing Director •Assisted arrangements of BTMB's security to DoJap's loan from Workers Bank Trust •Authorized Workers Trust Bank to offset CD interest earned on BTMB deposits against DoJap loan interest amounts
HoSang, George	•Executive Director, BTMB •Involvement with BTMB's CD security provided to Workers Bank Trust for loan to DoJap •Signed BTMB cheque requistions and cheques for payments in favour of Workers Bank Trust and National Commercial Bank relating to loan interest amounts owing on loans to DoJap Investments and Donald Panton
Carvalho, Marcia	•BTMB Secretary •Signed BTMB cheque requistions and cheques for payments in favour of Workers Bank Trust and National Commercial Bank relating to loan interest amounts owing on loans to DoJap Investments and Donald Panton

TRANSACTION 16
WITNESS' SUMMARIES

**DoJap Investments $8,660,000 loan from Workers Bank Trust Co. Ltd.
(October, 1986 to November, 1987)**

Witness' Summaries

Wong, David	•Partner, David Wong & Co., Chartered Accountants •External auditor of BTMB •Will state that BTMB provided security to Workers Bank Trust Co. Ltd. for benefit of DoJap Investments Ltd., a company owned by Donald and Janet Panton

Other potential witnesses not yet interviewed on this matter would include the following:

Anderson, Audrey	•Director of Inspection, Bank of Jamaica •Will state that Bank Inspection notified BTMB in February, 1987 that it had misrepresented its statutory liquidity position and requested BTMB to rectify its non-compliance with liquidity requirements
L. M. Pommells, Loan Officer, National Commercial Bank	•To provide details as to $4,000,000 credit facility provided to Donald Panton including security, repayment.
M. Mossop, Loan Officer, Workers Bank Trust	•To provide details as to $4,660,000 and $8,660,000 credit facilities provided to DoJap Investments Ltd. including terms and conditions as to security, repayment, payment history, funds applied to discharge loan

file

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Facsimile Message Cover Sheet

Date: October 4, 1996	
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Fax Number: 1 809 929 1123	Location: Jamaica
No. of Pages: 7 (including cover sheet)	Client #: 00000

From: Dave Horner	Telephone: (416) 777-2443

Message:

TRANSACTION 8
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J$37 MILLION DOJAP LOAN OFFSET FROM BIMB TO CHL (JANUARY, 1993)

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TRANSACTION 8
OVERVIEW

$37 Million DoJap Investments Loan Offset from BTMB to CHL (January, 1993)

Increasingly through 1991 and 1992, BOJ Inspection expressed concern to BTMB and its management and directors as to the level of loans made to related parties. Of particular concern, was the largest of such loans being to DoJap Investments Ltd. ("DoJap"). Corporate search records disclose Donald and Janet Panton as shareholders of DoJap.

BTMB analyses indicate large loan and interest balances owing by DoJap. A March 31, 1992 working paper discloses $37.8 million principal and $45.2 million owing to BTMB by DoJap (a further $43.6 million is noted to be owing by DoJap to Consolidated Holdings Ltd. ("CHL").

Edwards prepared journal entries dated June, 1992 in the accounts of both BTMB and CHL that had the effect of transferring $37 million of DoJap's liability out of the records of BTMB. The records of CHL recorded a new demand loan of $37 million disclosed to be due from TBP Investments. A Director of TBP Investments claims that TBP did not apply for nor receive a loan of $37 million from CHL.

Francis reported to BOJ Inspection by letter dated December 23, 1992 that a further $35 million has been paid down on DoJap's loan account.

TRANSACTION 8
SUSPECTS/INVOLVED PERSONS

$37 Million DoJap Investments
Loan Offset from BTMB to CHL
(January, 1993)

The following persons have been identified as being involved, either by association, their position in the entities, or in correspondance.

Their culpability will be determined through investigation.

Panton, Donald	•Shareholder/Director of BTMB •Shareholder of DoJap •Advanced suggestion that DoJap loan arrears at BTMB be paid down with loan from CHL
Panton, Janet	•Shareholder/Director of BTMB •Shareholder of DoJap
Dwyer, Winston	•Chairman/Director of BTMB •Board discussion supporting DoJap loan offset transaction
Wong, David	•External auditor of BTMB and CHL •Questioned CHL's recording of $37 million loan to TBP but did not cause transaction to be reversed
Hutchinson, Orett	•DoJap Manager •Was to prepare loan documents on behalf of TBP
Brandon, Maxine	•BTMB Office Manager and Secretary •Recording Secretary at BTMB Board meeting whereby Panton suggested CHL loan to DoJap to reduce DoJap loan with BTMB

TRANSACTION 8
WITNESS' SUMMARIES

$37 Million DoJap Investments
Loan Offset from BTMB to CHL
(January, 1993)

Witness' Summaries

Trevor Clarke	•Director of TBP Investments Limited •Not aware of TBP Investments Limited receiving a loan of $37 million from Consolidated Holdings Ltd. ("CHL") •Not a member of Management Committee of CHL
Jeremiah Edwards	•Attended June, 1992 BTMB Board of Directors meeting where Panton suggested CHL loan DoJap Investments Ltd. ("DoJap") funds to apply against DoJap's loan owing to BTMB •Instructed by Francis to have CHL payout interest owing to BTMB by DoJap •Obtained clarification from Francis regarding the recording of this transaction •Had reservation regarding transaction and heated discussion with Panton and Dwyer •Prepared journal entry in BTMB to effect a $37 million reduction of the DoJap loan and journal entry in CHL to set-up a $37 million loan due from TBP
John Francis	•Aware of BOJ pressure for BTMB to reduce loan exposure of related parties, particularly DoJap Investments •Attended June, 1992 BTMB Board of Directors meeting where Panton suggested CHL loan DoJap funds to apply against DoJap's loan owing to BTMB •Recording loan to TBP would be a clerical error •Told by Donald Panton that Hutchinson would submit relevent loan documentation
Audrey Anderson	•BOJ Inspection demanded reduction of BTMB loan exposure to related parties, particularly DoJap •Was informed that DoJap loan and interest arrears had been reduced but was not informed of the true basis by transfer to liability to another institution (CHL)

TRANSACTION 8
ACCOUNTING EVIDENCE

$37 Million DoJap Investments
Loan Offset from BTMB to CHL
(January, 1993)

A March 31, 1992 analysis headed "Do-Jap Balances at March 31, 1992" discloses principal and interest amounts of $83.0 million and $43.6 million owing by DoJap to BTMB and Consolidated Holdings Limited ("CHL") respectively.

Edwards prepared BTMB journal entry #168 dated June, 1992 to record a $37 million reduction to DoJap's loan balance (Account #10952) and a $37 million receivable due from CHL (Account #10979). The notation accompanying this entry indicates it is to adjust a portion of loan liquidated at June 30, 1992. No approval of this entry is indicated.

Edwards prepared CHL journal entry #47 dated June, 1992 to record a $37 million demand loan receivable (Account #1010). The accompanying notation does not indicate the beneficiary of the loan. Additionally, CHL's account with BTMB (Account #2005) is credited with $37 million. No approval of this entry is indicated. CHL account #1010 is a loan account disclosed in CHL's general ledger of June 30, 1992 to be due from TBP.

At June 1, 1992, CHL's account with BTMB totalled $70.4 million due from BTMB.

The accounting treatment of these two journal entries effectively transfers $37 million of DoJap's debt out of the accounts of BTMB.

Edwards statement indicates these two journal entries were completed late December, 1992 or early 1993 and were back-dated to June 30, 1992 so as to be included in the audited statements for the year ending June 30, 1992.

David Wong as external auditor of CHL draws the Managing Director Francis' attention to audit shortcomings of the $37 million amount debited to the account of TBP. Wong notes that documentation supporting the loan to TBP, approval by the Board of Directors, identity of security held and terms of repayment are missing.

CHL's general ledger continued to reflect the $37 million due from TBP as at June 30, 1994 along with a further amount of $2.6 million for a total balance of $39.6 million,

By a letter dated December 23, 1992, John Francis of BTMB reports to Mrs. Anderson, BOJ Inspection that a

> "further $35 million has been paid down on this account".